TABLE OF CONTENTS

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AR1621

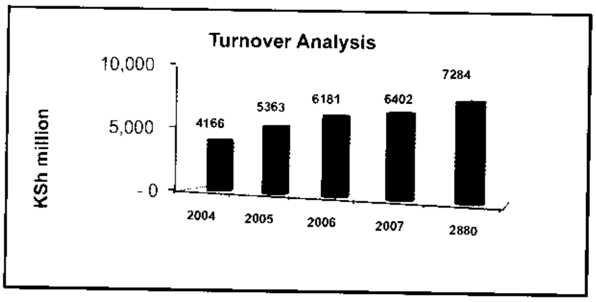
FIVE-YEAR FINANCIAL PERFORMANCE SUMMARY

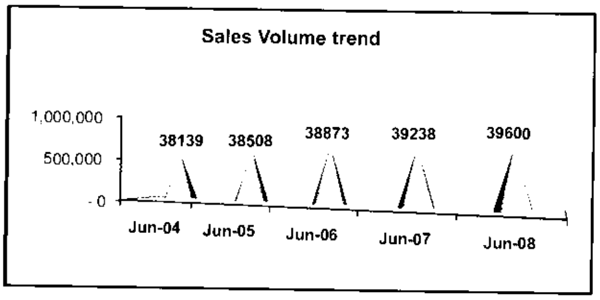
	2008 Shs'000	2007 Shs'000	2006 Shs'000	2005 Shs'000	2004 Shs'000
Turnover	7,204,479	6,402,736	6,180,715	5,363,196	4,166,289
Operating profit	1,120,355	757,337	586,294	915,698	441,076
Unrealised foreign currency exchange gain/(loss)	(414,451)	307,311	308,242	199,549	(637,632)
Profit /(loss)before tax	715,889	1,112,625	924,364	1,086,280	(391,594)
Taxation (Charge)/Credit	(179,237)	(348,461)	(512,571)	(478,408)	199,901
Profit /(Loss) Attributable to Members	536,652	764,164	411,793	607,872	(191,693)
Dividends	-	**234,000**	**234,000**	**225,000**	**157,500**
Capital Employed					
Assets					
Non current	6,411,608	5,768,197	5,570,488	4,768,043	5,050,681
Current	2,661,737	3,170,375	3,481,719	2,949,837	2,419,616
Total assets	**9,073,345**	**8,938,572**	**9,052,207**	**7,717,880**	**7,470,297**
Equity & Liabilities					
Capital and reserves	4,026,749	3,607,097	3,076,933	2,252,835	1,802,463
Non current liabilities	3,870,221	3,896,220	4,577,333	4,570,362	4,589,480
Current liabilities	1,176,375	1,435,255	1,397,941	894,683	1,078,354
Total Equity & Liabilities	**9,073,345**	**8,938,572**	**9,052,207**	**7,717,880**	**7,470,297**
Ratio Analysis					
Profitability and Efficiency Ratios					
Gross profit margin	33%	27%	28%	31%	31%
Operating profit margin	16%	12%	9%	17%	11%
Net profit margin	7%	12%	7%	11%	-6%
Return on assets	6%	9%	5%	8%	-4%
Return on Equity	13%	21%	13%	27%	-15%
Liquidity Ratios /Working capital					
Current ratio	2.3	2.2	2.5	3.3	2.2
Quick ratio	1.4	1.8	2.1	2.7	1.6
Earnings per Share	5.96	8.49	4.58	6.75	(2.13)
Dividends per share (KSh)					
Interim Paid	-	1.30	1.30	-	-
Final & proposed	-	1.30	1.30	2.50	1.75
Total	-	**2.60**	**2.60**	**2.50**	**1.75**

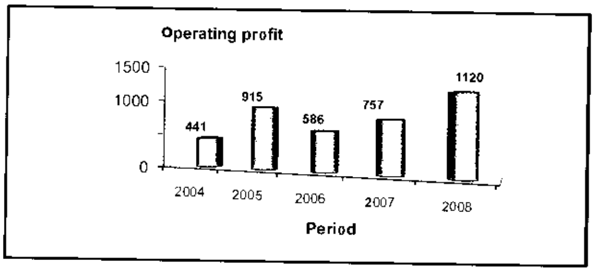
2008/1621

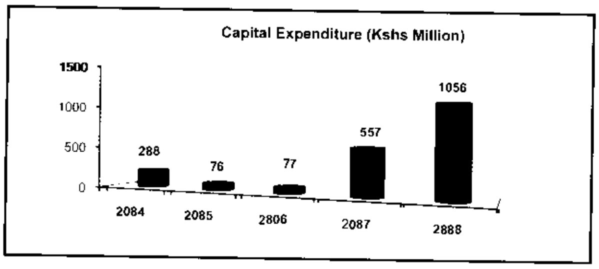
FOR THE YEAR ENDED 30 JUNE 2008

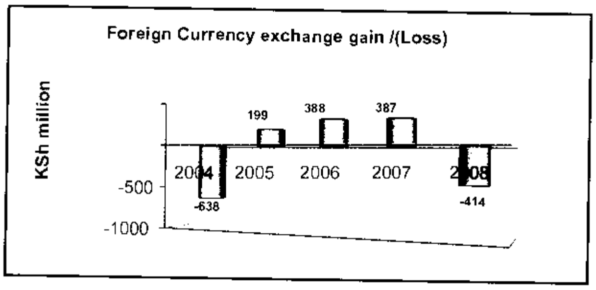
	2008 Sh'000	2007 Sh'000
Revenue	**7,204,479**	**6,402,736**
Profit before tax	715,889	1,112,625
Profit attributable to to the shareholders of East African Portland Cement Company Limited	536,652	764,164
Dividends	-	**247,500**
Share Capital and Shareholders' Funds		
Ordinary Share Capital	450,000	450,000
Shareholders fund	3,576,749	3,157,097
Earnings and Dividend per share		
Earnings per share	5.96	8.49
Dividend per share		
Interim Paid	-	1.30
Final & proposed	-	1.30
Total	-	**2.60**

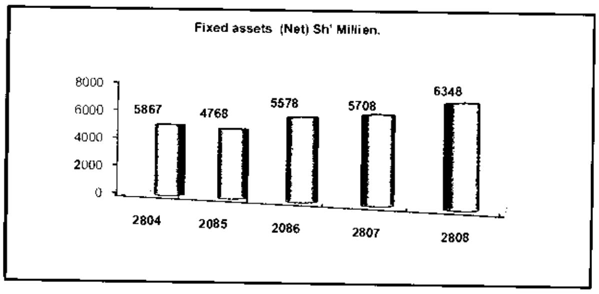

Turnover Analysis
KSh million
10,000
5,000
0
4166
5363
6181
6402
7284
2004
2005
2006
2007
2880

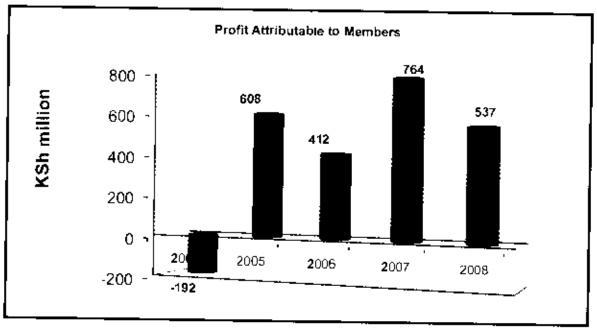

Sales Volume trend
1,000,000
500,000
0
38139
38508
38873
39238
39600
Jun-04
Jun-05
Jun-06
Jun-07
Jun-08

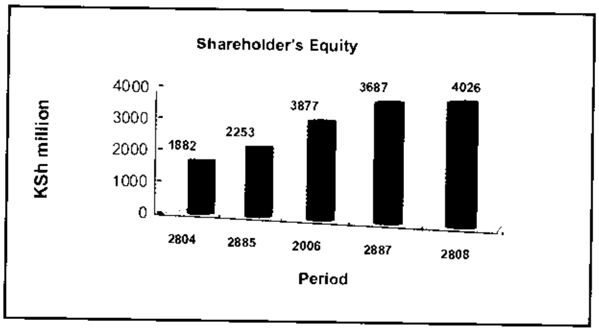

Operating profit
1500
1000
0
441
915
586
757
1120
2004
2005
2006
2007
2008
Period

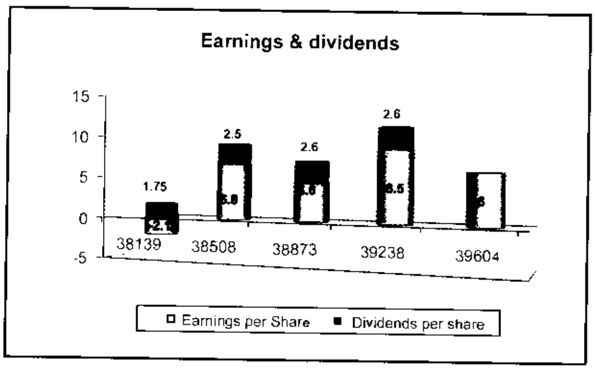

Capital Expenditure (Kshs Million)
1500
1000
500
0
288
76
77
557
1056
2084
2085
2806
2087
2888

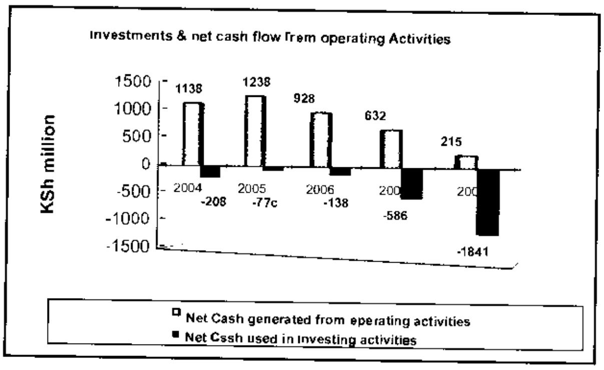

Foreign Currency exchange gain /(Loss)
KSh million
-500
-1000
199
388
387
2004
2005
2006
2007
2008
-638
-414


Fixed assets (Net) Sh' Million.
8000
6000
4000
2000
0
5867
4768
5578
5708
6348
2804
2085
2086
2807
2808


Profit Attributable to Members
KSh million
800
600
400
200
0
-200
608
412
764
537
-192
2005
2006
2007
2008


Shareholder's Equity
KSh million
4000
3000
2000
1000
0
1882
2253
3877
3687
4026
2804
2885
2006
2887
2808
Period


Earnings & dividends
15
10
5
0
-5
1.75
2.5
2.6
2.6
38139
38508
38873
39238
39604
Earnings per Share
Dividends per share


Investments & net cash flow from operating Activities
KSh million
1500
1000
500
0
-500
-1000
-1500
1138
1238
928
632
215
2004
2005
2006
-208
-77c
-138
-586
-1841
Net Cash generated from operating activities
Net Cash used in investing activities

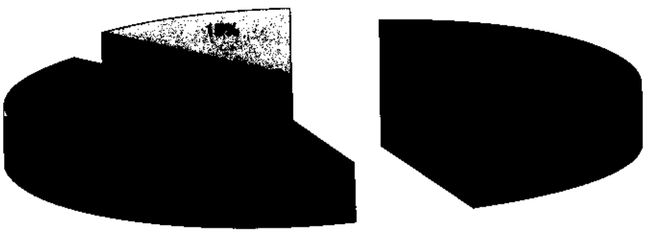
DISTRIBUTION OF ASSETS

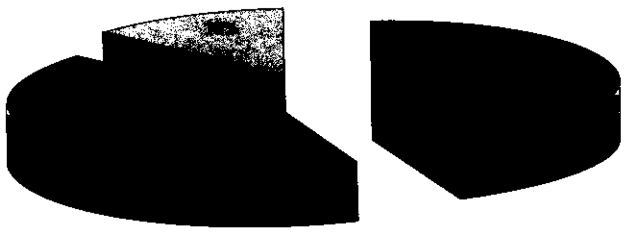
2008

2007

	2008 KSh m	2007 KSh m
Non current Assets	6,412	5,768
Current Assets	2,662	3,170
	9,073	8,939

DISTRIBUTION OF EQUITY AND LIABILITIES





	2008 KSh m	2007 KSh m
Capital and reserves	4,027	3,607
Non current liabilities	3,870	3,896
Current liabilities	1,176	1,435
	9,073	8,939

Mark K ole Karbolo
CHAIRMAN

Dear Shareholder

It is my great pleasure to welcome you to the 76th Annual General Meeting of the East African Portland Cement Company Limited. As you already know, this is the first Annual General meeting that I am presiding over as your Chairman. I wish to express my sincere gratitude to you all and to the Government for giving me this opportunity to serve the Company as Chairman. My assurance to you is that I will do my utmost to ensure that I guide this Company towards achieving its stated vision and mission for the benefit of all stakeholders, and particularly the shareholders.

I wish also to thank you all for your continued support and express my gratitude to the many new shareholders who decided to invest in our Company during the past year.

About Us

EAPCC is the second largest cement producer in Kenya and was incorporated in 1933. Over the last five years, we have pursued a focused agenda to move the Company away from a loss-making past towards a remarkable turnaround. We have put in place a solid foundation for sustainable growth. We have continued to strengthen our strategic priorities, in search for better ways to improve our performance and in order to become more efficient and profitable. Our priority is to create value for our shareholders and customers through the provision of superior products and services with high discipline and commitment to our financial goals while caring for the environment and supporting the communities living within the areas of our operations.

Business Review

The Kenyan economy is bolstered by a relatively strong private sector. Although following the events of earlier this year, the economy is not expected to expand at the 6% to 7% rates that were projected last year, a reasonable growth of up to 4% is expected. The private sector is also expected to maintain the momentum from last year with the bulk of its activities stemming from manufacturing, transport and communication, which recorded a growth of 8.5% and 8.3% respectively in the previous financial year. Expenditure on rehabilitation and construction of the road network, building and general construction have continued to bolster demand for cement and are expected to continue doing so in the foreseeable future.

Our priority is to create value for our shareholders and customers through provision of superior products and services with high decipline and commitment to our financial goals while caring for the environment and supporting communities living in the areas of our operations

For several years now, the Company has been producing cement at a maximum of its installed capacity of 700,000 metric tonnes per annum, nearly all of which was sold in the local Kenyan market. However, this is set to change with the commissioning of the new Cement Mill No. 5 which is expected to come on-line in January 2009. This will double capacity to 1.3 million tonnes of cement per annum and will enable the Company to expand its market share in Kenya and in the region. Please therefore join me in congratulating the management for this achievement.

Kenya's economic recovery in recent years has emphasized efforts to create employment with reasonable success. Creation of new jobs implies an increase in consumer demand, investments and confidence in the economy. However, the rising level of inflation and the global financial crisis are of concern as they cut into disposable incomes and pose downside risks of slowdown in consumption and investment. This is exemplified in the recent meteoric rise in the price of fuel oil and the weakening of the shilling against major international currencies, especially the US dollar. The Board of Directors and management are well aware of these risks and will do their utmost to guard against their impact.

Our Place in the Cement Industry

The cement industry is one of the most rapidly growing industries in the country with very strong demand. Global cement companies are well represented in this region and that is an indication that, as a region, we will continue to attract strong competition from world-class investors in cement production. It is therefore in order for us to aim to become a world-class producer and supplier of cement.

The Kenyan market profile is expected to realign following the entry of other companies with investments in capacity and cost efficiency, making it more competitive. Our Company is currently the second largest producer of cement in the Kenyan market and, with the expansion programme now under way, we will maintain this position in the coming years. However, we face greater challenges in maintaining competitiveness due to our higher cost of production compared to competitors. To this end, EAPCC will focus not only on finalizing the capacity improvement projects but also invest in a coal firing facility to address energy costs. The distribution system will also be overhauled to further enhance competitiveness.

Our Company and the Environment

Production of cement requires substantial involvement in mining operations to extract raw materials such as limestone, gypsum, kunkur and others. It also requires consumption of substantial resources of energy that release greenhouse gasses into the atmosphere. Cognizant of this fact and the overwhelming concern for the environment in Kenya and the world over, the Company has instituted programmes to mitigate the impacts of its activities on the environment.

The Company is looking into the rehabilitation of its quarries with a view to reducing harmful effects on the local communities; it is also involved in programmes to utilize carbon credits through the international carbon credit programmes sponsored by the World Bank and other concerned organizations; and it is also involved in searching for alternative fuels as a source of energy, including bio-fuels from jatropher trees, sugarcane baggase and other sources.

We are also involved in many community support projects through our corporate social responsibility (CSR) programmes and a more substantial statement on these is included elsewhere in this report. It is my great pleasure and satisfaction to be involved with the Company in undertaking these programmes.

The Company will intensify these efforts in the next financial period.

75th Anniversary

This year marks 75 years since the Company's inception. In those years the Company has gone through many challenges and has also recorded many achievements. For the record, we have reproduced here below a list of milestones marking the long history of the Company so far:

Our company is currently the second largest producer of cement in the Kenyan market and with the expansion program now under way, we will maintain this position in the coming years

Milestones EAPCC has covered in the last 75 years

1933:	East African Portland Cement registered; the first company in the region to manufacture and trade solely in cement. At the time EAPCC produced 60,000 tonnes per year through Mill No. 2
1934:	Deliveries of cement begin.
1956:	Construction of cement plant starts in Athi River.
1957:	Athi River factory complete.
1958:	EAPCC doubled its production capacity after the completion of the Athi River factory and incorporation of Mills Nos. 1 and 3. This doubled production to 120,000 tonnes a year
1974:	EAPCC commissioned the new rotary kiln (wet) which added to the production capacity and brought it to a total of 300,000 tonnes a year
1979:	The Company undertook minor upgrades on Mill No. 3 and put up Raw Mill No. 4, which boosted production capacity to 340,000 tonnes a year.
1996:	A new kiln was commissioned which came complete with a new raw mill (vertical roller Atox). A bigger limestone crusher and an ultramodern raw material pre-blending system which brought production to 700,000 tonnes per year
1997:	Company changed the process from wet process to dry clinker production
2007:	Ground-breaking done for a new Cement Mill (No. 5) to boost production capacity from 700,000 metric tonnes to about 1.3 million metric tones
2008:	EAPCC is in the process of installing a new cement mill which should be running by January 2009. We also mark our 75th Anniversary with various activities, including the launch of our new Company Logo, among others events

Our effort and desire is to invest in all areas of our business, our people, our plant and our product.

Financial Performance 2007/08

The year under review saw operating profit increase by 40% over the previous period. Internally, we focused our energies on minimizing our production costs, maximizing our operation efficiency, streamlining our procurement processes and initiating a wide range of cost-saving measures. These, coupled with a stringent financial discipline, saw us register impressive results during the year with a profit before foreign currency exchange and taxation of Sh1.13 billion, compared to Sh805 million the previous year. This was well within our performance target signed with the Government and in excess of the Company's financial estimates.

Our effort and desire is to invest in all areas of our business, our people, our plant and our product. Therefore in this period substantial investments were undertaken and others initiated towards building a sustainable basis for future operations for the Company. I am confident that even though the Company did not declare a dividend this year for this reason, we will continue to translate these efforts into sustainable value for you.

Dividends

Our overall cash position at the end of June 2008 was below prior year mainly due to the Company's capital commitment on capacity expansion, raw material reserves, investments and down-payments on key projects. In view of the existing heavy capital commitments going forward, the Directors consider it prudent not to recommend the payment of a dividend.

Taxation

As a good corporate citizen, EAPCC is committed to paying taxes promptly as required by law. During the year under review, the Company paid in excess of Sh1.7 billion in both direct and indirect taxes to the Exchequer.

Nurturing Tomorrow's Leaders Today

The Company will endeavour to entrench people management and practices in our business strategy to meet current and emerging business needs while we aim to become the employer of choice by attracting, developing and retaining the best talented people. We shall also aim to turn good managers into true leaders with the right capabilities to drive the business forward.

Safety and Health

A safe and healthy workplace for all our employees and other persons interacting with our business will continue to be a high priority.

HIV/Aids

Like the larger society, we have not been insulated against HIV/Aids. During the year we launched the Voluntary Counseling and Testing (VCT)

Centre and are committed to undertaking programmes and activities that shall create awareness amongst staff and community, to embrace positive behaviour change so as to reduce the negative impact of the HIV pandemic on our society.

Corporate Governance

As a Company, we continue to be committed to the tenets of good corporate governance and sound business ethics. The Board has in place a charter and a code of ethics that will align our corporate behaviour with the expectations of our shareholders and other stakeholders. We will continue to identity with and share best practice across the entire Company structure.

As a Company, we continue to be committed to the tenets of good corporate governance and sound business ethics.

Future Outlook

The current inflationary challenges and the global financial crisis are likely to increase distribution and input costs while the decline in the value of the Kenya shilling poses the challenge of foreign exchange fluctuation. The Company has however invested in an intensive capacity expansion and energy saving programme to counter these challenges. The additional cement milling capacity will be commissioned in December this year while the coal conversion plant to replace furnace oil is on course. These projects together with the ISO certification process to be completed by June 2009 are expected to have a positive impact on the Company's future earnings. The Company has put in place appropriate risk management strategies.

Core Commitments

Our results, which were achieved in a period of hardship during the first two months of 2008, have emboldened us to continue with our commitment to meet our obligations to our shareholders, for whom

we undertake to create more wealth.

To our Government: We aim to meet our statutory obligations and good corporate citizenry.

To Our Employees: We will continue to offer a more challenging and positive work environment.

To Our Suppliers: We promise to meet our business partnership obligations.

To Our Customers: We will continue to provide quality and reliable products at all times.

Acknowledgement

The success of the Company would not have been possible without the continued support of our customers, commitment and hard work of our staff. On behalf of the Board, I take this opportunity to extend my sincere gratitude to them. I have no doubt in my mind that, together, we shall take EAPCC to the next level

Finally, I wish to extend my appreciation and sincerely thank the Board of Directors for their vision, dedication to the Company and unity of purpose.

The success of the company would not have been possible without the continued support of our customers, commitment and hard work of our staff

Mark K ole Karbolo
Chairman
November 4, 2008

Eng. John Nyambok
MANAGING DIRECTOR

FINANCIAL PERFORMANCE 2007/08

Results

Despite a difficult first two months of the year 2008 due to the post-election violence, the Company recorded a 12.5% increase in sales revenue due to the improved pricing compared to a similar period last year. Gross profit increased by 23.3% compared to prior year.

Price adjustments were however not sufficient to offset inflationary costs increases in fuel, input prices and distribution cost. Despite this the Company's operating profit increased by 40% over the previous year due to improved productivity, cost control initiatives and improved efficiency.

During the year the Kenya shilling depreciated against the yen, resulting in an unrealized foreign exchange loss of KSh346 million compared to last year's gain of KSh517 million. As a result the Company's net profit at KSh537 million compared unfavourably with that of the same period last year.

Cashflow

The overall cash position at the end of June 2008 was below prior year mainly due to the Company's capital commitment on capacity expansion, raw material reserves, investments and down payments on key projects.

Cement Sector

Cement production in Kenya has increased strongly in line with economic growth. The domestic consumption is expected to grow by an average of 10% to 2.4 million tonnes continually on year to 2012 driven largely by commercial and residential property construction, Government of Kenya projects, road construction and rehabilitation. Cement consumption in Kenya in 2007/8 was 69kg/person, which is bound to improve by 7% to 72 kg/person in 2008/9. The Company has positioned itself to fast-track the key investments to meet commercial, capacity and efficiency challenges.

Our People

We are aware that many organizations still focus on cost reducing measures such as downsizing rather than productivity improvement. Going forward, we shall focus more on productivity improvement initiatives in order to remain competitive by embracing Performance Management. The Company has thus initiated various policies and programmes aimed at achieving better people management and practices.

At the end of this year we have Staff who shall be retiring from service after serving between 14 and 37 years of dedicated service to our Company, which attests to the fact that our retention rate is the best in the industry.

Going forward we shall focus more on productivity improvement initiatives in order to remain competitive by embracing Performance management.

Corporate Strategies

During the year under review, we grew our production output to optimal levels and tailored our operations and processes so as to put the customer at the centre of our business.

The profit we realized was also a result of improved plant efficiency, as well as optimum utilization and supervision. Better management of maintenance and repair costs coupled with competitive sourcing also contributed to the impressive operating profits.

Other factors that augured well for our operations included efficient financial and operational management, better internal control systems, a motivated workforce and focus on key operations.

Staff Survey

During the year we conducted the first ever staff satisfaction survey covering all cadres of staff in the

Company, which will be a continuous process to improve the Company's position in regard to Staff and their motivation. This is also an opportunity to enhance communication processes within the Company.

Our Core Value System

As a Company, the practice of ethical behaviour will be upheld at all times as we endeavour to abide by the Company core value system in all activities that we undertake. Good behaviour shapes individual character and reflects on the reputation of the Company. In this regard, staff have committed to embrace a culture of *timeliness, innovativeness, customer focus, teamwork, integrity and commitment as a way of life.*

Quality Management Processes

To enhance our competitiveness and ease of accessibility to markets we have embarked on an ISO certification process (ISO9001/2000 series) which should be completed by June 2009.

To boost additional cost savings, the Company rolled out a new packaging and product line for cement from 32.5R to 32.5N, during the second half of year 2007/08 without compromising on quality.
Research and development on alternative fuels which will yield results in the near future have been enhanced.

New Integrated System

During the second half of 2007/08, the Company embarked on a new integrated business system (ERP) to be fully implemented by December 2009. This system is intended to enhance internal efficiencies in Technical, Commercial and Key Service departments of the Company.

Improved Management Information (Business Intelligence Systems)

Management always needs data from many systems consolidated into reports and analyses in a timely and continuous manner. This takes time and effort.

To improve on the production and timeliness of standard reporting and analysis, the company invested in Business Intelligence Solutions.

Risk Management

The Company's operations and earnings are subject to various risks relating to the changing competitive, economic, political, legal, social, industry, business and financial conditions. These risks expose the Company 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 Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance as follows:

Risk management is carried out by the finance department under policies approved by the Board of Directors. Finance identifies, evaluates and hedges financial risks. The Board provides written principles for overall risk management, as well as written policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk, use of non-derivative financial instruments and investing excess liquidity.

We also take a risk-based approach to internal control. The management team is responsible for implementing, operating and monitoring the system of internal control, which is designed to provide reasonable, but not absolute, assurance of achieving business objectives. Related requirements are set out in the Corporate Risk

Management Manual, which describes the methodology to be followed to manage risks to objectives. Our control framework is supported by a set of risk-based standards; these establish rules and instructions on enterprise-wide risks that require common treatment.
We have a variety of processes for obtaining assurance on the adequacy of risks management and internal control, including:

Going forward we shall focus more on productivity improvement initiatives in order to remain competitive by embracing Performance management.

- A structured process to identify and review risks to the achievement of corporate objectives
- A risk-based audit of the Company's operations and systems
- A business control incident reporting and provisioning process
- An ethics and compliance programme

The established mechanisms allow the Board, via its Audit Committee, to regularly consider the overall effectiveness of the internal control system and to perform a full annual review.

Future Outlook

Despite the challenges, including escalating fuel prices and the slowdown in sales in the third quarter during the year because of the political-related skirmishes which blocked access to our markets, we were however able to improve our operating profit by 40% compared to prior year. This was attributed to improvement in efficiencies and cost control initiatives by management. At the same time we are investing in capacity and more efficient technology which should give us leverage on cost management. With this in place and investment in human capital, we should be able to post superior results in future in line with world-class operations which will be our benchmark. We will continue to review our strategic plan so as to enhance competitiveness and profitability.

We are now more committed to performance contracting and achieving targets as agreed with the Government and the Board of Directors.

Corporate Social Investment

In line with our corporate philosophy of *"Holding Life Together"*, EAPCC has continued to touch the lives and hearts of many in our immediate community. We continue to enhance the quality of life for the local communities and thereby lift their standards of living. We are proud to have sponsored the building of a Dining Hall for the Kabini Hill Primary school, a Dormitory for the Elerai Girls Secondary School, initiatives to supply water within Mavoko municipality among other donations and sponsorships. Through these projects we believe in empowering the youth and, where we made monetary donations, our desire is to make the projects self-sustaining.

Despite the challenges including escalating fuel prices and the slowdown in sales in the third quarter during the year because of the political related skirmishes which blocked access to our markets, we were however able to improve our operating profit by 48% compared to prior year

- **Our Priorities in 2008/09**
- Improve productivity and increase capacity utilization.
- Invest in technology, research and processes in order to support business growth.
- Maintain good control over costs and aggressive risk management.
- Develop our talent and leadership capability.
- ISO 9001:2000 certification by June 2009.
- Achieve 100% Key Objectives as derived from the Strategic Plan.

Service delivery innovations to improve customer service turnaround.

I would like to thank our customers and shareholders for their support and our staff for their tremendous efforts in delivering an excellent performance of increased operating profit during the year. I am very confident that we will continue to deliver strong and consistent performance and build a long-term sustainable business in this country.

Thank you.

Eng. John Nyambok
Managing Director
September 18, 2008

The East African Portland Cement Company continues to record great achievements and growth. We have therefore put in place a comprehensive Corporate Social Responsibility programme through which we share our gains with communities that make our operations possible by being good neighbours and customers.
To this end, we employ a collaborative approach to facilitate partnership with communities and conduct surveys to understand their development priorities and then devise solutions that are tailor-made to each community.

EAPCC recognizes both the business imperative and the moral obligation to carry out our activities in a socially responsible and environmentally sustainable manner. Building on our long history of social awareness and charitable work, the Company's aim is to contribute to a sustainable future through the following:

Environment

EAPCC continues to pride itself on its commitment to the environment. During the 2008 World Environment Day, our staff, in partnership with the National Environment Management Authority (NEMA) and the local community (Kasuito), planted over 3,000 Jatropha curcas trees which have multiple benefits to the environment. Not only do these trees combat desertification by restoring vegetative cover, their seeds are also the leading providers of bio-fuel in the world. The decision to plant these trees was made after it was established that food-based fuel production was pushing up the price of ordinary cooking oil as fuel costs

During the 2008 World Environment Day, our staff, in partnership with the National Environment Management Authority (NEMA) and the local community (Kasuito), planted over 3,000 Jatropha curcas trees

For an individual to perform then they need to be placed in a workplace that augurs well for their job requirements and an enabling environment

increase. As Jatropha curcas is not edible, it plays a great part in not affecting the pricing forces for edible oil, therefore protecting our people from further inflationary price rises in regard to edible oil.
EAPCC has also set up a tree nursery with an operational minimum of 10,000 seedlings in a move that underscores our corporate devotion to re-afforestation nationwide for benefits such as reduction of soil erosion and continual absorption of greenhouse gasses for a better and cleaner environment.

Staff Health and Safety

EAPCC is focused on improving the health of our staff. We continue to invest in quality healthcare and make provisions towards the development of a healthy workforce. With the recent launch of an HIV/AIDS Policy and VCT Centre, EAPCC has actively joined forces with our staff and the community in order to fight the HIV/ AIDS pandemic.

By developing appropriate working conditions the Company ensures that our workers are healthy both in mind and body. For an individual to perform then they need to be placed in a workplace that augurs well for their job requirements and an enabling environment. At EAPCC we understand this and strive to continually improve our workers' job environments.

Education

The East African Portland Cement Company understands the need to develop the coming generations. This is why the Company intervenes in various academic undertakings. Recently, the Company contributed building materials worth over KSh3.6 million to facilitate the construction of a Dining Hall/Kitchen at Kibini Primary School in Sultan Hamud. Kibini Primary is just one of the beneficiaries of EAPCC's dedication to education. Elerai Girls MCK, Starehe Boys Centre and other academic institutions have also benefited. In the spirit of aiding academic projects, the Company has also made a bursary fund of KSh500,000 per year to aid needy students in achieving their full academic potential. Our corporate dedication to bettering the future of our great nation is founded on both word and deed.

Water

Water is a fundamental part of our lives. Our survival is dependent on the availability of clean water. EAPCC understands this and has over the years invested over KSh7 million in the drilling and repairing of boreholes, especially in the Sultan Hamud (Nkama Location) area. This has ensured that the people of this area have access to clean drinking water. The area's main community, who mostly depend on livestock, have been provided with a lifeline for themselves and their livestock, their major source of income.

Relief Aid

The Company has a firm policy in regard to calamities and emergency response when the country is struck by disaster. In January 2008, after the country was rocked by the post-election violence, the Company donated over KSh1.5 million in order to assist the victims of the mayhem. In this particular endeavour we partnered with the International Committee of the Red Cross (ICRC) in the donation as they were the organization on the ground and they understood the most pressing needs in order of priority and efficacy.

Sports

Every year the Company sponsors a number of sporting events. Our continued partnership with the KMSF (Kenya Motor Sports Foundation) has grown to achieve national accolades and recognition by virtue of the fact that the most competitive spectator stage for the KCB Rally is held at our old quarry off Mombasa Road, which has been rehabilitated as an ideal section for rallying.

Other organizations also make use of this land, for security driver training and 4WD defensive driving.

The Company also organizes interdepartmental games for staff. These games go a long way in encouraging team-building and developing unity throughout the organization.

OUR CSR POLICY PILLARS

- Business Ethics
- Community Development and Economic Advancement
- Corporate Governance and Accountability
- The Environment
- Human Rights and Workplace Issues – Employee Satisfaction
- Workplace Issues – Employee Benefits, Diversity and HIV/AIDS in the Workplace.

In January 2008, after the country was rocked by the post-election violence, the Company donated over KSh1.5 million in order to assist the victims of the mayhem.

BOARD OF DIRECTORS

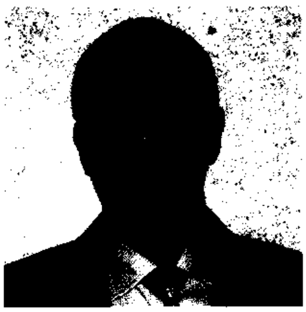
Mark K ole Karbolo
CHAIRMAN

Eng. John Nyambok
MANAGING DIRECTOR

Prof. John Lonyangapuo
DIRECTOR

Joseph K Kinyua
DIRECTOR

Titus T Naikuni
DIRECTOR

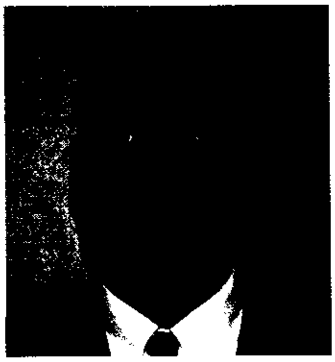


Rachael Lumbasyo
DIRECTOR

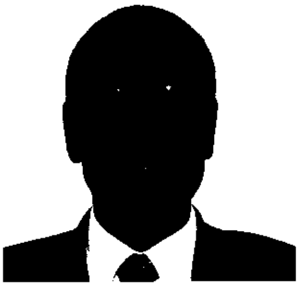
Sankale ole Kantai
DIRECTOR

KHW Keith
DIRECTOR

JLG Maonga
COMPANY SECRETARY



Eng. John Nyambok
Managing Director



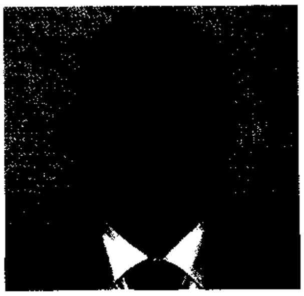
Kephar L. Tande
General Manager Finance

Caleb Kapten
General Manager Commercial

Alex Mutisya
General Manager Works

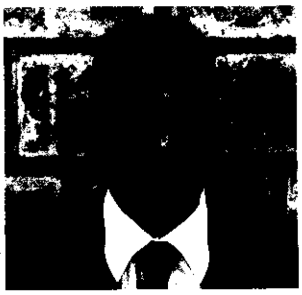
Rosemary Gituma
Finance Manager

Stephen Kamau
Human Resource Manager



Peter Korir
Ag. Supply Chain Manager

Stephen Nthei
Internal Audit Manager



Salim Daghar
Production Operations Manager

Kananga M'nchebere
Technical Manager

Charles Kaloki
ICT Manager

Tom Ombasa
Commercial Manager

Directors

Mark K Karbolo	
Eng. J Nyambok	Managing Director
Prof. J Lonyangapuo	(Alternate – Eng. J Mosonik)
J K Kinyua	(Alternate – J Kinyanjui)
R Lumbasyo	(Alternate -J Akuya)
TT Naikuni	
S ole Kantai	
K H W Keith	

Secretary

J L G Maonga
Certified Public Secretary (Kenya)
P.O. Box 30029 – 00100
NAIROBI

Auditors

Controller and Auditor General
P.O. Box 30084 – 00100
NAIROBI

Registered Offi ce

L R 337/113/1
Namanga Road, off Mombasa Road
P.O. Box 20-00204
ATHI RIVER

Registrars Offi ce

Haki Registrars
P.O. Box 40868 – 00100 NAIROBI

Bankers

Kenya Commercial Bank Limited
Standard Chartered Bank Kenya Limited
Standard Chartered Bank Uganda Limited
The Co-operative Bank of Kenya Limited
Barclays Bank of Kenya Limited
CFC Stanbic Bank Kenya Limited

BOARD SUB COMMITTEES

Board Audit Committee	
Sankale ole Kantai	Chairman
TT Naikuni	
J K Kinyua	
R Lumbasyo	
K H W Keith	
J L G Maonga	Secretary

Board Technical Committee	
TT Naikuni	Chairman
J K Kinyua	
R Lumbasyo	
Eng. John Nyambok	
J L G Maonga	Secretary

Board Human Resources and Remuneration Committee	
R Lumbasyo	Chairman
Prof. J Lonyangapuo	
K H W Keith	
Sankale ole Kantai	
Eng. John Nyambok	
J L G Maonga	Secretary

Executive Management Team	
Eng. J Nyambok	Managing Director
Kephar L Tande	General Manager Finance
Caleb Kapten	General Manager Commercial
Alex Mutisya	General Manager Works
Rosemary Gituma	Finance Manager
Stephen Kamau	Human Resources Manager
Charles Kaloki	ICT Manager
Salim Daghar	Production Operations Manager
Peter Korir	Ag. Supply Chain Manager
Kananga M'nchebere	Technical Manager
Stephen Nthei	Internal Audit Manager
Tom Ombasa	Commercial Manager

The Directors present their report together with the audited financial statements of the Company for the year ended 30 June 2008.

ACTIVITIES

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

RESULTS	2008 '000
Profit before taxation	715,889
Taxation charge	(179,237)
Profit for the year	536,652

DIVIDENDS

The Company did not pay an interim dividend during the year. In 2007 an interim dividend of Sh 1.30 amounting to a total of Sh117,000,000 was paid.

The Directors do not propose the payment of a final dividend in respect of the year ended 30 June 2008. (2007 – Sh1.30 per share totalling Sh117,000,000).

DIRECTORS

The current Board of Directors is shown on **Page 17**. The following changes have taken place since 1 July 2007:
Mr R A Hadley resigned as Director on 6 February 2008 and Mr K H W Keith ceased to be his alternate.
Mr KHW Keith was appointed a substantive Director on the same date.
Mr N K Kagio retired as acting Managing Director on 9 May 2008 while Eng J Nyambok was appointed Managing Director on the same date. Prof J K Lonyangapuo was appointed director on 20 April 2008 in place of Mr D Nalo. Mr E Kimuri ceased to be his alternate on the same date.
Mr J K Mosonik was appointed as alternate director to Prof Lonyangapuo on 9 June 2008.
B S Ndeta resigned as Director and Chairman on 19 June 2008.

AUDITORS

The Controller & Auditor General is responsible for the statutory audit of the company's books of account in accordance with Section 14 and Section 39(i) of the Public Audit Act, 2003 which empowers the Controller & Auditor General to nominate other auditors to carry out the audit on her behalf.

Deloitte & Touche, who were nominated by the Controller & Auditor General, carried out the audit of the financial statements for the year ended 30 June 2008.

BY ORDER OF THE BOARD

JLG Maonga
Secretary
Nairobi
September 18, 2008

Corporate governance deals with the way companies are led and managed, the role of the Board of Directors and a framework of internal controls. The Board of East African Portland Cement Company Limited is committed to upholding high standards of corporate governance.

The Board

Composition of the Board is set out on **Page 17**. The Board is made up of the chairman, Managing Director and five independent non-executive Directors. All non-executive directors are independent of management. All Directors are subject to periodic re-appointment in accordance with the Company's Articles of Association. On appointment, the directors receive an induction covering the company's business and operations. The Directors are advised of the legal, regulatory and other obligations of a Director of a listed company. All of the Directors have access to the Company Secretary who is responsible for ensuring that Board procedures are followed and that applicable laws and regulations are complied with. The Directors responsibilities are set out in the statement of Directors responsibilities on **Page 26.**

The full Board meets regularly, at least four times a year, and has a formal schedule of matters reserved for it. The Directors receive appropriate and timely information so that they can maintain full and effective control over strategic, fi nancial, operational, compliance and governance issues. Except for direction and guidance on general policy, the Board has delegated authority for the conduct of day to day business to the Managing Director and the Management Committee. The Board however retains responsibility for establishing and maintaining the Company's overall internal control of fi nancial, operational and compliance issues as well as monitoring the performance of the executive management. The roles of the Chairman and the Managing Director are clearly delineated and have been approved by the Board.

The Board members have a wide range of skills and experience and each brings an independent judgment and considerable knowledge to the Board discussions. The Board recognizes that at the core of the corporate governance system, it is ultimately accountable and responsible for the performance and affairs of the company. Towards this end the directors in fulfi llment of their fiduciary duty act always in the best interest of the company and shareholders. The Board understands the signifi cance of corporate governance and continuously strives to provide competitive strategic leadership. The Board also works through the various sub committees – Board Audit Committee, Board Technical Committee and Board Human Resources and Remuneration Committee. The Committees have freedom to co-opt expert assistance as necessary. The Board conducts a Board evaluation annually to determine its strengths and effectiveness as a Board, as well as the effectiveness of individual Directors.

The following table shows the number of Board meetings held during the year and the attendance of individual Directors.

	Board (scheduled)	**Board** (Special)
Benson S Ndeta	4	3
N K Kagio	5	1
Eng J Nyambok	1	1
TT Naikuni	4	3
J Kinyua	4	1
David Nalo	4	2
Prof J Lonyangapuo	1	1
R Lumbasyo	5	3
R A Hadely	3	-
KHW Keith	1	-
Sankale ole Kantai	5	2
JLG Maonga	5	3

The Board is of the opinion that there is a balance between independent executive and non-executive Directors as required by Clause 2.1.4 of the Guidelines on Corporate Governance Practices by Public Listed Companies in Kenya.

Delegation of Authority

Board Sub Committees

The Board has three Sub Committees with specific delegated authorities. These are Board Audit Committee, Board Technical, Board Human Resources and Remuneration Committee, while Management has Executive Management Committee and

Management Tender Committee.

The Board committees assist the Board in discharging its responsibilities. The committees have clear defined roles and terms of reference and charters that have been approved by the Board. The committees are chaired by non-executive Directors. Details of these committees and membership are shown below.

Board Audit Committee

The Committee meets at least four times a year and held five meetings during the year.

Role

The Committee receives reports on the fi ndings of the internal and external audits and on action taken in response to these. In addition, the Committee regularly reviews and reports to the Board on the effectiveness of the Company's system of internal control. The external auditors have unrestricted access to the Managing Director and Chairman of Audit Committee which ensures that their independence is in no way impaired.

Other responsibilities of the Committees are:

- To nominate external auditors for appointment by shareholders
- To review the fi nancial reports
- To oversee management of all risks of the company including Financial risk, credit risk, liquidity risk, reputation risk, legal risk, regulatory and compliance risk.
- he committee is responsible for ensuring that there are written policies, procedures and processes for identifying and managing the risks.

The members of the Committee are:

Sankale ole Kantai	**Chairman**
TT Naikuni	
Prof John Lonyangongapyo	
R Lumbasyo	
KHW Keith	
JLG Maonga	**Secretary**
External Auditors	

*Experts and business representatives are invited on a need-basis.

Board Technical Committee

The committee has four scheduled meetings each year and receives reports on all aspects of risk management. During the year six meetings were held.

Role

The Board has delegated authority to the Board Technical Committee to oversee the Company's capital expenditure plans, Marketing strategies, Technology and Research. It also reviews proposals for capital developments. In addition the committee appraises capital budgets for all hardware and software purchases for recommendation to the Board.

Members of the committee are:

TT Naikuni	**Chairman**
Prof John Lonyangapuo	
Joseph Kinyua	
Eng. John Nyambok	
R Lumbasyo	
JLG Maonga	**Secretary**

*Experts and business representatives are invited on a need-basis.

Board Human Resources and Remuneration Committee

The committee has four scheduled meetings during the year. The committee is responsible for monitoring and appraising the performance of senior management, including the Managing Director, reviewing of all human resources policies, determining the remuneration of senior management and making recommendations to the board on suitable candidates to fi ll senior management vacancies and the remuneration of non-executive directors.

The Members of the Committee are

R Lumbasyo	**Chairman**
Prof John Lonyangapuo	
Eng. John Nyambok	
KHW Keith	
Sankale ole Kantai	
JLG Maonga	**Secretary**

Executive Management Committee

The Management Committee is the link between the Board and management. The committee assists the Managing Director in giving overall direction to the business. The Committee is responsible for the implementation of operational plans and the annual budgets. It is also responsible for the periodic review of operations, strategic plans, proposals, identification and management of key risk and opportunities. The Committee also reviews and approves guidelines for employees' remuneration. The committee meets at least once a week.

Tender and Disposals Committee

The committee meets weekly or as required and its composition and responsibilities are as per the company's procurement policies, Public Procurement and Disposal ACT 2005 and the Public Procurement and Disposals Regulations, 2006. There is also a Disposal Committee responsible for the disposal of the company's significant non-operating assets.

Directors' Remuneration and Loans

The remuneration of all Directors is subject to regular review to ensure that levels of remuneration and compensation are appropriate. Neither at the end of the financial year, nor at any time during the year did there exist any arrangement to which the Company is a party, whereby directors might get benefi ts by means of acquisition of the company's shares. Information on aggregate amount of emoluments and fees paid to Directors are disclosed in note 39 of the financial statements

Board Performance Evaluation

Under the guidelines issued by the Ministry of Industrialization Board Charter and CMA, the Board is responsible for ensuring that a rigorous evaluation is carried out of its performance, and that of its committees and individual Directors. The evaluation is conducted quarterly and annually and the results of the evaluation are provided to the Ministry of Industrialization and Office of the President on Performance contracting.

Going Concern

The Board confirms that it is satisfied that the Company has adequate resources to continue in business for the foreseeable future. For this reason, it continues to adopt the going concern basis when preparing the financial statements.

Internal Controls

The Board has a collective responsibility for the establishment and maintenance of a system of internal control that provides reasonable assurance of effective and efficient operations. However, it recognizes that any system of internal control can provide only reasonable and not absolute assurance against material misstatement or loss.

The Board attaches great importance to maintaining a strong control environment and the company's system of internal controls includes the assessment of non fi nancial risks and controls. The Board has reviewed the Company's internal control policies and procedures and is satisfi ed that appropriate procedures are in place. The Company's business is conducted within a developed control framework, underpinned by policy statements, written procedures and control manuals. This ensures that there are written policies and procedures to identify and manage risk including operational risk, liquidity risk, regulatory risk, legal risk, reputational risk, market risk and credit risk. The Board has established a management structure, which clearly defines roles, responsibilities and reporting lines. Delegated authorities are documented and communicated.

The performance of the Company is reported regularly to its management and the Board. Performance trends, forecasts as well as actual performance against budgets and prior periods are closely monitored.

Financial information is prepared using appropriate accounting policies, which are applied consistently.

Operational procedures and controls have been established to facilitate complete accurate and timely processing of transactions and the safeguarding of assets. These controls also include the segregation of duties, the regular reconciliation of accounts and the valuation of assets and positions.

Group Code of Conduct

The Board has approved a Code of Ethics, which sets out the Company's core values relating to the lawful and ethical conduct of business.

All employees have a copy of this Code of Ethics and are expected to observe high standards of integrityand fair dealing in relation to customers, staff and regulators in the communities in which the Company operates. This forms part of a Company's compliance structure, which sets policies and standards for compliance with rules, regulations and legal requirements.

Relations with Shareholders

The Board recognises the importance of good communications with all shareholders. The Annual General Meeting (AGM) as well as the published annual report are used as an opportunity to communicate with all shareholders. The Company always gives shareholders the 21 days notice of the AGM as provided for in the Kenyan Companies Act and shareholders are encouraged to submit questions and also appoint proxies to represent them where they are unable to attend. Ad hoc shareholder requests for information are handled on an on-going basis and also on the fl oor of the AGM.

CMA-LIBRARY

In upholding and protecting shareholders' rights, the Board recognizes that every shareholder has a right to participate and vote at the general shareholders' meeting. The Board also allows shareholders to seek clarity on the Company's performance in general meetings.

The Board has engaged the services of a professional Registrar to allow for quick responses to all shareholder queries and smooth transfer of shares.

Skills and Experience of the Board

Our Directors have among other attributes the following skills and experience.

- Corporate governance
- Information and Communication Technology
- Diverse age profiles
- Cement industry experience
- Diverse and Complementary skills

A third of the Directors retire by rotation annually, and if eligible their names are submitted for re-election in the annual general meetings.

Also all Director appointments are subject to confirmation by shareholders at the annual general meeting. In addition to the induction programme for new directors there are specific training workshops that our Directors participate in that are accredited by the Center for Corporate Governance.

Interaction with Management

The EAPCC Board has a high level of regular interaction with management thereby enabling directors to infuse their considerable experience, professional knowledge of the target market into the strategic direction. There is a policy of open communication between Board and Management and this ensures that the Doard is fully informed of major matters concerning EAPCC and its business. A procedure further allows for Directors to suggest additional items for discussion at meetings and to call for additional information or a briefi ng on any topic prior to the meeting.

During the year 2007/2008, the membership of the Board Committees was reviewed in line with the requirements of the Board charter which provides that committee memberships and chairs be renewed annually. The Board also in additional has an ad-hoc Committee that assists the Board in Legal Matters.

COMMUNICATION

The Board is satisfi ed that decision-making capability and the accuracy of its reporting and fi nancial results are maintained at a high level at all times to ensure adequate disclosure and transparency. The Board relies on the external group of auditors and Audit Committee to raise any issues of financial concern.

CORPORATE GOALS

ENVIRONMENT HEALTH & SAFETY

The company is committed to protecting the health and safety of all individuals affected by its activities, including employees, contractors and the public. We emphasize environmental protection and stewardship and recognize that pollution prevention, biodiversity and resource conservation are key to a sustainable environment. We effectively integrate these concepts into our business decision-making.

STAKEHOLDER RELATIONS

We endeavour to engage stakeholders clearly, honestly and respectfully, and are committed to timely and meaningful dialogue with all of them.

EMPLOYEE RELATIONS

We ensure that employees are treated fairly and with dignity so as to enable them to achieve their career goals and aspirations. We apply fair labour practices, while respecting national laws, as well as the customs, believes and interests of the communities within which we operate. We offer quality opportunities in all aspects of employment and will not engage in or tolerate unlawful work place conduct, including discrimination, intimidation or harassment.

HUMAN RIGHTS

We work with the governments in the countries where we sell our products, as well as non-governmental agencies to advocate respect for human rights. We never tolerate human rights abuses, and do not engage in any activities that would encourage human rights abuse.

The Companies' Act requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and it's operating results for that year. It also requires the Directors to ensure that the Company keeps proper accounting records which disclose with reasonable accuracy at any time the fi nancial position of the Company. They are also responsible for safeguarding the assets of 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 fi nancial 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 company and of its 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 will not remain a going concern for at least twelve months from the date of this statement.

TITUS T. NAIKUNI
DIRECTOR
SEPTEMBER 18, 2008

ENG. JOHN NYAMBOK
MANAGING DIRECTOR

Telephone: + 254-20-342330
Fax: +254-20-311482
E-mail: cag@kenyaweb.com

REPUBLIC OF KENYA

P.O. Box 30084-00100
NAIROBI

KENYA NATIONAL AUDIT OFFICE

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE EAST AFRICAN PORTLAND CEMENT COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE 2008

The financial statements of the East African Portland Cement Company Limited set out on pages 29 to 59 which comprise the balance sheet as at 30 June 2008 and the income statement, statement of changes in equity and cash flow statement for the year then ended, together with a summary of significant accounting policies and other explanatory notes have been audited on my behalf by Deloitte & Touche, auditors appointed under Section 39 of the Public Audit Act, 2003. The auditors have duly reported to me the results of their audit and on the basis of their report, I am satisfied that all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit were obtained.

Directors' responsibility for the financial statements

The directors are responsible for the preparation of financial statements which give a true and fair view of the Company's state of affairs and its operating results in accordance with the 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.

Responsibility of the Controller and Auditor General

My responsibility is to express an independent opinion on the financial statements based on the audit. The audit was conducted in accordance with the International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed with a view to obtaining reasonable assurance that 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 the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal controls relevant to the entity'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 company's internal controls. 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. I believe the audit provides a reasonable basis for my opinion.

Opinion

In my opinion, proper books of account have been kept and the accompanying financial statements give a true and fair view of the state of the financial affairs of the Company as at 30 June 2008 and of its profit and cashflows for the year then ended in accordance with the International Financial Reporting Standards and the Kenya Companies Act, Cap 486 of the Laws of Kenya.

Pkomora

P.N. KOMORA, CBS.
CONTROLLER AND AUDITOR GENERAL

Nairobi

18 September 2008

FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008 Sh'000	2007 Sh'000
Sales	3	7,204,479	6,402,736
Cost of Sales	4	(4,833,162)	(4,478,589)
Gross Profit		2,371,317	1,924,147
Other Operating Income	5	28,499	68,635
Provision Write Back	6	132,000	-
Selling Expenses	7	(612,295)	(523,428)
Administrative Expenses	8	(687,089)	(598,078)
Other Operating Expenses	9	(106,657)	(108,242)
Farm Loss	10	(5,420)	(5,697)
Net Interest Income	11	9,985	47,977
Profit Before Foreign Currency Exchange And Taxation		1,130,340	805,314
Foreign Currency Exchange (Loss)/Gain	12	(414,451)	307,311
Profit Before Taxation	13	715,889	1,112,625
Taxation Charge	15	(179,237)	(348,461)
Profit for The Year		536,652	764,164
Earnings Per Share (Basic And Diluted)	16	Sh 5.96	Sh 8.49
Dividends Per Share	17	-	Sh 2.60
- Paid		-	Sh 1.30
- Proposed		-	Sh 1.30

*The accounting policies on **Pages 33 to 37** and the notes on **Page 33 to 59** form the integral part of the fi nancial statements. Report of auditors is on **Pages 27 to 28***

FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008 Sh'000	2007 Sh'000
ASSETS			
Non-current assets			
Property, plant and equipment	18	6,305,071	5,678,158
Intangible assets	19	8,693	18,540
Prepaid operating lease rentals	20	34,657	13,538
Investment	21	1	1
Biological assets	22	8,198	6,881
Staff receivables	24	825	8,742
Restricted deposits	25	54,163	52,387
		6,411,608	5,768,197
Current assets			
Inventories	23	1,033,151	633,956
Trade and other receivables	24	538,386	356,916
Tax recoverable	15	101,591	-
Short-term deposits	25	497,939	2,065,472
Bank and cash balances		490,670	114,031
		2,661,737	3,170,375
Total assets		9,073,345	8,938,572
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	26	450,000	450,000
Share premium		648,000	648,000
Revaluation surplus		1,093,293	1,146,997
Retained earnings		1,835,456	1,362,100
Shareholders' funds		4,026,749	3,607,097
Non-current liabilities			
Staff-gratuity	27	489,338	502,324
Deferred taxation	28	926,041	1,051,291
Borrowings	29	2,454,842	2,342,605
		3,870,221	3,896,220
Current liabilities			
Borrowings	29	242,036	320,775
Trade and other payables	30	873,039	872,065
Leave pay provision	31	61,300	47,872
Corporation tax payable	15	-	194,543
		1,176,375	1,435,255
Total equity and liabilities		9,073,345	8,938,572

The fi nancial statements on pages **29 to 59** were approved by the Board of Directors on **September 18, 2008** and were signed on its behalf by:

ENG. JOHN NYAMBOK	**MANAGING DIRECTOR**
TITUS T NAIKUNI	**DIRECTOR**

The accounting policies on pages 33 to 37 and the notes on page 33 to 59 form the integral part of the fi nancial statements. Report of auditors is on pages 27 to 28

FOR THE YEAR ENDED 30 JUNE 2008

	Share Capital Sh'000	Share premium Sh'000	Revaluation surplus Sh'000	Retained earnings Sh'000	Total Sh'000
At 1 July 2006	450,000	648,000	1,201,245	777,688	3,076,933
Transfer of excess depreciation	-	-	(73,471)	73,471	-
Deferred tax on excess depreciation	-	-	22,041	(22,041)	-
Surplus realised on disposal of revalued assets	-	-	(4,026)	4,026	-
Deferred tax on disposal of revalued assets	-	-	1,208	(1,208)	-
Profi t for the year	-	-	-	764,164	764,164
2006 – fi nal dividend paid	-	-	-	(117,000)	(117,000)
2007 – interim dividend paid	-	-	-	(117,000)	(117,000)
At 30 June 2007	450,000	648,000	1,146,997	1,362,100	3,607,097
At 1 July 2007	450,000	648,000	1,146,997	1,362,100	3,607,097
Transfer of excess depreciation	-	-	(75,755)	75,755	-
Deferred tax on excess depreciation	-	-	22,727	(22,727)	-
Surplus realised on disposal of revalued assets	-	-	(966)	966	-
Deferred tax on disposal of revalued assets	-	-	290	(290)	-
Profi t for the year	-	-	-	536,652	536,652
2007 – fi nal dividend paid	-	-	-	(117,000)	(117,000)
At 30 June 2008	450,000	648,000	1,093,293	1,835,456	4,026,749

The revaluation surplus is not distributable and represents the surplus arising from the revaluation of property, plant and equipment.

The accounting policies on pages 33 to 37 and the notes on page 33 to 59 form the integral part of the fi nancial statements. Report of auditors is on pages 27 to 28

FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008 Sh'000	2007 Sh'000
OPERATING ACTIVITIES			
Cash generated from operations	32(a)	871,370	901,847
Interest paid	32(c)	(139,359)	(76,288)
Interest received	11(a)	84,215	117,060
Taxation paid	15(c)	(600,621)	(310,564)
Net cash generated from operating activities		215,605	632,055
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	18	(1,030,462)	(557,224)
Purchase of intangible assets	19	(3,681)	
Purchase of operating lease rentals	20	(21,486)	
Proceeds from sale of equipment		1,660	2,313
Proceeds from sale of leasehold land		12,313	[illegible]
Investment in restricted deposits		(1,776)	(1,393)
Proceeds from sale of biological assets	22	2,295	2,338
Net cash used in investing activities		(1,041,137)	(506,074)
FINANCING ACTIVITIES			
Dividends paid		(117,000)	(234,000)
Loan repayments	32(b)	(248,362)	(221,764)
Net cash used in fi nancing activities		(365,362)	(455,764)
DECREASE IN CASH AND CASH EQUIVALENTS		(1,190,894)	(329,783)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		2,179,503	2,509,286
CASH AND CASH EQUIVALENTS AT END OF YEAR	32(d)	988,609	2,179,503

The accounting policies on pages 33 to 37 and the notes on page 33 to 59 form the integral part of the fi nancial statements. Report of auditors is on pages 27 to 28

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1 ACCOUNTING POLICIES

(a) Basis of preparation

(i) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards. The principal accounting policies adopted are as stated below:

Adoption of new and revised International Financial Reporting Standards (IFRS)

Standards and Interpretations effective in the current period

In the current year, the company has adopted IFRS 7 Financial Instruments: Disclosures which is effective for annual periods beginning 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 IAS 1 has been to expand the disclosures provided in these financial statements regarding the company's financial instruments and management of capital.

Four interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period. These are IFRIC 7; Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies, IFRIC 8; Scope of IFRS 2, IFRIC 9; Reassessment of embedded derivatives and IFRIC 10; Interim Financial Reporting and Impairment. The adoption of these interpretations has not led to any changes in the company's accounting policies.

Standards and Interpretations issued but not effective in the current period

At the date of approval of these financial statements, the following new or revised Standards and Interpretations were in issue but not yet effective:

- IFRS 8 on Operating Segments
- IFRS 1on First-time Adoption of International Financial Reporting Standards: Amendment relating to cost of an investment on first-time adoption.
- IFRS 2 on Share-based Payment: Amendment relating to vesting conditions and cancellations.
- IFRS 3 on Business Combinations: Comprehensive revision on applying the acquisition method.
- IFRS 4 on Insurance Contracts: Amendment for financial guarantee contracts.
- IAS 32 on Financial Instruments: Presentation: Amendments relating to puttable instruments and obligations arising on liquidation.
- IFRIC 11 - IFRS 2 Group and Treasury Share Transactions
- IFRIC 12 - Service Concession Arrangements
- IFRIC 13 - IAS 18 Revenue: Customer Loyalty Programs
- IFRIC 14 – IAS 19 Employee Benefits: Effect of Minimum Funding Requirements on Asset Ceiling.
- IFRIC 15 - Agreements for the Construction of Real Estate.
- IFRIC 16 - Hedges of Net Investment in a Foreign Operation.

The adoption of these standards and interpretations, when effective, will have no material impact on the financial statements of the company.

1 ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

(ii) Use of estimates and judgments

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Although these estimates are based on the Directors' best knowledge of current events and actions, actual results ultimately may differ from the 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.

(b) Basis of accounting

The financial statements are prepared under the historical cost convention as modified to include the revaluation of certain property, plant and equipment, and livestock which are stated at fair value.

(c) Revenue recognition

Revenue is recognised upon delivery of goods and when title has passed to customers, net of taxes due to the government.

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

(d) Taxation

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

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

(e) Property, plant and equipment

Property, plant and equipment is stated at cost or at professionally revalued amounts less accumulated depreciation and any accumulated impairment losses.

The company's policy is to professionally revalue property, plant and equipment at least once every five years. The last revaluation was carried out as at 30 June 2006.

(f) Depreciation

No depreciation is provided on freehold land.

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

Buildings	2.5% or period of lease whichever is less
Plant and machinery	5 to 12.5%
Motor vehicles	25%
Office equipment, furniture and fittings	5 to 25%
Computers	33.3%

The excess annual depreciation attributable to revaluation surplus on property, plant and equipment is transferred annually from the revaluation surplus to the retained earnings.

1 ACCOUNTING POLICIES (Continued)

(g) Leases

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

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

(h) Intangible assets

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

(i) Leasehold land

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

(j) Impairment

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

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and the overheads incurred in bringing the inventories to their present location and condition. Costs of direct materials are determined on the first-in first-out basis, while those of general consumable stores are determined on the weighted average cost basis. Net realisable value represents the estimated selling price less the estimated cost to completion and costs to be incurred in marketing, selling and distribution.

Work in progress, which comprises raw meal and clinker, is stated at the lower of production cost and net realisable value. Production cost comprises expenditure directly incurred in the manufacturing process and allocation of fixed and normal production overheads attributable to the process.

(l) Biological assets

Livestock is stated at fair value less estimated point of sale costs.

(m) Financial instruments

The company classifies its financial assets into the following categories: Financial assets at fair value through profit or loss; loans and receivables; held- to- maturity investments; and available-for-sale assets. Management determines the appropriate classification of its investments at initial recognition.

Financial assets at fair value through profit or loss

This category has two sub-categories: Financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management

1 ACCOUNTING POLICIES (Continued)

(m) Financial instruments (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the company provides money, goods or services directly to a debtor with no intention of trading the receivable.

Held to maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that management has the positive intention and ability to hold to maturity. Where a sale occurs other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and classified as available for sale.

Available-for-sale financial assets

Financial assets that are not (a) financial assets at fair value through profit or loss, (b) loans and receivables, or (c) financial assets held to maturity.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the company has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of "financial assets at fair value through profit or loss" are included in the income statement in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in equity, until the financial asset is derecognised or impaired, at which time the cumulative gain or loss previously recognised in equity is recognised in the income statement.

Investments

Unquoted investments are classified as available for sale and are stated at fair value.

Borrowings

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

Trade payables

Trade payables are stated at their nominal value.

Cash and cash equivalents

For the purpose of the cash flow statement, cash equivalents include short term liquid investments which are readily convertible to known amounts of cash and which were within three months to maturity when acquired, less advances from banks repayable within three months from date of disbursement or confirmation of the advance.

(n) Currency translations

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

1 ACCOUNTING POLICIES (Continued)

(o) 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.

(p) Retirement benefits obligations

The company operates a defined contribution pension scheme for senior and supervisory staff, as well as an in house gratuity scheme for unionisable employees. The company also contributes to the statutory National Social Security Fund. This is a defined contribution scheme registered under the National Social Security Act. The company's obligations under the scheme are limited to specific contributions legislated from time to time and are currently limited to a maximum of Sh 200 per month per employee.

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

(q) Provision for employee entitlements

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

The company's unionisable staff who resign or whose services are terminated either due to illness or other reasons after completion of ten years of continuous and meritorious service are entitled to twenty one days pay for each completed year of service by way of gratuity, based on the wages or salary at the time of such resignation or termination of services, as provided for in the trade union agreement. An employee who is dismissed or terminated for gross misconduct is not entitled to gratuity. The service gratuity is provided for in the financial statements at present value of benefits payable as it accrues to each employee.

(r) Comparatives

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

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the process of applying the company's accounting policies, management has made estimates and assumptions that affect the reported amounts of assets and liabilities within current and future financial years. 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. The critical areas of accounting estimates and judgements in relation to the preparation of these financial statements are as set out below:

Impairment of assets

At each balance sheet date, the company reviews the carrying amount of its assets to determine whether there is any indication that these 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 impairment.

Property, plant and equipment

Critical estimates are made by directors in determining the useful lives and residual values to property, plant and equipment based on the intended use of the assets and the economic lives of those assets. Subsequent changes in circumstances or prospective utilisation of the assets concerned could result in the actual useful lives or residual values differing from initial estimates.

Biological assets

Livestock is stated at fair value less estimated point of sale costs.
The significant assumptions are set out in **Note 22.**

		2008 Sh'000	2007 Sh'000
3	**REVENUE**		
	Bagged cement local	6,727,559	5,932,483
	Bagged cement export	445,298	434,305
	Export clinker	-	13,283
	Bulk cement local	31,622	22,665
		7,204,479	6,402,736
4	**COST OF SALES**		
	Raw materials used	921,006	1,347,905
	Furnace oil	1,796,015	1,154,375
	Factory staff costs	651,160	552,501
	Power	453,135	410,173
	Factory depreciation	355,379	352,323
	Maintenance costs	197,057	250,381
	Raw materials transport	177,054	147,464
	Factory direct supplies	42,390	34,290
	Fuel and repairs	135,105	135,309
	Factory insurance	31,094	32,069
	Exploration expenses	7,644	1,200
	Explosives	4,279	4,506
	Royalties	8,390	4,614
	Factory water	5,421	4,884
	Factory land rate and rent	2,888	539
	Consultancy fees	42	3,267
	Hired equipment	45,103	42,789
		4,833,162	4,478,589
5	**OTHER OPERATING INCOME**		
	Gain on disposal of fixed assets	11,669	44,724
	Other sundry income	16,830	23,911
		28,499	68,635

6 PROVISION WRITE BACK

In 2006, the company made a provision of Sh132,000,000 for tax penalties arising from a tax audit carried out by Kenya Revenue Authority. During the year, the company received a tax waiver for the whole amount which necessitated write back of the provision.

		2008 Sh'000	2007 Sh'000
7	**SELLING EXPENSES**		
	Cement transport	518,330	351,008
	Advertising and sales commissions	52,119	62,532
	Fuel and repairs	33,830	26,350
	Customs and other export levies	7,173	23,454
	Depot rent	3,176	5,023
	Public relations costs	810	3,820
	Bad debts (recovery)/expense (net)	(3,143)	51,241
		612,295	523,428

		2008 Sh'000	2007 Sh'000
8	**ADMINISTRATIVE EXPENSES**		
	Staff costs	471,470	392,923
	Depreciation	49,105	52,449
	Office supplies	35,136	35,693
	Travelling expenses	35,689	34,078
	Hired services	22,870	25,119
	Telephone and postage	14,280	18,584
	Company functions	11,556	6,047
	Board expenses	10,542	5,702
	Printing and stationery	9,310	5,807
	Motor vehicle expenses	8,626	10,435
	Computer expenses	7,542	3,792
	Electricity	6,824	3,823
	Office general expenses	4,139	3,626
		687,089	598,078
9	**OTHER OPERATING EXPENSES**		
	Professional fees	39,953	27,289
	Subscriptions	10,755	8,177
	Donations	7,886	19,863
	Bank charges	6,439	7,478
	Miscellaneous expenses	4,917	8,303
	Audit fees	2,696	2,345
	Provision for legal suits	34,011	34,787
		106,657	108,242
10	**FARM NET LOSS**		
	Farm revenue	5,255	4,113
	Fair value gain **(Note 22)**	3,662	2,411
	Gross farm income	8,917	6,524
	Farm expenditure:		
	Farm salaries and wages	(8,988)	(7,347)
	Farm general expenses	(3,683)	(3,634)
	Veterinary expenses and animal feeds	(1,034)	(847)
	Farm petrol and diesel	(397)	(264)
	Farm maintenance and repairs	(235)	(129)
	Total farm expenditure	(14,337)	(12,221)
	Net loss	(5,420)	(5,697)

	2008 Sh'000	2007 Sh'000
11 NET INTEREST INCOME		
Interest receivable	84,215	[redacted]
Interest payable on loans	(74,230)	[redacted]
	9,985	[redacted]
12 FOREIGN CURRENCY EXCHANGE GAIN		
Exchange (loss)/gain on foreign currency loan	(346,990)	[redacted]
Exchange loss on other foreign currency transactions and balances	(67,461)	[redacted]
	(414,451)	[redacted]

The exchange (loss)/gain on the loan arises mainly from the translation of the Japanese Yen denominated loan to Kenya shillings at the year end. The loss resulted from the depreciation of the Kenya Shilling by 14.6 % (2007 – appreciation of 16.3 %) against the Japanese Yen during the year.

	2008 Sh'000	2007 Sh'000
13 PROFIT BEFORE TAX		
The profit before tax is arrived at after charging: Directors' emoluments:		
- Fees	1,260	[redacted]
- Other emoluments	18,735	[redacted]
Auditors' remuneration	2,696	[redacted]
Depreciation	398,626	[redacted]
Amortisation		
- Software	6,235	[redacted]
- Prepaid operating lease rentals	278	[redacted]
Staff costs **(Note 14)**	1,131,619	[redacted]
Loss on sale of equipment	555	[redacted]
Bad debts expense	-	[redacted]
Provision for damages awarded to Baraka Tools - a former distributor of a dormant subsidiary	-	[redacted]
And after crediting:		
Profit on sale of prepaid lease rentals	12,224	[redacted]
Bad debts recovered	8,084	[redacted]
Tax waiver	132,000	[redacted]

	2008 Sh'000	2007 Sh'000
14 STAFF COSTS		
Wages & salaries and other staff costs	1,011,752	846,547
Provision for staff gratuity	72,351	65,968
Pension contributions	32,283	36,785
Leave pay provision	13,428	1,448
Social security costs (NSSF)	1,805	1,750
	1,131,619	952,498

15 TAXATION

	2008 Sh'000	2007 Sh'000
(a) Tax charge		
Current taxation based on the adjusted profit for the year at 30%	304,809	348,232
Prior year over provision	(322)	(4,750)
Total current tax charge **(Note 15(c))**	304,487	343,482
Deferred tax (credit)/charge - current year **(Note 28)**	(125,250)	4,979
	179,237	348,461
(b) Reconciliation of expected tax based on accounting profit to the tax charge		
Accounting profit before taxation	715,889	1,112,625
Tax at the applicable rate of 30%	214,767	333,787
Tax effect of expenses not deductible for tax purposes	7,571	19,424
Tax effect of non taxable income	(43,101)	-
Prior year over provision – current tax	-	(4,750)
	179,237	348,461
(c) Tax (payable)/recoverable		
At beginning of year	(194,543)	(161,625)
Charge for the year **(Note 15(a))**	(304,487)	(343,482)
Paid in the year	600,621	310,564
At end of year	101,591	(194,543)

16 EARNINGS PER SHARE

Earnings per share is calculated by dividing the profit attributable to shareholders by the number of ordinary shares in issue during the year.

	2008	2007
Earnings		
Earnings for purposes of basic and diluted earnings per share (Sh'000)	536,652	764,164
Number of shares		
Number of ordinary shares (thousands)	90,000	90,000
Earnings per share		
Basic (Sh) and diluted (Sh)	5.96	8.49

There were no potentially dilutive ordinary shares outstanding at 30 June 2008 or 30 June 2007. The diluted earnings per share is therefore the same as the basic earnings per share.

17 DIVIDENDS

The company does not intend to pay dividend in respect of the year ended 30 June 2008 due to the huge capital commitments for 2008/2009 financial year as disclosed under **Note 38**

In 2007, the company paid an interim dividend of Sh1.30 and a final dividend of Sh1.30 amounting to a total of Sh234,000,000.

18 PROPERTY, PLANT AND EQUIPMENT Continued

	Freehold Land Sh'000	Buildings Sh'000	Plant and Machinery Sh'000	Motor Vehicles Sh'000	Computers, office equipment, furniture and fittings Sh'000	Capital work in progress Sh'000	Total Sh'000
COST OR VALUATION							
At 1 July 2006	74,600	1,192,665	3,786,784	378,571	235,949	27,303	5,695,872
Additions	-	200	18,863	12,149	16,276	509,736	557,224
Disposals	-	-	-	(4,855)	-	-	(4,855)
Transfer	-	18,420	-	-	-	(18,420)	-
At 30 June 2007	74,600	1,211,285	3,805,647	385,865	252,225	518,619	6,248,241
COMPRISING:							
Valuation - 2006	74,600	1,192,665	3,786,784	373,716	-	-	5,427,765
Cost	-	18,620	18,863	12,149	252,225	518,619	820,476
	74,600	1,211,285	3,805,647	385,865	252,225	518,619	6,248,241
At 1 July 2007	74,600	1,211,285	3,805,647	385,865	252,225	518,619	6,248,241
Additions	-	-	7,623	17,502	8,330	997,007	1,030,462
Disposals	-	-	-	(2,955)	-	-	(2,955)
Transfer	-	10,327	-	-	106,317	(116,644)	-
Transfer to Intangible assets	-	-	-	-	-	(2,707)	(2,707)
At 30 June 2008	74,600	1,221,612	3,813,270	400,412	366,872	1,396,275	7,273,041
COMPRISING:							
Valuation - 2006	74,600	1,192,665	3,786,784	373,716	-	-	5,427,765
Cost	-	28,947	26,486	26,696	366,872	1,396,275	1,845,276
	74,600	1,221,612	3,813,270	400,412	366,872	1,396,275	7,273,041

18 PROPERTY, PLANT AND EQUIPMENT Continued

	Freehold Land Sh'000	Buildings Sh'000	Plant and Machinery Sh'000	Computers, office Equipment, Motor Vehicles Sh'000	Capital Furniture and Fittings Sh'000	Work in Progress Sh'000	Total Sh'000
DEPRECIATION							
At 1 July 2006	-	-	-	-	172,557	-	172,557
Charge for the year	-	29,749	259,678	88,669	19,430	-	397,526
At 30 June 2007	-	29,749	259,678	88,669	191,987	-	570,083
At 1 July 2007	-	29,749	259,678	88,669	191,987	-	570,083
Charge for the year	-	30,052	244,859	90,349	33,366	-	398,626
Eliminated on disposal	-	-	-	(739)	-	-	(739)
At 30 June 2008	-	59,801	504,537	178,279	225,353	-	967,970
NET BOOK VALUE							
At 30 June 2008	74,600	1,161,811	3,308,733	222,133	141,519	1,396,275	6,305,071
At 30 June 2007	74,600	1,181,536	3,545,969	297,196	60,238	518,619	5,678,158

At 30 June 2008, plant and machinery, vehicles and equipment with cost/valuation amounting to Sh104,337,000 (2007 – Sh93,717,000) were fully depreciated. The notional depreciation charge on these assets would have been Sh24,033,741,000 (2007 – Sh22,575,000).

Capital work in progress relates to amounts incurred on installation of a new cement mill, coal grinding and dosing facility.

The assets were revalued by Lloyd Masika Limited, registered valuers, as at 30 June 2006. The land was valued on an Open Market Value basis while the other assets were valued on Net Current Replacement Cost basis. The company's policy is to revalue property, plant and equipment at least once every five years.

18 PROPERTY, PLANT AND EQUIPMENT (Continued)

Included in plant and machinery is idle equipment with a cost amounting to Sh130,671,981 (2007 - Sh130,671,981) which is fully depreciated, in respect of the old plant which was rendered idle when the new plant was commissioned.

Included in motor vehicles are grounded vehicles that are fully depreciated with a cost amounting to Sh20,706,000 (2007- Sh28,968,369) which are no longer in use.

The company has a bank overdraft facility of Sh219,600,000 with Kenya Commercial Bank Limited and the amounts drawn against this facility attract interest at market rates. The facility is secured by a legal charge over certain properties owned by the company, Land Reference numbers 337/639, 8649, 9767, 8785 and 8786, and a debenture over the company assets for Sh219,600,000 respectively. No amounts were drawn against this facility as at 30 June 2008.

If property, plant and equipment and motor vehicles were carried in the financial statements at historical cost, the balances at year end would have been as follows:

	2008 Sh'000	2007 Sh'000
Cost	8,653,091	7,517,576
Accumulated depreciation	(3,880,553)	(3,557,406)
Net book value	4,772,538	3,960,170

19 INTANGIBLE ASSETS – Computer software

	2008 Sh'000	2007 Sh'000
COST		
At 1 July	43,374	43,374
Additions	3,681	-
Transfer from capital work in progress **(Note 18)**	2,707	-
At 30 June	49,762	43,374
AMORTISATION		
At 1 July	34,834	27,058
Charge for the year	6,235	7,776
At 30 June	41,069	34,834
NET BOOK VALUE		
At 30 June	8,693	8,540

	2008 Sh'000	2007 Sh'000
20 PREPAID OPERATING LEASE RENTALS		
- LEASEHOLD LAND		
COST		
At 1 July	13,968	14,597
Additions	21,486	-
Disposal	(90)	(629)
At 30 June	35,364	13,968
AMORTISATION		
At 1 July	430	372
Charge for the year	278	61
Eliminated on disposal	(1)	(3)
At 30 June	707	430
NET BOOK VALUE		
At 30 June	34,657	13,538

Included in prepaid operating lease rentals is land carried in the financial statements at a cost of Sh 4,408,330 for which the title deeds are missing and are being followed up with the Kenya Government Lands Registrar.

	2008 Sh'000	2007 Sh'000
21 INVESTMENT		
Available for sale:		
Unquoted investment in an associated company at cost	1	1

The associated company, Portland Mines Company Limited, remains dormant. The company's interest in the associated company is 50%. The investment has been disclosed at cost as the market value is not readily available. The directors are of the opinion that the fair value of the investment is not materially different from cost.

22 BIOLOGICAL ASSETS

	Cattle Sh'000	Goats Sh'000	2008 Total Sh'000	2007 Total Sh'000
Livestock				
Fair value as at 1 July	6,485	346	6,831	6,758
Decreases due to sales	(2,159)	(136)	(2,295)	(2,338)
Gains arising from change in price	1,470	-	1,470	-
Gains arising from physical changes	1,843	349	2,192	2,411
Fair value gain on livestock	3,313	349	3,662	2,411
Fair value as at 30 June	7,639	559	8,198	6,831

Biological assets represent the value of livestock which is stated at market value less estimated transport and point of sale costs.

Significant assumptions made in the estimation of the fair value of the livestock include:

i) The market conditions will remain constant;
ii) The prevailing climatic conditions will not change;
iii) The level of biological transformation for each category of livestock are follows:

Category	Percentage
Heifer calves	15%
Bull calves	12%
Steers	50%
Heifers	65%
Goat kids	5%
Mature	100%

23 INVENTORIES

	2008 Sh'000	2007 Sh'000
Consumables	539,517	452,911
Raw materials	381,673	137,438
Work in progress	7,465	1,116
Finished products	70,574	26,298
Goods in transit	33,922	16,193
	1,033,151	633,956

24 TRADE AND OTHER RECEIVABLES

	2008 Sh'000	2007 Sh'000
Trade receivables	450,781	314,391
Staff receivables	17,313	18,622
Deposits, prepayments and other receivables	71,117	32,645
	539,211	365,658
Less: Staff receivables not recoverable within 12 months	(825)	(8,742)
	538,386	356,916

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 Company.

Before accepting any new customer, the company 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.

Included in the company's trade receivable balance are debtors with a carrying amount of Sh72,679,000 (2007 – Sh13,160,000) which are past due at the reporting date for which the company has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The aging of the trade and other receivables that are past due but not impaired as at 30 June is detailed below:

	2008 Sh'000	2007 Sh'000
Between 30 and 60 days	44,570	5,446
Between 60 and 90 days	2B,109	7,714
	72,679	13,160

The company has provided for all receivables that are impaired. These receivables are over 120 days old. The movement in the provision for bad and doubtful debts is as set out below:

	2008 Sh'000	2007 Sh'000
At the beginning of the year	235,219	281,758
Impairment losses	38,395	62,380
Amounts recovered	(41,538)	(108,919)
	232,076	235,219

In determining the recoverability of a trade receivable, the company 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.

25 DEPOSITS

	2008 Sh'000	2007 Sh'000
Short term deposits		
The Cooperative Bank of Kenya Limited	-	926,996
Kenya Commercial Bank Limited	497,939	470,760
Standard Chartered Bank Kenya Limited	-	667,716
	497,939	2,065,472
Restricted deposits		
Housing Finance Company of Kenya Ltd	54,163	52,387

The short term deposits mature within three months and the weighted average interest rate earned on the deposits during the year was 5.05% (2007 – 5.0 %).

The deposits with Housing Finance Company of Kenya Ltd have been held as collateral for staff mortgages. The weighted average interest rate earned on the deposits during the year was 2.67% (2007- 2.67%).

26 SHARE CAPITAL

	2008 Sh'000	2007 Sh'000
Authorised:		
126,000,000 shares of Sh5 each	630,000	630,000
Authorised, issued and fully paid:		
90,000,000 shares of Sh5 each	450,000	450,000

27 STAFF GRATUITY

This represents outstanding obligations in respect of staff gratuity payable under the Collective Bargaining Agreement for unionisable staff. The movement during the year was as follows:

	2008 Sh'000	2007 Sh'000
Balance at 1 July	502,324	468,322
Paid during the year	(85,337)	(31,966)
Provision for the year	72,351	65,968
Balance at 30 June	489,338	502,324

28 DEFERRED TAX

	2008 Sh'000	2007 Sh'000
The net deferred tax liability is attributable to the following items:		
Accelerated capital allowances on property, plant and equipment	686,636	710,751
Unrealised exchange (loss)/gain	(19,769)	43,632
Revaluation surpluses on property, plant and equipment	439,240	461,967
Provision for staff gratuity	(146,802)	(150,697)
Provision for lawsuit	(10,203)	-
Provision for staff leave pay	(18,390)	(14,362)
Provision for bad debt	(2,984)	-
Tax losses	(1,687)	-
	926,041	1,051,291

The movement on the deferred tax account is as follows:

	2008 Sh'000	2007 Sh'000
At 30 June	1,051,291	1,046,312
Income statement (credit)/charge for the year **(Note 15(a))**	(125,250)	4,979
At 30 June	926,041	1,051,291

29 LOANS (UNSECURED)

	2008 Sh'000	2007 Sh'000
The Overseas Economic Co-operation Fund of Japan (OECF) loan guaranteed by Kenya Government is denominated in Japanese Yen and is repayable in 41 half yearly instalments by 20 March 2020 with interest at 2.5% per annum—Japanese Yen 4,384,236,749 (2007—Japanese Yen 4,749,556,749)	2,677,988	2,561,056
Loan from Kenya Government (6th Danish loan) repayable in 50 equal half yearly instalments by 31 December 2020 with interest at 15% per annum	-	18,305
Accrued interest	18,890	84,019
	2,696,878	2,663,380
Less: repayable within one year	(242,036)	(320,775)
Repayable after one year	2,454,842	2,342,605

Due to the fact that the loan from the OECF is guaranteed by the Kenya Government, it was included in the Paris Club rescheduling arrangements of the Kenya Government loans in 2004. Between 2004 and December 2007, the company had been remitting the loan repayments to the Kenya Government in two annual instalments of Yen 182,660,000 totalling to Japanese Yen 1,278,620,000 but these payments have not been transmitted to the OECF, the ultimate lender, due to the rescheduling arrangement which required the rescheduled amount to be repaid beginning 30 June 2011. As at 30 June 2008, this amount had attracted a total exchange gain of Sh 85,708,821. It is understood that this exchange gain, and any further exchange differences in future relating to the rescheduled balance, will be absorbed by the Kenya Government.

30 TRADE AND OTHER PAYABLES

	2008 Sh'000	2007 Sh'000
Trade payables	612,205	382,212
Other payables and accruals	205,728	425,104
Unclaimed dividends	36,340	36,340
Advance receipts from customers	18,766	28,409
	873,039	872,065

The average credit period on purchases is 30 days. The company has financial risk management policies in place to ensure that all payables are paid within the credit timeframe. These are disclosed under **Note 36.**

31 LEAVE PAY PROVISION

This represents outstanding obligations in respect of leave days accrued as at year end. The movement during the year was as follows:

	2008 Sh'000	2007 Sh'000
Balance at 1 July	47,872	46,424
Net additional provision	13,428	1,448
Balance at 30 June	61,300	47,872

32 CASH FLOW STATEMENT

(a) Reconciliation of profit before tax to cash generated from operations

	2008 Sh'000	2007 Sh'000
Profit before tax	715,889	1,112,625
Adjustments for:		
Depreciation	398,626	397,526
Amortisation on leasehold rentals	278	61
Amortisation on intangible assets	6,235	7,776
Loss on sale of property, plant and equipment	555	1,542
Profit on sale of prepaid lease rentals	(12,224)	(46,266)
Exchange loss/(gains)	346,990	(517,370)
Staff gratuity provision	72,351	65,968
Leave pay provision	13,428	1,448
Fair value gain on biological assets	(3,662)	(2,411)
Interest expense	74,230	69,083
Interest received	(84,215)	(117,060)
Operating profit before working capital changes	1,528,481	972,922
Increase in inventories	(399,195)	(39,092)
Increase in trade and other receivables	(181,470)	(30,604)
Decrease in non current staff receivables	7,917	1,131
Increase in trade and other payables	974	29,456
Staff gratuity paid	(85,337)	(31,966)
Cash generated from operations	871,370	901,847

		2008 Sh'000	2007 Sh'000

32 CASH FLOW STATEMENT (Continued)

		2008 Sh'000	2007 Sh'000
(b)	Movement in loans		
	Balance at 1 July	2,579,360	3,318,494
	Foreign currency exchange loss/(gain)	346,990	(517,370)
	Repayments during the year	(248,362)	(221,764)
	Balance at 30 June	2,677,988	2,579,360
(c)	Movement in loan accrued interest		
	Balance at 1 July	84,019	89,141
	Interest accrual	74,230	78,837
	Interest paid	(139,359)	(76,288)
	Write back of Danish loan interest	-	(7,671)
	Balance at 30 June	18,890	84,019
(d)	Analysis of cash and cash equivalents		
	Short term deposits	497,939	2,065,472
	Bank and cash balances	490,670	114,031
		988,609	2,179,503

33 RETIREMENT BENEFITS OBLIGATIONS

The company, with effect from 1 July 2006, operates a defined contribution pension scheme for senior and supervisory staff. The scheme was previously a non-contributory defined benefits pension scheme. The scheme is administered independently by Alexander Forbes Financial Services (E.A) Limited, while its investments are managed by Stanbic Investments Services Limited and Old Mutual Asset Management Limited.

Contributions to this scheme during the year amounted to Sh32,283,000 (2007 - Sh36,785,000).

The company also operates an in-house gratuity scheme for unionisable employees. Contributions to this gratuity scheme are governed by a collective bargaining agreement that is reviewed triennially and was last reviewed on 21 December 2007. These contributions are not invested or managed as a separate fund, but are self funded and are fully provided for in the company's financial statements.

The company also contributes to the statutory defined contribution pension scheme, the National Social Security Fund. Contributions to the statutory scheme are determined by local statute and are currently limited to Sh 200 per employee per month. The company's contributions are charged to the income statement in the year to which they relate. Contributions to this scheme during the year amounted to Sh1,805,000 (2007 – Sh1,750,000).

34 REVENUE ANALYSIS AND SEGMENTAL REPORTING

	2008 Sh'000	2007 Sh'000
The company revenues are derived from sales in the following markets;		
Local market - Kenya	6,759,176	5,955,148
Regional market (East and Central Africa)	445,298	447,588
	7,204,474	6,402,736

The farming activity is carried out locally and is insignificant with respect to the financial statements.

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

35 CAPITAL MANAGEMENT

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Company consists of debt, which includes the borrowings disclosed in **Note 29** cash and cash equivalents and equity attributable to equity holders, comprising issued capital and retained earnings.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity plus net debt.

	2008 Sh'000	2007 Sh'000
Share capital	450,000	450,000
Share premium	648,000	648,000
Retained earnings	1,835,456	1,362,100
Equity	2,933,456	2,460,100
Total borrowings	2,696,878	2,663,380
Less: cash and cash equivalents	(988,609)	(2,179,503)
Net debt	1,708,269	483,877
Total Capital	4,641,725	2,943,977
Gearing	36.80%	16.48%

36 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company'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 Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance.

Risk management is carried out by the finance department under policies approved by the Board of Directors. Finance identifies, evaluates and hedges financial risks. The Board provides written principles for overall risk management, as well as written policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk, use of non-derivative financial instruments and investing excess liquidity.

The Company has policies in place to ensure that sales are made to customers with an appropriate credit history.

Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks, as well as trade and other receivables. The Company management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board. The utilisation of credit limits is regularly monitored.

The amount that best represents the Company's maximum exposure to credit risk as at 30 June 2008 is made up as follows:

	Fully performing Sh'000	**Past due Sh'000**	**Impaired Sh'000**	**Total Sh'000**
Trade and other receivables	344,680	194,532	232,076	771,288
Deposits	497,939	-	-	497,939
Cash and bank balances	490,670	-	-	490,670

The amount that best represents the company's maximum exposure to credit risk as at 30 June 2007 is made up as follows:

Fully performing Sh'000	Past due Sh'000	Impaired Sh'000	Total Sh'000	
Trade and other receivables	352,498	13,160	235,219	600,877
Deposits	2,065,472	-	-	2,065,472
Cash and bank balances	114,031	-	-	114,031

The customers under the fully performing category are paying their debts as they continue trading.

The debt that is overdue is not impaired and continues to be paid. The finance department is actively following this debt.

36 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company 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.

The following table analyses the Company's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

At 30 June 2008	Up to 1month Sh'000	1-3 months Sh'000	3-12 months Sh'000	1-5 years Sh'000	Over 5 years Sh'000	Total Sh'000
Financial assets						
Trade and other receivables	390,428	46,851	101,107	825	-	539,211
Investment	-	-	-	-	1	1
Cash and bank balances	514,188	477,730	-	-	61,792	1,053,709
Total financial assets	904,616	524,581	101,107	825	61,792	1,592,921
Liabilities						
Trade and other payables	(49,529)	(700,470)	(92,959)	(601,769)	-	(1,444,727)
Borrowings	-	(124,725)	(117,311)	(1,359,793)	(1,447,656)	(3,049,485)
Total financial liabilities	(49,529)	(825,195)	(210,270)	(1,961,562)	(1,447,656)	(4,494,212)
Net liquidity gap	855,087	(300,614)	(109,163)	(1,960,737)	(1,385,864)	(2,901,291)
At 30 June 2007						
Total financial assets	285,379	2,144,280	125,616	63,247	59,765	2,678,287
Total financial liabilities	(174,100)	(624,981)	(299,750)	(1,878,908)	(1,508,188)	(4,485,927)
Net liquidity gap	111,279	1,519,299	(174,134)	(1,815,661)	(1,448,423)	(1,807,640)

36 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Market risk

(i) Foreign exchange risk

The Company undertakes certain transactions denominated in foreign currencies. Exchange rate exposures are managed within approved policy parameters.

The carrying amounts of the Company's foreign currency denominated monetary assets and liabilities at the balance sheet date are as follows:

	USh Sh'000	USD Sh'000	YEN Sh'000	DKK Sh'000
2008				
Assets				
Bank and cash balances	34,711	730,415	-	-
Trade receivables	39,336	154,499	-	-
Liabilities				
Borrowings	-	-	2,691,140	-
Trade and other payables	3,278	40,226	236,298	1,030
2007				
Assets				
Bank and cash balances	9,424	2,088,555	-	-
Trade receivables	31,803	48,080	-	-
Liabilities				
Borrowings	-	-	2,561,056	-
Trade and other payables	5,466	111,184	320,775	-

Foreign exchange risk – Appreciation/Depreciation of KSh against other currencies by 1%

The following sensitivity analysis shows how profit and equity would change if the market risk variables had been different on the balance sheet date with all other variables held constant.

	2008 Sh'000		2007 Sh'000	
	Effect on Profit	Effect on equity	Effect on profit	Effect on equity
Currency – Ugandan shillings				
+ 1% KSh Movement	708	495	358	250
-1 %KSh Movement	(70B)	(495)	(358)	(250)
Currency - US dollars				
+ 1% KSh Movement	8,447	5,913	20,255	14,17B
- 1% KSh Movement	(8,447)	(5,913)	(20,255)	(14,178)
Currency - YEN				
+ 1 % Movement	(26,7B0)	(18,746)	(25,611)	(17,928)
-1 % Movement	26,780	1B,746	25,611	17,928

36 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(ii) Cement price risk

The Company derives its income mainly from the sale of its cement and prices though fairly stable can be influenced by market forces.

The following sensitivity analysis shows how profit and equity would change if the cement price had been different with all other variables held constant.

	2008 Shs' 000 Effect on Profit	2008 Shs' 000 Effect on equity	2007 Shs' 000 Effect on profit	2007 Shs' 000 Effect on equity
Cement price				
+ 1% Movement	74,586	52,210	65,688	45,982
- 1% Movement	(74,586)	(52,210)	(65,688)	(45,982)

(iii) Interest rate risk

Interest rate risks arise from fluctuations in the bank borrowing rates. The interest rates vary from time to time depending on the prevailing economic circumstances. To minimise the exposure, the Company has negotiated a fixed interest rate on the borrowings. The Company closely monitors the interest rate trends to minimize the potential adverse impact of interest rate changes. The table below summarises the exposure to interest rate risk at the balance sheet date. Included in the table are the Company's financial instruments at carrying amounts, categorized by the earlier of contractual repricing or maturity dates.

	Up to 1month Sh'000	1-3 months Sh'000	3-12 months Sh'000	1-5 years Sh'000	Over 5 years Sh'000	Non interest bearing Sh'000	Total Sh'000
At 31 March 2008							
Assets							
Cash and bank balances	513,529	475,080	-	-	54,163	-	1,042,772
At 31 March 2007							
Total assets	114,031	2,065,472	-	-	52,387	-	2,231,890

Interest rate risks – Increase / Decrease of 1% in Net Interest Margin

The following sensitivity analysis shows how profit and equity would change if the market risk variables had been different on the balance sheet date with all other variables held constant.

	2008 Shs 000 Effect on Profit	2008 Shs 000 Effect on equity	2007 Shs' 000 Effect on profit	2007 Shs' 000 Effect on equity
+ 1% Movement	17,931	12,551	22,970	16,079
-1 % Movement	(17,931)	(12,551)	(22,970)	(16,079)

37 CONTINGENT LIABILITIES

	2008 Sh'000	2007 Sh'000
Pending law suits	129,552	168,058
Guarantee of staff mortgages	54,163	52,387
	183,715	220,445

Pending law suits relate to legal proceedings involving the Company for breach of contract and also for loss of business as a result of trucks repossessed. However, in the opinion of the directors, no liability is likely to crystallise.

The deposits with Housing Finance Company of Kenya Ltd have been held as collateral for staff mortgages. The liability would only crystallise if a staff member defaults on their mortgage payments.

38 CAPITAL COMMITMENTS

	2008 Sh'000	2007 Sh'000
Authorised by the Directors but not contracted for	829,647	993,000
Authorised by the Directors and contracted for	1,639,837	545,000

39 RELATED PARTY TRANSACTIONS

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

	2008 Sh'000	2007 Sh'000
Directors' remuneration:		
Fees for services as directors	1,260	1,260
Other emoluments	18,735	14,855
	19,995	16,115
Key management compensation:		
Salaries and other benefits	18,638	13,667
Purchases from related parties:		
Purchase of clinker from Bamburi Cement Limited	548,682	662,131

These balances were fully paid by year end. Bamburi Cement Limited owns 12.5% of the shareholding in the East African Portland Cement Company Limited.

40 OPERATING LEASE RENTALS

	2008 Sh'000	2007 Sh'000
Outstanding commitments under operating leases due:		
Not later than 1 year	7,171	7,039
Later than 1 year but not later than 2 years	6,391	7,039
	13,562	14,078

41 COUNTRY OF INCORPORATION

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

42 CURRENCY

These financial statements are presented in Kenya Shillings thousands (Sh '000).

SHAREHOLDING STRUCTURE AS AT 30 JUNE 2008

SHAREHOLDER	% HOLDING	NO. OF SHARES HELD
NSSF	27.0	24,300,000
GOK	25.3	22,799,505
CEMENTIA(LAFARGE)	14.6	13,180,442
BCI	14.6	13,144,442
BAMBURI(NOMINEES)	12.5	11,265,068
OTHERS	6.0	5,310,543
TOTAL	**100**	**90,000,000**

SHARE DISTRIBUTION SCHEDULE

CATEGORY	NO. OF SHAREHOLDERS	SHARES HELD	%
1-1,000	579	231,720	0.3
1,001-5,000	229	573,411	0.6
5,001-10,000	65	491,966	0.5
10,001-50,000	64	1,480,571	1.6
50,001-100,000	10	695,507	0.B
Over 100,000	10	86,526,825	96.1
TOTAL	**957**	**90,000,000**	**100.0**

Notice is hereby given that the 76th Annual General Meeting of The East African Portland Cement Company Limited will be held at the Company's Club House, Athi River, on Thursday, 4 December 2008 at 12.00 noon to transact the following business:-

ORDINARY BUSINESS

1. To read the Notice convening the meeting.

2. To confi rm the minutes of the 75th Annual General Meeting held on 29 November 2007.

3. To receive the Chairman's Report.

4. To receive, consider and adopt the Financial Statements for the year ended 30 June 2008 together with the reports of the Directors and auditors thereon.

5. To note that the Directors do not recommend payment of a dividend in respect of the Financial Year ended 30 June 2008.

6. To reelect Directors:-

   (i) In accordance with Article 99 of the Company's Articles of Association, Mr Sankale ole Kantai retires by rotation at this meeting and, being eligible, offers himself for re-election.

   (ii) In accordance with Article 83 of the Company's Articles of Association, Prof J K Lonyangapuo retires at this meeting and, being eligible, offers himself for re-election.

   (iii) In accordance with Article 83 of the Company's Articles of Association, Mark K ole Karbolo retires at this meeting and, by being eligible, offers himself for re-election.

7. To approve the remuneration of the Directors as shown in the Financial Statements for the year ended 30 June 2008.

8. To note that Messrs Deloitte & Touche, who were appointed by the Controller and Auditor-General as authorized auditors, have expressed their willingness to continue in office subject to being re-appointed in accordance with Section 39(1) of the Public Audit Act 2003 and to authorise the directors to fix their remuneration.

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

BY ORDER OF THE BOARD

J L G MAONGA
SECRETARY

Date: November 4, 2008

Note: A member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote on his behalf. A proxy need not be a member of the Company.

FOR THE YEAR ENDED 30 JUNE 2008

I/WE ____

____

OF ____

____

Being a member(s) of the above Company, hereby appoint: ______________________

____

OF ____

____

Whom failing ____

____

OF ____

____

Or failing him, the Chairman of the Meeting, as my/our proxy, to vote for me/us and on my/our behalf at the 76th Annual General Meeting of The East African Portland Cement Company Limited to be held on Thursday 4th December 2008 and at any adjournment thereof.

As witnessed by my/our hand this day of 2008

Signed ____

Note:

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote in his stead and a proxy need not be a member of this Company.
2. In the case of a member being a Limited Company this form must be completed under its common seal or under the hand of an officer or attorney duly authorised in writing.
3. These proxies must be deposited at the Registered Office of the Company, Namanga Road, Athi River, off Mombasa Road, P.O. Box 20-00204 Athi River not less than 48 hours before the time of holding the meeting.

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