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Bamburi cement ltd

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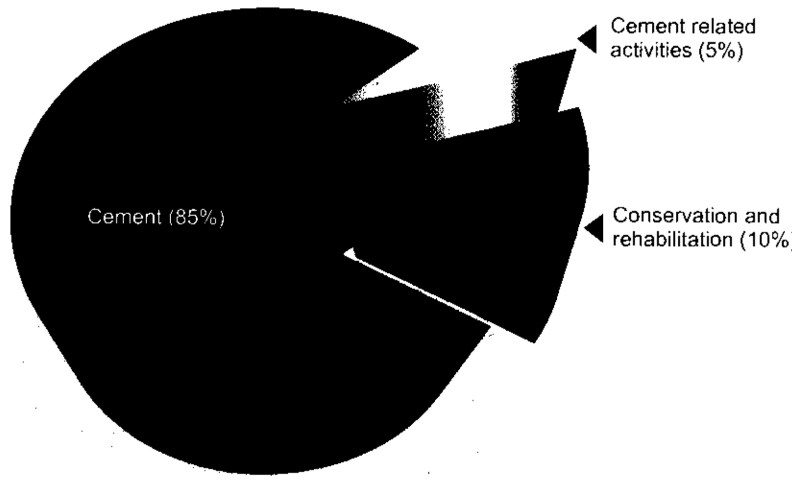
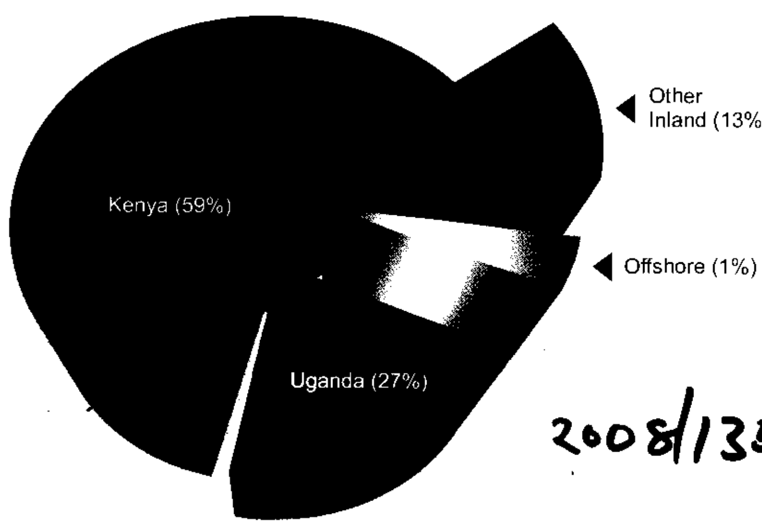
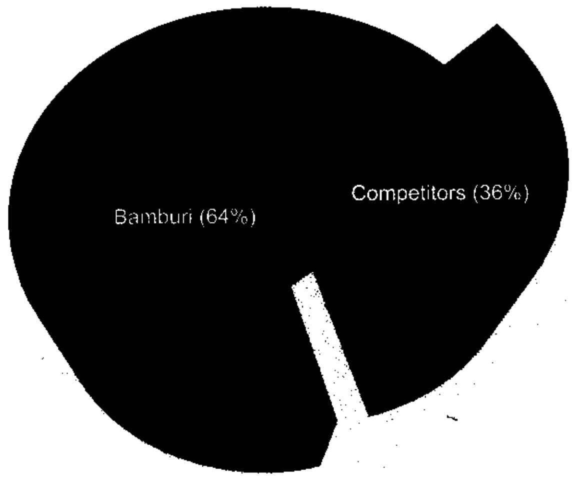


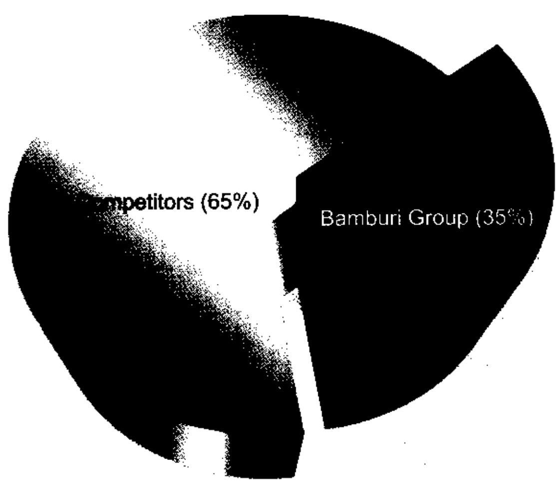
Sales by region



Market share - Kenya

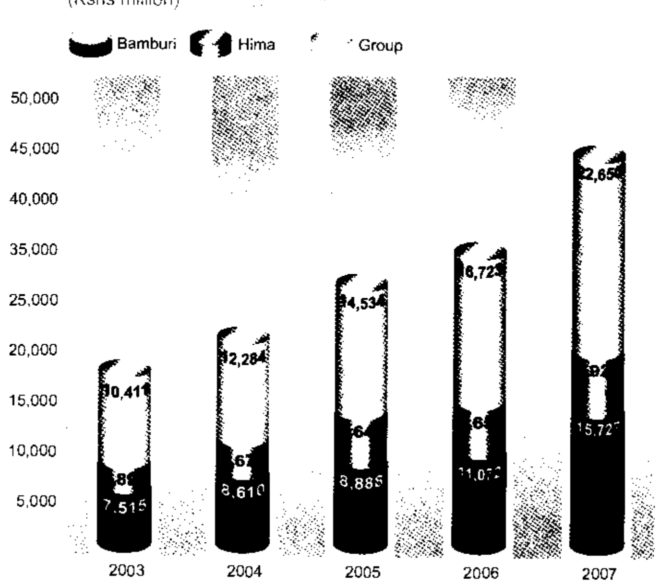


Market share - Uganda

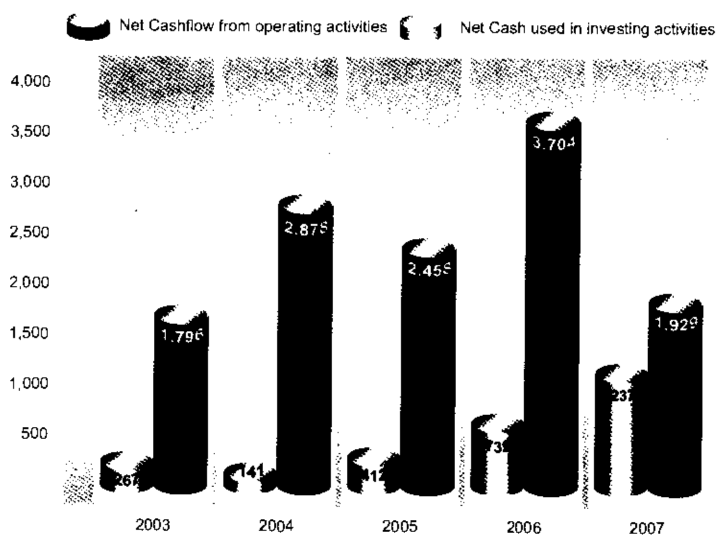


Five-Year Performance Review

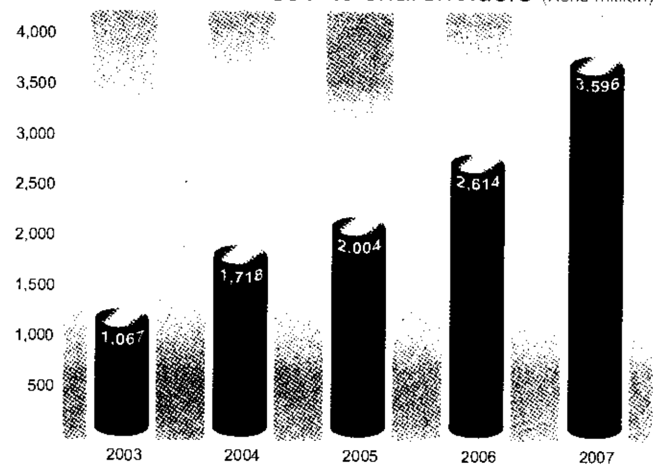
Turnover
(Kshs million)



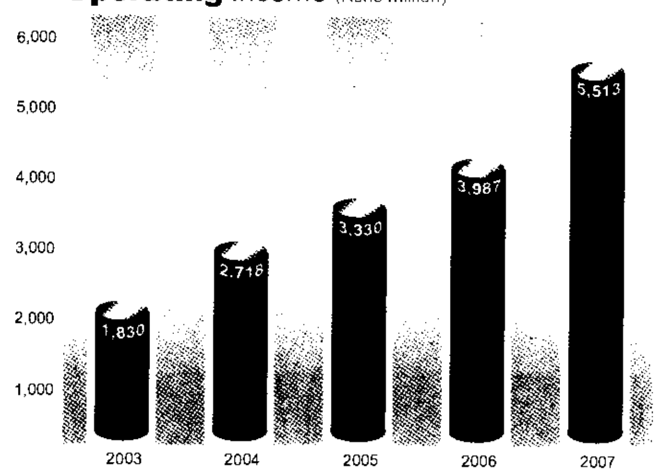
Investments and Net Cashflow from Operating Activities (Kshs million)



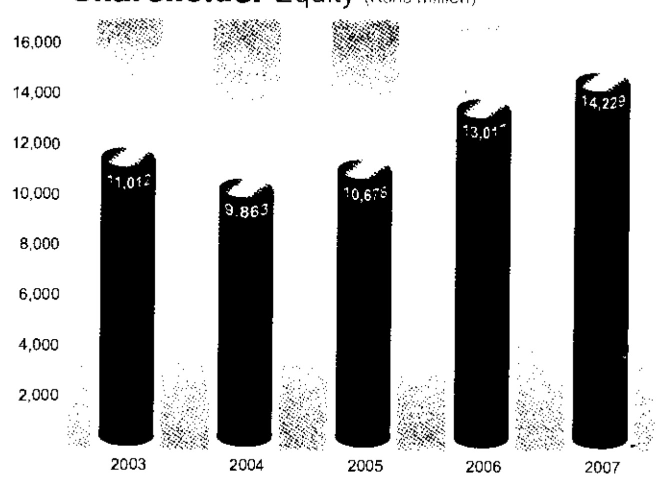
Profit attributed to shareholders (Kshs million)



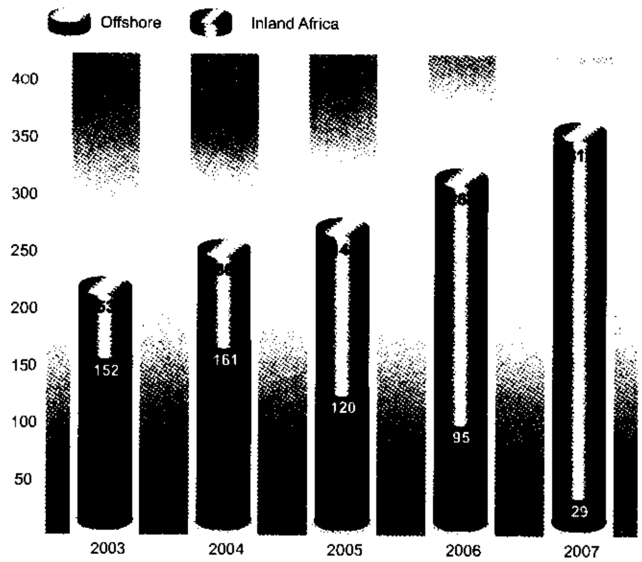
Operating Income (Kshs million)



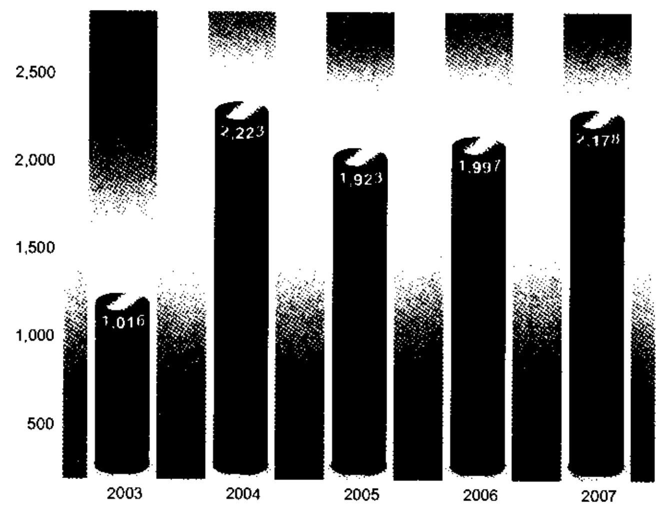
Shareholder Equity (Kshs million)



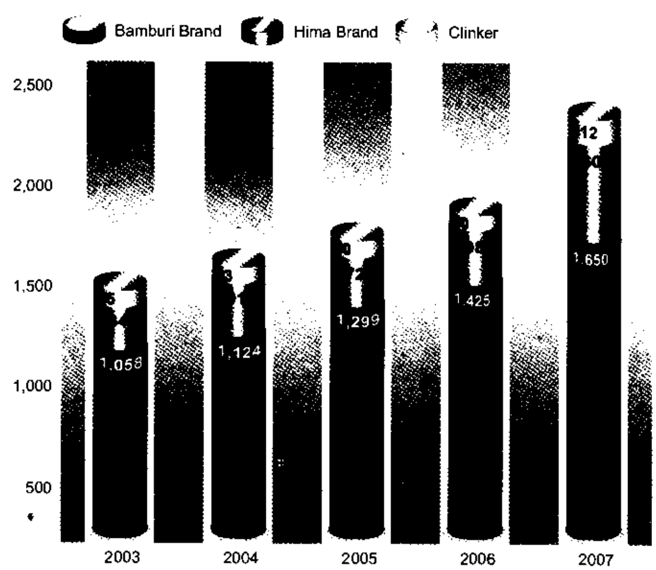
Export Sales
(Thousand Ton)



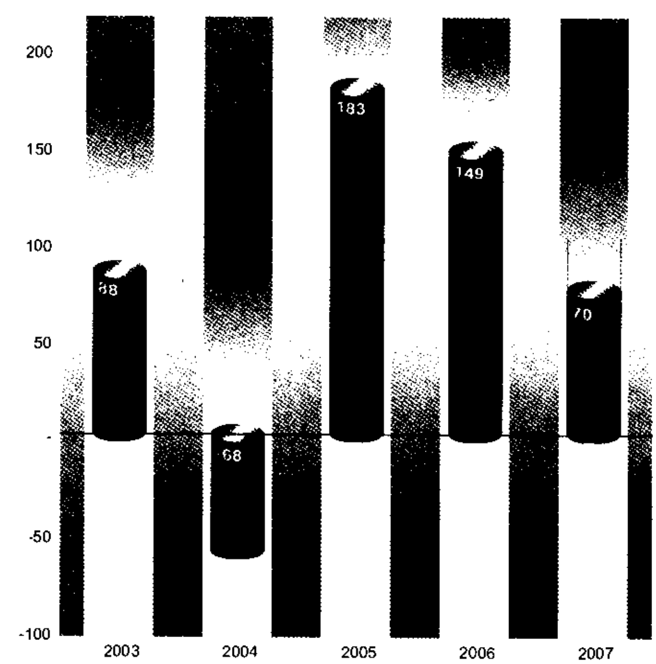
Dividends
(Kshs million)



East Africa Sales Volume
(Thousand Tons)

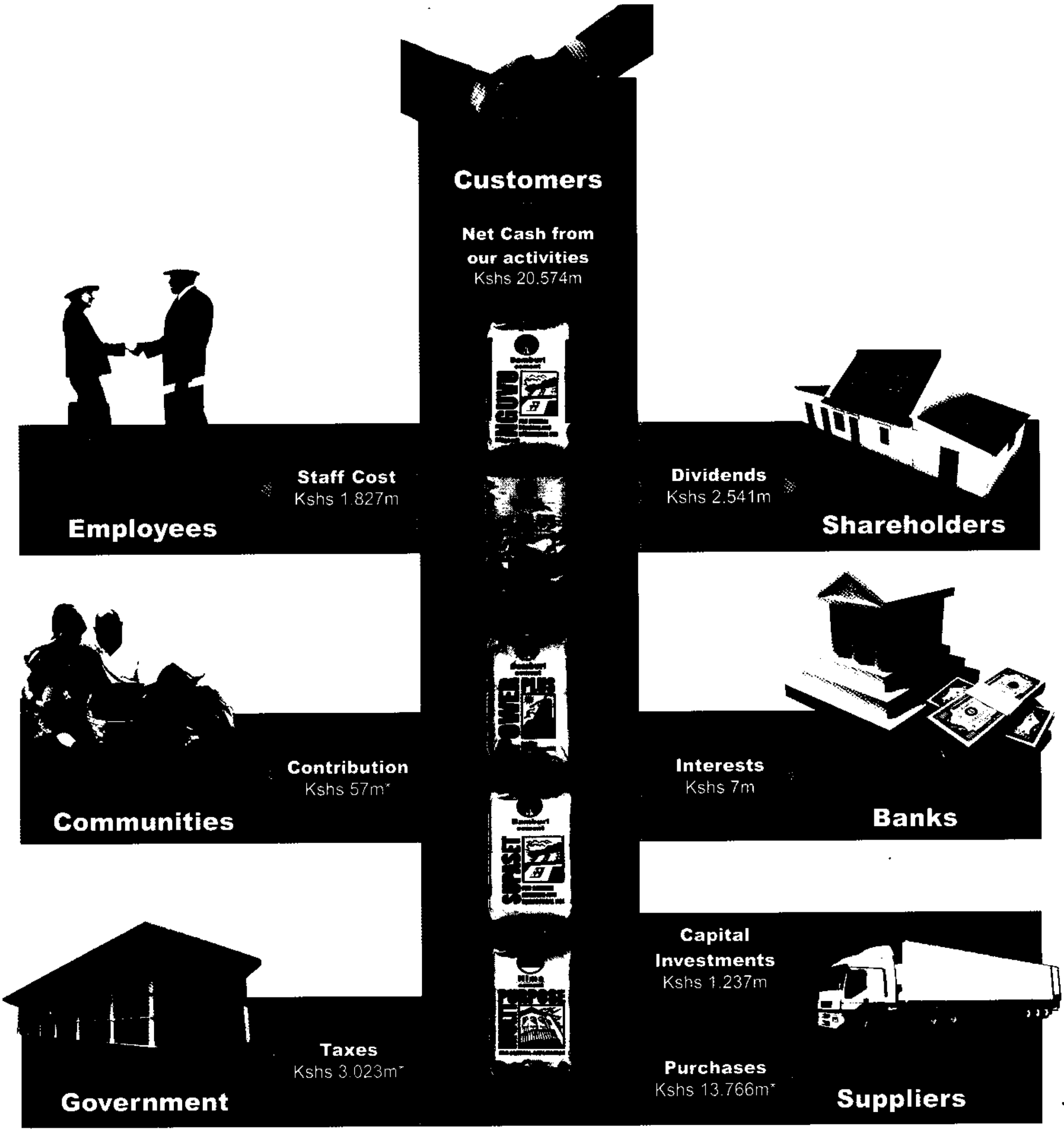


Finance (Income) Costs
(Kshs million)



Value Added Statement

Financial Flows to our Stakeholders in 2007



The data used in this value added statement comes from the group consolidated financial statements, with the data marked with an *, which has been estimated. Taxes comprise direct and indirect taxes.

DIRECTORS

Executive

M Puchercos (French)	- Group Managing Director (French)
D Njoroge	- General Manager, Hima Cement Limited
A Sigei	- Group Finance Director

Non Executive

R Kemoli	- Chairman
J C Hillenmeyer (French)	
S W Karanja	
A Hadley (British)	- Resigned on 4 October 2007
E Meuriot (French)	- Appointed on 7 December 2007
E Leo (South African)	- Retired on 31 March 2007
R Lumbasyo	
C C Kisire	
S M'Mbijjewe	

SECRETARY

M Nderitu - Resigned 30 May 2007
B Kanyagia - Appointed on 1 June 2007
Kenya-Re Towers, Upper Hill
P.O Box 10921 - 00100
Nairobi

REGISTERED OFFICE

Kenya-Re Towers, Upper Hill
P.O Box 10921 - 00100
Nairobi

REGISTRARS

Custody & Registrars Services Limited
P.O Box 8484 - 00100
Nairobi

AUDITORS

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

PRINCIPAL BANKERS

Barclays Bank of Kenya Limited
Nkrumah Road Branch
P.O Box 90182
Mombasa

Citibank N A
Citibank House, Upper Hill
P.O Box 30711 - 00100
Nairobi

Standard Chartered Bank Uganda Limited
Speke Road Branch, 5 Speke Road
P.O Box 7111
Kampala

Citibank
Centre Court Nakasero
P.O Box 7505
Kampala

The Company

OUR VISION

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

OUR AMBITIONS

To drive us towards attaining our vision while living these values, we have tangible Ambitions in 5 key areas:

1. **Safety, Health and Environment**

   We are dedicated to:
   - Training employees, contractors and business partners and adopting Best Practices to ensure safety for all.
   - To the good health of our employees and welfare of our local communities.
   - Protecting the natural environment and limiting the impact of our activities on the ecology.

2. **Innovation**
   - We are committed to top line growth through the introduction of new and innovative products. We commit to have a significant proportion of our turnover generated from new products by 2010.

3. **Sustainable Market Leadership**
   - We are committed to being the leader in the Eastern Africa market, with strong sales to the inland export markets.

4. **Profitable Enterprise**
   - To protect and augment our profitability by enhancing production and other internal efficiencies while realizing our aim to make cement affordable to our customers and end users.

5. **Team Achievement**

   We are focussed on:
   - Attracting the best talent, developing the skills and potential of our people and recognizing and rewarding achievement:
   - Building a disciplined and motivated workforce that drives for outstanding results.

Through these tangible five ambitions, we strive to embrace our values as one entity 'Driven by the Same Energy'.

OUR VALUES

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

Bamburi's Nairobi Grinding Plant, Athi River

THE LAFARGE WAY

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

Making our people successful
- Expecting people to give their best
- Leading by example
- Achieving greater results through teamwork

Focusing on performance improvement
- Resulting from actions of all
- Making performance a daily commitment
- Sharing systems and tools

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

LAFARGE GROUP
Lafarge in Brief

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

The Lafarge Group is present in 76 countries and has about 90,000 employees. Its sales for 2007 amounted to 17.6 Billion Euros up from 16.9 Billion Euros in 2006. The Cement Division has operations in 46 countries with 166 plants worldwide.

The customer is at the heart of Lafarge business. It offers the construction industry and general public innovative solutions that bring greater safety, comfort and quality to their everyday surroundings. Lafarge offers all construction industry sectors; (from architect to tradesman, from distributor to end user), a comprehensive range of products and solutions for each stage of the building process.

2007 Key Figures

Consolidated

Sales:	**17,614 million Euros**
Operating Income:	**3,242 million Euros**

Cement Division

Sales:	**10,280 billion Euros**
Operating Income:	**2,481 million Euros**

In 2007, Lafarge demonstrated its ability to accelerate its objectives. The Excellence 2008 objectives for growth in earnings per share and return on capital employed were exceeded, a year early in 2007. Thus the cost reduction target for 2008 will also be exceeded substantially. Cement demand worldwide has experienced uninterrupted growth over nearly 20 years, regardless of economic fluctuations. By building new capacity in fast growing markets (and thanks to the acquisition of Orascom Cement), Lafarge is ideally positioned to benefit fully from this growth. owing markets and thanks to the acquisition of Orascom Cement, Lafarge is ideally positioned to benefit fully from this growth.

Bamburi Cement Companies

Bamburi cement ltd

Hima cement ltd

LAFARGE ECO SYSTEMS

Bamburi special products ltd

Mbijjewe, Chris Kisire, Rachel Lumbasyo

iot

Board of Directors

holds a Bsc(Econ) London from Makerere University, Kampala and a Diploma in Management Studies from Regent Street Polytechnic (now University of Westminster, London) He is a member of the Institute of Directors London.

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

is a graduate of t
Polytechnique (1976) and the Ecole Nationale du Ge
des Eaux et des Forêts (1981). Michel started his ca
French Ministry of Agriculture where he worked betw
and 1989. He then served as Director of Strategy and S
Orsan, a Lafarge subsidiary from 1989 to 1992. In ad
has worked in senior executive positions in a n
Agro-Food and Chemical Industries in Europe as fol
1992-1994 in Jungbunzlauer SA as Executive Presi
1994-1996 as General Manager of the Cana grou
1996-1998 Doux, as Executive Vice President of th
European group specializing in poultry.

Michel returned to Lafarge in 1998 when he was appointed
of Strategy and Information Systems of the Gypsum
Lafarge. In 2003, he moved to the Cement Division as
Cement Strategy, until his reassignment to Bamburi C
Managing Director in September 2005

the acting Chairman of the Audit Committee, is a graduate engineer from Ecole Centrale des Arts et Manufactures, Paris and holds an MBA from "Institut d'Administration des Enterprises".

He held several positions in the Lafarge group both in France and internationally before retiring in August 1999 and is currently an independent consultant. His 45 years' of experience in the cement industry which has been very valuable to Bamburi Cement Limited.

is a BA graduate of Maker
and holds an MA from University of London. He has worked
the University of East Africa Registrar and was the first Ken
of the University of Nairobi. Subsequently he held the positio
Chairman, East Africa Portland Cement Company for twelv
which he was appointed Executive Chairman National Bank
1987. Amb. Karanja is currently serving as the Kenyan Amb
Permanent Representative to UN Habitat.

He has served as Chairman of the Kenya Golf Union, Mutha
and Fidelity Shield Insurance Company. Currently he is
Muthaiga Country Club

He has served on a number of commissions appointed by the
to look into the affairs of the University and in 2007; he se
University Inspection Board which had been set up by the
review the operations of the public and private universities in K

is a Chartered Accountant ICAEW and a CPA (K). Sheila previously worked at PriceWaterhouseCoopers as a Finance Director, Stagecoach International, and most recently at Standard Chartered Bank Kenya. She is currently a member of the Bamburi Cement Audit Committee and the Board. She is also a member of the Monetary Policy Advisory Committee of the Central Bank of Kenya.

is the Executive Vice-President Lafa
Africa, Morocco, Jordan and Egypt region. He is an
the University of Paris-I, France and the Universi
Island, USA. He joined Lafarge in 1987 as Deputy to
VP, Economic Studies and rose to become the Senior
Economic Studies in 1990. In 1994, he moved to the
Senior VP Cement Development Central Europe, a
held until 1997 when he took over responsibility for t
Aggregates and Concrete business in Poland.

Between 2000 and April 2004, he held the position of Dele
VP Gypsum Northern Europe before being appointed the E
of Cement Eastern Mediterranean Region. In Octobe
became the Executive Vice-President of the Africa R
retaining responsibilities for Morocco, Jordan and Egypt

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is a holder of a Bachelor of Commerce degree, Accounting major and is a CPA (K). He has attended managerial, financial and leadership related courses both locally and internationally and has broad experience in finance and related fields. He joined the company in 1999 as Finance Manager a position he held until 2002 when he was promoted to be the Group Finance Director. In April 2006, he was assigned to Hima Cement Ltd as General Manager and is currently responsible for the Group's capacity increase projects across East Africa.

He is also a director at the Nairobi Stock Exchange where he chairs the Audit Committee.

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

LLB (Hons), Dipl. Diploma in Law (KSL), Advocate, Commissioner for Oath, Notary Public. She practised with a law firm in Nairobi before joining PricewaterhouseCoopers, Tax and Legal Services department as a Consultant. Betty joined Bamburi Cement Limited in 2003 as the Compensation and Benefits Manager, a position she held until June 2007 when she took over as Legal Manager. She is a member of the Law Society of Kenya, the Institute of Certified Public Secretaries of Kenya and the Commonwealth Lawyers Association.

has a degree in Mechanical Engineering from the University of Nairobi and is a CPA(K). He also holds a Higher Diploma in information systems management and qualification in information systems audit. He has attended various training sessions including an International Leadership Development Programme at INSEAD, one of Europe's leading business schools.

He joined Bamburi Group in May 2002 as Group Controller. He previously worked within the risk management and financial audit service of PricewaterhouseCoopers for five and a half years in Nairobi and London.

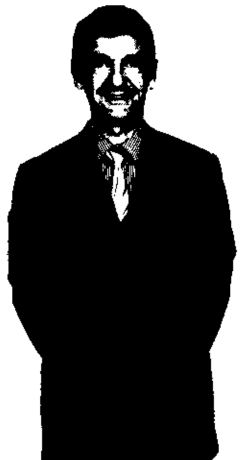
is a holder of Bachelor of Commerce (Accounting Major) and a Masters of Business & Administration degrees both from the University of Nairobi. He also holds Certified Public Accountant of Kenya (CPA (K)) and Certified Public Secretary of Kenya (CPS (K)) qualifications. He is a member of the Institute of Certified Public Accountants of Kenya (ICPAK). He has worked for more than sixteen years in finance and administration both locally and internationally. Mr Kisire is also a member of the Audit Committee.

Board of Directors

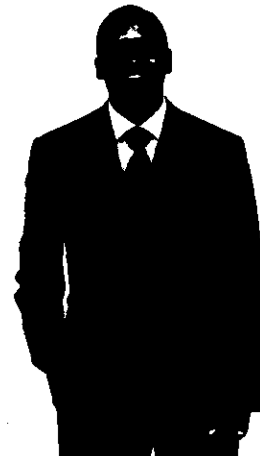
From left to right > Jean-Claude Hillenmeyer, Solomon W. Karanja, David Njoroge, She

From left to right > Albert Sigei, Richard Kemoli, Michel Puchercos

En



michel puchercos



albert sigo

tim kaloki

david njoroge

susan maingi

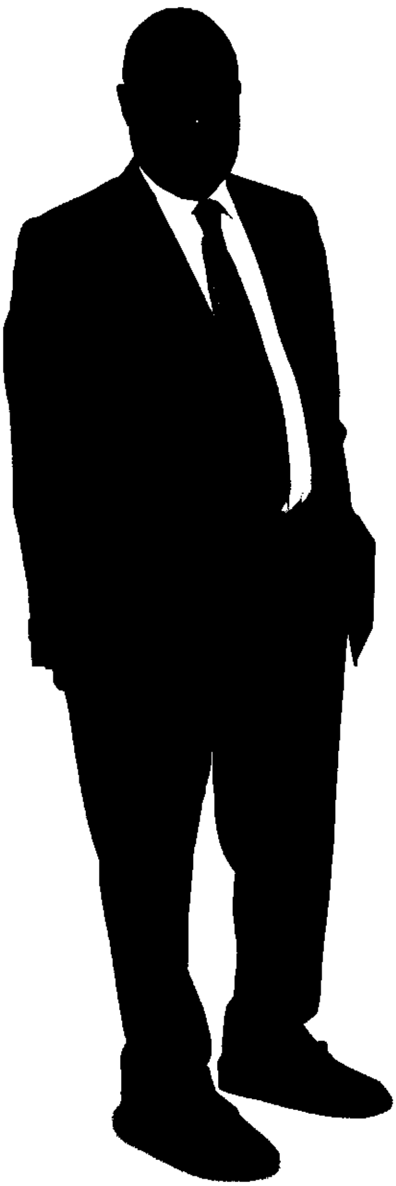
robert nyangaya

henri nicot

tariq iqbal

Foreword

'The Group's performance during the year reflected gains on key investments in people, processes, partners and communities in building a strong foundation for future success.'



Strong results

Despite the challenging operating environment across the region, the group achieved strong performance, highlights of which are given below:

- Our consolidated sales grew by 34% to Kshs. 22.1 billion.
- Operating profit reached Kshs. 5.5 billion (2006: 3.9 billion).
- Growth in our Uganda operations was on target despite power quality challenges and capacity constraints, with sales volume rising 9.6%, driven largely by exports.
- We continued with our commitment to reducing operating costs by implementing the Excellence 2008 initiatives. We are on track to achieving the cost savings set by this program.
- We enhanced our safety improvement initiatives with road safety being a key focus.

Creating new opportunities for our customers

The Group dedicated significant resources over the last year to develop its products. Our new product, Plastaplus, was successfully launched in pursuit of our ambition to create new opportunities for our valued customers. We maintained a strong focus in the regional markets in order to consolidate our leadership position and to position ourselves for future growth

Investing for the future

In addition to investing in our employees, we dedicated significant resources to increase our production capabilities. During the year, the group invested Kshs. 0.4 billion in a new cooler at our Mombasa Plant aimed at boosting our production efficiency. In Uganda, at our Kasese Plant, we commenced the construction of a new production line at a cost of Kshs. 7 billion to more than double our capacity, expected to be commissioned by 2010. These investments are aimed at meeting customer demand, increasing efficiency and lowering operational costs with the overall aim of growing returns to our shareholders. The group spent a total of Kshs. 1.8 billion on various projects in 2007.

Partnership with Communities

Our Green Schools Project had a very successful year in Kenya as it continued to fulfil one of its core purposes of providing water in some of the participating schools by the completion of 17 water tanks for 9 schools. This brought the total number of tanks constructed to 143 to date. In Uganda, we planted 13,000 trees in the 7 schools that we identified for the project. We also commenced the construction of one water tank in each of the schools.

During the year, Bamburi Cement received a gold award from Total under the auspices of the Total Eco Challenge program in recognition of the tree planting work done by Bamburi Cement.

In 2007, the Group began the pursuit of Clean Development Mechanism (CDM) as a means to achieving its sustainable development ambition. CDM is one of the two mechanisms under the Kyoto Protocol which aims at reducing green house gases that cause global warming. It provides for purchase of green house gas reductions while supporting sustainable development. The Group's CDM activities target the substitution of our primary CO_2 intensive fuels - coal and heavy fuel oil with carbon neutral biomass wastes from the agriculture industry and plantating of woody biomass to provide feed stock for future fuel substitution as well as enhance biodiversity and forest cover. Through Lafarge Eco Systems, the group is establishing a 900 ha biofuel plantation over a six year period in Mombasa. In 2007, 150 ha of biofuel plantation was established. These activities which create good neighbourliness and contribute to economic and social development have been and will continue to be implemented in partnership with local communities surrounding our sites.

In an effort to reduce road carnage, the group continued to work with our transporters on several initiatives including defensive driving training, road patrols and assessment of transporter premises.

In Uganda, community outreach activities to the youth and adults continued as focal point on health interventions in Hima. The high response during Our World Aids day's celebration themed *"Unite for Children, Unite against Aids"* that brought in community members was a reflection of the effectiveness of communication flowing from the ART program launched in August 2006. From the days sampled, a prevalence rate of 8.9 % was noted pointing at the need for intensified intervention.

Building on a strong foundation

Our human resources team continues to deliver competitive advantage to the business by introducing new talent and aligning them with other team members to form a formidable 'engine' that is focused on achieving our vision. By focusing on the strengths of each individual and encouraging a positive, winning attitude among our staff, we have developed a truly committed and value creating team. We view the 'one business unit one team' concept as an asset and core to our strategic initiatives in the region.

We progressed on the 'one team' concept through synchronization of structures, harmonization of policies and procedures and aligning all staff towards one common vision *'to be the leading market and end user oriented cement company across Eastern Africa, with a strong and clear dedication to our communities'.* The harmonization project, one of the key pillars of this process that was launched in 2007 aimed at standardizing and improving reward and other human resource policies and procedures across East Africa, has so far produced tangible positive results. Incentives such as performance based bonus schemes recognize measurable results among our best employees and teams. Additionally, we are committed to our Code of Conduct which supports integrity and good corporate governance throughout the organization.

Our efforts to grow and improve as a company would not be possible without the leadership of the talented strong team of Board of Directors, as well all our employees. Our customers, suppliers, transporters, distributors and other business partners also deserve commendation for their hard work and loyalty.

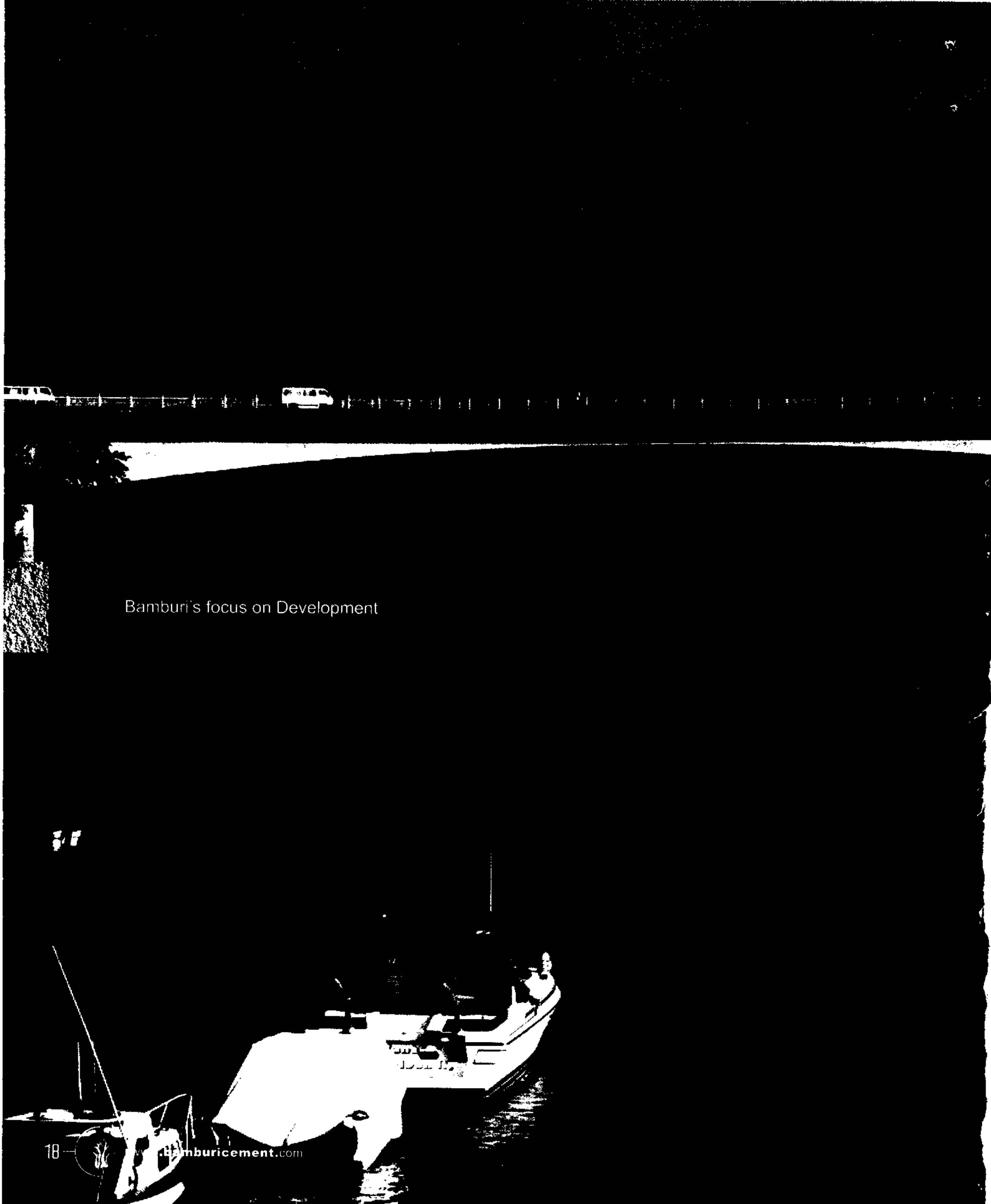
Future Growth

The Group expects a robust year 2008 with increased construction activities and other infrastructural development across all markets despite a slow start in the first quarter due to the political situation. The Group expects to serve its diverse customer needs better on an innovative platform. Power supply and quality in Uganda will remain a challenge until the recently awarded 4-year contract for the construction of the 250MW Hydropower Bujagali dam is completed.

Looking forward, we are committed to building an integrated Group across all of our businesses in East Africa. By investing in our people, new products and marketing strategies, new technologies and our communities, we plan to take significant steps towards maintaining the profile of Bamburi Cement as market leader in Eastern Africa in line with our 2010 vision.

Thank you.

Richard Kemoli	**Michel Puchercos**
Chairman	**Managing Director**



Bamburi's focus on Development

ECONOMY

The group thrived in an economic environment that was good for growth, providing significant business opportunities in all key sectors. The Kenyan economy sustained a strong momentum (2007 GDP 6.5% compared to 6.1% in 2006) bolstered by improved production in various sectors, particularly tourism, telecommunications, manufacturing, agriculture and infrastructural development, all resulting from significant improvements in the macroeconomic conditions and various economic reforms undertaken by the government. Overall inflation at 9.8% was negatively affected by high international oil prices and unstable food prices but still remained below the 14.5% level of 2006. Relations with donors improved from the first quarter of 2007, which prompted increased World Bank funding. The key focus remained the implementation of specific Economic Recovery Papers on poverty eradication, free primary education and implementation of Vision 2030 programmes.

Despite adverse effects of power shortages, Uganda GDP growth was 6.0% (4.5% in 2006) driven by growth in agriculture, resilient private sector growth in telecommunications, exports and donor-aid projects. General price levels experienced less volatility to reach 5.7% in 2007 (7.2% in 2006), partly due to the effect of a stronger shilling on prices of imports and more stability in the prices of food and power.

CONSTRUCTION SECTOR

Cement demand in the region continued to be strong stirred by robust economic growth. Overall market in East Africa grew by an estimated 14.8%. The construction sector experienced strong growth due to stable Individual Home Builder (IHB) demand and growth in the contractor segment mainly driven by public and private infrastructure projects. In Uganda particularly, there was sustained investment in commercial buildings, hotels, roads and the rehabilitation of airport facilities' ahead of the Commonwealth Heads of Government (CHOGM) summit held in November 2007.

SAFETY, HEALTH AND ENVIRONMENT

We continued with the Group's commitment to achieve good results in a safe environment. We championed good safety behaviour and practices for our staff and contractors alike. In 2007, we made significant investments in various Health and Safety programs across the Group. We implemented various group safety standards, especially those relating to Working at Height, Personal Protective Equipment, Log Out Tag Out Try Out (LOTOTO) and Contractors' Safety Management (CSM) and Mobile Equipment Advisory. Every staff and contractor continued to live by their commitment to our Safety policy through responsible behaviour and active engagement of one another. Towards the end of the year, we launched Health and Safety committees for all contractors at each of our sites, both in Kenya and Uganda.

Road safety continued to be a challenge. We put significant effort towards road safety improvement with frequent patrols and defensive driving training sessions for our transporters. In the spirit of true partnership, we agreed to have same benchmarks and behaviour with our transporters. Our long-range strategy is to shift a significant portion of our bulk material transport from road to rail when the railway system improves.

KEY HIGHLIGHTS

Kenya

Bamburi Cement Ltd

The cement market recorded strong growth of 15.5%. Bamburi Cement demonstrated remarkable performance during the year, with domestic cement volumes growing by 27% on the back of Individual Home Builder demand and growth in the contractor segment mainly driven by public and private infrastructure projects. However, export sales reduced by 13.6% due to realignment of product flows with reduced volumes going to the Indian Ocean markets. The Group however realized an increase of 20% on export volumes into the Inland Africa market.

In responding to strong cement demand, cement production improved by 14.9%. We recorded a 35% drop in clinker production due to an unfortunate fire incident in October 2007 at the Mombasa plant disrupting clinkering operations. Most of the repairs are now complete and normal operations are quickly resuming. Among other investments, the group invested Kshs. 400 million in a new cooler at our Mombasa Plant aimed at boosting production efficiency.

We demonstrated our commitment to achieving our innovation ambition by launching a 'first in the market' new product, Plasta Plus, which helped boost the group's turnover by Kshs. 75 million in just four months.

Bamburi Special Products

Bamburi Special products, Bamburi Cement Limited's subsidiary that deals in concrete products under the brand name "Bamburiblox" demonstrated good performance in the year. The company's turnover grew by 14% in the year that saw the introduction of a new product, the Inverter Block Drain and the commercialisation of the kerbstones' business.

Lafarge Eco Systems Limited

Lafarge Eco Systems Ltd, a fully owned subsidiary of Bamburi Cement Ltd is mandated is to manage all Bamburi Cement Ltd mining reserve lands, rehabilitate its mined quarries and develop and maintain self sustaining ecosystems in the rehabilitated quarries. The rehabilitated quarries, a publicly accessible showcase of Bamburi Cement's environmental responsibility and success, attracted 166,000 visitors in the year.

In 2007, the company's turnover and profit before tax increased by 39% to Kshs. 120.8 million. Profit after tax was Kshs. 18.9 million.

Uganda

Hima Cement recorded very good performance in 2007 with overall sales volumes increasing by 9%. The domestic volumes growth was on account of infrastructural development projects ahead of the Commonwealth Heads of Government Meeting (CHOGM) held in Uganda in November 2007, and sustained Individual Home Builder (IHB) demand. Robust growth and continued focus presented significant opportunities in the export markets.

Cement production improved by 13%. We continued to harvest synergies of being 'one business unit one team' across East Africa by transferring clinker to Hima Cement to optimise our milling capacity at the Kasese Plant. We undertook several actions with the help of Lafarge's Technical Centre to increase clinker production. We expect to reap the benefits of these actions in 2008. In pursuit of our efforts to lower costs, we remained focussed to offsetting the high fuel and power prices with the use of alternative fuels such as cashew nuts and rice husks. We achieved 28% alternative fuels substitution in 2007.

PROJECTS

To consolidate our strong foot print in the region, the group embarked on a number of capacity expansion projects. At the Kasese Plant in Uganda, we commenced the construction of a new Kshs. 7 billion production line, expected to be commissioned by 2010. Once complete, the new plant will double our capacity. In Kenya, we commenced the exploration work at Kanziko, Kitui, to establish the existence of adequate reserves for a clinker plant. These investments are all aimed at meeting customer demand and lowering operational costs in a bid to grow returns to our shareholders. The group spent a total of Kshs. 1.8 billion on capital expenditure during the year.

OUTLOOK

With the political deal now in place in Kenya, we expect a positive outlook for 2008. We expect the economy to resume momentum with a stable macroeconomic environment. We are optimistic that the Government will take urgent steps to improve the operating environment by moving with speed to stabilize the economy and sort out concerns over the infrastructure.

Looking ahead, the Group anticipates better results on the back of a vibrant market and the group's pursuit to serve better the needs of its diverse customer by leveraging on the innovation platform. We however expect cost pressures, particularly rising energy and transport rates.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Corporate Governance Statement

In the Bamburi Group, we recognize that ethical business practices and the integrity of our internal control systems are vital to the enhancement of our financial performance and sustainability. We are committed to the standards of corporate governance as set by the Capital Markets Authority. The Board of Directors is responsible for the long term strategic direction for profitable growth of the company whilst being accountable to the shareholders for the maintenance of the highest corporate governance standards and business ethics.

Board of Directors

The Board comprises eleven directors, three of whom are executive directors while the rest are non-executive. Among the non-executive directors, five are independent directors. In addition to seeking a fair balance between executive and non-executive directors, the appointment of board members also takes cognizance of the need for a good mix of skills, experience and competencies required in the various fields of expertise, for effective management of the Group's business.

The board meets at least once every quarter and continues to maintain effective control over strategic, financial, operational and policy issues.

The following standing committees of the Board meet quarterly or as required.

Audit Committee

In accordance with regulatory requirements, the committee comprises non-executive members of the Board who are independent of the day to day management of the company's operations. Its members are Jean-Claude Hillenmeyer, Chris Kisire, Sheila M'Mbijjewe and Rachel Lumbasyo.

The audit committee plays the key role of reinforcing best practice in corporate governance particularly in the areas of internal controls and risk management. Its main duties are to:

- Ensure that the systems of internal control are soundly conceived and effectively administered and seek assurance that effective control systems are in place and regularly monitored;
- Define responsibilities of the internal control function;
- Review the extent of compliance against policies, procedures and laws;
- Review financial statements and interim results;
- Discuss the mandate and review the findings of internal and external auditors.

Nomination and Remuneration Committee

This committee is responsible for appraising the performance of senior management staff, continuous review and rationalisation of human resources policies, and advising the Board on matters relating to remuneration for senior management and board members. It is also responsible for the appointment of directors to the board. Its membership comprises Richard Kemoli, Eric Meuriot and Michel Puchercos.

Executive Committee

The Managing Director chairs an East African Executive management committee, which comprises the executive directors and other senior executives. The committee meets at least once a month and its mandate is to deal with operational issues, and to improve communication and co-ordination through the various companies in the group. The committee members are Michel Puchercos, David Njoroge, Albert Sigei, Henri Nicot, Susan Maingi, Timothy Kaloki, Robert Nyangaya and Tariq Iqbal.

Barbour strives to teach about the environment

KENYA

Bamburi Cement's responsibility and understanding of its contribution to the communities it operates in, is epitomized in its vision statement *"...to be the leading market and end user oriented cement company across Eastern Africa, with a strong and clear dedication to our communities".* All communities in all the locations where the Group operates in East Africa are our valued stakeholders.

Environment

The Group's Environmental policy is premised on a commitment to conduct its activities in a responsible manner to protect and enhance the environment.

We are pleased to report that the Green Schools Project had a very successful year. The project, whose core objective is the provision of concrete water tanks and tree seedlings to schools in arid and semi arid areas, ensures that clean water and a future source of wood fuel is accessible. In the year 2007, 17 water tanks were constructed for 9 schools, bringing the total number of water tanks constructed to 143 to date. The total number of schools in the project is 105 spread throughout Coast, Rift Valley, Western and Eastern provinces and in 9 districts in Kenya.

Nine new schools were recruited to the Green Schools Project Network 7 in Kanziko and 2 in Athi River. The planting done in specific districts was as follows: Mwingi (16,500) Machakos (23, 015), Mutomo (1,700), Kajiado (10,250), Bondo (15,000), Marakwet (16,700) and Coast (58,960), all totalling 130 715 seedlings. Monitoring of Rarieda and Marakwet schools projects was done in November 2007. The Green Schools project continues to expand, and as a result, 403,328 trees have been planted to date.

We launched the Bamburi Primary School Green Schools Project on 3rd April 2007 and planted 2,000 seedlings in conjunction with our Mombasa-based employees. In order to strengthen our brand recognition in a number of these schools, we have started working on the provision of 35 school signboards appropriately branded with company identity. They will be erected in early 2008.

In addition, we enabled the repair of four classes at Mkokoni primary school. The refurbishment works are to meet a need in the school and recognizes the pivotal role of sound infrastructure in enhancing the academic standards of the schools we are involved.

Land Management: the Bio fuel Project

In 2007 we implemented the new Bio fuel Project on our mining reserve land. The Project relates to planting tree plantations on long-term basis, for the fuel-wood to be used in the kilns to substitute part of the fossil fuel used at present. Land has been set aside for this purpose, and the

planting will take six years. Harvesting and re-planting will start from the seventh year. In 2007, the first year, 404,000 seedlings were planted. After three month duration, the survival rate noted was 95% which was above expectation.

The project offers a unique opportunity to work closely with neighbouring communities. In 2007, an average of 180 people worked in the plantation. For the 2008 planting program, part of the seedling production has been contracted out to community nurseries.

Lafarge Eco Systems, in partnership with the community, started the implementation of a project towards the production of seedlings for the Bio fuel project. A total of 34 groups were visited and survey carried to find out their possibility of producing the seedlings. The key selection criteria were access roads and resources for nursery establishment such as, seedling pots, water and labour.

Eighteen community groups were selected in Diani and 7 groups in Vipingo. It is anticipated that these community nurseries will produce 130,000 seedlings by March 2008. The project is tailored towards training community group members on raising casuarina seedlings, uplifting community living standards through purchase of seedlings and procurement of good quality seedlings for the Bio fuel project.

Quarry Rehabilitation

With adoption of the Bio fuel Project, a decision was made to integrate part of the quarries under rehabilitation into the project, with fuel wood plantations as final use for external quarries. The quarries in Bamburi, South Quarry and the Forest Trail part of North Quarry, however, will continue to be rehabilitated into an ecological showcase for biodiversity conservation, to be used for tourism and education activities.

Many trees fell in the old rehabilitated quarries due to high wind, and this led to a review of the plantation management plan to create more balanced canopies of the pioneer trees. Earlier introduction of diverse coastal vegetation will also help improve resilience of the forests to windfall.

Haller Park & Rehabilitation Showcase

A lot of effort went into improving infrastructure, attractions and customer service in Haller Park in 2007. This has resulted in a more attractive, friendly and informative product, and has reflected positively on visitor feedback. The two parks, Haller and Forest Trails, attracted 166,000 visitors in the course of the year.

Haller Park is developing a new attraction which demonstrates the transformation of an open quarry into a nature sanctuary. This is a site at the edge of the park, looking out into the quarry and rehabilitation in progress, with the factory visible in the background as the driving force for the quarrying as well as the restoration process. This is a unique opportunity to demonstrate the integration of quarry rehabilitation and biodiversity conservation into cement production, and explain Bamburi Cement's environmental responsibility.

The new site clearly communicates Bamburi Cement's environmental responsibility, as could be seen from the feedback received from various journalists, community, and other key stakeholders.

Haller Park has hosted major corporate evening functions with great success. The beautiful set-up and atmosphere at the functions, and the feedback was an incentive to develop corporate functions as a new product for Haller Park.

Community initiatives

Community outreach activities continued with the annual Bamburi Cement medical camp held on May 5, 2007 at Denyenye Primary School in Ngombeni Kwale District. This camp was organized jointly with the local administration, Ministry of Health, Mombasa Hospital and Population Services International.

A total of 992 people were treated, with 58 others being seen at the VCT clinic in the camp. The camp provided an opportunity for creating awareness through entertainment on HIV/AIDS and Waterborne diseases. A total of 450 bed nets were donated to members of the community at the camp. The Minister of Transport and Communications Hon. Chirau Mwakwere, who is area MP, was the guest of honour.

In Nairobi, the corporate office and Nairobi Grinding Plant (Athi River) staff teams marked the World Environment Day at Kanaani Primary School in Athi River on June 5, 2007. The Mavoko administration, and students and teachers of Kanaani School attended the event. Everyone in attendance planted various species of trees to improve forest cover at the School and Athi River. About 2,000 seedlings were planted on this day. This school was added to the Green Schools network.

The World Environment Day was marked in Mombasa, Athi River and Kampala. In Mombasa, the celebrations were marked at the Haller Park on June 2, 2007 with activities including a tree planting at the Vipingo estate, the site of the Bio fuel plantations. Staff and invited guests planted 3,411 seedlings. In addition, the Haller Park was open to the public with over 6,300 school children and members of the public admitted into the Park without charge. To further propagate the World Environment Day theme, 5,000 casuarina seedlings were provided free of charge to the public to plant at their homes. Over 20 stakeholders partnered with Lafarge Eco Systems Limited to exhibit various environmental products and services at the Park.

Bamburi Cement Limited together with its subsidiary Lafarge Eco Systems and the Bureni Beach Development Group on September 15 2007, helped clean the beach along Vipingo, Bureni and Mferejini Villages. The success of the event was through effective mobilization of school children together with their teachers, the communities and area members of parliament. About 1,200 people attended, 950kg of dirt was collected in a 3km stretch of beach. Subsequently, 625 seedlings were planted on the Vipingo property to mark the exercise. In addition to the 27,000 seedlings donated to various beneficiaries, the subsidiary gave assorted donations in cash and in kind around Kisauni and Vipingo areas.

On October 4, 2007, Bamburi Cement handed over a water borehole constructed with a significant segment of funds contributed by the Company through the Famine Relief efforts in 2005 to the Kalawa Community, Makueni District. The official launch of this borehole was presided over by the Minister of Water, the area MP and the Secretary General of the Kenya Red Cross. The borehole with its tank and distribution points will serve a population of 6,500 people in an area hit by water scarcity. The Kenya Red Cross managed the construction. Mr Richard Kemoli, Company Chairman and Robert Nyangaya, Marketing Director represented the Company at this event.

The Company, in a bid to strengthen its relations with this community in Kanziko, Mutomo District, where prospecting for limestone is being done, donated cement and school text books to Kanziko Secondary and Primary School respectively on October 15 2007. The donation was supplemented by additional books for the lower primary by the East African Educational Publishers who were also represented at the occasion.

Awards

Bamburi Cement received a Gold Award from Total Kenya Limited under the auspices of the Total Eco Challenge program in recognition of its tree-planting initiative.

In addition, the Company received an award as the First Runner up in the Corporate Social Responsibility Category in the 2007 Finance Reporting (FiRe) awards. These are achievements that we are distinctly proud of.

The Owen & Mzee Book continued to win accolades, with the latest one being the 2007 award for American Library Association "Notable Book Award". The book has been translated into Japanese and in Braille. A contract was entered into in September 2006 by the publishers of the book, Scholastic Inc., with the Jomo Kenyatta Foundation to publish the book locally in English and Swahili. The positive publicity and acclaim of the book continues to draw attention in Bamburi Cement and its rehabilitation work in Mombasa.

Corporate Events

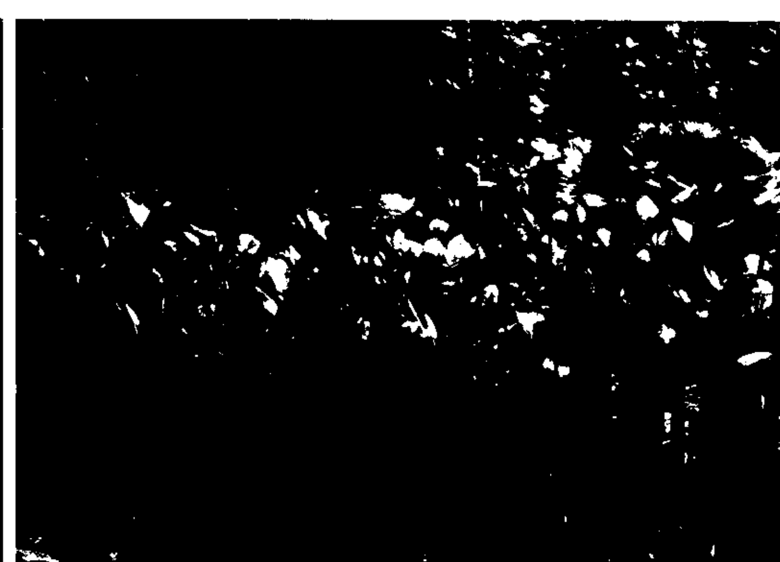
In order to engage business partners and other corporate stakeholders in the Nairobi Corporate scene, the Bamburi Corporate Golf Day was held at the Muthaiga Golf Club on June 29, 2007. One hundred and fifty golfers, including 25 professional golfers, participated in this event. The professional golfers participated in a 3-day tournament for prize money and conducted a Golf Clinic at the tournament. The Minister of Finance graced the well-attended evening cocktail for business partners.

The Nairobi Grinding Plant in Athi River opened its doors to the public on September 22, 2007 and the Guest of Honour was the Managing Director. In attendance were various government officials, surrounding community and the staff. The theme of the day was 'Sustainably Growing Together' and the Plant showcased practices in safety, product innovation and environmental management. The Plant staff conducted tours around the Plant to familiarize the guests on plant operations and later held family activities for the guests. The open day is one of the key stakeholder interactions opportunities for the plant.

Press visit - French & British journalists East Africa

The External Communications office in Paris organized a 5 day press visit for a group of French and English journalists from various high profile media houses on a familiarization and exposure tour of Lafarge East Africa market, from October 24, 2007. The aim of the visit was to present Lafarge's strategy in East Africa, with a special focus on Kenya and Uganda, show-casing the activities and strategy in both countries. The journalists also spent time with the Lafarge Group Chairman and CEO, Bruno Lafont, during his 2-day visit to Kenya and Uganda. The journalists also covered the ground-breaking ceremony for the capacity expansion program at Hima Plant.

The Chairman and CEO of Lafarge Group made his second visit to East Africa on October 25 26, 2007 and was accompanied by the Executive Vice President, Cement Division, Guillaume Roux. His visit included officiating over the ground-breaking ceremony at the Hima Plant in Kasese for the Hima Capacity Expansion project together with His Excellency President Yoweri Museveni on October 25, 2007.



The Kasese Plant community relations' team facilitated the provision of HIV/AIDS, Malaria transmission, prevention and care at the Kikura Army Barracks, Greenhill Academy, and Kinyabwamba Village. In addition, the School health education, an ongoing programme aimed at youth education, was held in five schools in the vicinity of the Plant. The Hima Community Day was held at Kikongo Village on April 26, 2007 with the chief guest being the area MP. The focus of this day was on malaria control.

Corporate Events

A Community Outreach Workshop was also held in three schools.

To strengthen corporate links with the corporate golfing fraternity, Hima Cement sponsored the Captain's and the Lady Captain's Prize on February 24, 2007 and March 17, 2007 respectively. Both tournaments were rated a huge success after each attracted more than 180 players.

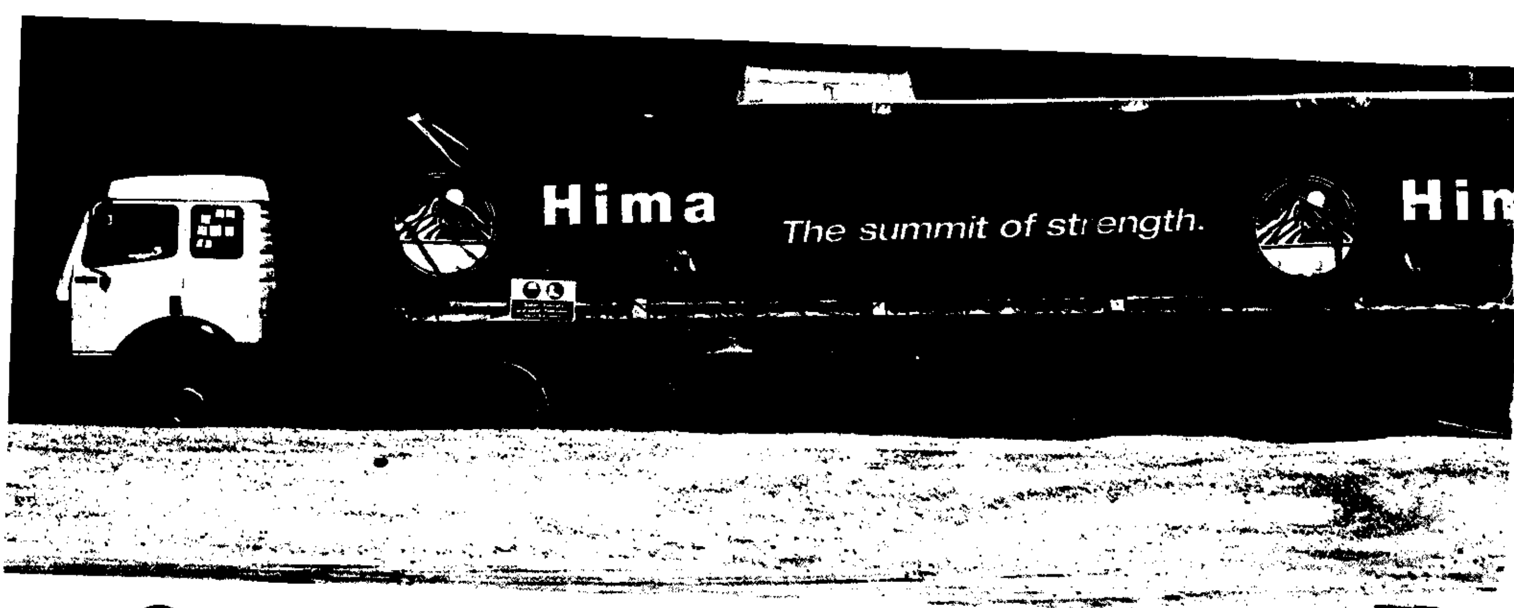
Marketing

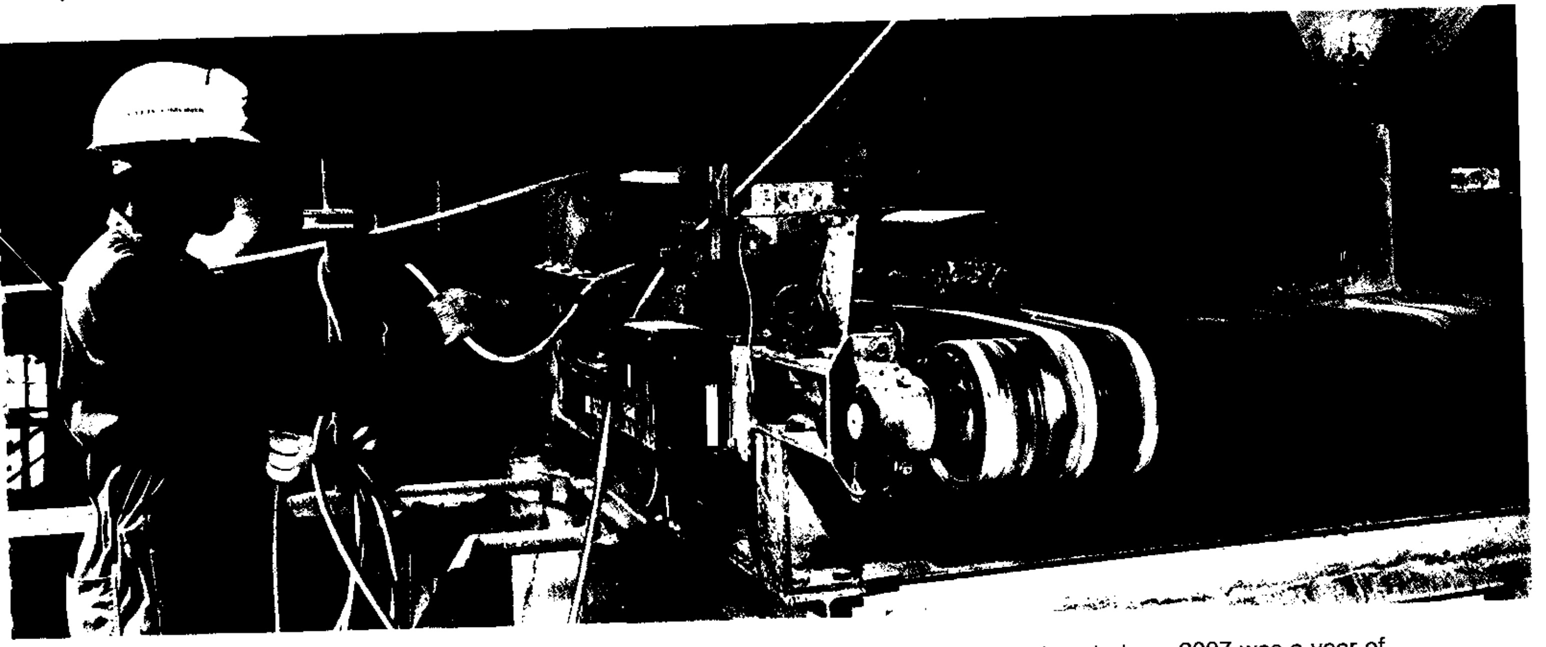
Our customers continue to be the centre of our programmes. The company has remained committed to not only consistently delivering quality products but also going the extra mile in responding to customer needs.

Cement primary users, mostly masons and small contractors, are a segment that has remained key in our focus, as they are the main actors in construction in our market. Our Masons Training program, also called the Partnership in Building Program, initiated in 2002, has remained relevant to both the construction market and our company. But more importantly, through training and exposing this group to building knowledge, we are able to respond to depreciating standards observed in construction in the recent years. Having been growing year-on-year, the program in 2007 has seen us make 100,000 contacts with masons and small contactors across all our markets in Kenya and Uganda, down from 3,000 in 2002.

Being able to receive feedback from our consumers in forums like the Partnership Program and together with detailed market surveys has enabled us to achieve a key milestone in 2007. The launch of Plasta Plus, our newest brand, was a key highlight in the year as it brought us closer to achieving our 2010 innovation ambition. Plasta Plus is our response to what we learnt to be challenges the market was experiencing with the conventional 'general purpose' products. In addition, this product comes with value-added and superior performance for Plastering and Mortar applications.

This being the only application-based cement product in the market, the launch has accentuated the company's leadership position in construction innovation, while helping to enhance the loyalty of our consumers.





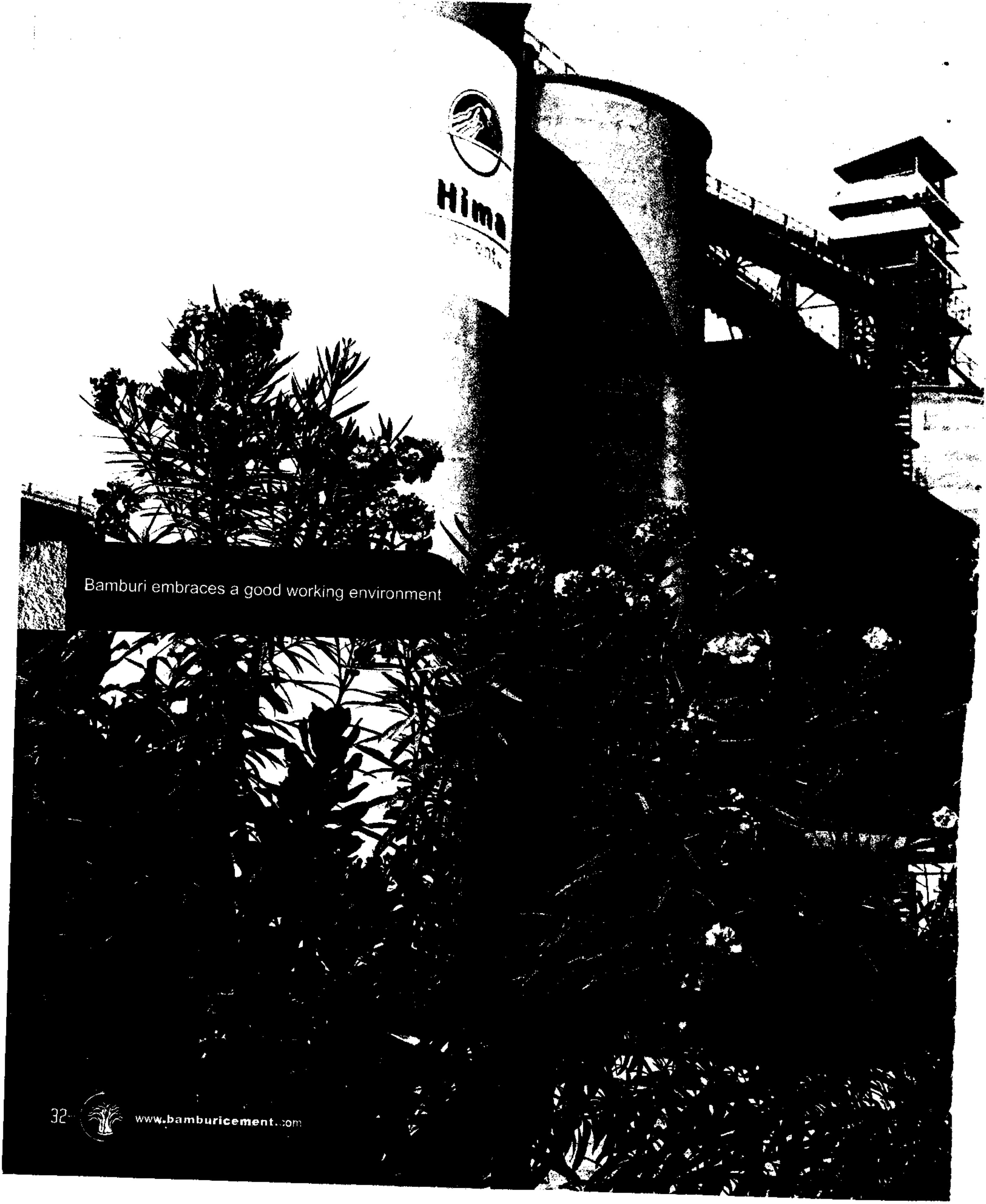
In view of the increasingly dynamic markets the Company operates in and our expansion strategy, 2007 was a year of notable dynamism within organisation, where we made significant investment in building our human capital resources, ensuring that we have the competency base to meet our strategic objectives. In line with this, 50 people were recruited into the group in 2007.

People development within the company was and is a key driver for delivering on performance and change, and the impacts on our ability to adapt to, and respond efficiently and effectively to the ever changing business challenges. Ten of our key managers attended the Management Development Programme run in collaboration with the Gordon Business Institute South Africa and the Lagos Business School, at an average cost of USD 8,000 per participant.

Of note and in partnership with Lafarge, we have invested in and set up a Technical School at the Plant in Mombasa, which will focus on technical skills development, to enable us to ensure our people enhance their knowledge and skills relevant to the current and future needs of our operations.

As regards Health, the Company continues to recognize that employee well being is a strategic business issue, and deals with it as such. Our commitment to our employees and the community in the area of health is exemplified by our continued involvement in both HIV/Aids and Malaria control programmes in Kenya and Uganda. Apart from providing facilities for staff and their dependants, we are also active in supporting community-based initiatives in HIV/Aids and malaria control programmes. Our peer educators' initiative has been active in counselling staff and the local community on the prevention of infection and positive living for those infected by various ailments.

In 2007, our key initiatives included distribution of treated mosquito nets to all our employees and dependants, and in line with our emphasis on personal responsibility regarding HIV/AIDS in the workplace, held Voluntary Counselling and Testing Sessions throughout the organisation. In addition, we also re-launched the Company's policy on Health, which is applicable to all staff and complies with the relevant laws which govern the workplace and employment practices, as well as with the Lafarge Guidelines on Health in Africa. The Policy is an endorsement of the Company's commitment to specific programs and actions in response to HIV and Malaria, which in turn limits the negative impact the disease, can have on productivity and profitability. All activities are directed by the Company's Executive Committee, which helps to ensure a high level priority to health. The Site Health Committees, which draws membership from employees and managers, is responsible for the implementation of policies and special projects such as community days as mentioned above.



Bamburi embraces a good working environment

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 57th Annual General Meeting of the Shareholders of Bamburi Cement Limited will be held in Mombasa at the Nyali Beach Hotel on Wednesday 4 June 2008 at 3.00 pm. for the following purposes:

1. To table the proxies and to note the presence of a quorum.

2. To read the notice convening the meeting.

3. To receive the Chairman's statement, the Report of the Directors and the Audited Accounts for the year ended 31 December 2007.

4. To declare dividends:

a) To ratify the payment of the first and second interim dividends totalling 110% per ordinary share paid in April and September 2007;

b) To declare a final dividend payment of 10% per ordinary share for the ended 31 December 2007.

5. To approve Directors' fees for 2007 and increase Directors' fees in 2008.

6. To re-elect directors:

a) In accordance with the Company's Articles of Association, R Lumbasyo, A Sigei and M Puchercos retire by rotation and being eligible, offer themselves for re-election;

b) In accordance with Article 101 of the Company's Articles of Association, E Meuriot who was appointed an additional director on 7 December 2007, retires from office and being eligible, offers himself for re-election.

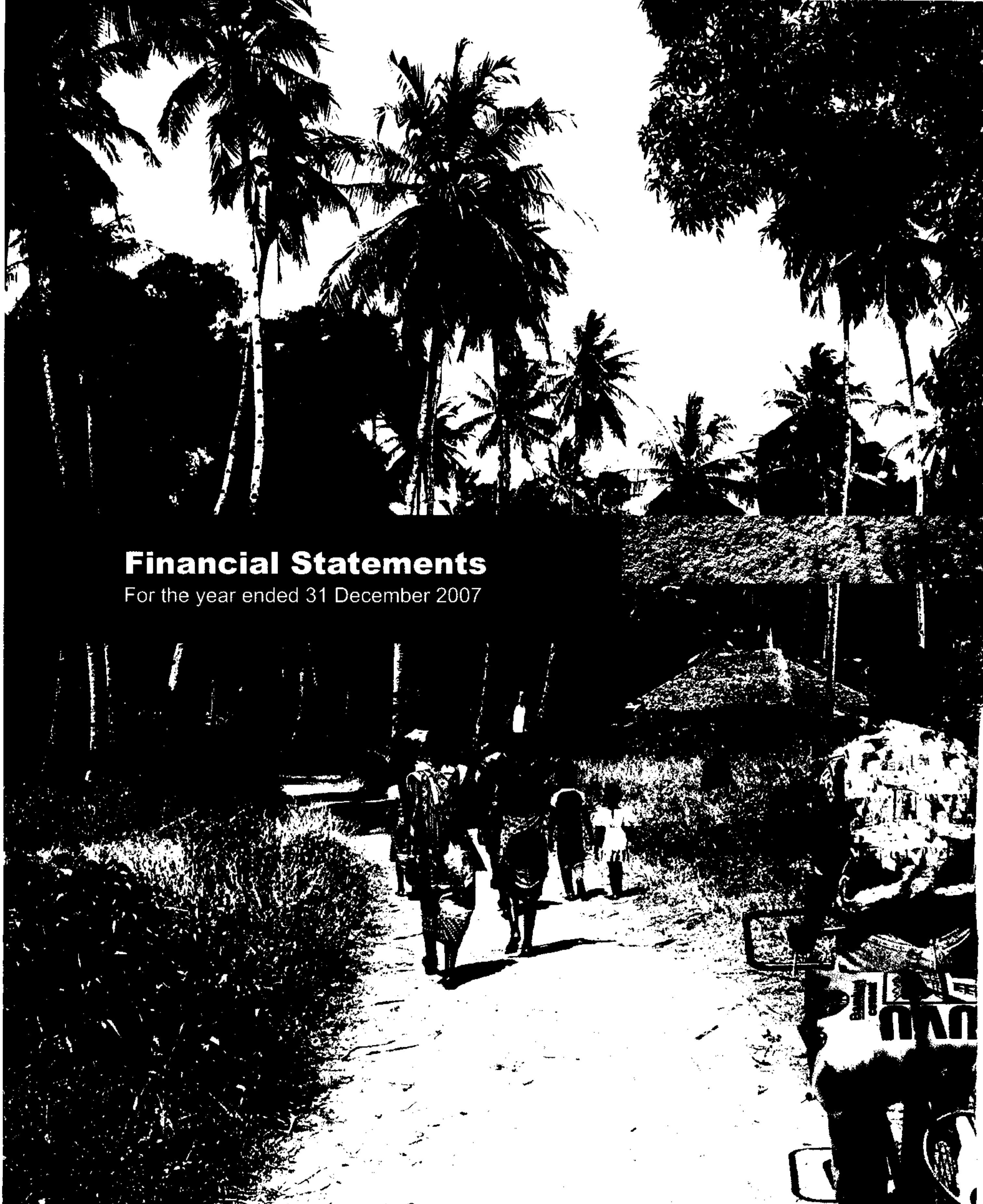
7. To note that Deloitte and Touche continue in office as Auditors in accordance with Section 159 (2) of the Companies Act and to authorize the Directors to fix their remuneration for 2008.

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

By order of the Board

Ms. B Kanyagia
Secretary
21 April 2008

A member entitled to attend and vote at the above meeting is entitled to appoint a proxy, who need not be a member of the Company, to attend and vote in his stead. Proxy forms must be lodged at the registered office of the Company, P.O. Box 10921, 00100 Nairobi not less than 48 hours before the time of the meeting. A proxy form is provided with this report.



Financial Statements

For the year ended 31 December 2007

Report of the Directors For the year ended 31 December 2007

The Directors present their report together with the audited financial statements for the year ended 31 December 2007.

PRINCIPAL ACTIVITIES

The Group is primarily engaged in the manufacture and sale of cement and cement related products. The Group also owns and manages a world class nature and environmental park developed from rehabilitated quarries.

RESULTS

	Kshs'million
Group profit before tax	5,443
Taxation charge	(1,633)
Group profit for the year	3,810
Attributable to:	
Equity holders of Bamburi Cement Limited	3,596
Minority interest	214
	3,810

DIVIDENDS

During the year, two interim dividends amounting to Kshs. 1,996 million (2006 - Kshs. 1,452 million) were paid. The Directors recommend that a final dividend of Kshs. 0.50 (2006 - Kshs. 1.50) per share equivalent to a total sum of Kshs. 182 million (2006 - Kshs. 545 million) be paid to shareholders. This dividend is subject to approval by shareholders at the next Annual General Meeting.

SIGNIFICANT EVENT DURING THE YEAR

On 2 October 2007, a fire incident occurred at the company's main Plant, in Mombasa, which led to damage of cables at the Motor Control Centre. However, the cement mills and Packing plant were not affected by this incident. The two kilns could therefore not operate and the company embarked on importation of clinker to supply the market demand. One of the kilns is now back in operation with the remaining one expected to be back in operation by April 2008. An assessment of the full extent of the damage was carried out by experts in conjunction with the Insurance Loss Adjustors. The company expects to recover a substantial proportion of the loss occasioned by the fire both in terms of cost of repairs of the damage and loss of profit (business interruption). The necessary provisions and adjustments have been recognised in these financial statements to recognise the impact of the fire incident on the results for the year to 31 December 2007.

DIRECTORS

The present Board of Directors is shown on page 2. Mr A Hadley resigned on 4 October 2007 and was replaced by Mr E Meuriot on 7 December 2007. Mr E Leo retired on 31 March 2007.

AUDITORS

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

BY ORDER OF THE BOARD

Secretary

Nairobi

2008

Statement of Directors' Responsibilities

The Companies Act requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the group and of the company as at the end of the financial year and of the operating results of the group for that year. It also requires the Directors to ensure that the group and the company keep proper accounting records, which disclose with reasonable accuracy at any time the financial position of the group and the company. They are also responsible for safeguarding the assets of the group and the company.

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

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

Nothing has come to the attention of the Directors to indicate that the company and its subsidiaries will not remain going concerns for at least the next twelve months from the date of this statement.

M. Puchercos

Director

2008

A. Sigei

Director

Independent Auditors' Report
to The Members of Bamburi Cement Limited

We have audited the financial statements of Bamburi Cement Limited and its subsidiaries set out on pages 6 to 40 which comprise the consolidated and company balance sheets as at 31 December 2007, and the consolidated income statement, consolidated and company statements of changes in equity and the consolidated cash flow statement for the year then ended, together with the summary of significant accounting policies and other explanatory notes, 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

The company's Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the provisions of the Kenyan Companies Act. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances. Our responsibility is to express an opinion on these financial statements based on our audit.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion:

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

(b) the financial statements give a true and fair view of the state of affairs of the company and of the group at 31 December 2007 and of the group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Kenyan Companies Act.

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

Consolidated Income Statement

For The Year Ended 31 December 2007

	Notes	2007 Kshs'million	2006 Kshs'million
Revenue		22,111	16,488
Other operating income	4	437	173
Investment income	5	102	62
		22,650	16,723
Cost of manufactured/purchased goods and related services	6	(11,768)	(8,429)
Staff costs	7	(1,827)	(1,581)
Other operating costs	8	(2,887)	(2,081)
Finance costs - net	9	(70)	(121)
Depreciation	14	(636)	(646)
Amortisation	16	(19)	(27)
Profit before taxation	10	5,443	3,838
Taxation charge	11	(1,633)	(1,039)
Profit for the year		3,810	2,799
Attributable to:			
Equity holders of parent		3,596	2,614
Minority interest		214	185
		3,810	2,799
Earnings per share basic and diluted	12	Shs 9.91	Shs 7.20
Dividends:			
First interim dividend - paid in the year	13	726	726
Second interim dividend - paid in the year	13	1,270	726
Final dividend proposed post year end	13	182	545
		2,178	1,997

Consolidated Balance Sheet

As at 31 December 2007

	Notes	2007 Kshs'million	2006 Kshs'million
ASSETS			
Non current assets			
Property, plant and equipment	14(a)	9,030	9,395
Operating lease rentals	15	9	9
Intangible assets	16	40	56
Capital work in progress	17	1,449	643
Other equity investments	19	2,886	2,610
Goodwill	20	217	217
		13,631	**12,930**
Current assets			
Inventories	21	3,501	2,385
Trade and other receivables	22	3,201	1,138
Tax recoverable	11(c)	16	3
Bank and cash balances	23	371	2,057
		7,089	**5,583**
TOTAL ASSETS		**20,720**	**18,513**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	24	1,815	1,815
Capital redemption reserve	25(a)	2	2
Revaluation surplus	25(b)	2,786	2,965
Fair value reserve	25(c)	2,540	2,264
Translation reserve	25(d)	(108)	(70)
Retained earnings		7,194	6,041
Shareholders' funds		**14,229**	**13,017**
Minority interest		**846**	**719**
Total equity		15,075	13,736
Non-current liabilities			
Deferred tax liability	26	1,951	1,951
Provision for liabilities and charges	27	471	368
		2,422	2,319
Current liabilities			
Trade and other payables	28	2,870	2,187
Tax payable	11(c)	120	167
Borrowings	29	112	-
Provision for liabilities and charges	27	101	84
Unclaimed dividends	30	20	20
		3,223	**2,458**
		20,720	**18,513**

The financial statements on pages 39 to 73 were approved by the board of directors on 26th February 2008 and were signed on its behalf by:

M. Puchercos

Director

A. Sigei

Director

Company Balance Sheet

As at 31 December 2007

	Notes	2007 Kshs'million	2006 Kshs'million
ASSETS			
Non current assets			
Property, plant and equipment	14(b)	6,715	7,114
Operating lease rentals	15	1	1
Intangible assets	16	39	54
Capital work in progress	17	956	438
Investments in subsidiaries	18	968	968
Loan to subsidiary	34 (iii)	46	61
Other equity investments	19	2,896	2,610
		11,621	**11,246**
Current assets			
Inventories	21	2,895	1,795
Trade and other receivables	22	2,946	1,321
Bank and cash balances	23	173	1,463
		6,014	**4,579**
TOTAL ASSETS		**17,635**	**15,825**
EQUITY AND RESERVES			
Capital and reserves			
Share capital	24	1,815	1,815
Capital redemption reserve	25(a)	2	2
Revaluation surplus	25(b)	2,562	2,743
Fair value reserve	25(c)	2,540	2,264
Retained earnings		6,036	5,216
Shareholders' funds		**12,946**	**12,040**
Non-current liabilities			
Deferred tax liability	26	1,494	1,542
Provision for liabilities and charges	27	429	332
		1,923	**1,874**
Current liabilities			
Trade and other payables	28	2,542	1,669
Tax payable		120	153
Provision for liabilities and charges	27	85	69
Unclaimed dividends	30	20	20
		2,767	**1,911**
		17,635	**15,825**

The financial statements on pages 39 to 73 were approved by the board of directors on 26th February 2008 and were signed on its behalf by:

M. Puchercos
Director

A. Sigei
Director

Consolidated Statement of Changes in Equity

For The Year Ended 31 December 2007

	Share capital Kshs'million	Capital redemption reserve Kshs'million	Revaluation reserve Kshs'million	Fair value reserve Kshs'million	Translation reserve Kshs'million	Retained earnings Kshs'million	Attributable to equity holders of parent Kshs'million	Attributable to Minority Interest Kshs'million	Total Kshs'million
At 1 January 2006	1,815	2	2,821	1,457	(338)	4,922	10,679	602	11,281
Transfer of excess depreciation	-	-	(244)	-	-	244	-	-	-
Deferred tax on excess depreciation	-	-	73	-	-	(73)	-	-	-
Revaluation surplus /deficit	-	-	538	-	-	-	538	(80)	458
Deferred tax on revaluation	-	-	(187)	-	-	-	(187)	24	(163)
Fair value gains on available-for-sale investments	-	-	-	807	-	-	807	-	807
Profit for the year	-	-	-	-	-	2,614	2,614	185	2,799
Exchange gain/(loss) on translation of foreign operations	-	-	(36)	-	268	(214)	18	(12)	6
Dividends:									
- interim, for 2006 declared and paid	-	-	-	-	-	(1,452)	(1,452)	-	(1,452)
At 31 December 2006	**1,815**	**2**	**2,965**	**2,264**	**(70)**	**6,041**	**13,017**	**719**	**13,736**
At 1 January 2007	1,815	2	2,965	2,264	(70)	6,041	13,017	719	13,736
Transfer of excess depreciation	-	-	(317)	-	-	317	-	-	-
Deferred tax on excess depreciation	-	-	95	-	-	(95)	-	-	-
Revaluation reserve realised on disposal of property	-	-	24	-	-	(24)	-	-	-
Deferred tax on revaluation realised on disposal of property	-	-	(7)	-	-	7	-	-	-
Fair value gains on available-for-sale investments	-	-	-	276	-	-	276	-	276
Profit for the year	-	-	-	-	-	3,596	3,596	214	3,810
Exchange gain/(loss) on translation of foreign operations	-	-	26	-	(38)	(107)	(119)	(51)	(170)
Dividends:									
- final dividends for 2006 declared and paid	-	-	-	-	-	(545)	(545)	(36)	(581)
- interim for 2007 declared and paid	-	-	-	-	-	(1,996)	(1,996)	-	(1,996)
At 31 December 2007	**1,815**	**2**	**2,786**	**2,540**	**(108)**	**7,194**	**14,229**	**846**	**15,075**

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

- The capital redemption reserve represents funds that have been set aside for redemption of preference shares - Note 25(a).
- The revaluation reserve represents the net cumulative surplus arising from revaluations of property, plant and equipment - Note 25(b).
- The fair value reserve represents the cumulative surplus or deficit arising from revaluation of available-for-sale investments from cost to fair value based on the market values of the equities at the balance sheet date - Note 25(c).
- Retained earnings represent accumulated profits retained by the group after payment of dividends to the shareholders.
- The translation reserve represents the cumulative position on translation gains and losses arising from conversion of the net assets of the foreign subsidiary company to the reporting currency - Note 25(d).

Company Statement of Changes in Equity

For The Year Ended 31 December 2007

	Share capital Kshs'million	Capital redemption reserve Kshs'million	[illegible]	Fair value reserve Kshs'million	[illegible]	Total Kshs'million
At 1 January 2006	[illegible]	2	[illegible]	1,457	[illegible]	9,898
Transfer of excess depreciation	[illegible]	-	[illegible]	-	[illegible]	-
Deferred tax on excess depreciation	[illegible]	-	[illegible]	-	[illegible]	-
Revaluation surplus	[illegible]	-	[illegible]	-	[illegible]	724
Deferred tax on revaluation surplus	[illegible]	-	[illegible]	-	[illegible]	(242)
Fair value gains on available-for-sale investments	[illegible]	-	[illegible]	807	[illegible]	807
Profit for the year	[illegible]	-	[illegible]	-	[illegible]	2,305
Dividends:						
- interim, for 2006 declared and paid	[illegible]	-	[illegible]	-	[illegible]	(1,452)
At 31 December 2006	[illegible]	2	[illegible]	2,264	[illegible]	[illegible]
At 1 January 2007	[illegible]	2	[illegible]	2,264	[illegible]	12,040
Transfer of excess depreciation	[illegible]	-	[illegible]	-	[illegible]	-
Deferred tax on excess depreciation	[illegible]	-	[illegible]	-	[illegible]	-
Revaluation deficit realised on disposal of property	[illegible]	-	[illegible]	-	[illegible]	-
Deferred tax on revaluation realised on disposal of property	[illegible]	-	[illegible]	-	[illegible]	-
Fair value gain on available-for-sale investments	[illegible]	-	[illegible]	276	[illegible]	276
Profit for the year	[illegible]	-	[illegible]	-	[illegible]	3,170
Dividends:						
Final dividends for 2006 declared and paid	[illegible]	-	[illegible]	-	[illegible]	(645)
- interim, for 2007 declared and paid	[illegible]	-	[illegible]	-	[illegible]	(1,896)
At 31 December 2007	[illegible]	2	[illegible]	2,540	[illegible]	12,945

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

The capital redemption reserve represents funds that have been set aside for redemption of preference shares - Note 25(a).
The revaluation reserve represents the net cumulative surplus arising from revaluations of property, plant and equipment. - Note 25(b).
The fair value reserve represents the cumulative surplus or deficit arising from revaluation of available-for-sale investments from cost to fair value based on the market values of the equities at the balance sheet date - Note 25(c).
The retained earnings represent accumulated profit retained by the company after payment of dividends to the shareholders.

Consolidated Cash Flow Statement

For The Year Ended 31 December 2007

	Notes	2007 Kshs'million	2006 Kshs'million
OPERATING ACTIVITIES			
Cash generated from operations	33	3,556	4,899
Interest received	5	59	37
Interest paid	9	(7)	(19)
Taxation paid	11(c)	(1,680)	(1,213)
Net cash generated by operating activities		**1,928**	**3,704**
INVESTING ACTIVITIES			
Purchase of property, plant and equipment, intangible assets and expenditure on capital work in progress	17	(1,285)	(766)
Proceeds from disposals of property, plant and equipment		5	2
Dividends received	5	43	25
Net cash used in investing activities		**(1,237)**	**(739)**
FINANCING ACTIVITIES			
Dividends paid to group shareholders	13	(2,541)	(1,452)
Dividends paid to minority interest	13	(36)	-
Net cash used in financing activities		(2,577)	(1,452)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(1,886)**	**1,513**
MOVEMENT IN CASH AND CASH EQUIVALENTS			
At beginning of year		2,057	503
Net (decrease)/increase in cash and cash equivalents above		(1,886)	1,513
Exchange rate changes on cash held in foreign currencies		88	41
At end of year	23	**259**	**2,057**

1 **ACCOUNTING POLICIES**

Statement of compliance

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

Adoption of new and revised International Financial Reporting Standards

(i) Standards and interpretations effective in the current period

In the current year, the group has adopted IFRS 7 Financial Instruments: Disclosures, which is effective for annual reporting periods beginning on or after 1 January 2007 and the consequential amendments to IAS 1 Presentation of financial statements.

The impact of the adoption of IFRS 7 and the changes to IAS1 has been to expand the disclosures provided in these financial statements regarding the group's financial instruments and management of capital.

Four interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period. The adoption of these interpretations has not led to any changes in the group's accounting policies. These are:

- IFRIC 7 Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationery Economies;
- IFRIC 8 Scope of IFRS 2;
- IFRIC 9 Reassessment of Embedded Derivatives; and
- IFRIC 10 Interim Financial Reporting and Impairment

(ii) Standards and interpretations in issue but not yet adopted

At the date of approval of these financial statements, the following standards and interpretations were in issue but not yet effective:

- IAS 23 (Revised) Borrowing costs (effective for accounting periods beginning on or after 1 January 2009);
- IFRS 8 Operating Segments (effective for accounting periods beginning on or after 1 January 2009);
- IFRIC 11 IFRS 2: Group and Treasury Share Transactions (effective for accounting periods beginning on or after 1 March 2007);
- IFRIC 12 Service Concession Arrangements (effective for accounting periods beginning on or after 1 January 2008);
- IFRIC 13 Customer Loyalty Programmes (effective for accounting periods beginning on or after 1 July 2008);
- IFRIC 14 IAS 19 The limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction (effective for accounting periods beginning on or after 1 January 2008);

The Directors anticipate that the adoption of the above standards and interpretations will have no material impact on the financial statements of the group in the period of initial application.

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

(a) Basis of preparation

The financial statements are prepared under the historical cost convention as modified by the revaluation of certain property, plant and equipment, and the carrying of available-for-sale investments at fair value.

(b) Consolidation

Subsidiary undertakings, which are those companies in which the parent company, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to exercise control over the operations, are consolidated. Subsidiaries are consolidated from the date on which effective control is transferred to the Group and consolidation ceases from the date of disposal. All inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated; losses are also eliminated unless cost cannot be recovered. Where necessary, accounting policies for subsidiaries have been changed to achieve consistency with the policies adopted by the parent company.

1 **ACCOUNTING POLICIES (Continued)**

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

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

(c) Revenue recognition

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

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

(d) Translation of foreign currencies

Transactions in foreign currencies during the year are converted into Kenya Shillings at rates ruling at the transaction dates. Assets and liabilities at the balance sheet date which are expressed in foreign currencies are translated into Kenya Shillings at rates ruling at the balance sheet date. The resulting differences from conversion and translation are dealt with in the income statement in the year in which they arise.

(e) Leases

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

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

(f) Goodwill

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

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

(g) Property, plant and equipment

All property, plant and equipment are initially recorded at cost. Freehold land and buildings are subsequently restated to revalued amounts, based on valuations by independent external valuers, less subsequent depreciation and any accumulated impairment losses. Plant and machinery is revalued internally on the basis of a valuation model prescribed by engineers and consultants at the technical centre of the ultimate shareholder. The valuations are carried out approximately once every five years. All other property, plant and equipment are stated at historical cost less depreciation.

Increases in the carrying amount arising on revaluation are credited to a revaluation reserve. Decreases that offset previous increases of the same asset are charged against the related revaluation reserve; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of an asset (the depreciation charged to the income statement) and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

1 **ACCOUNTING POLICIES (Continued)**

Depreciation is calculated on the straight line basis to write down the cost of each item of property plant and equipment, or the revalued amount, to its residual value over its expected useful life as follows:

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

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

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

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the actual proceeds and the carrying amount of the asset and is recognised in the income statement in the year in which the disposal or retirement occurs.

(h) Intangible assets

Computer software costs are stated at cost less amortisation. The costs are amortised over the expected useful lives of the software on the straight line basis. Currently, the estimated useful life is five years.

(i) Taxation

Current taxation is provided on the basis of the results for the year, as shown in the financial statements, adjusted in accordance with tax legislation.

Deferred tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes.

Deferred tax assets are only recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(j) Inventories

Inventories of consumables and spare parts are stated at weighted average cost less provision for obsolete and slow moving items. All other inventories are stated at the lower of cost and net realisable value. Cost includes direct cost and appropriate overheads and is determined on the first-in first-out method.

(k) Dividends payable

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

(l) Financial instruments

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

1 ACCOUNTING POLICIES (Continued)

Trade receivables
Trade receivables are carried at amortised invoice amounts less an estimate made for doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off in the year in which they are identified as irrecoverable.

Available-for-sale financial assets
Financial assets that are not (a) loans and receivables originated by the group, (b) held-to-maturity investments, or (c) financial assets held for trading, are treated as available for sale and are measured at their fair value. Changes in the fair values are recognised in the fair value reserve in equity, subject to impairment testing.

Trade payables
Trade payables are stated at nominal value.

Borrowings
Interest bearing bank loans and overdrafts are recorded at the proceeds received, net of direct costs. Finance charges are accounted for on the accruals basis.

Classification of debt or equity instruments
Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Investments
The company has classified its investments into available-for-sale investments and originated loans. Management determines the appropriate classification of its investments at the time of purchase and re-evaluates such designations on a regular basis as follows:

(i) Investments intended to be held for an indefinite period of time, but which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale. These investments are included in non-current assets unless management has the express intention of holding the investment for less than 12 months from the balance sheet date or unless they will need to be sold to raise operating capital.

(ii) Non-equity investments purchased in the primary market (i.e. directly from the issuers) are classified as originated loans.

All purchases and sales of investments are initially recognised at cost on the trade date, which is the date a company within the group commits to purchase or sell the asset. Cost of purchase includes transaction costs.

Available-for-sale investments are subsequently carried at fair value, whilst originated loans are carried at amortised cost using the effective yield method.

Unrealised gains and losses arising from changes in the fair value of available-for-sale investments are dealt with in a separate reserve in the statement of changes in equity. On disposal, the entire realised gain or loss is recognised in the income statement.

(m) Impairment

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

1 **ACCOUNTING POLICIES (Continued)**

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

(n) Retirement benefits obligations

The group operates a defined contribution pension scheme for eligible non-unionisable employees. The scheme is administered by an independent investment management company and is funded by contributions from the group companies and employees. The Group also makes contributions to the statutory defined contribution schemes in the two countries where operations are based.

Unionisable staff who retire on attaining the age of 55 years or are declared redundant are eligible for service gratuity based on each employee's length of service with the group, as provided for in the trade union agreement.

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

(o) Provisions

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle the obligation, and a reliable estimate can be made of the amount of obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

Restructuring Provisions
Restructuring provisions mainly comprise employee termination payments and are recognised in the period in which the company becomes legally or constructively committed to payment. Employee termination benefits are recognised only after either an agreement is in place with the appropriate employee representatives specifying the terms of redundancy and numbers of employees affected, or after individual employees have been advised of the specific terms. Costs related to the ongoing activities of the company are not provided for in advance.

(p) Employee entitlements

Employee entitlements to long service awards are recognised when they accrue to employees. A provision is made for the estimated liability for long-service awards as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave at the balance sheet date.

(q) Comparatives

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

2 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the group's accounting policies, the Directors have made estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key areas of judgement and sources of estimation uncertainty are as set out below:

Inventories provision

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

Impairment losses

At each balance sheet date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash generating unit to which the asset belongs. Any impairment losses are recognised as an expense immediately. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount. A reversal of an impairment loss, other than that arising from goodwill, is recognised as income immediately.

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated.

Useful lives of property, plant and equipment

The group reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. During the financial year, no changes to the useful lives were identified by the Directors.

Fire accident

During the year, a fire incident occurred at the company's main Plant, in Mombasa, which led to damage of cabling and the Motor Control Centre. As at the end of the year, the Directors have made the necessary provisions in the financial statements to recognise the estimates of the impairment of the assets destroyed by the fire and the compensation expected from insurers in respect of the damaged plant and business interruption.

Contingent liabilities

As disclosed in note 31 to these financial statements, the group is exposed to various contingent liabilities in the normal course of business including a number of legal cases and certain unresolved taxation matters by Kenya Revenue Authority. The Directors evaluate the status of these exposures on a regular basis to assess the probability of the group incurring related liabilities. However, provisions are only made in the financial statements where, based on the Directors' evaluation, a present obligation has been established

3 SEGMENT INFORMATION

The group analyses its organisational structure and internal reporting system for the purpose of identifying suitable segment reporting format for the group. In particular, the group has identified geographical segments as the primary segment reporting format that is suitable for the group. The group is organised on a regional basis into two main geographical segments: Kenya and Uganda. Both geographical segments are mainly involved in the manufacture and sale of cement hence there is no suitable secondary segment reporting format.

Year ended 31 December 2007 - All figures in million of Kenya Shillings

	Kenya	Uganda	Group
Revenue	15,253	6,858	22,111
Profit before taxation	4,447	996	5,443
Income taxation expense	(1,314)	(319)	(1,633)
Profit for the year	3,133	677	3,810
Segment assets	16,734	3,986	20,720
Segment liabilities	4,715	930	5,645
Capital additions	705	580	1,285
Depreciation and amortisation	502	154	656

Year ended 31 December 2006 - All figures in million of Kenya Shillings

	Kenya	Uganda	Group
Revenue	10,847	5,641	16,488
Profit before taxation	3,168	670	3,838
Income taxation expense	(980)	(59)	(1,039)
Profit for the year	2,188	611	2,799
Segment assets	14,796	3,717	18,513
Segment liabilities	3,817	960	4,777
Capital additions	444	322	766
Depreciation and amortisation	518	155	673

Total assets are shown by the geographical area in which the assets are located. Segment assets consist primarily of property, plant and equipment, intangible assets, inventories, receivables and operating cash and mainly exclude investments. Segment liabilities comprise operating liabilities and exclude items such as dividends payable and certain corporate borrowings.

Sales revenue reporting is based on the country in which the production facility is located. However, included in the revenue reported above are inter-segment sales in the year amounting to Kshs. 1,675 million (2006 - Kshs. 2,209 million).

		GROUP 2007 Kshs'million	GROUP 2006 Kshs'million
4	**OTHER OPERATING INCOME**		
	(Loss)/gain on disposal of property, plant and equipment	(57)	1
	Net Insurance claim proceeds (see note 10)	231	-
	Miscellaneous income	263	172
		437	**173**
5	**INVESTMENT INCOME**		
	Interest income - bank deposits at amortised cost	59	37
	Dividends income - Available for sale equity investments	43	25
		102	**62**
6	**COST OF MANUFACTURED/PURCHASED GOODS AND RELATED SERVICES**		
	Energy	2,477	2,793
	Maintenance supplies and contract works	1,104	876
	Imported clinker	2,516	776
	Packaging	764	554
	Additives	1,201	890
	Freight	1,935	1,823
	Purchased cement and clinker COGS	662	-
	Inventory movement and others	1,109	717
		11,768	**8,429**
7	**STAFF COSTS**		
	The following items are included within staff costs:		
	Salaries and wages	1,222	1,148
	Staff welfare costs	396	286
	Retirement benefits costs	209	147
		1,827	**1,581**
	The number of persons employed by the group at the year end was:	**Numbers**	**Numbers**
	Full time	870	848
	Casuals and contractors	152	211
		1,022	**1,059**

Notes to the Financial Statements (Continued)

For The Year Ended 31 December 2007

		GROUP 2007 Kshs'million	GROUP 2006 Kshs'million
8	**OTHER OPERATING COSTS**		
	Distribution costs	1,377	653
	Professional fees	449	368
	Telecommunication costs	233	164
	Transport and travelling costs	226	176
	Promotion, marketing and donation costs	157	152
	Rentals, security and business licences	228	215
	Bank charges	44	28
	Other office costs	123	231
	Other costs	50	94
		2,887	2,081
9	**FINANCE COSTS - Net**		
	Net foreign exchange losses	63	102
	Interest expense	7	19
		70	121
10	**PROFIT BEFORE TAXATION**		
	The profit before taxation is arrived at after charging/(crediting):		
	Staff costs (note 7)	1,827	1,581
	Depreciation (note 14)	[illegible]	646
	Amortisation of intangible assets (note 16)	13	27
	Directors' emoluments:		
	- Fees	6	6
	- Other emoluments	103	92
	Auditors' remuneration	7	7
	Net fire insurance claims proceeds*	-231	

Net fire insurance claim proceeds

*This relates to insurance claim for business interruption and property damage arising from the fire incident that occurred at the main plant in Mombasa during the year (See note 2).

11 TAXATION

	GROUP 2007 Kshs'million	GROUP 2006 Kshs'million
(a) Taxation charge		
Current taxation based on the adjusted profit at 30%	1,608	1,262
Underprovision of current tax in prior years	-	7
Overseas tax charged on dividends received	12	-
Total current taxation charge	1,620	1,269
Deferred tax charge/(credit) (note 26)	51	(372)
(Over)/under provision of deferred tax in prior years (note 26)	(38)	142
Net deferred tax charge/(credit)	13	(230)
Total taxation charge	**1,633**	**1,039**
(b) Reconciliation of expected tax based on accounting profit to taxation charge:		
Profit before tax	5,443	3,838
Tax calculated at the domestic rates applicable of 30%	1,632	1,152
Tax effect of:		
Income not subject to tax	(33)	(8)
Expenses not deductible for tax purposes	60	30
Underprovision of current tax in prior years	-	7
Under provision of deferred tax in prior years	(38)	(142)
Overseas tax charged on dividends	12	-
Taxation charge	**1,633**	**1,039**
(c) Tax movement		
Net tax payable at beginning of the year	164	108
Taxation charge	1,620	1,269
Taxation paid	(1,680)	(1,213)
Net tax payable at end of the year	**104**	**164**
Comprising:		
Tax payable	120	167
Tax recoverable	(16)	(3)
	104	**164**

12 EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year, as shown below:

	2007	2006
Net profit attributable to shareholders (Kshs million)	3,596	2,614
Weighted average number of ordinary shares (million)	363	363
Basic and diluted earnings per share (Kshs)	9.91	7.20

There were no potentially dilutive shares outstanding at 31 December 2007 and 31 December 2006 and there were no discontinued operations.

13 DIVIDENDS

On 28 March 2007, a first interim dividend of Kshs 2 per share representing an amount of Kshs 726 million (2006: Kshs 726 million) was paid. The second interim dividend of Kshs 3.5 per share totalling to Kshs 1,270 million (2006 - 726 million) was paid on 8 Dctober 2007.

Payments during the year 2007:

	Kshs'million
Final Dividend in respect to financial year 2006	545
First Interim dividend in respect to financial year 2007	726
Second Interim dividend in respect to financial year 2007	1,270
	2,541

Proposed final dividend
In respect of the current year, the directors propose that a final dividend of Kshs. 0.50 (2006 - Kshs. 1.50) per share equivalent to a total sum of Kshs. 182 Million (2006 - Kshs. 545 million) be paid to the shareholders. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

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

Unclaimed dividends
The amount of unclaimed dividends as at the end of the year and the related movement during the year are presented in Note 30 of these financial statements.

Minority interest
In respect of the dividends paid in respect of the subsidiary, Hima Cement Limited, during the year, and amount of Kshs. 36 million related to the minority shareholders.

14 PROPERTY, PLANT AND EQUIPMENT

a) GROUP

	Land and residential buildings Kshs'million	Plant and machinery Kshs'million	Office equipment and tools Kshs'million	Mobile plant Kshs'million	Total Kshs'million
Cost or valuation					
At 1 January 2006	1,221	10,295	382	655	12,553
Foreign exchange adjustments*	7	41	2	6	56
Additions	-	347	60	64	471
Disposals	-	(6)	-	(17)	(23)
Revaluation	(91)	9,214	-	-	9,123
At 31 December 2006	**1,137**	**19,891**	**444**	**708**	**22,180**
At 1 January 2007	1,137	19,891	444	708	22,180
Foreign exchange adjustments *	(30)	(143)	12	(21)	(182)
Additions	85	256	88	34	463
Disposals	-	(177)	-	(44)	(221)
At 31 December 2007	**1,192**	**19,827**	**544**	**677**	**22,240**
Depreciation					
1 January 2006	174	2,473	250	576	3,473
Foreign exchange adjustments*	3	7	2	2	14
Charge for the year	26	531	53	36	646
Disposals	-	(5)	-	(17)	(22)
Revaluation	(13)	8,687	-	-	8,674
At 31 December 2006	**190**	**11,693**	**305**	**597**	**12,785**
1 January 2007	190	11,693	305	597	12,785
Foreign exchange adjustments*	(6)	(39)	2	(9)	(52)
Charge for the year	25	533	49	29	636
Disposals	-	(115)	-	(44)	(159)
At 31 December 2007	**209**	**12,072**	**356**	**573**	**13,210**
Net book value					
At 31 December 2007	983	7,755	188	104	9,030
At 31 December 2006	**947**	**8,198**	**139**	**111**	**9,395**

*The foreign exchange adjustments arise from the translation of the carrying values relating to assets held by a subsidiary, HimCem Holdings Limited.

14 PROPERTY, PLANT AND EQUIPMENT (continued)

b) COMPANY

	Land and residential buildings Kshs'million	Plant and machinery Kshs'million	Office equipment and tools Kshs'million	Mobile plant Kshs'million	Total Kshs'million
Cost or valuation					
At 1 January 2006	775	7,871	237	502	9,385
Additions	-	130	17	-	147
Disposals	-	-	-	(17)	(17)
Revaluation	(60)	9,458	-	-	9,398
At 31 December 2006	715	17,459	254	485	18,913
At 1 January 2007	715	17,459	254	485	18,913
Additions	55	21	58	-	134
Disposals	-	(177)	-	(1)	(178)
At 31 December 2007	770	17,303	312	484	18,869
Depreciation					
At 1 January 2006	35	2,005	154	470	2,664
Charge for the year	8	422	30	18	478
Disposals	-	-	-	(17)	(17)
Revaluation	(13)	8,687	-	-	8,674
At 31 December 2006	30	11,114	184	471	11,799
At 1 January 2007	30	11,114	184	471	11,799
Charge for the year	8	426	28	9	471
Disposals	-	(115)	-	(1)	(116)
At 31 December 2007	38	11,425	212	479	12,154
Net book value					
At 31 December 2007	732	5,878	100	5	6,715
At 31 December 2006	685	6,345	70	14	7,114

14 **PROPERTY, PLANT AND EQUIPMENT (continued)**

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

	GROUP 2007 Kshs'million	GROUP 2006 Kshs'million	COMPANY 2007 Kshs'million	COMPANY 2006 Kshs'million
Cost	8,800	9,140	5,977	5,970
Accumulated depreciation	(3,706)	(3,674)	(2,877)	(2,757)
Net book value	5,094	5,466	3,100	3,213

The Group's land, buildings, plant, and machinery were last revalued on 1 January 2006. Land and buildings were valued on the basis of open market value by independent valuers, Burn & Fawcett Chartered Surveyors, valuers and estate agents. Plant and machinery were revalued on a depreciated replacement cost basis using a valuation model prescribed by engineers and consultants at the technical centre of the ultimate shareholder.

Land and residential buildings include freehold land with a carrying value of Kshs 498 million (2006 : Kshs 443 million) located in Mombasa and limestone deposits with a carrying value of Kshs 100 million (2006 : Kshs 115 million) in Kasese, Uganda.

The group's plant and machinery, office equipment and mobile plant with a cost of Kshs 783 million (2006: Kshs 685 million) were fully depreciated as at 31 December 2007. The normal annual depreciation charge on these assets would have been Kshs 124 million (2006: Kshs 114 million).

The company's plant and machinery, office equipment and mobile plant with a cost of Kshs 587 million (2006: Kshs 499 million) were fully depreciated as at 31 December 2007. The normal annual depreciation charge on these assets would have been Kshs 94 million (2006: Kshs 79 million).

Included in the disposals, is a carrying amount of Kshs 62 million comprising cost of Kshs 177 million and accumulated depreciation of Kshs 115 million which relate to impairment loss attributable to plant and machinery destroyed by the fire incident that occurred at the company's main Plant, in Mombasa, during the year (see note 10).

15 **OPERATING LEASE RENTALS**

	GROUP 2007 Kshs'million	GROUP 2006 Kshs'million	COMPANY 2007 Kshs'million	COMPANY 2006 Kshs'million
Net carrying value at beginning and end of year	9	9	1	1

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

16 **INTANGIBLE ASSETS COMPUTER SOFTWARE**

	GROUP Kshs million	COMPANY Kshs million
Cost		
At 1 January 2006	[illegible]	[illegible]
Additions	[illegible]	[illegible]
Foreign exchange adjustments*	[illegible]	[illegible]
At 31 December 2006	[illegible]	[illegible]
At 1 January 2007	[illegible]	[illegible]
Additions	[illegible]	[illegible]
Foreign exchange adjustments*	[illegible]	[illegible]
At 31 December 2007	[illegible]	[illegible]
Amortisation		
At 1 January 2006	[illegible]	[illegible]
Charge for the year	[illegible]	[illegible]
Foreign exchange adjustments*	[illegible]	[illegible]
At 31 December 2006	[illegible]	[illegible]
At 1 January 2007	[illegible]	[illegible]
Charge for the year	[illegible]	[illegible]
Foreign exchange adjustments*	[illegible]	[illegible]
At 31 December 2007	[illegible]	[illegible]
Net book value		
At 31 December 2007	[illegible]	[illegible]
At 31 December 2006	[illegible]	[illegible]

17 **CAPITAL WORK IN PROGRESS**

Capital work in progress relates to ongoing work in respect of additions and replacements to various plants as at year end. No depreciation has been charged during the year.

	GROUP 2007 Kshs million	GROUP 2006 Kshs million	COMPANY 2007 Kshs million	COMPANY 2006 Kshs million
At 1 January	[illegible]	[illegible]	[illegible]	[illegible]
Additions	[illegible]	[illegible]	[illegible]	[illegible]
Transfers to property plant and equipment	[illegible]	[illegible]	[illegible]	[illegible]
Transfers to intangible assets	[illegible]	[illegible]	[illegible]	[illegible]
Foreign exchange adjustments*	[illegible]	[illegible]	[illegible]	[illegible]
At 31 December	[illegible]	[illegible]	[illegible]	[illegible]

*The foreign exchange adjustments arise from the translation of the carrying values relating to assets held by a subsidiary, HimCem Holdings Limited.

18 **INVESTMENTS IN SUBSIDIARIES**

Details of the subsidiaries in the group are provided below:

	Holding %	COMPANY 2007 Kshs'million	COMPANY 2006 Kshs'million
Simbarite Limited	100	53	53
Less: impairment provision		(22)	(22)
		31	31
Bamburi Special Products Ltd	100	20	20
Bamburi Cement Ltd, Uganda	100	-	-
HimCem Holdings Limited, Channel Islands	100	911	911
Lafarge Eco Systems Limited	100	5	5
Diani Estate Limited	100	1	1
Whistling Pines Limited*	100	-	-
Kenya Cement Marketing Ltd	50	-	-
Portland Mines Limited	50	-	-
Seruji Management Limited, Channel Islands	100	-	-
		968	**968**

Except where indicated above, the subsidiaries are incorporated in Kenya.

HimCem Holdings Limited has a 70% holding in its subsidiary, Hima Cement Limited, a company incorporated in Uganda.

* Whistling Pines Limited was liquidated during the year.

19 **OTHER EQUITY INVESTMENTS**

These represent Available-For-Sale investments, which are restated to fair value annually at the close of business on 31 December.

For investments traded in active markets, fair value is determined by reference to Stock Exchange quoted bid prices. For other investments, fair value is determined by reference to the current market for similar instruments or by reference to the discounted cash flows of the underlying net assets.

The market value of the quoted equity shares at 31 December 2007 was Kshs. 2,886 million (2006:- Kshs. 2,610 million). Changes in the fair values are recognised in fair value reserve in equity, subject to impairment testing.

19 OTHER EQUITY INVESTMENTS (Continued)

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

	GROUP AND COMPANY	
	[redacted]	[redacted]
At 1 January	[redacted]	[redacted]
Fair value gain	[redacted]	[redacted]
At 31 December	[redacted]	[redacted]

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

20 GOODWILL

	[redacted]	[redacted]
Cost		
At beginning and end of the year	[redacted]	[redacted]
Amortisation		
At beginning and end of the year	[redacted]	[redacted]
Net carrying value	[redacted]	[redacted]

The goodwill arose from the acquisition of a subsidiary, HimCem Holdings Limited, in 1999. HimCem is the majority owner of the group's operating company in Uganda, Hima Cement Limited. During the current financial year, the directors assessed the recoverable amount of goodwill and determined that the goodwill was not impaired. The recoverable amount of the cash generating units was assessed by reference to value in use.

21 INVENTORIES

	[redacted]	[redacted]	[redacted]	[redacted]
Raw materials	[redacted]	[redacted]	[redacted]	[redacted]
Bio fuel supplies	[redacted]	[redacted]	[redacted]	[redacted]
Consumables and spare parts	[redacted]	[redacted]	[redacted]	[redacted]
Finished and semi-finished goods	[redacted]	[redacted]	[redacted]	[redacted]
Fuel and packaging	[redacted]	[redacted]	[redacted]	[redacted]
Other	[redacted]	[redacted]	[redacted]	[redacted]
	[redacted]	[redacted]	[redacted]	[redacted]

The higher level of inventories in 2007 is mainly due to the importation and holding of higher levels of imported materials, including clinker, coal, and bauxite, following the fire incident in October 2007.

The Bio fuel supplies relate to direct operating costs incurred in respect to the on-going Bio-fuels project. These costs include those relating to labour, seedlings, transportation and other directly attributable overheads. At the end of every period, the inventories will be valued at the lower of cost and net realisable value, based on physical survey.

22 TRADE AND OTHER RECEIVABLES

	GROUP 2007 Kshs'million	GROUP 2006 Kshs'million	COMPANY 2007 Kshs'million	COMPANY 2006 Kshs'million
Trade receivables	505	499	406	244
Prepayments and deposits	821	97	220	76
Other receivables	1,760	220	1,734	189
Receivables from related companies (Note 34 (ii))	115	322	490	812
	3,201	**1,138**	**2,846**	**1,321**

The average credit period on sales of finished goods is 30 days. The bulk of the trade receivables are covered by bank guarantees in favour of the group.

Before accepting any new customer, the group uses a credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year.

The trade receivables presented above are net of provision for bad and doubtful debts. The movement in the provision for bad and doubtful debts is as set out below:

	GROUP 2007 Kshs'million	GROUP 2006 Kshs'million	COMPANY 2007 Kshs'million	COMPANY 2006 Kshs'million
At beginning of year	332	262	243	188
Impairment losses	16	82	5	60
Amounts recovered	(54)	(13)	(28)	(5)
Translation difference	(5)	1	-	-
At end of year	**289**	**332**	**220**	**243**

In determining the recoverability of a trade receivable, the group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts already recognised.

Included in other receivables are insurance claims relating to the fire incident that occurred at the company's main Plant, in Mombasa, which led to damage of cables at the Motor Control Centre. As at the end of the year, the estimated claims amounted to Kshs. 1,647 million, comprising property damage of Kshs. 563 million and business interruption of Kshs. 1,084 million. A first interim payment of Kshs. 515 million has since been received after the balance sheet date.

The group prepayments include an amount of Kshs. 580 million (2006 - Nil) prepaid to a contractor for the construction of an integrated cement plant in Kasese, Uganda. The construction is expected to take a duration of two years.

23 BANK AND CASH BALANCES

	GROUP 2007 Kshs'million	GROUP 2006 Kshs'million	COMPANY 2007 Kshs'million	COMPANY 2006 Kshs'million
Cash at bank and on hand	245	937	173	658
Short term bank deposits	126	1,120	-	805
	371	2,057	173	1,463

Interest rates

The short-term deposits mature within three months. The weighted average interest rates earned on short-term bank deposits during the year during the year were:

	GROUP 2007	GROUP 2006	COMPANY 2007	COMPANY 2006
Local currencies	2.0%	2.0%	1.5%	1.5%
Foreign currencies	4.6%	4.6%	5.0%	5.0%

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks and investments in money market instruments, net of bank overdrafts. In the balance sheet, bank overdrafts are included in borrowings, under current liabilities. The year end cash and cash equivalents comprise the following:

	GROUP 2007 Kshs'million	GROUP 2006 Kshs'million
Analysis of cash and cash equivalents		
Bank and cash balances (as above)	371	2,057
Bank overdrafts (note 29)	(112)	-
	259	2,057

24 SHARE CAPITAL

	GROUP 2007 Kshs'million	GROUP 2006 Kshs'million
Authorised		
366,600,000 ordinary shares of Kshs. 5 each	1,833	1,833
100,000 7% redeemable cumulative preference shares of Sh 20 each	2	2
	1,835	1,835
Issued and fully paid		
362,959,275 ordinary shares of Kshs. 5 each	1,815	1,815

Ordinary shares
Fully paid ordinary shares, which have a par value of Kshs. 5 each, carry one vote per share and carry a right to dividends.

25 RESERVES

a) Capital redemption reserve

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

b) Revaluation reserve

The revaluation reserve arises on the revaluation of property, plant and equipment. Where revalued assets are sold, the portion of the properties' revaluation reserve that relates to those assets are effectively realised and transferred directly to retained earnings.

c) Fair value reserve

	GROUP AND COMPANY	
	2007 Kshs'million	2006 Kshs'million
At beginning of year	2,264	1,457
Increase arising from revaluation during the year	276	807
At end of year	**2,540**	**2,264**

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

d) Translation reserve

	GROUP 2007 Kshs'million	GROUP 2006 Kshs'million
At beginning of year	(70)	(338)
Translation of foreign operations	(38)	268
At end of year	**(108)**	**(70)**

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

26 DEFERRED TAX LIABILITY

Deferred taxes are calculated on all temporary differences under the liability method using a principal tax rate of 30% (2006: 30%). The make up of the deferred tax liabilities at the year end and the movement on the deferred tax account during the year are as presented below:

	GROUP 2007 Kshs'million	GROUP 2006 Kshs'million	COMPANY 2007 Kshs'million	COMPANY 2006 Kshs'million
Accelerated capital allowances on property, plant and equipment	1,035	939	623	545
foreign exchange differences	(18)	(33)	(20)	(23)
Provisions	(210)	(189)	(171)	(127)
Revaluation surplus	1,157	1,259	1,062	1,147
Other temporary differences	(13)	(25)	-	-
	1,951	**1,951**	**1,494**	**1,542**

26 DEFERRED TAX LIABILITY (Continued)

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

	GROUP 2007 Kshs'million	GROUP 2006 Kshs'million	COMPANY 2007 Kshs'million	COMPANY 2006 Kshs'million
At beginning of year	1,951	1,932	1,542	1,402
Income statement credit for the year (note11)	51	(372)	(48)	(102)
Prior years (over)/under provision	(38)	142	-	-
Revaluation/impairment of assets	-	242	-	242
Foreign exchange differences	(13)	7	-	-
At end of year	1,951	1,951	1,494	1,542

Deferred tax liabilities amounting to Kshs 95 million (2006: Kshs 73 million) in respect of the group and Kshs 89 million (2006: Kshs 67 million) in respect of the company has been transferred within shareholders' equity from retained earnings to revaluation reserves. This represents deferred tax on the difference between the actual depreciation charge on the property, plant and equipment and the equivalent depreciation charge based on the historical cost of the property, plant and equipment.

27 PROVISIONS FOR LIABILITIES AND CHARGES

	Restructuring, site restoration and litigation Kshs'million	Service gratuity and holiday pay Kshs'million	Long service awards Kshs'million	2007 Total Kshs'million	2006 Total Kshs'million
GROUP					
At beginning of year	50	353	49	452	406
Additional provisions	6	147	-	153	73
Utilised during the year	(4)	(24)	(5)	(33)	(27)
At end of year	52	476	44	572	452
Less: current portion	(52)	(49)	-	(101)	(84)
Non current portion	-	427	44	471	368
COMPANY					
At beginning of year	48	304	49	401	357
Additional provisions	5	137	-	143	58
Utilised during the year	(4)	(20)	(5)	(30)	(14)
At end of year	49	421	44	514	401
Less: Current portion	(49)	(36)	-	(85)	(69)
Non-current portion	-	385	44	429	332

The provision for service gratuity, holiday pay and long service awards represent entitlements that accrue as a result of services offered by employees.

The provision for restructuring, site restoration and litigation represents the present value of the directors' best estimate of the future outflows that will be required to settle related liabilities or finalise the ongoing restructuring activities of the Group, including termination benefits.

28 TRADE AND OTHER PAYABLES

	GROUP 2007 Kshs'million	GROUP 2006 Kshs'million	COMPANY 2007 Kshs'million	COMPANY 2006 Kshs'million
Trade payables	1,165	1,415	1,015	1,209
Accrued expenses	386	453	295	389
Other payables	160	114	73	41
Payable to related companies (Note 34)	1,159	205	1,159	30
	2,870	**2,187**	**2,542**	**1,669**

The average credit period on purchases is 30 days. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

29 BORROWINGS

	GROUP 2007 Kshs'million	GROUP 2006 Kshs'million	COMPANY 2007 Kshs'million	COMPANY 2006 Kshs'million
The borrowings are made up as follows:				
Bank overdraft	112	-	-	-

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

	GROUP 2007	GROUP 2006	COMPANY 2007	COMPANY 2006
Local currencies	13.0%	13.0%	10.4%	10.4%
Foreign currencies	5.8%	5.8%	5.8%	5.8%

Borrowing facilities

As at end of the year, the group had borrowing facilities amounting to a total of Kshs. 2,114 million (2006 - Kshs. 1,796 million), out of which the undrawn facilities amounted to Kshs. 869 million (2006 - Kshs. 937 million).

The borrowing facilities are annual facilities that were subject to review at various dates during the year 2007. They consist of overdrafts, letters of credit and guarantees.

30 UNCLAIMED DIVIDENDS

	GRDUP & COMPANY	
	2007 Kshs'million	2006 Kshs'million
At beginning of year	20	20
Declared during the year	2,541	1,452
Dividends claimed in the year	(2,541)	(1,452)
At end of year	20	20

31 CONTINGENT LIABILITIES

	2007	2006
Guarantees to the group's bankers in favour of staff	166	78
Bonds issued by the group's bankers in favour of Kenya Revenue Authority	1,010	954
Bonds issued by the group's bankers in favour of suppliers	131	138
Insurance bond issued to Uganda Revenue Authority	9	100
	1,316	1,270

Guarantees

The guarantees and bonds are issued by the group's bankers in favour of third parties and the group has entered into counter-indemnities with the same banks. These guarantees are part of the bank facilities disclosed in note 29 above and are issued in the normal course of business.

Legal matters

The group is involved in a number of legal proceedings which are yet to be concluded upon. The directors have evaluated the pending cases and determined that no material liabilities are likely to arise from these cases which arose in the normal course of business.

Unresolved taxation matters

The group is regularly subject to an evaluation, by the taxation authorities, of its direct and indirect taxation affairs and in connection with such reviews, tax assessments can be issued by the taxation authorities in respect of the group's taxation affairs.

In particular, the Kenya Revenue Authority issued a tax assessment during the year of Kshs. 526 million, excluding interest and penalties. This assessment is in respect of the company's corporate tax affairs for the years of income 2003 and 2004. Out of this amount, the company paid Kshs. 5 million, representing the amount not in dispute, and formally objected to the balance of the assessment in accordance with the tax legislation. The basis of the company's objection relates to the specific matters of application and interpretation of tax legislation affecting the company involved and the industry in which it operates.

With the assistance of professional advice, the directors have considered all matters in contention and are confident that the objection will be successful and no material liability will crystallise to the company.

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32 CAPITAL COMMITMENTS

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

	GROUP 2007 Kshs'million	GROUP 2006 Kshs'million
Commitments for the acquisition of property, plant and equipment	**4,013**	**72**

Capital commitments include a contract with CBMI Construction Company Limited for the construction of an integrated cement plant in Kasese, Uganda. The construction is expected to take a duration of two years at a contract amount of Kshs 3,940 million, out of which Kshs 580 million (15%) has been paid and included in prepayments in note 22.

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

	GROUP 2007 Kshs'million	GROUP 2006 Kshs'million
Commitments for the acquisition of property, plant and equipment	**7,650**	**8,973**

33 CASH GENERATED FROM OPERATIONS

Reconciliation of profit before tax to cash generated from operations:

	GROUP 2007 Kshs'million	GROUP 2006 Kshs'million
Profit before taxation	5,443	3,838
Adjustments for:		
Depreciation (note 14)	636	646
Amortisation of intangible assets (note 16)	19	27
Loss/(gain) on disposal of property, plant and equipment	57	(1)
Investment income recognised in profit	(102)	(62)
Net finance costs recognised in profit	70	121
Net foreign exchange losses	(63)	(102)
	6,060	4,467
Changes in working capital balances		
Increase in inventories	(1,150)	(348)
Increase in trade and other receivables	(2,075)	(280)
Increase in provisions for liabilities and charges	91	45
Increase/(decrease) trade and other payables	630	1,015
Cash generated from operations	**3,556**	**4,899**

34 RELATED PARTIES

The ultimate parent of the group is Lafarge SA, incorporated in France. There are other companies which are related to Bamburi Cement Limited through common shareholdings or common directorships.

(i) Related party transactions

In the normal course of business the group sells cement to an associate of its ultimate shareholder. These sales represented approximately 2% of the group's sales volume during the year (2006: 4%).

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

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

	GROUP 2007 Kshs'million	GROUP 2006 Kshs'million
Interest received	36	22
Sales of goods and services	175	1,206
Purchases of goods and services	3,937	292

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

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

	GROUP 2007 Kshs'million	GROUP 2006 Kshs'million	COMPANY 2007 Kshs'million	COMPANY 2006 Kshs'million
Receivables from related parties	115	322	115	319
Receivables from subsidiaries			375	493
	115	322	490	812
Payables to related parties	1,159	205	1,159	30
Short term cash deposits	-	897	-	582

The prior year short term deposits represent amounts held in investment accounts with the principal shareholder's central treasury department at terms similar to those offered by unrelated financial institutions.

(iii) Loan to subsidiary

As at the end of the year, the balance due to the company in respect of a loan to its subsidiary, Bamburi Special Products Limited, amounted to Kshs. 46 Million (2006 - Kshs. 61 Million). The loan is unsecured and the related effective interest on the loan was 10% (2006 - 10%). The loan repayment period is 7 years from the beginning of 2007.

34 RELATED PARTIES (Continued)

(iv) Key management compensation

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

	GROUP 2007 Kshs'million	GROUP 2006 Kshs'million
Salaries and other short-term employment benefits	93	86
Post-employment benefits	8	6
Fees for services as a director	6	6
	107	**98**

As at year end the company had, through normal bank facilities, guaranteed loans to key management personnel amounting to Kshs 17million (2006 - Kshs 17million).

35 OPERATING LEASE COMMITMENTS

	GROUP 2007 Kshs'million	GROUP 2006 Kshs'million
Lease payments committed under operating leases:		
Not later than 1 year	45	55
Later than 1 year but not later than 5 years	110	63
	155	**118**

36 RETIREMENT BENEFITS SCHEME

The group operates defined contribution retirement benefit plans for all qualifying employees, comprising eligible non-unionisable employees. The assets of the plans are held separately from those of the group in funds under the control of trustees. The scheme is administered by an independent investment management company and is funded by contributions from the group companies and employees. The group's obligations to the staff retirement benefits plans are charged to the income statement as they fall due or in the case of service gratuity as they accrue to each employee.

The group also makes contributions to the statutory defined contribution schemes in the two countries where operations are based. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

The total expense recognised in the income statement of Kshs 70 million (2006: Kshs 62 million) represents contributions payable to these plans by the Group at rates specified in the rules of the plans. As at 31 December 2007, contributions of Kshs 15 million (2006: Kshs Nil) due in respect of the 2007 (2006) reporting period had not been paid over to the plans. The amounts were paid over subsequent to the balance sheet date.

37 **FINANCIAL INSTRUMENTS**

Capital risk management

The group manages its capital to ensure that entities in the group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The group's overall strategy remains unchanged from 2006.

The capital structure of the group mainly consists of cash and cash equivalents as disclosed in note 23 and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in note 25 to the financial statements.

The board of directors reviews the capital structure on a regular basis. As part of this review, the board considers the cost of capital and the risks associated with each class of capital. Based on the review, the group analyses and assesses the gearing ratio to determine the level and its optimality.

Financial risk management objectives

The Group's activities expose it to a variety of financial risks, including credit risk and the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance within the options available in Kenya and Uganda to hedge against such risks. The Group has effective policies in place to ensure that credit sales are made to customers with an appropriate credit history.

The company's Corporate Treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Corporate Treasury function of Lafarge SA reports quarterly to the Lafarge SA risk management committee, an independent body that monitors risks and policies implemented to mitigate risk exposures.

The Group seeks to minimize the effects of these risks by using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the ultimate parent's policies approved by the board of directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Market risk

The group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

As at 31 December 2006, the group had forward contracts amounting to USD 4.6 Million (2007 - Nil) which matured in 2007. This was revalued and the resulting loss amounting to Kshs 9.4 Million charged to the income statement.

Foreign currency risk management

The group undertakes certain transactions denominated in foreign currencies. Therefore, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilizing forward foreign exchange contracts.

37 **FINANCIAL INSTRUMENTS (Continued)**

Interest rate risk management

The group is exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the group by a close management monitoring control. The group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Share price risk management

The group is exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes. The Group does not actively trade these investments

Credit risk management

Credit risk refers to the risk that counter party will default on its contractual obligations resulting in financial loss to the group. The group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The group's exposure and the credit rating of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the management annually.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. On an ongoing basis, a credit evaluation is performed on the financial condition of accounts receivable.

The group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The group defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk did not exceed 5% of gross monetary assets at any time during the year. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recorded in the financial statements represents the group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

As at the end of the year, the group had impaired debts amounting to Kshs 289 Million (2006 - Kshs 332 Million), out of which Kshs 220 Million (2006 - Kshs 243 Million) related to the company.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has developed and put in place an appropriate liquidity risk management framework for the management of the group's short, medium and long-term funding and liquidity management requirements. The group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

38 COUNTRY OF INCORPORATION

The company is incorporated and domiciled in Kenya under the Companies Act. The ultimate parent of the group is Lafarge SA, incorporated in France.

The Group is primarily engaged in the manufacture and sale of cement and cement related products.

39 POST BALANCE SHEET EVENTS

The board of directors approved the financial statements on 26th February 2008 and authorised that the financial statements be issued. On this date, the directors were not aware of any matter or circumstances arising since the end of the financial year, not otherwise dealt with in the financial statements, which would significantly affect the financial position of the group and results of its operation as laid out in these financial statements.

40 CURRENCY

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

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