2011
2012

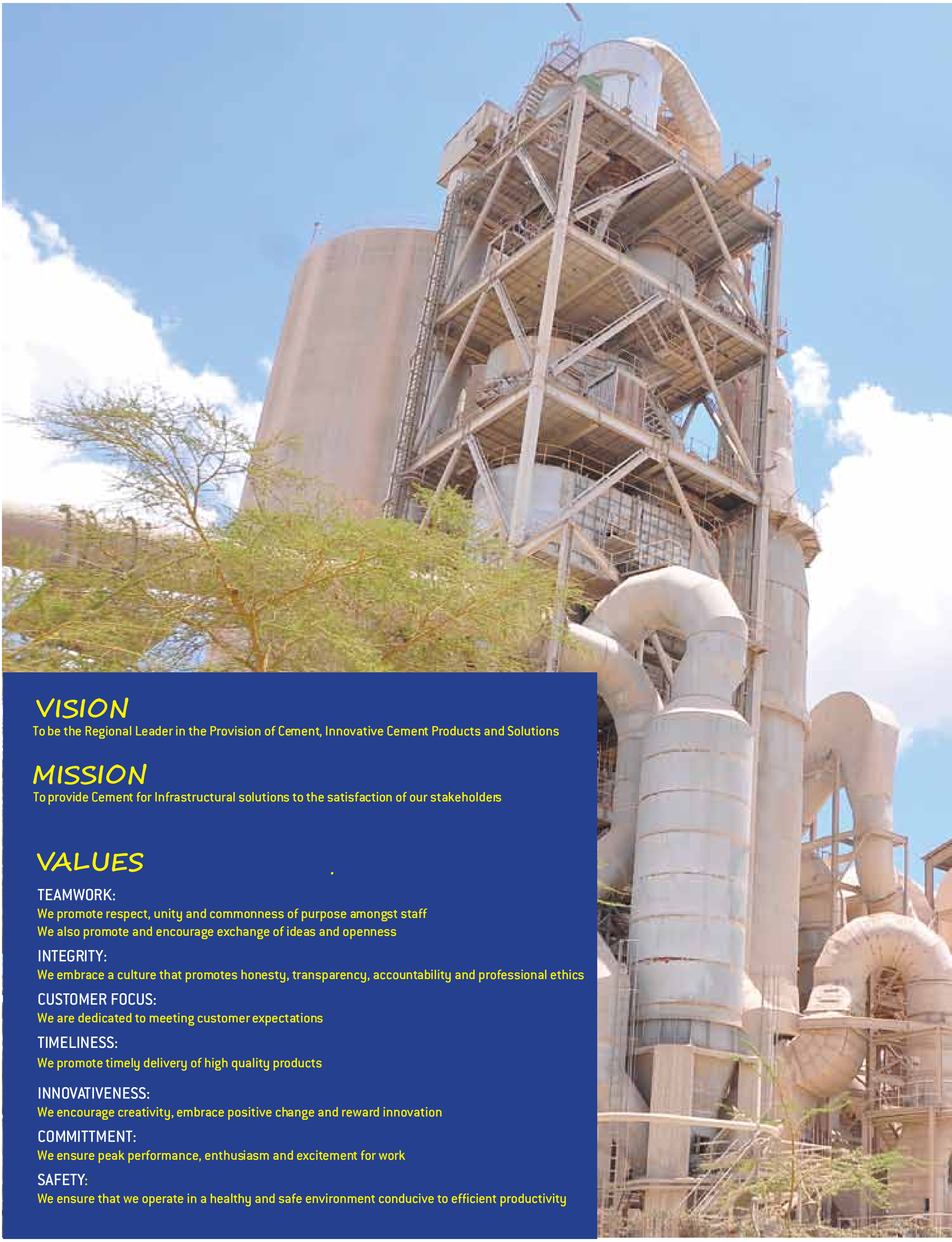
THE EAST AFRICAN PORTLAND
CEMENT COMPANY LIMITED

**ANNUAL REPORT AND
FINANCIAL STATEMENTS**

East African Portland
Cement Co. Ltd

Holding Life Together

2011
2012



VISION
To be the Regional Leader in the Provision of Cement, Innovative Cement Products and Solutions

MISSION
To provide Cement for Infrastructural solutions to the satisfaction of our stakeholders

VALUES

TEAMWORK:
We promote respect, unity and commonness of purpose amongst staff
We also promote and encourage exchange of ideas and openness

INTEGRITY:
We embrace a culture that promotes honesty, transparency, accountability and professional ethics

CUSTOMER FOCUS:
We are dedicated to meeting customer expectations

TIMELINESS:
We promote timely delivery of high quality products

INNOVATIVENESS:
We encourage creativity, embrace positive change and reward innovation

COMMITTMENT:
We ensure peak performance, enthusiasm and excitement for work

SAFETY:
We ensure that we operate in a healthy and safe environment conducive to efficient productivity

2011
2012

CONTENTS

BUSINESS REVIEW

CORPORATE GOVERNANCE

FINANCIAL STATEMENTS

FIVE YEAR FINANCIAL REVIEW

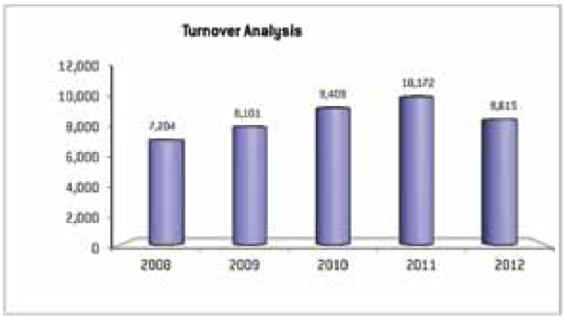
	2012 Shs'000	2011 Shs'000	2010 Shs'000	2009 Shs'000	2008 Shs'000
Turnover	8,614,806	10,172,140	9,408,711	8,101,377	7,204,479
Operating profit	(610,479)	653,640	90,015	1,247,045	1,120,355
Foreign Currency exchange (loss)/gain	(61,575)	(655,909)	(451,176)	(837,522)	(414,451)
(Loss)/Profit before tax	(849,679)	(119,059)	(338,571)	1,881,678	715,889
Taxation Credit /(Charge)	28,193	120,776	54,520	(47,624)	(179,237)
Profit /(Loss) Attributable to Members	(821,486)	1,717	(284,051)	1,834,054	536,652
Dividends	**-**	**45,000**	**-**	**117,000**	**-**
Capital Employed					
Assets					
Non-current	11,520,583	10,358,801	9,125,885	8,904,918	6,411,608
Current	2,570,423	3,172,070	2,911,680	3,131,045	2,661,737
Total Assets	**14,091,006**	**13,530,871**	**12,037,565**	**12,035,963**	**9,073,345**
Equity & Liabilities					
Shareholders Funds	4,839,390	5,702,918	5,701,201	6,102,252	4,026,749
Non-current Liabilities	6,976,194	5,727,774	4,499,714	4,421,319	3,870,221
Current Liabilities	2,275,422	2,100,179	1,836,650	1,512,392	1,176,375
Total Equity & Liabilities	**14,091,006**	**13,530,871**	**12,037,565**	**12,035,963**	**9,073,345**
Ratio Analysis					
Profitability and Efficiency Ratios					
Gross Profit Margin	14%	23%	22%	31%	33%
Operating Profit Margin	-7%	6%	1%	15%	16%
Net Profit Margin	-10%	0%	-3%	23%	7%
Return on Assets	-6%	0%	-2%	15%	6%
Return on Equity	-17%	0%	-5%	30%	13%
Liquidity Ratios/Working Capital					
Current Ratio	1.1	1.5	1.6	2.1	2.3
Quick Ratio	0.4	1.8	1.9	1.5	1.4
Earnings Per Share	(9)	0.02	(3.16)	20.38	5.96
Dividend per Share	-	-	-	-	-
Interim Paid	-	-	-	-	-
Final & Proposed	-	0.50	-	1.30	-
Total	**-**	**0.50**	**-**	**1.30**	**-**

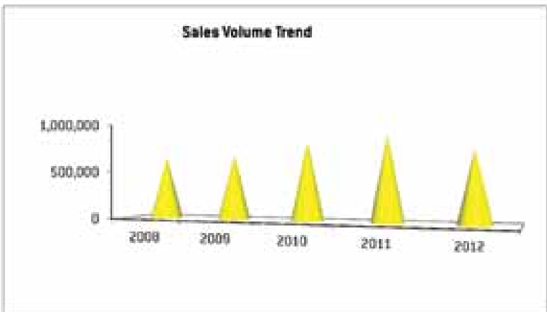
FINANCIAL HIGHLIGHTS

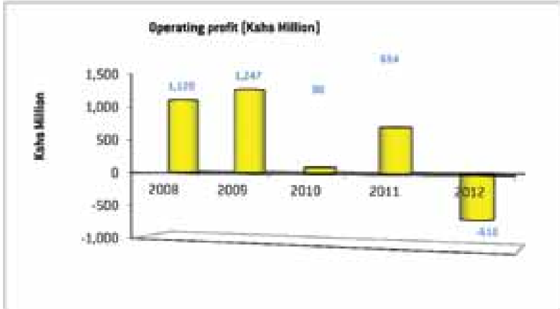
FOR THE YEAR ENDED JUNE 2012

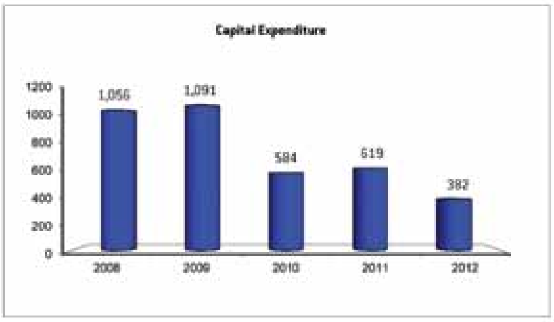
	2012 Sh'000	2011 Sh'000
NET REVENUE	8,614,806	10,172,140
Profit/(Loss) Before Tax	(849,679)	(119,059)
Profit/(Loss) Attributable to Shareholders of East African Portland Cement Company Limited	(821,486)	1,717
DIVIDENDS		45,000
Share Capital and Shareholders Funds		
Ordinary Share Capital	450,000	450,000
Shareholders Funds	4,839,390	5,702,918
Earnings and Dividends Per Share		
Earnings Per Share	(9.13)	0.02
Dividends Per Share		
First, Final & Proposed	-	0.50

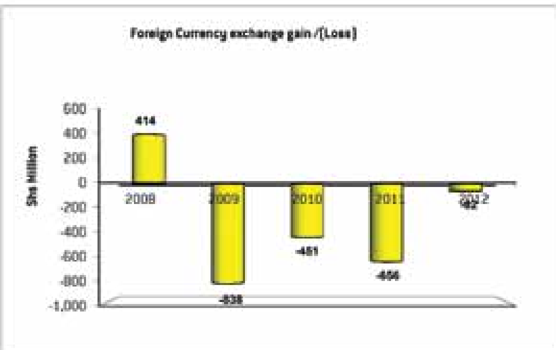
FINANCIAL HIGHLIGHTS

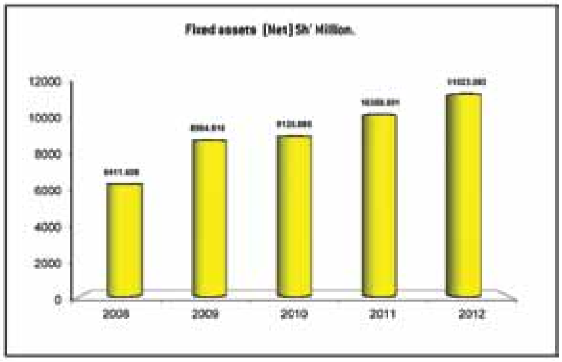


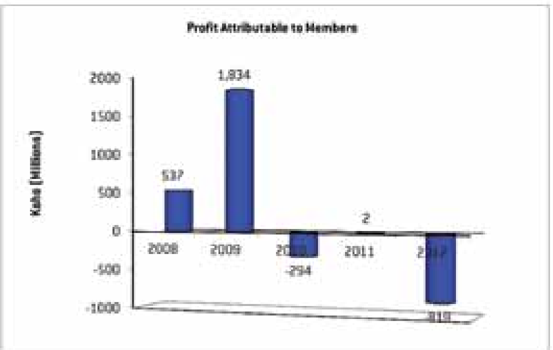




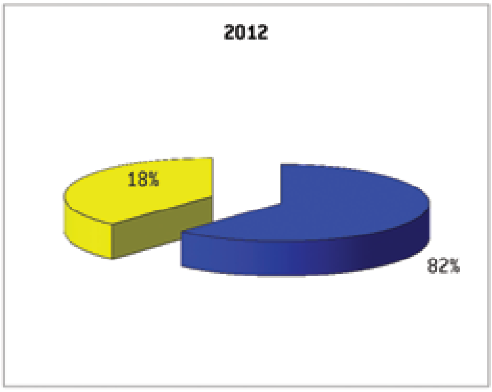


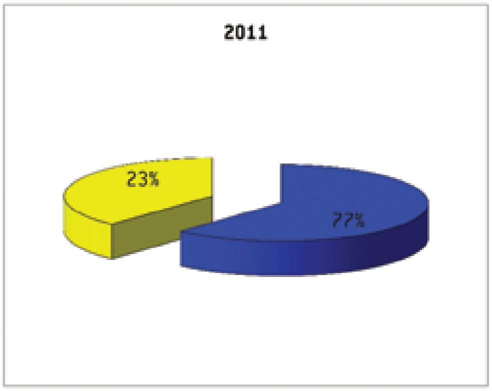






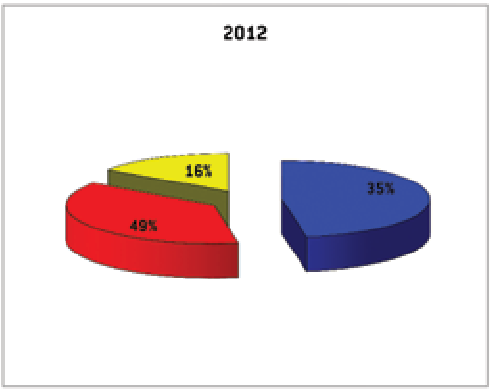
DISTRIBUTION OF ASSETS

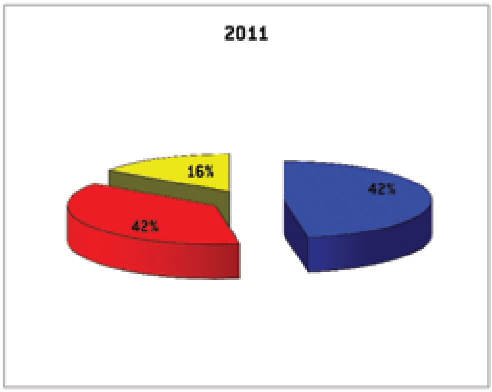




	2012 Kshs m	2011 Kshs m
Non current Assets	11,521	10,359
Current Assets	2,570	3,172
Total	14,091	13,531

DISTRIBUTION OF EQUITY AND LIABILITIES





	2012 Kshs m	2011 Kshs m	
Shareholders funds	4,840	5,703	34%
Non current liabilities	6,976	5,728	50%
Current liabilities	2,275	2,100	16%
Total	14,091	13,531	

Mark ole Karbolo
Chairman

The building and construction sector has persistently been a key pillar of economic growth in Kenya for the last five years because of increased bank credit to the private sector for real estate development and the intense investment in road infrastructure projects being undertaken in various parts of the country by the Government.

CHAIRMAN'S STATEMENT

Dear Shareholder,
I am pleased to welcome you to the 80th Annual General Meeting of the East African Portland Cement Company Limited and to present to you the Annual Report and Financial Statements for the year ended 30 June, 2012.

In the last financial year, the Company faced several challenges. Beginning late December the Company experienced disturbances leading to industrial action by unionisable staff following Board level disagreements which forced the Company to stop operations for over three weeks. The period subsequent to that took over three months to restore full operations. In the first half year of the financial year the plant experienced a major unexpected breakdown that lasted 4 weeks. In the same period the macroeconomic environment experienced serious shocks such as the depreciation of the shilling to record lows – over Shs100 to the dollar. Oil prices and interest rates climbed to record levels. As a result the Company's income was eroded and operating expenses climbed, resulting in the reported losses.

Recovery Strategy
The Board and management have put in place recovery measures to ensure that the ensuing financial year is different. In July 2012, a new strategic plan was put in place. The key to this strategy is to regain lost market share and cut operating expenses. Additionally, it is to put in place a new management team capable of driving the Company forward to the next level.

Already, this has been achieved and the Company is producing clinker at record levels. Furthermore, efforts to recover market share are bearing fruits. Several projects that are key to this strategy are in the process of being implemented. Chief among these is the Kiln upgrade. This project, which will take up to 18 months and cost approximately Ksh.1.8 billion, will see major improvement in the factory's efficiency in use of power and materials, thereby cutting costs, as well as increasing clinker production capacity by 150,000mt p.a.

A second project that is at an advanced stage of the approval process is the own-generation of power from the hot gases generated by the Kiln. This project will see a huge reduction in the electricity bill, and will assure continuous availability of power, unlike presently when power fluctuations frequently disrupt production operations. From this we expect a major boost to the Company's competitiveness through lower cost of production and efficiency in conversion of raw materials. The project is scheduled to be implemented together with the Kiln upgrade in order to economize on time required to shut down the Kiln for the tie-in works.

A third project that is also key to the recovery strategy is the third packing line. This project has already been procured and is in the final stages of the contract negotiations. A third packing line will bring in new, more advanced technology and greater efficiency and flexibility in cement packing operations.

Economic Outlook
This new strategy is being implemented against a background of optimism over the country's economy and development prospects in the foreseeable future. In the fiscal year 2011-2012 Kenya's GDP growth rate was 4.4% compared to 5.8 % in the previous year. Overall, the economy was driven by the construction, financial services, tourism and agriculture sectors.

The building and construction sector has persistently been a key pillar of economic growth in Kenya for the last five years because of increased bank credit to the private sector for real estate development and the intense investment in road infrastructure projects being undertaken in various parts of the country by the Government.

However, the growth of the sector overall dipped by 0.2 % to grow by 4.3 % compared to 4.5 % in 2010. Activity was dominated by government expenditure in infrastructure. The overall expenditure by the Ministry of Roads increased from Kshs 61.1 billion in 2010/2011 to Kshs 82.3 billion in 2011/2012, mainly due to increased investment in trunk roads.

EAPCC has been a player in this mix by positioning itself as a key supplier of cement to Vision 2030 projects. As a result, Blue Triangle cement is now a part of the renowned Thika Superhighway and Chemususu Dam. Going forward, the Company will continue working closely with the Government and in particular the Vision 2030 Secretariat to make sure Blue Triangle cement is the cement of choice for major infrastructural projects.

In the coming financial year, the economy is projected to grow at a reduced rate of between 3.5 and 4.5 %. This is due to various factors, namely high energy prices caused largely by the international price of oil, fluctuations in the exchange rate which drive up costs of inputs as well as rising global food prices and reduced rainfall in the country. However, the most important factor impacting on the economy is political uncertainty as the country moves into the electioneering period.

Cement Market and Competition
Kenya's cement consumption rose to 3.4 million tonnes compared to 3.1 million tonnes the year before. Kenya is the largest market for cement in East Africa, with annual production representing 53 % of the region's total capacity, followed by Tanzania and Uganda whose production represent 30 % and 15 % respectively. Public sector infrastructure projects and the rapidly growing middle class in Kenya will be the main drivers of cement consumption going forward.

Competition in the market has intensified with new entrants — National Cement and Savannah Cement — and expanded capacities by existing producers, which is expected to keep prices of cement relatively low since all producers compete largely on price differentiation. During the year cement prices remained largely stagnant due to competitive pressure.

Domestic market share in 2011 stood at 24% for

EAPCC compared to 40.5% for Bamburi Cement, 15.5% for Athi River Mining, 13% for Mombasa Cement and 7 % for National Cement. Savannah Cement is the most recent entrant and has recently commenced operations. There is a great threat from cheaper imports coming from countries where energy costs are subsidized whereas our energy and fuel costs keep going up even as the currency depreciates.

The threat of cheaper cement can be effectively addressed if the East African Customs Union increases the Common External Tariffs (CET) to boost the competitiveness of local cement producers in the face of competition from subsidized North African and Asian producers.

Outside of Kenya there are opportunities. The governments in East Africa are devoting vast resources towards infrastructure development in the region, especially urban housing and transport infrastructure.

The newly created Republic of South Sudan has embarked on massive infrastructure development, including housing, roads and railway as political stability in the country revives investment interest.

Kenya, Ethiopia and S. Sudan have launched the trillion - shilling Lamu Port Project (Lapsett) which will include a new port, a superhighway and a railway line connecting Kenya, South Sudan and Ethiopia as well as three resort cities in Lamu, Isiolo and Lokichoggio near Lake Turkana. Tanzania, Uganda, Rwanda and Burundi are also investing heavily in infrastructure, particularly commercial buildings, housing and transport infrastructure, including rails and highways.

The recently stabilized Somalia is likely to witness a boost in construction, especially in the capital city, Mogadishu, where real estate prices are already surging upwards. All these developments represent opportunities for growth for Blue Triangle Cement.

Performance

EAPCC experienced many challenges and opportunities over the past financial year. The plant was closed down for a four-week period in November 2011 due to a sudden unforeseen failure of the Kiln that resulted in a crack on the body of the Kiln. Again, in the month of January 2012, the plant was shut down for a further three weeks following disturbances that rocked the Company. The results of these closures are reflected in the losses incurred this year.

Other factors impacting on our business include increased competition from new entrants which has forced prices and margins to stay low as all cement producers compete on the basis of price. The economic climate also affected our business in several major ways as did new entrants and cement imports into the country. Due to inflationary pressure, increases in global oil prices, significant decline in the Kenya Shilling against all major currencies and food shortages, raw materials, fuel oil, coal and electricity costs went up.

Net sales revenue decreased by 15% to Sh8.6 billion from Sh10.72 billion from the previous year. EAPCC responded by becoming a more flexible and responsive organization. The Company is currently in the middle of a turnaround programme characterized by a Culture and Behaviour Change programme as well as the launch and continuing implementation of the 2011-2016 Strategic Plan. Management is confident that the company will return to profitability in the financial year 2012/13.

To build a sustainable basis for future operations for the Company, substantial capital commitments will be taken, beginning with a Kiln upgrade in this financial year that will see our clinker capacity rise by an additional 150,000 tonnes to take advantage of the clinker deficit in the market. The 2011 - 2016 Strategic Plan envisages investments in a new kiln, packer and cement mill, projects which will be critical for the survivability and growth of the Company in the face of new competition.

Dividends

The Directors will not declare a dividend in this financial year. The reported losses coupled with the need to implement planned capital projects means that the company will have to conserve its cash resources.

Our Focus

Our focus continues to be the achievement of growth in the local and regional markets. The Company's brand of Blue Triangle cement is well respected and widely accepted in these markets. The management has set upon the improvement of our distribution model in order to ensure that our cement is available in all our key markets, especially in Kenya and Uganda where our new subsidiary is continuing to establish itself.

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 KSh440 million in both direct and indirect taxes to the exchequer.

HIV/Aids

We are committed to undertake programmes and activities that shall create awareness amongst staff and community, to embrace positive behavior change so as to reduce the negative impact of the HIV pandemic on our society. We have strengthened the Peer Educators' team so that we can roll out our HIV/Aids initiatives to our key third-party suppliers and contractors.

Corporate Social Responsibility

The East African Portland Cement Company is committed to conduct business in ways that produce social, environmental and economic benefits for our stakeholders and the communities in which we operate.

EAPCC works hard to better the quality of life and welfare of our neighboring communities. We regularly consult with community leaders, Governmental bodies, employees and various stakeholders to gather information about important local needs and develop initiatives to build stronger and healthier relationships with our communities.

Continuing with our long history of corporate social awareness, the Company's aim is to contribute to a sustainable future in all regions in the country.

By devoting more resources annually to CSR, we powerfully demonstrate our commitment to building a strong partnership with local communities. Our social agenda is evident in our involvement in projects such as education, sports, water, famine relief and environmental conservation.

Corporate Governance

The Company continues to believe in the importance of good governance and sees it as an imperative to our business at all levels. As shown in the statement on corporate governance the Board has put in place an elaborate machinery to ensure proper governance is in place. The Board is served by four board committees each with properly set terms of reference. A Board Charter is about to be completed and all employees have signed a code of conduct as required under the Public Officers Ethics Act. Furthermore the Company strengthened its anti-corruption efforts by setting up a corruption reporting toll - free hotline based in South Africa under contract with Deloitte & Touche.

Organizational Effectiveness and Efficiency

In the last financial year, EAPCC's ERP (Enterprise Resource Management) system was recognized nationally by the Computer Society of Kenya as the best implemented ERP system. This system is an online tool for managing the organizations' resources more efficiently and cutting down on paper work.

This is in line with our determination to enhance good governance and compliance since an online system is more accountable than a human-based paper trail.

Energy

Cement production is energy intensive. Energy costs in East Africa account for up to 50 % of total production costs while in countries like Egypt, India, Pakistan and China production costs are inherently lower since key inputs in the power and fuel for industries are subsidized by their governments. This makes the region a lucrative market for imports, which poses a direct existential threat to the local cement industry.

In December 2010 the Company switched to coal which led to a significant reduction in energy costs by 35%. The next initiative is to switch cement production from open to a closed circuit system, generating further savings in cost of production.

Yen-denominated Loan

As stated in the last AGM, the Company hedged 25% of the Yen denominated loan. During the year the Company hedged a further 25%, making a total hedge of 50% equivalent of the loan into dollars. This has had a positive impact and substantially reduced the forex losses suffered during the year.

Outlook

Despite the difficulties experienced in this financial year, the Board and management are confident that the prospects for the Company are very good. The market for cement continues to grow and with the major planned infrastructure projects the company expects to regain its market share. However, due to increasing competition, the price of cement will continue to fall.

Due to stringent efforts by the management the Company is already registering positive results in this current year of 2012/13 and it is expected that we shall return to profitability.

The Board

During the year, the Board was joined by Mr. Tom Odongo who is now the Acting Managing Trustee of the NSSF.

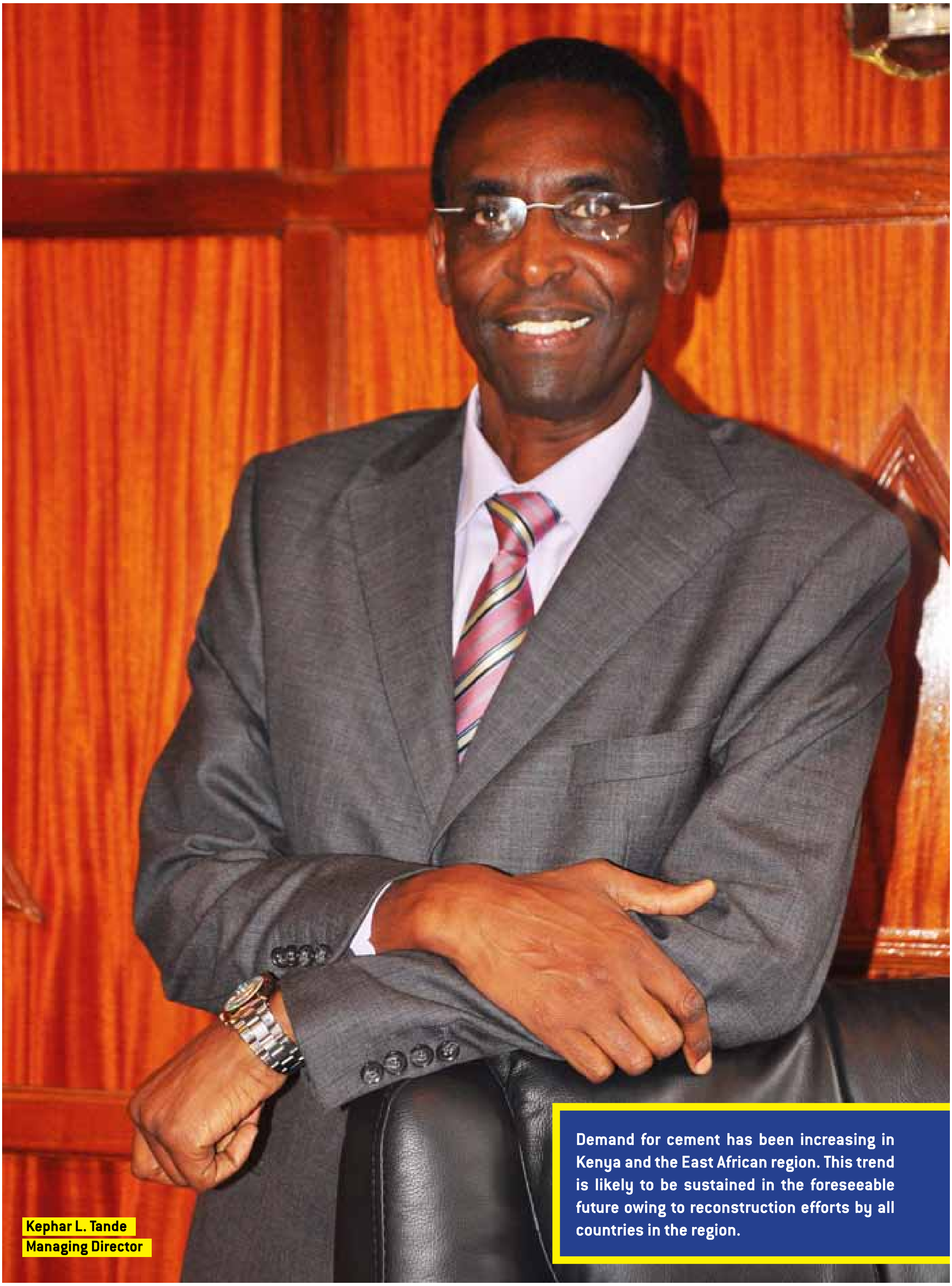
Appreciation

I would like to record my sincere gratitude to you, shareholders, for the support you have continued to provide to your Company. I would also like to recognize the contribution of the Board for their vision, dedication to the Company and unity of purpose.

I also congratulate the entire management and staff of East African Portland Cement Company Ltd for their commitment and hard work that has seen the Company recover from the instability and revenue losses in the beginning of the year. Together, we will successfully meet the challenges and opportunities that lie ahead and regain our position as one of the most profitable parastatals in the country and a valuable source of revenue to the Government.

Lastly, I would like to extend my gratitude to all our business partners and customers for their loyalty and unwavering support.

Mark ole Karbolo
Chairman
27 October 2012



Demand for cement has been increasing in Kenya and the East African region. This trend is likely to be sustained in the foreseeable future owing to reconstruction efforts by all countries in the region.

Kephar L. Tande
Managing Director

MANAGING DIRECTOR'S BUSINESS REVIEW

Performance

During the financial year, the Company went through extraordinary turbulence that adversely affected its production and sales. The disturbances that broke out in December 2011 caused industrial unrest that led to the shutdown of operations in January 2012. The impact of this affected the Company's operations, leading to production losses and market share erosion during most of the second half. Sales volumes and revenue fell by 15% from approximately 900,000mt the previous year to 723,000mt in the current year and from Kshs. 10.1 billion to shs. 8.6 billion respectively.

A sudden and unexpected breakdown of the Kiln in November 2011 led to a costly shutdown that affected clinker production. Due to plant shut down the Company was forced to import more clinker while at the same time the depreciation of the shilling to record levels in the first half raised the cost of imports of coal as well as clinker and spare parts. The cost of power went up by more than 30% resulting in a higher power bill than the previous year, even though the plant produced less output, resulting in an increase of more than KShs100 mllion in power cost. Salaries went up due mainly to salary increments awarded through union negotiations of 11.5% and as part of the return to work formula negotiated with the union during the disturbances where all salaries were paid for the period when the operations were suspended. The company incurred an operating loss of Kshs610.4 million compared to an operating profit of Kshs653.6 million the previous year.

Cash Flow

Due to the operating loss incurred, cash flow generated from operations fell from Shs698.2 million the previous year to Shs65 million in the current year. However the company continued in its emphasis on investment in long-term capital projects. Kshs340.3 million was invested in purchase of plant and equipment, mainly mobile plant to replace worn-out plant. Although the company is operating on overdraft, efforts are under way to shore up cash resources to enable further investments in critical plant and equipment required to improve efficiency of production and cut costs. This will be done through tight management of working capital and, where necessary, disposal of idle and/or surplus assets to release cash resources.

Corporate Strategy

Demand for cement has been increasing in Kenya and the East African region. This trend is likely to be sustained in the foreseeable future owing to reconstruction efforts by all countries in the region. South Sudan, Rwanda and Burundi are all emerging from years of civil strife and ethnic conflict. There are also the promising markets of Western Uganda and Ethiopia and now possibly Somalia with the success of Kenyan operations there.

The Company has experienced challenges in maintaining competitiveness in the face of increasing costs as well as price competition from new entrants in the market.

The centerpiece of the Company's operations going forward will be execution of the new Strategic Plan 2011-2016 committed to by Management this financial year. The Plan will see a number of projects implemented, including a Kiln upgrade, a new packer, a new cement mill and a new kiln.

In this financial year the upgrade of the Kiln will commence, a project expected to take 18 months and which will see EAPCC's clinker capacity increase by an additional 120,000 tonnes per year.

The Company has appointed a new team of top managers and continues to implement a Culture and Behaviour Change Programe. We are focused on innovation, one of our core values, and we look forward to launching new products and to continue to build a demand rather than supply-driven business model as we open up regional markets in Burundi, Sudan and DRC.

Our Core Value System

As a company, the practice of ethical behavior will continue to be upheld at all times. Good behavior 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.

These core values are important to the implementation of the Company's vision and mission. To this end, the Company continued to implement the Behavioural and Cultural Change program involving all employees, Management and the Board of Directors. This programme is considered a key driver of the Paradigm Shift initiative and implementation of the Company's Strategic Plan 2011-2016.

Quality Management Processes

The benefits of ISO certification (ISO 9001:2008 series) in June 2009 have continued to be realized by the Company. This certification was renewed on June 26, 2012 after a three-year period in which the Company successfully underwent semi-annual surveillance audits by the Kenya Bureau of Standards. Research and development on new products as well as alternative fuels which will yield results in the near future have been enhanced.

New Integrated System

During the year under review, the Company was recognized by the Computer Society of Kenya for its integrated business system (ERP) – Oracle JDE. The Company was recognized for best ERP implementation for 2011. The system, which went live on 31 December 2010 and was fully implemented in the first two quarters of 2011, has enhanced internal efficiencies in Technical, Commercial and Key service departments of the Company as well as better tracking of resource management. Going forward, improved productivity, profitability and growth of the Company are envisioned.

Training

EAPCC trains its employees on a continuous basis to keep them up-to-date with skills and enhance the Company's efficiency.

In the area of ICT, the Company's staff receives continuous training to bring them into line with the recently installed ERP system, which is designed to eliminate the paper trail in internal bureaucracy. The Company has withdrawn printers from all but essential offices to support this policy.

The policy has been greatly successful and has helped the Company cut costs. Other areas where staff received training include talent management, the management development program for executive assistants offered by Strathmore University, energy management, corporate culture change and performance systems automation.

The Company also facilitates on-the-job training and higher education for supervisors and managers at such prestigious local institutions as overseas technical institutions, Kenya Institute of Administration, Strathmore Business School and others.

In the last financial year, staff underwent training for the Cultural and Behavioral Change Programe while all levels of staff continue to undergo training on integrity awareness and how to combat corruption facilitated by the newly established Integrity Assurance Section.

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 programe 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, and 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:

- A structured process to identify and review risks for 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 program

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. The Company has now established a toll-free corruption reporting hotline in conjunction with Deloitte & Touche to address corruption-related risk.

Future Outlook

Corporate Social Investment

EAPCC has continued to touch the lives and hearts of many in our immediate community in line with our corporate philosophy of holding life together.

Through various implemented projects we believe in empowering the local communities with the desire to make the projects self-sustaining. A number of these projects were also noted during the period immediately following the disturbances earlier this year to address outstanding community concerns identified during that period.

Safety, Health and Environment

Safety is a priority for EAPCC and the year saw a great improvement in performance as measured by incidence occurrences. We engaged training across the business to sensitize staff on safety measures and practices within EAPCC which was also extended to our customers, suppliers and contractors who have embraced our safety policies.

The Company decided to adopt a strategy (OHSAS18001:2007) in November 2008 to prevent accidents and ill-health in the workplace. The OHSAS 18001:2007 is an international standard covering the occupational Health and Safety (OH&S) management system which provides organizations with the elements of an effective OH&S system that can be integrated with other management requirements and help organizations achieve OH&S and economic benefits.

The Company has a proactive approach in addressing Safety, Health and Environment throughout its operations with the aim of managing projects to ensure compliance with the Environmental Management, Coordination Act of 1999. Regular safety, health and environmental audits and training are carried out.

Our priorities in 2012/13

- To return the company to full operation and profitability
- Improve productivity and optimal capacity utilization
- Invest in Kiln upgrade, new packer and waste heat recovery for own-power generation
- Cost containment initiatives, stringent waste management and innovation to help keep costs down
- Aggressive risk management and value addition initiatives
- Develop our talent and leadership capability
- Achieve 100% Key Objectives as derived from the Strategic Plan 2011/2016 using the Balance Score Card Implementation tool
- Employ service delivery innovations to improve customer service turnaround

I would like to thank our customers, shareholders and all stakeholders for their support and our staff for their tremendous efforts during the year.

I am confident that we will deliver strong performance and build a long-term sustainable business in this country just as we have done over the last 79 years of our history.

Thank you.

Kephar L. Tande
Managing Director

CSR

CSR

CORPORATE SOCIAL RESPONSIBILITY

Our Commitment

The East African Portland Cement Company aims to conduct business in ways that produce social, environmental and economic benefits for the communities in which we operate in and for the Company's stakeholders.
EAPCC works hard to better the quality of life and welfare of our neighboring communities. We regularly hold meetings with community leaders, government officials and employees to gather information about important local needs and develop initiatives to build stronger and healthier relationships with our communities.
Continuing with our long history of Corporate Social Awareness, equitable donations and charitable work, the Company's aim is to contribute to a sustainable future in all regions in the country.

Sponsorships and Bursaries

Education is the main focus of EAPCC's community development programs nationwide. Education is particularly important to the Company because not only does it benefit society at large but also the Company in particular by providing the highly qualified staff EAPCC needs to run and manage its complex operations and various sophisticated machinery used in the manufacture of its world-class Blue Triangle Cement brand.
In the last financial year the company spent a total of Kshs1, 480, 134 on bursaries and sponsorships targeting bright but economically disadvantaged pupils and students from various counties.

Environment

In the last financial year, EAPCC staff and the local community planted over 2000 seedlings in various locations. These included the Company premises as well as various parts of the country including Mavoko Municipality, Rongo Town Council, Awendo Town Council and Manyatta High School.

The Company continues to support the tree-planting campaign that was spearheaded by the late Prof. Wangari Maathai. We maintain a well-established and developed nursery where indigenous seedlings suitable to different climates are nurtured before distribution.
The Company donated 2,000 indigenous seedlings to staff which they planted in various locations. The Company donated 500 seedlings to surrounding schools and 1,200 seedlings were donated to the Kenneth Marende Environmental Conservation Program to help restore degraded water catchment areas such as Mau Forest.

EAPCC staff plant trees during the World Environment Day

Environmental Compliance

We moved from outsourcing to in sourcing in carrying out environmental impact assessments (EIA), a policy which is in line with the strategic objective of bringing down costs. The company is focused on minimizing environmental impacts resulting from new projects.

Waste Oil For Fuel

The Company has a partnership with the Shell Company to ensure that waste oil is collected and disposed well to avoid environmental pollution. This exercise is aimed at ensuring that waste oil which comes from frequent consumption areas is recollected, filtered and recycled back into the system for re-use, an environmentally friendly approach to energy management that helps prevent environmental degradation through pollution from spillages.

Production and Biodiversity Enhancement

We have integrated cement production with biodiversity enhancement as we believe that we need to bring back to nature what we have removed to strike a mutual balance between nature and development. This has been made successful through our initiated greening programs which are aimed at rehabilitating the mined out quarries and establishing green zones to act as buffers for dust trapping and carbon sinks for gaseous emissions.

Health

The Company has on various occasions conducted aggressive healthcare campaigns such as an Anti- cholera drive and Influenza immunizations that were conducted for staff members, their families and the surrounding community.

Pupils at Gathuthini School enjoy water installed by E.A.P.C.C

In the last financial year, the Company, in support of the Kenya National Aids Strategic Plan (2009-2013), sponsored various Voluntary Counseling and Testing (VCT) services to high risk groups such as transport workers and commercial sex workers at their convenience, as well as nighttime counseling for groups of people that may not want to access VCT services during conventional hours. This service is offered quarterly and has had an average of 200 clients counseled and tested per session.

The Company has a robust anti-drug and substance abuse programme which is offered to the community and staff. EAPCC not only ensures counseling of drug addicts but also refers affected employees and their dependants to rehabilitation centers. This enriches the organizational culture and enhances productivity. In the last financial year, youth groups from within the municipality were involved in the Company's peer education exercise in a bid to create awareness on the negative impacts of drug and substance abuse to individuals, organizations and society at large.

The Company commenced building a dispensary in Bissil, Kajiado Central. The fully equipped dispensary will comprise a registry, two examination rooms, a laboratory, an injection room, a pharmacy and an ablution block.

Bring Zack Home

The Bring Zack Home campaign got a boost of Kshs100,000 from EAPCC. The Company is confident that *Bring Zack Back Home* will fully succeed in its goal to build the advanced Spinal Injury and Trauma Rehabilitation Center.

Safety

EAPCC is an Operational, Health and Occupational Safety (OHSAS) certified company. The OHSAS certificate is awarded by the Kenya Bureau of Standards (KeBS) after an audit of a company's safety procedures and standards and is enforced through bi-annual surveillance audits by the certifying body.

In the past financial year, the Company saw a significant reduction in the number of workplace accidents. This was a result of a carefully organized and aggressive employee education strategy that continually sensitized staff on the benefits of safety.

All employees of the Company underwent basic first aid training while volunteers from every department and section underwent a rigorous first aid training regimen that saw them eventually appointed as official first aiders for their respective sections. The picture and contact of every first aider is prominently displayed where necessary. As a result of these efforts, the Company successfully renewed its OHSAS certification with the Kenya Bureau of Standards.

Cement Donations

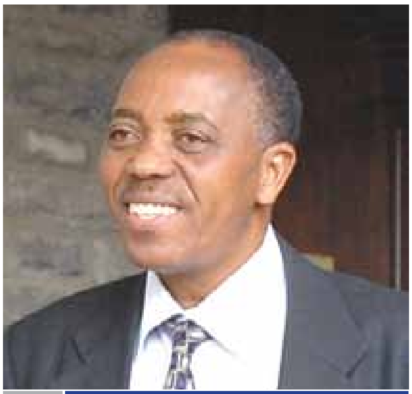
The Company has a policy of donating cement to boost the construction of worthy ongoing projects such as churches and schools. In the last financial year, the Company donated two thousand and fifty bags to deserving institutions mainly focusing on schools.

BOARD OF DIRECTORS


MARK OLE KARBOLO
CHAIRMAN


KEPHAR L. TANDE
MANAGING DIRECTOR


DR. ENG. KARANJA KIBICHO
DIRECTOR


J. K. KINYUA
DIRECTOR


DR. T. NAIKUNI
DIRECTOR


T. ODONGO
DIRECTOR


K. H. W. KEITH
DIRECTOR


J. L. G. MAONGA
COMPANY SECRETARY

MANAGEMENT EXECUTIVE TEAM

KEPHAR L. TANDE
MANAGING DIRECTOR

CHARLES CHARO
HEAD OF PRODUCTION OPERATIONS

JOHN KIMANJOI - HEAD OF HUMAN RESOURCES & ADMINISTRATION

ROSEMARY GITUMA
Ag. HEAD OF FINANCIAL MANAGEMENT

PETER KORIR - HEAD OF STRATEGY & PERFORMANCE IMPROVEMENT

STEPHEN NTHEI - HEAD OF INTERNAL AUDIT AND RISK MANAGEMENT

JACK CHEBET
Ag. HEAD OF SALES AND MARKETING

CHARLES KALOKI - Ag. HEAD OF ICT

STATEMENT ON CORPORATE GOVERNANCE
FOR THE YEAR ENDED 30 JUNE 2012

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 24.

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, financial, 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 financial, 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 fulfillment of their fiduciary duty act always in the best interest of the company and shareholders. The Board understands the significance 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, Board Human Resources and Remuneration Committee and Tender and Procurement oversight 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.

Director	Board (scheduled)	Board (Special)	79th AGM
Chairman	5	10	1
Managing Director	5	8	1
PS Treasury	5	6	1
PS Ministry of Industrialization	5	7	1
NSSF	4	8	1
Dr. T. Naikuni	5	10	1
Mr. K. H. W. Keith	4	10	1
Mr. J. L. G. Maonga	5	10	1

Experts and business representatives are invited on a need basis

During the year fifteen (15) meetings were held.

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 four Sub Committees with specific delegated authorities. These are Board Audit Committee, Board Technical, Board Human Resources and Remuneration Committee, and Board Tender and Procurement oversight 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 four (4) meetings during the year.

Role

The Committee receives reports on the findings 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 the 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 financial 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.
- The 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:

Mr. T Odongo (representing NSSF)	Chairman
Dr. T Naikuni	
PS, Treasury	
Mr. K. H. W. Keith	
Mr. J. L. G. Maonga	Secretary
External Auditors	
Head of Financial Management	
Head of Internal Audit & Risk Management	

***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 three (3) 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.

The members of the committee are:

Dr. T Naikuni	Chairman
PS, Ministry of Industrialization	
PS, Treasury	
T Odongo	Representing NSSF
Mr. Kephar L Tande	Managing Director
Mr. J L G 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 fill senior management vacancies and the remuneration of non-executive directors.

During the year five (5) meetings were held.

The Members of the Committee are

PS Ministry of Industrialization	Chairman
Mr. Tom Odongo	Representing NSSF
Mr. Kephar L. Tande	Managing Director
Mr. K. H. W. Keith	
Mr. J. L. G. Maonga	Secretary

Board Tender and Procurement Oversight Committee

Board Tender and Procurement oversight committee was constituted on 8 July 2010.
The Committee meets at least four times a year and held five (5) meetings during the year.

Role

- To consider and approve all the annual procurement plans prepared by Tender and Procurement Committee prior to submission to the Board.
- To receive and discuss all the quarterly procurement reports before they are submitted to the Board.
- To guide Tender Committee as necessary.
- To deal with any other procurement issues that may come from time to time.
- To ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

The members of the committee are:

Mr. K H W Keith	Chairman
PS, Ministry of Industrialization	
Mr. Tom Odongo	Representing NSSF
Mr. J L G Maonga	Secretary
Mr. Kephar L Tande	Managing Director

During the year five (5) meetings were held.

Tender 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.

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.

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 benefits by means of acquisition of the company's shares. Information on aggregate amount of emoluments and fees paid to directors are disclosed in note 14 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 Prime Minister as required under 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 the company 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 financial risks and controls. The Board has reviewed the Company's internal control policies and
procedures and is satisfied 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.

All employees have a copy of this Code of Ethics and are expected to observe high standards of integrity and 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.

The Board will continue to play its role effectively under corporate the governance structure. The non executive directors will maintain oversight on management of the company through board meetings as well as various board committees.

Relations with shareholders
The Board recognizes the importance of good communications with all shareholders. The Annual General Meeting (AGM) as well as the published annual report are used as the opportunity to communicate with to 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 floor of the AGM.

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

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.

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 program for new directors there are specific training workshops that our directors participate in that are accredited by the Center for Corporate Governance.

Conflict of Interest
All directors are under duty to avoid conflict of interest. This entails not engaging, directly or indirectly in any business that competes or conflicts with the Company's business. Any potential or actual conflicts of interest are reported to the Company Secretary.

Appointments to the Board
Directors retire by rotation annually, and if eligible their names are submitted for re-election in the annual general meetings.
All director appointments are subject to confirmation by shareholders at the annual general meetings. In addition to the induction program for new directors, there are specific training workshops that our directors participate that are accredited by the Centre 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 board 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 briefing on any topic prior to the meeting.

During the year 2011 /2012, 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 reviewed annually. The Board also in addition has an ad-hoc Committee that assists the Board in Legal Matters.

	Audit Committee	Technical Committee	Human Resources and Remuneration Committee	Tender and Procurement Oversight Committee
Number of Meetings	**4**	**3**	**5**	**5**
PS Treasury	3	2	*	*
PS Ministry of Industrialization	*	2	5	1
NSSF	3	1	1	3
Managing Director	4	3	5	5
Dr. T Naikuni	3	3	*	*
K H W Keith	4	*	1	5

*Not a member

COMMUNICATION
The Board is satisfied that decision making capability and the accuracy of its reporting and financial 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.

The table below shows the number of committee meetings held during the year and attendance by individual directors.

THE BOARD AND STATUTORY INFORMATION

Directors

Mark ole Karbolo	Chairman
Kephar L. Tande	Managing Director
Dr. Eng. Karanja Kibicho	(Alternate Eng. J Mosonik)
J. K. Kinyua	(Alternate – J Kinyanjui)

National Social Security Fund - Represented by T Odongo
Dr. T. Naikuni
K. H. W. Keith

Secretary
J. L. G. Maonga
Certified Public Secretary (Kenya)
P.O. Box 73248-00200
NAIROBI

Auditors
Ernst & Young
Kenya Re-Towers
Upper Hill,Off Ragati Road
P.O. Box 44286-00100
NAIROBI

On Behalf of
The Auditor General
P.O. Box 30084 – 00100
NAIROBI

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

Registrars and Transfer Office
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
Citi Bank N.A. Kenya Branch

Board Sub Committees

Board Audit Committee

Tom Odongo	Chairman
Dr. T. Naikuni	
J. K. Kinyua	
K. H. W. Keith	
J. L. G. Maonga	Secretary

Board Technical Committee

Dr. T. Naikuni	Chairman
J. K. Kinyua	
Dr. Eng. Karanja Kibicho	
Tom Odongo	Representing NSSF
Kephar L. Tande	
J. L. G. Maonga	Secretary

Board Human Resources and Remuneration Committee

Dr. Eng. Karanja Kibicho	Chairman
Tom Odongo	Representing NSSF
Kephar L Tande	
K. H. W. Keith	
J. L.G. Maonga	Secretary

Board Tender and Procurement Oversight committee

K. H. W. Keith	Chairman
Dr. Eng. Karanja Kibicho	
Tom Odongo	Representing NSSF
Kephar L. Tande	
J. L. G. Maonga	Secretary

Executive Management Team

Kephar L. Tande	Managing Director
Charles Charo	Head of Production Operations
John Kimanjoi	Head of Human Resource Management
Jack Chebet	Ag. Head of Sales
Charles Kaloki	Ag. Head of ICT
Rosemary K. Gituma	Ag. Head of Financial Management
Stephen Nthei	Head of Internal Audit & Risk Management
Peter Korir	Head of Strategy & Technology Development

The Directors present their Report together with the audited consolidated financial statements of the Group for the year ended 30 June 2012.

1. PRINCIPAL ACTIVITIES

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

During the year, the Company's Uganda branch was converted to a wholly owned subsidiary, East African Portland Cement (Uganda) Limited. The principal activity of the Company is the sale of cement purchased from the parent Company.

2. RESULTS

The results for the year for the Group and Company are set out on pages 34 and 35, respectively.

3. DIVIDENDS

Directors do not recommend payment of dividends (2011 – final dividend of KShs 45 million paid in 2012).

4. DIRECTORS

The current Board of Directors is shown on page 24. The following changes have taken place since 1 July 2011:

David Koros retired from the Board on 15 December 2011.
The NSSF representative, Alex Kazongo, was replaced by Tom Odongo from 1 March 2012.

5. AUDITORS

The 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 Auditor-General to nominate other auditors to carry out the audit on his behalf.

Ernst & Young were nominated by the Auditor-General to carry out the audit for the year ended 30 June 2012.

By Order of the Board

JLG Maonga
Secretary

Nairobi

30 October 2012

STATEMENT OF DIRECTORS' RESPONSIBILITIES
ON THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

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

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

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

Mark ole Karbolo
Director

Kephar Tande
Director

30 October 2012

Section of Thika Superhighway (between Kenyatta University and Juja) built exclusively using Blue Triangle Cement. The Superhighway is the flagship project of Vision 2030.

REPUBLIC OF KENYA

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NAIROBI

KENYA NATIONAL AUDIT OFFICE

REPORT OF THE AUDITOR-GENERAL ON THE FINANCIAL STATEMENTS OF EAST AFRICAN PORTLAND CEMENT COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE 2012

REPORT ON THE FINANCIAL STATEMENTS

The accompanying financial statements of East African Portland Cement Company Limited set out at pages 32 to 85 which comprise the statement of financial position as at 30 June 2012, the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, have been audited on my behalf by Ernst & Young, 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.

Management's Responsibility for the Financial Statements

The Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Management is also responsible for the submission of its financial statements to the Auditor-General in accordance with the provisions of Section 15 of the Public Audit Act, 2003.

Promoting Accountability in the Public Sector

Auditor-General's Responsibility

My responsibility is to express an opinion on the financial statements based on the audit and report in accordance with the provisions of Section 15 of the Public Audit Act, 2003. The audit was conducted in accordance with 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 about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on 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 control 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 control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my unqualified audit opinion.

Unqualified Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 30 June, 2012 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Companies Act, Cap. 486 of the Laws of Kenya.

REPORT ON OTHER LEGAL REQUIREMENTS

As required by the Kenya Companies Act, I report based on my audit that:

(i) I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purposes of audit;

(ii) In my opinion, proper books of account have been kept by the Company, so far as appears from my examination to those books; and,

(iii) The Company's statement of financial position and statement of comprehensive income are in agreement with the books of account.

Edward R.O. Ouko
<u>AUDITOR-GENERAL</u>

Nairobi

30 October 2012

Chemususu Dam in Eldama Ravine currently under construction using Blue Triangle Cement. When complete it will supply over a million people with water and is a key Vision 2030 project.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2012

ASSETS	Note	2012 KShs'000	2011 KShs'000 Restated*
NON CURRENT ASSETS			
Property, plant and equipment	4	7,463,528	7,657,923
Capital work in progress	5	116,917	217,453
Intangible assets	6	80,559	1,233
Prepaid operating leases	7	11,624	11,681
Investment properties	8	1,495,000	1,495,000
Loan swap asset	10	2,293,200	916,925
Restricted deposits	11	59,755	58,586
		11,520,583	10,358,801
CURRENT ASSETS			
Inventories	12	1,724,887	1,551,254
Trade and other receivables	13	673,423	964,503
Amount due from related party	14	5,703	5,703
Tax recoverable	15 (a)	87,289	86,236
Short term deposits	11	29,435	348,143
Bank balances and cash	16	49,686	216,231
		2,570,423	3,172,070
TOTAL ASSETS		14,091,006	13,530,871
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital	17(a)	450,000	450,000
Share premium	17(b)	648,000	648,000
Asset revaluation reserve	17(c)	1,210,284	1,242,047
Retained earnings		2,528,148	3,362,871
Foreign currency transaction reserve	17(d)	2,958	-
TOTAL EQUITY		4,839,390	5,702,918
NON CURRENT LIABILITIES			
Staff gratuity	19	639,024	517,528
Long term loan	20	3,182,951	3,279,403
Loan swap liability	10	2,219,122	929,580
Obligations under finance leases	21	92,823	129,665
Deferred tax liability	22	842,274	871,598
		6,976,194	5,727,774
CURRENT LIABILITIES			
Current portion of long - term loans	20	423,900	407,522
Obligations under finance leases	21	48,583	61,462
Bank overdraft	23	323,887	1,695
Trade and other payables	24	1,479,052	1,629,500
		2,275,422	2,100,179
TOTAL EQUITY AND LIABILITIES		14,091,006	13,530,871

*Certain figures shown here do not correspond to the 2011 financial statements and reflect adjustments made as detailed in note 47.

The financial statements were approved by the Board of Directors on 30 October 2012 and signed on its behalf by:-

Mark ole Karbolo Chairman

Kephar Tande Managing DIrector

The accounting policies on page 40 to 56 and the notes set out on pages 57 to 85 form an integral part of these financial statements. Report of the Auditors is on pages 28 to 30.

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2012

ASSETS	Note	2012 KShs'000	2011 KShs'000 Restated*
NON CURRENT ASSETS			
Property, plant and equipment	4	7,463,528	7,657,923
Capital work- in- progress	5	116,917	217,453
Intangible assets	6	80,559	1,233
Prepaid operating leases	7	11,624	11,681
Investment properties	8	1,495,000	1,495,000
Investment in subsidiary	9	2,500	-
Loan swap asset	10	2,293,200	916,925
Restricted deposits	11	59,755	58,586
		11,523,083	10,358,801
CURRENT ASSETS			
Inventories	12	1,680,583	1,551,254
Trade and other receivables	13	547,859	964,503
Amount due from related parties	14	258,634	5,703
Tax recoverable	15 (a)	87,289	86,236
Short term deposits	11	29,435	348,143
Bank balances and cash	16	31,709	216,231
		2,635,509	3,172,070
TOTAL ASSETS		14,158,592	13,530,871
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital	17(a)	450,000	450,000
Share premium	17(b)	648,000	648,000
Asset revaluation reserve	17(c)	1,210,284	1,242,047
Retained earnings		2,608,340	3,362,871
TOTAL EQUITY		4,916,624	5,702,918
NON CURRENT LIABILITIES			
Staff gratuity	19	639,024	517,528
Long - term loan	20	3,182,951	3,279,403
Loan swap liability	10	2,219,122	929,580
Obligations under finance leases	21	92,823	129,665
Deferred tax liability	22	842,274	871,598
		6,976,194	5,727,774
CURRENT LIABILITIES			
Current portion of long - term loan	20	423,900	407,522
Obligations under finance leases	21	48,583	61,462
Bank overdraft	23	323,887	1,695
Trade and other payables	24	1,469,404	1,629,500
		2,265,774	2,100,179
TOTAL EQUITY AND LIABILITIES		14,158,592	13,530,871

*Certain figures shown here do not correspond to the 2011 financial statements and reflect adjustments made as detailed in note 47.

The financial statements were approved by the Board of Directors on 30 October 2012 and signed on its behalf by:-

Mark ole Karbolo Chairman

Kephar Tande Managing DIrector

The accounting policies on page 40 to 56 and the notes set out on pages 57 to 85 form an integral part of these financial statements. Report of the Auditors is on pages 28 to 30.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 KShs'000	2011 KShs'000 Restated*
REVENUE	25	8,614,806	10,172,140
COST OF SALES	26	(7,391,003)	(7,803,463)
GROSS PROFIT		1,223,803	2,368,677
Other operating income	27	120,705	30,101
Provisions written back	28	-	144,945
		1,344,508	2,543,723
EXPENSES			
Selling and distribution	29	(382,328)	(679,729)
Administration and establishment	30	(1,332,298)	(1,050,845)
Other operating expenses	31	(240,361)	(159,509)
		(1,954,987)	(1,890,083)
LOSS/PROFIT FROM OPERATIONS		(610,479)	653,640
FINANCE INCOME	32	108,365	9,975
FINANCE COSTS	33	(285,990)	(126,765)
EXCHANGE LOSS ON FOREIGN CURRENCY LOAN	34	(61,575)	(655,909)
LOSS BEFORE TAX	35	(849,679)	(119,059)
INCOME TAX CREDIT	15(b)	28,193	120,776
(LOSS)/PROFIT FOR THE YEAR		(821,486)	1,717
OTHER COMPREHENSIVE INCOME			
Exchange differences on translation of foreign operation		2,958	-
TOTAL COMPREHENSIVE INCOME		(818,528)	1,717
(LOSS)/EARNINGSPER SHARE			
Basic and diluted (KShs)	36	(9.09)	0.02

*Certain figures shown here do not correspond to the 2011 financial statements and reflect adjustments made as detailed in note 47.

The accounting policies on page 40 to 56 and the notes set out on pages 57 to 85 form an integral part of these financial statements. Report of the Auditors is on pages 28 to 30.

COMPANY STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 KShs'000	2011 KShs'000 Restated*
REVENUE	25	8,174,113	10,172,140
COST OF SALES	26	(6,940,857)	(7,803,463)
GROSS PROFIT		1,233,256	2,368,677
Other operating income	27	120,705	30,101
Provisions written back	28	-	144,945
		1,353,961	2,543,723
EXPENSES			
Selling and distribution	29	(377,020)	(679,729)
Administration and establishment	30	(1,299,869)	(1,050,845)
Other operating expenses	31	(207,359)	(159,509)
		(1,884,248)	(1,890,083)
LOSS/PROFIT FROM OPERATIONS		(530,287)	653,640
FINANCE INCOME	32	108,365	9,975
FINANCE COSTS	33	(285,990)	(126,765)
EXCHANGE LOSS ON FOREIGN CURRENCY LOAN	34	(61,575)	(655,909)
LOSS BEFORE TAX	35	(769,487)	(119,059)
INCOME TAX CREDIT	15(b)	28,193	120,776
(LOSS)/PROFIT FOR THE YEAR		(741,294)	1,717
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME		(741,294)	1,717
EARNINGS/(LOSS) PER SHARE			
Basic and diluted (KShs)	36	(8.24)	0.02

*Certain figures shown here do not correspond to the 2011 financial statements and reflect adjustments made as detailed in note 47.

The accounting policies on page 40 to 56 and the notes set out on pages 57 to 85 form an integral part of these financial statements. Report of the Auditors is on pages 28 to 30.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2012

GROUP

	Share capital KShs'000	Share premium KShs'000	Asset revaluation reserve KShs'000	Retained Earnings KShs'000	Foreign currency translation reserve KShs'000	Total KShs'000
At 1 July 2010	450,000	648,000	1,261,760	3,341,441	-	5,701,201
Transfer of excess depreciation	-	-	(18,339)	18,339	-	-
Surplus realised on disposal of revalued assets	-	-	(1,374)	1,374	-	-
Profit for the year (restated)	-	-	-	1,717	-	1,717
Other comprehensive income	-	-	-	-	-	-
At 30 June 2011	450,000	648,000	1,242,047	3,362,871	-	5,702,918
At 1 July 2011 (restated)	450,000	648,000	1,242,047	3,362,871	-	5,702,918
Transfer of excess depreciation	-	-	(12,079)	12,079	-	-
Surplus realised on disposal of revalued assets	-	-	(19,684)	19,684	-	-
Dividends	-	-	-	(45,000)	-	(45,000)
Loss for the year	-	-	-	(821,486)	-	(821,486)
Other comprehensive income	-	-	-	-	2,958	2,958
At 30 June 2012	450,000	648,000	1,210,284	2,528,148	2,958	4,839,390

The accounting policies on page 40 to 56 and the notes set out on pages 57 to 85 form an integral part of these financial statements. Report of the Auditors is on pages 28 to 30.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2012

COMPANY	Share capital KShs'000	Share premium KShs'000	Asset revaluation reserve KShs'000	Retained Earnings KShs'000	Total KShs'000
At 1 July 2010	450,000	648,000	1,261,760	3,341,441	5,701,201
Transfer of excess depreciation	-	-	(18,339)	18,339	-
Surplus realised on disposal of revalued assets	-	-	(1,374)	1,374	-
Profit for the year (restated)	-	-	-	1,717	1,717
Other comprehensive income	-	-	-	-	-
At 30 June 2011	450,000	648,000	1,242,047	3,362,871	5,702,918
At 1 July 2011 (restated)	450,000	648,000	1,242,047	3,362,871	5,702,918
Transfer of excess depreciation	-	-	(12,079)	12,079	-
Surplus realised on disposal of revalued assets	-	-	(19,684)	19,684	-
Dividend	-	-	-	(45,000)	(45,000)
Loss for the year	-	-	-	(741,294)	(741,294)
Other comprehensive income	-	-	-	-	-
At 30 June 2012	450,000	648,000	1,210,284	2,608,340	4,916,624

The accounting policies on page 40 to 56 and the notes set out on pages 57 to 85 form an integral part of these financial statements. Report of the Auditors is on pages 28 to 30.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 KShs'000	2011 KShs'000
OPERATING ACTIVITIES			
Cash generated from operations	38(a)	65,004	698,282
Interest paid	38(c)	(283,480)	(104,128)
Interest received	32	11,449	9,975
Income tax paid	15(a)	(2,184)	(501)
Net cash (used in)/generated from operating activities		(209,211)	603,628
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	38(e)	(340,381)	(71,499)
Capital work-in-progress	5	(42,006)	(545,394)
Intangible assets	6	-	(1,849)
Proceeds from sale of equipment		11,064	3,110
Investment in restricted deposits		(1,169)	(1,236)
Net cash used in investing activities		(372,492)	(616,868)
FINANCING ACTIVITIES			
Dividend paid	18	(45,000)	-
Asset finance loan	20(b)	283,446	-
Repayment of lease obligation	38(d)	(49,722)	(9,297)
Loan repayment	38(b)	(417,424)	(366,563)
Net cash used in financing activities		(228,700)	(375,860)
DECREASE IN CASH AND CASH EQUIVALENTS		(810,403)	(389,100)
Effect of foreign currency translation reserve		2,958	-
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		562,679	951,779
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	38(f)	(244,766)	562,679

The accounting policies on page 40 to 56 and the notes set out on pages 57 to 85 form an integral part of these financial statements. Report of the Auditors is on pages 28 to 30.

COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 KShs'000	2011 KShs'000
OPERATING ACTIVITIES			
Cash generated from operations	38(a)	52,485	698,282
Interest paid	38(c)	(283,480)	(104,128)
Interest received	32	11,449	9,975
Income tax paid	15(a)	(2,184)	(501)
Net cash (used in) / generated from operating activities		(221,730)	603,628
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	38(e)	(340,381)	(71,499)
Capital work-in-progress	5	(42,006)	(545,394)
Intangible assets		-	(1,849)
Proceeds from sale of equipment		11,064	3,110
Investment in restricted deposits		(1,169)	(1,236)
Investment in subsidiary	9	(2,500)	-
Net cash used in investing activities		(374,992)	(616,868)
FINANCING ACTIVITIES			
Dividend paid	18	(45,000)	-
Asset finance Loan	20(b)	283,446	
Repayment of lease obligations	38(d)	(49,722)	(9,297)
Loan repayment	38(b)	(417,424)	(366,563)
Net cash used in financing activities		(228,700)	(375,860)
DECREASE IN CASH AND CASH EQUIVALENTS		(825,422)	(389,100)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		562,679	951,779
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	38(f)	(262,743)	562,679

The accounting policies on page 40 to 56 and the notes set out on pages 57 to 85 form an integral part of these financial statements. Report of the Auditors is on pages 28 to 30.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

1. NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS

The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended IFRS and IFRIC interpretations effective as of 1 July 2011:

- IAS 24 Related party disclosures (Revised) – 1 January 2011
- IFRIC 14 Prepayments of a minimum funding requirement (Amendment)
- IFRS 1 First-time Adoption of international Financial Reporting Standards (Amendment) - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (Amendment).
- IFRS 7 Financial Instruments: Disclosures - Transfers of financial assets (Amendment)
- Improvements to IFRSs (issued in May 2010)

The adoption of the standards or interpretations is described below:

IAS 24 Related Party Disclosures (Revised)
The amended standard is effective for annual periods beginning on or after 1 January 2011. It clarified and simplifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government related entities. The amendment had no impact, as the definitions were already applied according to these amendments and the group is not government related.

IFRIC 14 Prepayments of a minimum funding requirement (Amendment)
The amendment to IFRIC 14 is effective for annual periods beginning on or after 1 January 2011 with retrospective application. The amendment corrects an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. The amendment had no impact on the financial statements of the group, as the group does not contribute towards a defined benefit scheme.

IFRS 1 First-time Adoption of international Financial Reporting Standards (Amendment) - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (Amendment).
The amendment is effective for annual periods beginning on or after 1 July 2011. The IASB has provided guidance on how an entity should resume presenting IFRS financial statements when its functional currency ceases to be subject to severe hyperinflation. A further amendment to the standard is the removal of the legacy fixed dates in IFRS 1 relating to derecognition and day one gain or loss transactions have also been removed. The standard now has these dates coinciding with the date of transition to IFRS. This will have no impact on the group, as it has no operations in hyperinflationary economies.

IFRS 7 Financial Instruments: Disclosures - Transfers of financial assets (Amendment)
The amendment is effective for annual periods beginning on or after 1 July 2011. The amendment requires additional quantitative and qualitative disclosures relating to transfers of financial assets, where:

- Financial assets are derecognised in their entirety, but where the entity has a continuing involvement in them (e.g., options or guarantees on the transferred assets)
- Financial assets are not derecognised in their entirety - The amendments may be applied earlier than the effective date and this fact must be disclosed. Comparative disclosures are not required for any period beginning before the effective date.

This amendment only required additional disclosures and has no impact on the financial position or performance of the group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2012

1. **NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS (continued)**

Improvements to IFRSs

In May 2010, the International Accounting Standards Board (IASB) issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard.

The adoption of the following amendments resulted in changes to accounting policies, but no impact on the financial position or performance of the group:

IFRS 7 Financial Instruments — Disclosures (effective 1 January 2011) — Clarification of Disclosures:
The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context.

IAS 1 Presentation of Financial Statements (effective 1 January 2011) – Clarification of statement of changes in equity:
The amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements

Standards issued but not yet effective
Standards issued but not yet effective up to the date of issuance of the group's financial statements are listed below. This listing is of standards and interpretations issued, which the group reasonably expects to be applicable at a future date. The group intends to adopt those standards when they become effective. In cases where it will have an impact the group is still assessing the possible impact.
IAS 1 Financial statements presentation - Presentation of items in Other Comprehensive Income (Amendment)
The amendment is effective for annual periods beginning on or after 1 July 2012 and requires that items of other comprehensive income be grouped in items that would be reclassified to profit or loss at a future point and items that will never be reclassified. This amendment will only affect the presentation in the financial statements.

IAS 12 Income taxes - Deferred taxes: Recovery of underlying assets (Amendment)
The amendment is effective for annual periods beginning on or after 1 January 2012 and introduces a rebuttable presumption that deferred tax on investment properties measured at fair value will be recognised on a sale basis, unless an entity has a business model that would indicate the investment property will be consumed in the business. If consumed a use basis should be adopted. In addition, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 always be measured on a sale basis of the asset. The amendment had no impact on the financial position or performance of the group:

IAS 19 Employee benefits (Revised)
The amendments are effective for annual periods beginning on or after 1 January 2013. There are changes to post employee benefits in that pension surpluses and deficits are to be recognised in full (no more deferral mechanisms) and all actuarial gains and losses recognised in other comprehensive income as they occur with no recycling to profit or loss. Past service costs as a result of plan amendments are to be recognized immediately. Short and long-term benefits will now be distinguished based on the expected timing of settlement, rather than employee entitlement. Although the group will not be impacted by amendments relating to defined benefit plans, the impact on the definitions of short-term and long-term employee benefits is still being assessed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2012

1. NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS (continued)

Standards issued but not yet effective (continued)
IAS 27 Separate Financial Statements (as revised in 2011)
As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)
As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after 1 January 2013 and will have no impact on the group as the group does not have any investments in associates and interests in joint arrangements.

IAS 32 Financial Instruments: Presentation (Amendment) – Offsetting Financial Assets and Financial Liabilities. Effective for annual periods beginning on or after 1 January 2014.
The IASB issued an amendment to clarify the meaning of "currently has a legally enforceable right to set off the recognised amounts". This means that the right of set-off:

- must not be contingent on a future event; and,
- must be legally enforceable in all of the following circumstances:
- the normal course of business;
- the event of default; and,
- the event of insolvency or bankruptcy of the entity and all of the counterparties.

IFRS 7 Financial Instruments: Disclosures (Amendment) – Offsetting Financial Assets and Financial Liabilities.
The amendment clarifies the required disclosures to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position. The amendment is effective for annual periods beginning on or after 1 January 2013 and the group is still in the process of determining how it will impact the note disclosures upon adoption.

IFRS 9 Financial Instruments: Classification and Measurement
IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2015. In subsequent phases, the Board will address impairment and hedge accounting. The completion of this project is expected in 2013.

The group is currently assessing the impact of adopting IFRS 9. However, since the impact of adoption depends on the assets held by the group at the date of adoption, it is not practical to quantify the effect.

IFRS 10 Consolidated Financial Statements
IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC 12 Consolidation – Special Purpose Entities. IFRS 10 establishes a single control model with a new definition of control that applies to all entities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2012

1. NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS (continued)

Standards issued but not yet effective (continued)

IFRS 10 Consolidated Financial Statements (continued)
Control exists when an investor has:
- Power over the investee (defined in IFRS 10 as when the investor has existing rights that give it the current ability to direct the relevant activities)
- Exposure, or rights, to variable returns from its involvement with the investee

And
- The ability to use its power over the investee to affect the amount of the investor's returns
- IFRS 10 also provides a number of clarifications on applying this new definition of control, including the following key points:
- An investor is any party that potentially controls an investee; such party need not hold an equity investment to be considered an investor.
- An investor may have control over an investee even when it has less than a majority of the voting rights of that investee (sometimes referred to as de facto control).
- Exposure to risks and rewards is an indicator of control, but does not in itself constitute control.
- When decision-making rights have been delegated or are being held for the benefit of others, it is necessary to assess whether a decision-maker is a principal or an agent to determine whether it has control.
- Consolidation is required until such time as control ceases, even if control is temporary.

The changes will require management to make significant judgment to determine which entities are controlled and therefore required to be consolidated by the parent. Therefore, IFRS 10 may change which entities are within a group. Effective for annual periods beginning on or after 1 January 2013. The group is currently assessing the impact of adopting IFRS 10.

IFRS 11 Joint Arrangements
IFRS 11 replaces IAS 31 and SIC-13. Joint control under IFRS 11 is defined as the contractually agreed sharing of control of an arrangement, which exists only when the decisions about the relevant activities require the unanimous consent of the parties sharing control. IFRS 11 also changes the accounting for joint arrangements by moving from three categories under IAS 31 to the following two categories:

- Joint operation — An arrangement in which the parties with joint control have rights to the assets and obligations for the liabilities relating to that arrangement. Joint operations are accounted for by showing the party's interest in the assets, liabilities, revenues and expenses, and/or its relative share of jointly controlled assets, liabilities, revenue and expenses, if any.
- Joint venture — An arrangement in which the parties with joint control have rights to the net assets of the arrangement. Joint ventures are accounted for using the equity accounting method.

The option to account for joint ventures (as newly defined) using proportionate consolidation has been removed. Under this new classification, the structure of the joint arrangement is not the only factor considered when classifying the joint arrangement as either a joint operation or a joint venture, which is a change from IAS 31. Under IFRS 11, parties are required to consider whether a separate vehicle exists and, if so, the legal form of the separate vehicle, the contractual terms and conditions, and other facts and circumstances.

This standard becomes effective for annual periods beginning on or after 1 January 2013 and will have no impact on the group as it is not party to any joint arrangements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2012

1. NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS (continued)

Standards issued but not yet effective (continued)

IFRS 12 Disclosure of Involvement with Other Entities
IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 13 Fair Value Measurement
IFRS 13 establishes a single framework for all fair value measurement (financial and non-financial assets and liabilities) when fair value is required or permitted by IFRS. IFRS 13 does not change when an entity is required to use fair value but rather describes how to measure fair value under IFRS when it is permitted or required by IFRS. There are also consequential amendments to other standards to delete specific requirements for determining fair value. Clarifications on certain aspects are also provided. The group will need to consider the new requirements to determine fair values going forward. IFRS 13 will be effective for the group on 1 January 2013.
Improvements to IFRSs (issued in May 2012)

The International Accounting Standards Board has issued the *Annual Improvements to IFRSs – 2009 – 2011 Cycle*, which contains amendments to its standards and the related Basis for Conclusions. The adoption of the following amendments resulted in changes to accounting policies, but no impact on the financial position or performance of the group. The effective date for the amendments is for annual periods beginning on or after 1 January 2013.

IAS 1 Presentation of Financial Statements: Clarification of the requirements for comparative information

The amendment clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. In addition, the opening statement of financial position (known as the third balance sheet) must be presented in the following circumstances: when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position.

The opening statement would be at the beginning of the preceding period. This may have an impact in future years, if the group discloses voluntary additional comparative information, or if a third statement of financial position needs to be presented.

IAS 16 Property, Plant and Equipment: Classification of servicing equipment

This amendment clarifies when certain assets are property, plant and equipment or inventory. Major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory. The group is currently assessing the impact of adopting the amendments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2012

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). The consolidated financial statements have been prepared on the historical cost basis of accounting except where otherwise stated or disclosed.

(b) Basis of consolidation
The consolidated financial statements comprise the financial statements of the company and its subsidiary for the year ended 30 June 2012.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parents share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

(c) Business combinations and goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2012

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Business combinations and goodwill (continued)

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in profit or loss or as a change to other
comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is
recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of
whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

(d) Revenue recognition

Revenue is recognised in profit or loss when the significant risk and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably and there is no continuing management involvement with the goods. Revenue is measured at fair value net of taxes and discount.

Interest income is recognised in profit or loss for all interest bearing instruments on an accrual basis taking into account the effective yield on the asset.

(e) Taxes

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date. Current tax relating to items recognised directly in other comprehensive income or equity is recognised in other comprehensive income or equity and not in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2012

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Taxes (continued)

Deferred tax
Deferred tax is provided for using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred income tax relating to items recognised directly in other comprehensive income or equity is recognised in other comprehensive income or equity and not in profit or loss.

Deferred tax liabilities are recognised for all taxable temporary differences, except:
- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:
- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
-
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax relating to items recognised directly in other comprehensive income or equity is recognised in other comprehensive income or equity and not in profit or loss.

Deferred tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same tax authority.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2012

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Taxes (continued)

Value added tax
Revenues, expenses and assets are recognised net of the amount of value added tax except where the value added tax incurred on a purchase of assets or services is not recoverable from the tax authorities, in which case the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and receivables and payables that are stated with the amount of value added tax included. The net amount of value added tax recoverable from, or payable to, the tax authorities is included as part of accounts receivables or payables in the statement of financial position.

(f) Property, plant and equipment

Property, plant and equipment are stated at historical cost and/or professionally revalued amounts less accumulated depreciation and impairment losses. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognising of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

The group 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 2009.

Any revaluation surplus is recognised in other comprehensive income and accumulated in the asset revaluation reserve in equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

Depreciation
No depreciation is provided on freehold land.

Depreciation on other items of property, plant and equipment is charged on the straight-line basis over the estimated useful lives of the assets. The rates of depreciation used are based on the following estimated useful lives:

Buildings	40 years or period of lease, whichever is less
Plant and machinery	8 to 20 years
Motor vehicles	3 to 4 years
Office equipment, furniture and fittings	4 to 20 years
Computers	3 years

The residual values and useful lives are reassessed annually and adjusted prospectively if appropriate. Where the residual value exceeds the carrying value, no depreciation is charged in the next year.

The excess annual depreciation attributable to revaluation surplus on property, plant and equipment is transferred annually from the asset revaluation reserve to the retained earnings. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2012

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date: whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all risks and rewards of ownership to the group as the lessee. Leases where a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as operating leases.

Finance leases are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in profit or loss.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight line basis over the lease term.

(h) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Subsequently, amortisation and accumulated impairment losses are netted from the cost. Expenditure on internally generated intangible assets, excluding capitalised development costs, is reflected in profit or loss in the year in which it is incurred.

Intangible assets with finite lives are amortised on a straight line basis over their useful economic lives from the date they are available for use, up to a maximum of three years. Intangible assets are assessed for impairment whenever there is an indication that an intangible asset may be impaired.

The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset. Periodic software maintenance costs are recognised as an expense when incurred.

Gains or losses arising from derecognising of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2012

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Leasehold land

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

(j) Investment properties

Investment properties are measured initially at cost, including transaction costs, and excluding the costs of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

The group's policy is to obtain valuation of investment properties by independent professional valuers at least once every three years. The last valuation was carried out as at 30 June 2009.

Transfers are made to or from investment property only when there is a change in use.

A property interest that is held by a lessee under an operating lease may be classified and accounted for as investment property if, and only if, the property would otherwise meet the definition of an investment property and the lessee uses the fair value model to recognise the asset. This classification alternative is available on a property-by-property basis. However, once this classification alternative is selected for one such property interest held under an operating lease, all property classified as investment property shall be accounted for using the fair value model.

(k) Impairment

i) Financial assets

The group assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2012

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Impairment (continued)

i) Financial assets (continued)

Impaired debts are derecognized when they are assessed as uncollectible.

In relation to trade receivables, an allowance for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the group will not be able to collect all of the amounts due under the original terms of the invoice.

(ii) Non-financial assets

The carrying amounts of the group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(l) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2012

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Financial instruments

A financial instrument is a contract that gives rise to both a financial asset of one enterprise and a financial liability of another enterprise. The group 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 and re-evaluates its portfolio every reporting date to ensure that all financial instruments are appropriately classified.

Purchase and sale of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place (regular way purchases) are recognised on the trade date, which is the date that the group commits to purchase or sell the asset.

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 at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value. Gains and losses arising from changes in the fair value are included in profit or loss in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and include receivables arising from day to day sale of goods and services. They are measured at amortised cost less impairment losses using the effective interest rate method (EIR). Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in profit or loss.

Trade and other receivables consist of all receivables which are of short duration with no stated interest rate and are measured are measured at amortised cost using the effective interest rate. An allowance is made for any unrecoverable amounts.

For the purpose of the statement of cash flows, 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. Cash and cash equivalents are measured at amortised cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2012

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Financial instruments (continued)

Borrowings
Interest bearing loans are recorded at the fair value of the proceeds received. Finance charges are recognised on the accrual 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 and other payables consist of all payables which are of short duration with no stated interest rate and are measured at amortised cost using the effective interest rate.

Derecognition
A financial asset is derecognised when the group loses control over the contractual rights that comprise that asset and has transferred its right to cash flows from the asset or has assumed an obligation to pay the received cash flows without material delay to a third party under a 'pass through' arrangement; and either (a) the group has transferred substantially all the risks and rewards of the assets, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another by the same lender on substantially different terms, or the terms of the existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability and the difference in the respective carrying amounts are recognised in the statement of comprehensive income.

Offsetting
Financial assets and liabilities are offset and the net amounts reported on the statement of financial position when there is a currently legally enforceable right to set off the recognised amount and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously.

(n) Foreign currency translations
The consolidated financial statements are presented in Kenya shillings, which is also the parent company's functional currency. Each entity in the group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The group has elected to recycle the gain or loss that arises from the direct method of consolidation, which is the method the group uses to complete its consolidation.

i) Transactions and balances
Transactions in foreign currencies are initially recorded by the group entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date.

All differences arising on settlement or translation of monetary items are taken to profit or loss with the exception of monetary items that are designated as part of the hedge of the group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

THE EAST AFRICAN PORTLAND CEMENT COMPANY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2012

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Foreign currency translations (continued)

i) Transactions and balances (continued)
Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

i) Group companies
On consolidation, the assets and liabilities of foreign operations are translated into Kenya shillings at the rate of exchange prevailing at the reporting date and their statements of comprehensive income are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

(o) Hedge accounting
The group makes use of derivative instruments to manage exposures to interest rate and foreign currency risks. In order to manage these risks, the group applies hedge accounting for transactions which meet specified criteria. At inception of the hedge relationship, the group formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship.

At the inception of the hedge relationship, a formal assessment is undertaken to ensure the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item. Hedges are formally assessed semi-annually. A hedge is expected to be highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated are expected to offset in a range of 80% to 125%. For situations where that hedged item is a forecast transaction, the group assesses whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

Fair value hedges
For designated and qualifying fair value hedges, the change in the fair value of a hedging derivative is recognised in profit or loss in finance income. Meanwhile, the change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in profit or loss in finance income.

If the hedging instrument expires or is sold, terminated or exercised, or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated. For hedged items recorded at amortized cost, the difference between the carrying value of the hedged item on termination and the face value is amortised over the remaining term of the original hedge using the effective interest rate. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2012

1. **SIGNIFICANT ACCOUNTING POLICIES (continued)**

(p) 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.

(q) Employee benefits

i) Short-term benefits

Short-term benefits consist of salaries, bonuses and any non-monetary benefits such as medical aid contributions and free services. They exclude equity based benefits and termination benefits. Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under a short-term cash bonus only if the group has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee and if the obligation can be measured reliably.

ii) Retirement benefit costs

The group operates a funded defined contribution pension scheme for senior and supervisory staff, as well as an in-house gratuity scheme for unionisable employees. The group also contributes to the statutory National Social Security Funds in Kenya and Uganda. These are defined contribution schemes registered under Acts of Parliament in the respective countries. The group's obligations under the schemes are limited to specific contributions legislated from time to time.

The group's obligations to all staff retirement benefits schemes are charged to profit or loss as they fall due.

(r) 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 reporting date. The group'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 consolidated financial statements at the present value of benefits payable as it accrues to each employee.

(s) Mining and exploration costs

All exploration costs for the mining of limestone are expensed in the period that they occur and form part of cost of sales.

(t) Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation, discounted at a rate that reflects current market assessments of the time value of money and the risks specific to the liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2012

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the process of applying the group'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 reporting date, the group 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. Further details are disclosed in note 2(j).

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. For details relating to the useful lives and residual values of the assets, refer to note 2(e)

Intangible assets

Critical estimates are made by directors in determining the useful lives and residual values to intangible assets 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. Further details are provided in note 2(g).

Fair value of financial instruments

When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2012

4. PROPERTY, PLANT AND EQUIPMENT

(a) Year ended 30 June 2012

GROUP AND COMPANY	Freehold land KShs'000	Buildings KShs'000	Plant and machinery KShs'000	Motor vehicles KShs'000	Computers, office equipment, furniture and fittings KShs'000	Total KShs'000
COST OR VALUATION						
At 1 July 2011	166,335	1,124,964	6,358,954	616,489	255,631	8,522,373
Additions	-	-	71,208	261,176	7,998	340,381
Disposals	-	-	-	(32,205)	-	(32,305)
Transfer from capital work in progress (note 5)	-	-	-	-	22,636	22,636
At 30 June 2012	166,335	1,124,964	6,430,162	845,460	286,265	8,853,186
COMPRISING						
Valuation adjustment at 30 June 2009	98,898	1,096,017	3,113,628	354,386	(250,231)	4,412,698
Cost	67,437	28,947	3,316,534	491,074	536,496	4,440,488
	166,335	1,124,964	6,430,162	845,460	286,265	8,853,186
DEPRECIATION AND IMPAIRMENT						
At 1 July 2011	-	56,250	560,328	188,731	59,142	864,451
Charge for the year	-	28,124	335,073	139,710	38,666	541,573
Eliminated on disposal	-	-	-	(16,366)	-	(16,366)
At 30 June 2012	-	84,374	895,401	312,075	97,808	1,389,658
NET CARRYING AMOUNT						
At 30 June 2012	166,335	1,040,590	5,534,761	533,385	188,457	7,463,528

The property, plant and equipment were revalued by Crystal Valuers Limited, registered valuers, as at 30 June 2009. The land was valued on an Open Market Value basis while the other assets were valued on a Depreciated Replacement Cost basis. The Group's policy is to revalue property, plant and equipment at least once every five years refer to note 2(f).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2012

4. PROPERTY, PLANT AND EQUIPMENT (continued)

(b) Year ended 30 June 2011

GROUP AND COMPANY

	Freehold land KShs'000	Buildings KShs'000	Plant and machinery KShs'000	Motor vehicles KShs'000	Computers, office equipment, furniture and fittings KShs'000	Total KShs'000
COST OR VALUATION						
At 1 July 2010	166,335	1,124,964	5,085,952	453,763	213,716	7,044,730
Additions	-	-	29,584	165,344	41,915	236,843
Disposals	-	-	-	(2,618)	-	(2,618)
Transfer from capital work in progress (note 5)	-	-	1,243,418	-	-	1,243,418
At 30 June 2011	166,335	1,124,964	6,358,954	616,489	255,631	8,522,373
COMPRISING						
Valuation adjustment at 30 June 2009	98,898	1,096,017	3,113,628	354,386	(250,231)	4,412,698
Cost	67,437	28,947	3,245,326	262,103	505,862	4,109,675
	166,335	1,124,964	6,358,954	616,489	255,631	8,522,373
DEPRECIATION						
At 1 July 2010	-	28,125	267,228	77,056	27,050	399,459
Charge for the year	-	28,125	293,100	104,603	32,092	457,920
Eliminated on disposal	-	-	-	(655)	-	(655)
Impairment of equipment	-	-	-	7,726	-	7,726
At 30 June 2011	-	56,250	560,328	188,730	59,142	864,450
NET CARRYING AMOUNT						
At30 June 2011	166,335	1,068,714	5,798,626	427,760	196,489	7,657,923

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2012

4. PROPERTY, PLANT AND EQUIPMENT (continued)

(c) If the revalued property, plant and equipment were carried in the financial statements at historical cost, the balances at year-end would have been as follows:

GROUP AND COMPANY

	2012 KShs'000	2011 KShs'000
Cost	10,313,224	10,313,224
Accumulated depreciation	(5,382,336)	(4,993,435)
Net carrying amount	4,930,888	5,319,789

(d) Finance leases

There were no additions made during the year (2011 – KShs165,344,807) under finance leases. Leased assets are pledged as security for the related finance lease liabilities.

5. **CAPITAL WORK-IN-PROGRESS**

GROUP AND COMPANY

	2012 KShs'000	2011 KShs'000
Cost		
At the beginning of the year	217,453	915,477
Additions	42,006	545,394
	259,459	1,460,871
Transfers to intangible assets (note 6)	(119,906)	-
Transfers to property plant and equipment (note 4)	(22,636)	(1,243,418)
Balance at 30 June	116,917	217,453

Capital work-in-progress relates to amounts incurred on implementation of Enterprise Resource Planning (ERP), and construction of a perimeter wall and buildings for stores. The installation of the ERP was completed during the year and the cost transferred to intangible assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2012

6. INTANGIBLE ASSETS

	GROUP AND COMPANY	
	2012	**2011**
	KShs'000	**KShs'000**
COST		
At the beginning of the year	51,611	49,762
Additions	-	1,849
Transfer from capital work-in-progress (note 5)	119,906	-
	171,517	51,611
AMORTISATION		
At the beginning of the year	50,378	48,718
Charge for the year	40,580	1,660
	90,958	50,378
CARRYING AMOUNT		
At 30 June	80,559	1,233

Intangible assets relate to computer software in use by the Group.

7. PREPAID OPERATING LEASES

	GROUP AND COMPANY	
	2012	**2011**
	KShs'000	**KShs'000**
COST		
At the beginning of the year	12,886	12,886
AMORTISATION AND IMPAIRMENT		
At the beginning of the year	1,205	1,142
Amortisation charge	57	63
At the end of the year	1262	1,205
NET BOOK VALUE		
At 30 June	11,624	11,681

The Company has entered into operating lease agreements for leasing of most of its land where it extracts limestone. These leases have an average life of between 99 years with a renewal option on expiry of the contract.

8. INVESTMENT PROPERTIES

Investment properties relate to two pieces of leasehold land held by the Group, under long-term lease arrangements. The land was valued at KShs1.495 billion by Crystal Valuers Limited, accredited independent valuers, as at 30 June 2009. The present value of the ground rent obligations is immaterial and thus, the valuation amount of KShs1.495 billion is equivalent to the fair values of these properties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2012

9. INVESTMENT IN SUBSIDIARY

Investment in subsidiary relates to the Company's investment in East African Portland Cement Company Uganda Limited, which is a wholly -owned subsidiary. The principal activity of the Company is the sale of cement purchased from the parent company. The subsidiary was opened as part of the Company's growth strategy as well as to enhance competitiveness in the region.

The subsidiary was converted from a branch on 1 July 2011. There were no major assets and liabilities that were transferred from the parent Company as at that date.

10. DERIVATIVE FINANCIAL INSTRUMENTS

As part of its asset and liability management, the Group uses derivatives for hedging purposes in order to reduce its exposure to foreign currency risks. This is done by engaging in currency swaps.

Currency swaps relate to contracts taken out by the Group with a financial institution in which the group either receives or pays cross currency to the financial institution. In a currency swap, the Group pays a specified amount in one currency and receives a specified amount in another currency. Currency swaps are mostly gross-settled.

The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities at year-end.

	GROUP AND COMPANY	
	2012 KShs'000	2011 KShs'000
Assets		
Cross-currency swap	2,293,200	916,925
Liabilities		
Cross-currency swap	2,219,122	929,580

The Group exchanged a Japanese Yen payable loan of JPY1,461,280,000 for a US$18,409,754 equivalent resulting in a gain of KShs96,915,597 as at 30 June 2012. The derivative instruments are carried in the books of account at fair value.

11. DEPOSITS

	GROUP AND COMPANY	
	2012 KShs'000	2011 KShs'000
Short-term deposits:		
Kenya Commercial Bank Limited	29,435	348,143
Restricted deposits:		
Housing Finance Company of Kenya Limited	59,755	58,586

The short-term deposits mature within three months and the weighted average interest rate earned on the deposits during the year was 4.5% (2011 – 4.5%).

The deposits with Housing Finance Limited have been held as collateral for staff mortgages. The weighted average interest rate earned on the deposits during the year was 2.76% (2011 - 2.67%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2012

12. INVENTORIES	GROUP 2012 KShs'000	COMPANY 2012 KShs'000	GROUP AND COMPANY 2011 KShs'000
Consumables	1,366,716	1,366,716	1,236,826
Raw materials	340,063	340,063	317,577
Work-in-progress	8,341	8,341	8,528
Finished products	97,129	52,825	75,685
	1,812,249	1,767,945	1,638,616
Provision for obsolete inventories	(87,362)	(87,362)	(87,362)
	1,724,887	1,680,583	1,551,254

13. TRADE AND OTHER RECEIVABLES

	GROUP 2012 KShs'000	COMPANY 2012 KShs'000	GROUP AND COMPANY 2011 KShs'000
Gross trade receivables	848,041	724,657	664,847
Impaired trade receivables	(373,499)	(371,682)	(278,145)
Net trade receivables	474,542	352,975	386,702
Staff receivables	71,599	71,599	42,344
Deposits, prepayments and other receivables	127,282	123,285	535,457
	673,423	547,859	964,503

Trade receivables are non-interest bearing. The average credit period on sales of finished goods is 15 days. The bulk of the trade receivables are covered by bank guarantees in favour of the Group. For terms and conditions relating to related party receivables, refer to note 14.

As at 30 June, the aging analysis of trade receivables was as follows:

	GROUP 2012 KShs'000	COMPANY 2012 KShs'000	GROUP AND COMPANY 2011 KShs'000
Neither past due nor impaired	333,947	268,816	166,515
Past due but not impaired trade receivables:			
Between 15 and 30 days	17,315	17,315	62,912
Between 31 and 60 days	55,220	2,582	6,282
Over 60 days	68,060	64,262	150,993
Total trade receivables not impaired	474,542	352,975	386,702
Impaired trade receivables	373,499	371,682	278,145
Gross trade receivables	848,041	724,657	664,847

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2012

13. TRADE AND OTHER RECEIVABLES (continued)

The Group has provided for all receivables that are impaired. These receivables are over 120 days old. The movement in the provision for credit losses is as set out below:

Year ended 30 June 2012

GROUP	Trade receivables KShs'000	Other receivables KShs'000	Total 2012 KShs'000
At the beginning of the year	278,145	50,224	328,369
Additions	114,227	-	114,227
Reversals	(18,873)	-	(18,873)
As at 30 June	373,499	50,224	423,723
COMPANY			
At the beginning of the year	278,145	50,224	328,369
Additions	112,410	-	112,410
Reversals	(18,873)	-	(18,873)
Utilised	-	-	-
As at 30 June	371,682	50,224	421,906

Year ended 30 June 2011

GROUP AND COMPANY			
At the beginning of the year	222,691	88,340	311,031
Additions	55,454	-	55,454
Utilised	-	(38,116)	(38,116)
As at 30 June	278,145	50,224	328,369

14. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

	GROUP 2012 KShs'000	COMPANY 2012 KShs'000	GROUP AND COMPANY 2011 KShs'000
Outstanding balances arising from transactions with related companies.			
a) Amount due from related party:			
East African Portland Cement (Uganda) Limited	-	252,931	-
Bamburi Cement Limited	5,703	5,703	5,703
	5,703	258,634	5,703

East African Portland Cement (Uganda) Limited is wholly-owned subsidiary of East African Portland Cement Company Limited while Bamburi Cement Limited owns 12.5% of the ordinary shares in the East African Portland Cement Company Limited. The amount owing from Bamburi Cement Limited relates to deposits made by East African Portland Cement Company Limited for the purchase of clinker. No interest is charged on balances due from related companies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2012

14. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

The following transactions were carried out with related parties:-

	GROUP 2012 KShs'000	COMPANY 2012 KShs'000	GROUP AND COMPANY 2011 KShs'000
(b) Transactions with related parties:			
Sales to East African Portland Cement Uganda Limited	-	1,000,000	-
Purchase of clinker from Bamburi Cement Limited	134,111	134,111	-
(c) Directors' remuneration:			
Fees for services as directors	1,260	1,260	1,260
Other emoluments	12,056	12,056	13,547
	13,316	13,316	14,807
(d) Key management compensation:			
Short-term employee benefits	30,115	30,115	28,074
Termination benefits	9,999	9,999	12,987
Post-employment benefits	6,278	6,278	3,831
	46,392	46,392	44,892

15. TAXES

	GROUP 2012 KShs'000	COMPANY 2012 KShs'000	GROUP AND COMPANY 2011 KShs'000
(a) Tax recoverable			
At beginning of year	86,236	86,236	93,081
Charge for the year (note 15(b))	(1,131)	(1,131)	(506)
Over-provision in the previous year	-	-	(6,840)
Paid in the year	2,184	2,184	501
At end of year	87,289	87,289	86,236
(b) Income tax expense			
Current tax based on the adjusted profit for the year at 30%	1,131	1,131	506
Over provision in previous year	-	-	6,840
Total current tax charge	1,131	1,131	7,346
Deferred tax credit (note 22)	(29,324)	(29,324)	(128,122)
	(28,193)	(28,193)	(120,776)
(c) Reconciliation of expected tax based on accounting loss to the tax charge			
Accounting loss before tax	(849,679)	(769,487)	(119,059)
Tax at the applicable rate of 30%	(254,904)	(230,846)	(35,718)
Tax effect of items not deductible for tax purposes	358,895	334,838	487,530
Tax effects on non-taxable incomes	(132,184)	(132,184)	(579,428)
Prior year (under)/over provision	-	-	6,840
	(28,193)	(28,193)	(120,776)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2012

16. BANK BALANCES AND CASH	Group 2012 KShs'000	COMPANY 2012 KShs'000	GROUP AND COMPANY 2011 KShs'000
Bank balances	48,397	30,842	214,926
Cash on hand	1,289	867	1,305
	49,686	31,709	216,231

Bank balances do not earn any interest.

17. **SHARE CAPITAL AND RESERVES**

(a) Share capital

Authorised:			
126,000,000 shares of KShs5 each	630,000	630,000	630,000
Authorised, issued and fully paid:			
90,000,000 shares of KShs5 each	450,000	450,000	450,000

a) Share premium

The share premium is not distributable and represents the amounts above the par value of shares received by the company on issue of ordinary shares.

b) Asset revaluation reserve

The asset revaluation reserve is not distributable and is used to record increases in the fair value of property, plant and equipment and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity.

c) The foreign currency translation reserve is used to record exchange differences arising from translation of the financial statements of the foreign subsidiary, East Africa Portland Cement Uganda Limited.

18. DIVIDENDS PAID AND PROPOSED

GROUP AND COMPANY

	2012 KShs'000	2011 KShs'000
Declared and paid during the year		
Final dividend for 2011 – KShs0.50 per share	45,000	-

Proposed for approval at the annual general meeting (not recognised as a liability as at 30 June):

	2012 KShs'000	2011 KShs'000
Dividends on ordinary shares:		
Final dividend for 2012: Nil (2011: KShs0.50 per share)	-	45,000

(i) Dividend per share is arrived at by dividing the total dividends by the weighted average number of shares in issue during the year.
(ii) Payment of dividend is subject to Withholding Tax at the rate of 5% for resident and 10% for non-resident shareholders respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2012

19. STAFF GRATUITY

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

GROUP AND COMPANY

	2012 KShs'000	2011 KShs'000
Balance at the beginning of the year	517,528	437,459
Paid during the year	(14,864)	(10,235)
Provision for the year	136,360	90,304
Balance as at 30 June	639,024	517,528

20. LONG - TERM LOANS

(a) JAPANESE LOAN

The Overseas Economic Co-operation Fund of Japan (JICA) loan guaranteed by the 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 – JPY2,922,560,000 (2011 – JPY 3,287,880,000)

GROUP AND COMPANY

	2012 KShs'000	2011 KShs'000
Balance as at 30 June	3,318,776	3,667,699
Accrued interest	12,324	19,226
	3,331,100	3,686,925

(b) ASSET FINANCE LOAN

The Group purchased mobile plant at a cost of KShs283,446,000 financed wholly by CFC Stanbic Bank Limited repayable in five years in quarterly instalments at a rate of interest of base rate minus 100 basis points. The interest rate during the year was at 24%. The loan is secured against the assets financed.

	2012	2011
Balance as at 30 June	275,751	-
Total loans	3,606,851	3,686,925
Less: repayable within one year	(423,900)	(407,522)
Repayable after one year	3,182,951	3,279,403

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2012

21. OBLIGATIONS UNDER FINANCE LEASES

The Group has commercial leases on certain motor vehicles. These leases have an average life of three years with the option of a one year renewal but no purchase options are included in the contracts. There are no restrictions placed on the Group by entering into these leases. Future minimum payments under the finance leases together with the present value of the net minimum lease payments are as follows:

	GROUP AND COMPANY			
	2012		2011	
	Minimum payments KShs'000	Present value of lease payments KShs'000	Minimum payments KShs'000	Present value of lease payments KShs'000
Within one year	75,433	48,583	66,140	61,462
After one year but not more than five years	117,284	92,823	177,952	129,665
Total minimum lease payments	192,717	141,406	244,092	191,127
Less amounts representing finance charges	(51,311)	-	(52,965)	-
Present value of minimum lease payments	141,406	141,406	191,127	191,127

The interest rate applicable to the above leases is variable and increased from 12% in the first quarter of the year to 21% in the last quarter, which is the rate used by the bank to determine the periodic lease payments. The carrying value of mobile plant held under finance leases contract at 30 June 2012 was KShs146,858 (2011: KShs171,911). There were no additions during the year.

22. DEFERRED TAX

GROUP AND COMPANY

Movements in deferred tax during the year were as follows:-

	1 July 2010 KShs'000	Statement of comprehensive income KShs'000	At 30 June 2011 KShs'000
Deferred tax liabilities			
Property, plant and equipment			
As previously stated	1,627,375	(301,531)	1,325,844
Prior year adjustment (note 47)	-	559,538	559,538
	1,627,375	258,007	1,885,382
Deferred tax assets			
Tax loss (business)	(309,773)	(260,600)	(570,373)
Tax loss (farming)	(6,518)	6,518	-
Provision for staff leave	(21,969)	(591)	(22,560)
Provision for staff gratuity	(131,238)	(24,020)	(155,258)
Provision for bonus	(22,198)	(1,123)	(23,321)
Obsolete stock provision	-	(14,305)	(14,305)
Staff debts provision	-	(15,068)	(15,068)
Bad debts provision	-	(16,636)	(16,636)
Legal fees provision	-	(10,916)	(10,916)
Unrealised exchange loss	(135,959)	(49,388)	(185,347)
	(627,655)	(386,129)	(1,013,784)
Balance as at 30 June	999,720	(128,122)	871,598

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2012

22. DEFERRED TAX (continued)

	1 July 2011 KShs'000	Statement of comprehensive income KShs'000	At 30 June 2012 KShs'000
Deferred tax liabilities			
Property, plant and equipment	1,885,382	(101,768)	1,783,614
Deferred tax assets			
Tax loss (business)	(570,373)	(62,180)	(632,553)
Provision for staff leave	(22,560)	391	(22,168)
Provision for staff gratuity	(155,258)	(36,629)	(191,887)
Provision for bonus	(23,321)	(3,136)	(26,457)
Obsolete stock provision	(14,305)	(11,904)	(26,209)
Staff debts provision	(15,068)	-	(15,068)
Bad debts provision	(16,636)	(45,495)	(62,131)
Legal fees provision	(10,916)	-	(10,916)
Unrealised exchange loss	(185,347)	231,397	46,050
	(1,013,784)	72,444	(941,340)
Balance as at 30 June	871,598	(29,324)	842,274

	GROUP AND COMPANY	
	2012 KShs'000	2011 KShs'000
23. BANK OVERDRAFT		
Kenya Commercial Bank Limited	(323,887)	(1,695)

The Group has a composite facility with the Kenya Commercial Bank Limited. The approved limit as at year-end was KShs1.2billion and drawings 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's assets of KShs219,600,000 each. Included in the bank overdraft amount is KShs84 million relating to credit balance in the cashbook.

24. TRADE AND OTHER PAYABLES

	GROUP 2012 KShs'000	COMPANY 2012 KShs'000	GROUP AND COMPANY 2011 KShs'000
a) Trade payables	991,038	991,038	1,023,486
Other payables and accruals	233,068	223,420	374,158
Provision for bonuses (note 24(b))	88,190	88,190	77,736
Provision for legal fees (note 24(c))	63,542	63,542	36,385
Unclaimed dividends	38,288	38,288	36,676
Advance receipts from customers	64,926	64,926	81,059
Balance as at 30 June	1,479,052	1,469,404	1,629,500

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2012

24. TRADE AND OTHER PAYABLES (continued)

	GROUP AND COMPANY	
	2012 KShs'000	2011 KShs'000
b) Movement in provision for bonus		
Balance at the beginning of the year	77,736	73,991
Additions	10,454	3,745
Balance at the end of the year	88,190	77,736
c) Movement for provision for legal fees		
Balance at the beginning of the year	36,385	36,385
Additions	27,157	-
Balance at the end of the year	63,542	36,385

Trade and other payables are non-interest bearing. The average credit period on purchases is 30 days. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe. These are disclosed in note 42.

25. REVENUE	GROUP 2012 KShs'000	COMPANY 2012 KShs'000	GROUP AND COMPANY 2011 KShs'000
Bagged cement – local	8,347,508	6,904,595	9,096,539
Bagged cement – export	106,709	1,108,929	920,057
Bulk cement – local	160,589	160,589	155,544
	8,614,806	8,174,113	10,172,140
26. COST OF SALES			
Raw materials used	2,903,889	2,453,743	3,388,097
Furnace oil	101,390	101,390	740,826
Coal	1,154,401	1,154,401	582,196
Factory staff costs	972,709	972,709	850,331
Power	912,095	912,095	808,383
Factory depreciation	413,869	413,869	380,151
Maintenance costs	293,110	293,110	356,387
Raw materials transport	219,897	219,897	123,553
Factory direct supplies	14,008	14,008	63,505
Fuel and repairs	165,696	165,696	191,164
Factory insurance	34,218	34,218	32,937
Exploration expenses	690	690	2,658
Explosives	4,377	4,377	4,472
Royalties	36,123	36,123	48,117
Factory water	13,833	13,833	10,196
Factory land rates and rent	3,332	3,332	2,756
Consultancy fees	10,051	10,051	12,739
Other production overheads	3,377	3,377	9,838
Hired equipment	133,938	133,938	195,157
	7,391,003	6,940,857	7,803,463

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2012

27. OTHER OPERATING INCOME	GROUP 2012 KShs'000	COMPANY 2012 KShs'000	GROUP AND COMPANY 2011 KShs'000
Gain on disposal of property, plant and equipment	-	-	1,607
Refund of Withholding Tax by Uganda Revenue Authority	43,449	43,449	-
Sale of scrap	35,615	35,615	-
Rent and electricity recovery	8,743	8,743	-
Other sundry income	32,898	32,898	28,494
	120,705	120,705	30,101

28. MOVEMENT IN PROVISIONS	GROUP 2012 KShs'000	COMPANY 2012 KShs'000	GROUP AND COMPANY 2011 KShs'000
Inventories			
Balance at the beginning of the year	87,362	87,362	196,909
Additions	-	-	1,133
Writebacks	-	-	(110,680)
Balance at the end of the year	87,362	87,362	87,362
Royalties			
Balance at the beginning of the year	-	-	47,954
Utilised	-	-	(13,689)
Writebacks	-	-	(34,265)
Balance at the end of the year	-	-	-
TOTAL WRITEBACKS IN THE YEAR	-	-	144,945

In 2011, the writeback arose from the reduction of provision for obsolete inventory and reversal of provision for royalties made in the previous years on account of a dispute between the Company and Ol Kejuado County Council. The dispute was settled in the year ended 30 June 2011.

29. SELLING AND DISTRIBUTION EXPENSES	GROUP 2012 KShs'000	COMPANY 2012 KShs'000	GROUP AND COMPANY 2011 KShs'000
Cement transport	148,529	148,231	341,985
Advertising and sales commissions	84,094	81,893	142,907
Fuel and repairs	23,894	23,894	25,565
Customs and other export levies	-	-	93,253
Depot rent	17,404	16,412	15,618
Public relations costs	13,053	13,053	4,947
Provision for bad and doubtful debts	95,354	93,537	55,454
	382,328	377,020	679,729

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2012

	GROUP 2012 KShs'000	COMPANY 2012 KShs'000	GROUP AND COMPANY 2011 KShs'000
30. ADMINISTRATION AND ESTABLISHMENT EXPENSES			
Staff costs	871,503	865,681	731,171
Depreciation of property, plant and equipment	127,704	127,704	86,149
Amortisation of intangible assets	40,580	40,580	1,660
Amortisation of prepaid operating leases	57	57	63
Office supplies	39,185	38,835	41,084
Travelling expenses	50,347	46,482	48,748
Hired services	39,185	29,172	20,848
Telephone and postage	22,505	22,153	13,984
Company functions	4,498	4,498	13,684
Board expenses	13,316	13,316	17,515
Printing and stationery	12,033	11,999	7,338
Motor vehicle expenses	11,396	11,396	7,610
Computer expenses	35,264	35,264	28,433
Electricity	12,409	12,409	9,108
Office general expenses	52,316	40,323	23,450
	1,332,298	1,299,869	1,050,845
31. OTHER OPERATING EXPENSES			
Professional fees	114,434	108,976	58,531
Subscriptions	2,859	2,859	5,254
Donations	1,581	1,581	7,275
Bank charges	13,497	12,676	14,485
Miscellaneous expenses	4,664	4,664	7,874
Auditors' remuneration	6,200	5,587	4,538
Tax penalties and interest	-	-	60,115
Loss on disposal of property, plant and equipment	4,778	4,778	-
Exchange loss on other foreign currency transactions and balances	92,348	66,238	1,437
	240,361	207,359	159,509
32. FINANCE INCOME			
Interest income	11,449	11,449	9,975
Fair value gain on hedge instrument	96,916	96,916	-
	108,365	108,365	9,975

Interest income was earned on short-term and restricted deposits which were held in by Kenya Commercial Bank Limited and Housing Finance Limited respectively during the year. The weighted average interest rate earned on the short-term deposits was 4.25% (2011 – 4.5%) while on restricted deposits it was 2.76% (2011 - 2.67%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2012

33. FINANCE COSTS	GROUP 2012 KShs'000	COMPANY 2012 KShs'000	GROUP AND COMPANY 2011 KShs'000
Interest on overdraft	102,189	102,189	14,940
Interest charged on loans	70,252	70,252	84,580
Interest on loan swap liability	78,628	78,628	13,779
Interest on lease obligation	34,921	34,921	13,466
	285,990	285,990	126,765

34. EXCHANGE LOSS ON FOREIGN CURRENCY LOAN

The exchange loss 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 7.8% (2011 – 21%) against the Japanese Yen during the year. However, 25% (2011 – 25%) of the loan was swapped in the year with a USD loan (see note 10).

35. LOSS BEFORE TAX	GROUP 2012 KShs'000	COMPANY 2012 KShs'000	GROUP AND COMPANY 2011 KShs'000
The profit / (loss)/before tax is arrived at after charging:			
Directors' emoluments:			
Fees	1,260	1,260	1,260
Other emoluments	12,056	12,056	13,547
Auditors' remuneration	6,200	5,587	4,538
Depreciation (note 4)	541,573	541,573	457,920
Amortisation – software (note 6)	40,580	40,580	1,660
Prepaid operating lease rentals	57	57	63
Loss on disposal of property, plant and equipment	4,778	4,778	-
Staff costs (note 37)	1,844,212	1,838,390	1,581,502
Provision for doubtful debts	95,354	93,537	55,454
Interest expenses	285,990	285,990	126,765
Foreign exchange loss	153,923	127,813	696,995
And after crediting:			
Provisions written back	-	-	144,945
Gain on disposal of property, plant and equipment	-	-	1,607
Foreign exchange gain	-	-	39,649
Interest income	11,449	11,449	9,975
Fair value gain on hedge instrument	96,916	96,916	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2012

36. EARNINGS PER SHARE

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

	GROUP 2012 KShs'000	COMPANY 2012 KShs'000	GROUP AND COMPANY 2011 KShs'000
Earnings for purposes of basic and diluted earnings per share	(818,528)	(741,294)	1,717
Number of ordinary shares (thousands)	90,000	90,000	90,000
(Loss)/earning per share basic and diluted (KShs)	(9.09)	(8.24)	0.02

There were no potentially dilutive ordinary shares outstanding at 30 June 2012 or 30 June 2011. Therefore, diluted earnings per share are the same as the basic earnings per share.

37. STAFF COSTS

	GROUP 2012 KShs'000	COMPANY 2012 KShs'000	GROUP AND COMPANY 2011 KShs'000
Salaries and wages	1,657,146	1,651,324	1,446,692
Provision for staff gratuity	136,360	136,360	90,304
Pension contributions	47,057	47,057	42,966
Social security costs (NSSF)	3,649	3,649	1,540
	1,844,212	1,838,390	1,581,502

38. STATEMENT OF CASH FLOWS

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

	GROUP 2012 KShs'000	COMPANY 2012 KShs'000	GROUP AND COMPANY 2011 KShs'000
Loss before tax	(849,679)	(769,487)	(119,059)
Adjustments for:			
Depreciation	541,573	541,573	457,920
Amortisation on prepaid operating leases	57	57	63
Amortisation of intangible assets	40,580	40,580	1,660
Loss/(gain) on sale of property, plant and equipment	4,778	4,778	(1,607)
Impairment of equipment	-	-	7,726
Exchange loss on foreign currency loan	59,595	59,595	655,909
Exchange loss/(gain) on hedging instrument	1,979	1,979	(1,124)
Staff gratuity provision	136,360	136,360	90,304
Interest expense – long term loan	53,464	53,464	84,580
–bank overdraft	102,189	102,189	14,940
-Interest on lease obligations	34,921	34,921	13,466
-Hedging Instrument	78,628	78,628	13,779
-Asset finance loan	16,789	16,789	-
Interest Income	(11,449)	(11,449)	(9,975)
Fair value gain on hedge instrument	(96,916)	(96,916)	-
Operating profit before working capital changes	112,869	193,061	1,195,116

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2012

38. STATEMENT OF CASH FLOWS (continued)

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

	GROUP	COMPANY	GROUP AND COMPANY
	2012	2012	2011
	KShs'000	KShs'000	KShs'000
Increase in inventories	(173,633)	(129,329)	(361,721)
Decrease / (increase) in trade and other receivables	291,080	416,644	(292,526)
(Decrease)/increase in trade and other payables	(150,448)	(160,096)	167,582
Movement in related party balances	-	(252,931)	66
Staff gratuity paid	(14,864)	(14,864)	(10,235)
Cash generated from operations	65,004	52,485	698,282
(b) Movement in loans			
Balance at the beginning of the year	3,667,699	3,667,699	3,378,353
Foreign currency exchange gain/loss	(132,537)	(132,537)	655,909
Repayments during the year	(408,519)	(408,519)	(366,563)
Balance at 30 June	3,126,643	3,126,643	3,667,699
Payment of swap loans	(148,845)	(148,845)	-
Payment of asset finance loan	(7,695)	(7,695)	-
Receipt from swap asset	147,635	147,635	-
Total loan repayments	(417,424)	(417,424)	(366,563)
(c) Interest paid on borrowings			
Balance at the beginning of the year	19,226	19,226	23,834
Interest charge	53,464	53,464	84,580
Accrued as at 30 June	(12,324)	(12,324)	(19,226)
Interest paid on long–term loan	60,366	60,366	89,188
Interest paid on overdraft	102,189	102,189	14,940
Interest Paid on asset finance loan	16,789	16,789	-
Interest Paid on lease obligations	34,921	34,921	-
Interest on loan liabilities	69,215	69,215	-
Interest paid on borrowings	343,846	283,480	104,128
(d) Movement in lease obligations			
Balance at the beginning	191,127	191,127	35,080
Additions during the year	-	-	165,344
Repayments during the year	(49,722)	(49,722)	(9,297)
Balance at the close of the year	141,405	141,405	191,127

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2012

38. STATEMENT OF CASH FLOWS (continued)

	GROUP 2012 KShs'000	COMPANY 2012 KShs'000	GROUP AND COMPANY 2011 KShs'000
(e) Purchase of property, plant and equipment(note 4)	340,381	340,381	236,843
Assets acquired under finance lease	-	-	(165,344)
	340,381	340,381	71,499
(f) Analysis of cash and cash equivalents			
Short-term deposits	29,435	29,435	348,143
Bank and cash balances	49,686	31,709	216,231
Bank overdraft	(323,887)	(323,887)	(1,695)
	(244,766)	(262,743)	562,679

39. RETIREMENT BENEFITS OBLIGATIONS

The Group, 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 (East Africa) Limited. Contributions to this scheme during the year amounted to KShs47,057,468 (2011 – KShs42,966,000).

The Group 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 30 June 2012. These contributions are not invested or managed as a separate fund, but are self-funded and are fully provided for in the Group financial statements.

The Group also contributes to the statutory defined contribution pension schemes in Kenya and Uganda, the National Social Security Funds. Contributions to the statutory schemes are determined by statute in the respective countries and are limited to specific contributions legislated from time to time. The Group's contributions are charged to profit or loss in the year to which they relate. Contributions to these schemes during the year amounted to KShs3,649,000 (2011 – KShs1,540,000).

40. REVENUE ANALYSIS AND SEGMENTAL REPORTING

	2012 KShs'000	2011 KShs'000
The Group revenues are derived from sales in the following markets;		
Local market – Kenya	8,508,097	9,252,083
Regional market (East and Central Africa)	106,709	920,057
	8,614,806	10,172,140

Sales to the regional market are done through the wholly-owned subsidiary, East African Portland Uganda Limited, whose net assets constitute less than 5% of the Group's total net assets. Segment reporting with respect to net assets is, therefore, not considered of any real value. In addition, the local sales are 98% (2011 – 91%) of the total revenue, hence there is only one reportable segment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2012

41. CAPITAL MANAGEMENT

The Group manages its capital to ensure that it will be able to continue as a going concern while optimizing the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the Group consists of debt, which includes borrowings (disclosed in notes 10, 20, 21 and 23), cash and cash equivalents and equity attributable to equity holders, comprising issued capital and retained earnings. Consistent with others in the industry, the Group 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. The Group does not have a gearing ratio target and it is not subject to any imposed capital requirements.

	2012 KShs'000	2011 KShs'000
Share capital	450,000	450,000
Share premium	648,000	648,000
Retained earnings	2,528,148	3,364,147
Equity	3,626,148	4,462,147
Total borrowings	5,967,379	3,688,620
Add/(less): cash and cash equivalents (note 38f)	244,673	(562,679)
Net debt	6,212,052	3,125,941
Total capital	9,838,200	7,588,088
Gearing ratio	63.14%	41.20%

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks, including credit risk and the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Group's overall risk management programe 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/internal audit department under policies approved by the Board of Directors. The finance/audit department identifies, evaluates and mitigates 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 Group has policies in place to ensure that sales are made to customers with an appropriate credit history.

Credit risk

Credit risk arises from trade and other receivables, cash and cash equivalents, deposits with banks and amounts due from related parties. The Group 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2012

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)
In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the Directors believe that there is no further credit provision required in excess of the allowance for credit losses already recognized.

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

GROUP
AS AT 30 JUNE 2012

	Neither past due nor impaired KShs'000	Past due but not impaired KShs'000	Impaired KShs'000	Total KShs'000
Trade receivables	333,947	140,595	373,499	848,041
Other receivables and prepayments	246,455	-	50,224	296,679
Amount due from related party	-	258,634	-	258,634
Bank balances and cash	49,686	-	-	49,686
Deposits	89,190	-	-	89,190

COMPANY
AS AT 30 JUNE 2012

	Neither past due nor impaired KShs'000	Past due but not impaired KShs'000	Impaired KShs'000	Total KShs'000
Trade receivables	268,816	84,159	371,682	724,657
Other receivables and prepayments	194,884	-	101,795	296,679
Amount due from related party	-	217,614	-	-
Bank balances and cash	31,709	-	-	31,709
Deposits	89,190	-	-	89,190

GROUP AND COMPANY
AS AT 30 JUNE 2011

	Neither past due nor impaired KShs'000	Past due but not impaired KShs'000	Impaired KShs'000	Total KShs'000
Trade receivables	166,515	220,187	278,145	664,847
Other receivables and prepayments	629,372	-	50,224	679,596
Amount due from related party		5,703	-	5,703
Bank balances and cash	216,231	-	-	216,231
Deposits	406,729	-	-	406,729

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 these debts.

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 Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following tables analyse the Group's and Company's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the reporting 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2012

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

GROUP	Up to 1 month KShs'000	1 – 3 months KShs'000	3 12 months KShs'000	1 – 5 years KShs'000	Over 5 years KShs'000	Total KShs'000
At 30 June 2012						
Financial assets						
Trade receivables	353,079	119,482	375,480	-	-	848,041
Other receivables and prepayments	71,695	-	50,225	-	-	121,920
Amount due from related party	-	-	-	5,703	-	5,703
Bank balances and cash	49,686	-	-	-	-	49,686
Loan swap asset	-	116,602	121,054	1,410,162	645,382	2,293,200
Deposits	29,435	-	-	-	59,755	89,190
Total financial assets	503,895	236,084	546,759	1,415,865	705,137	3,407,740
Financial liabilities						
Trade and other payables	452,309	253,641	291,699	58,315	-	1,055,964
Borrowings:						
Long-term loan	-	219,197	216,914	2,043,558	924,326	3,403,995
Finance leases obligations	-	11,521	63,912	117,284	-	192,717
Loan swap liability	-	96,918	96,582	678,122	674,368	1,545,990
Asset finance loan	-	24,485	73,454	367,267	-	465,206
Total financial liabilities	452,309	605,762	742,561	3,264,546	1,598,694	6,663,872
Net liquidity gap	51,586	(369,678)	(195,802)	(1,848,681)	(893,557)	(3,256,132)
At 30 June 2011						
Financial assets						
Trade receivables	202,034	102,740	81,928	278,145	-	664,847
Other receivables and prepayments	577,801	-	101,795	-	-	679,596
Amount due from related party	-	-	-	5,703	-	5,703
Bank balances and cash	216,231	-			-	216,231
Loan swap asset	-	45,846	45,846	366,770	458,463	916,925
Deposits	-	348,143	-	-	58,586	406,729
Total financial assets	996,066	496,729	229,569	650,618	517,049	2,890,031
Financial liabilities						
Trade and other payables	528,952	509,508	591,040	-	-	1,629,500
Borrowings:						
Long-term loans	-	-	407,522	2,037,611	1,222,566	3,667,699
Finance leases obligations	-	11,521	54,619	177,952	-	244,092
Loan swap liability	-	59,570	45,790	366,320	457,900	929,580
Total financial liabilities	528,952	580,599	1,098,971	2,581,883	1,680,466	6,470,871
Net liquidity gap	467,114	(83,870)	(869,402)	(1,931,265)	(1,163,417)	(3,580,840)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2012

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

COMPANY	Up to 1 month KShs'000	1 – 3 Months KShs'000	3 12 Months KShs'000	1 – 5 Years KShs'000	Over 5 years KShs'000	Total KShs'000
At 30 June 2012						
Financial assets						
Trade receivables	286,131	66,844	371,682	-	-	724,657
Other receivables and prepayments	71,695	-	50,225	-	-	121,920
Amount due from related party	311,064	-	-	5,703	-	316,734
Bank balances and cash	31,709	-	-	-	-	31,709
Loan swap asset	-	116,602	121,054	1,410,162	645,382	2,293,200
Deposits	29,435	-	-	-	59,755	89,190
Total financial assets	730,004	183,446	542,961	1,415,865	705,137	3,577,413
Financial liabilities						
Trade and other payables	449,170	253,641	291,699	58,315	-	1,052,825
Borrowings:						
Long term loan	-	219,197	216,914	2,043,558	924,326	3,403,995
Finance leases obligations	-	11,521	63,912	117,284	-	192,717
Loan swap liability	-	96,918	96,582	678,122	674,368	1,545,992
Asset finance loan	-	24,485	73,454	367,267	-	465,206
Total financial liabilities	449,170	605,762	742,561	3,264,546	1,598,694	6,660,733
Net liquidity gap	280,834	(422,316)	(199,600)	(1,848,681)	(893,557)	(3,083,320)
At 30 June 2011						
Financial assets						
Trade receivables	202,034	102,740	81,928	278,145	-	664,847
Other receivables and prepayments	577,801	-	101,795	-	-	679,596
Amount due from related party	-	-	-	5,703	-	5,703
Bank balances and cash	216,231	-			-	216,231
Loan swap asset	-	45,846	45,846	366,770	458,463	916,925
Deposits	-	348,143	-	-	58,586	406,729
Total financial assets	996,066	496,729	229,569	650,618	517,049	2,890,031
Financial liabilities						
Trade and other payables	528,952	509,508	591,040	-	-	1,629,500
Borrowings:						
Long term loan	-	-	407,522	2,037,611	1,222,566	3,667,699
Finance leases obligations	-	11,521	54,619	177,952	-	244,092
Loan swap liability	-	59,570	45,790	366,320	457,900	929,580
Total financial liabilities	528,952	580,599	1,098,971	2,581,883	1,680,466	6,470,871
Net liquidity gap	467,114	(83,870)	(869,402)	(1,931,265)	(1,163,417)	(3,580,840)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2012

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk

(i) Foreign exchange risk

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

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

	UShs	US$	JPY	DKK	EURO
2012	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Assets					
Bank and cash balances	17,891	941	-	-	-
Loan swap asset	-	-	2,293,200	-	-
Trade receivables and other receivables	123,384	8,511	-	-	-
	141,275	9,452	2,293,200	-	-
Liabilities					
Borrowings	-	-	3,138,968	-	-
Loan swap liability	-	2,219,122	-	-	-
Trade and other payables	522	29,719	-	75,656	9,435
	522	2,248,841	3,138,968	75,656	9,435
Assets					
2011					
Bank and cash balances	54,392	14,925	-	-	-
Loan swap asset	-	-	916,925	-	-
Trade receivables and other receivables	19,088	410,919	-	-	-
	73,480	425,844	916,925	-	-
Liabilities					
Borrowings	-	-	3,686,925	-	-
Loan swap liability	-	929,580	-	-	-
Trade and other payables	-	29,464	-	-	-
	-	959,044	3,686,925	-	-

Foreign exchange risk – Appreciation/depreciation of Kenya Shilling against other currency by1%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2012

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk (continued)

(i) Foreign exchange risk (continued)

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

GROUP AND COMPANY

	2012 KShs'000		2011 KShs'000	
	Effect on profit	Effect on equity	Effect on profit	Effect on equity
Currency – Ugandan shillings				
+ 5% KShs movement	7,055	4,939	735	514
5% KShs movement	(7,055)	(4,939)	(735)	(514)
Currency - US dollars				
+ 5% KShs movement	112,250	78,575	(5,332)	(3,732)
5% KShs movement	(112,250)	(78,575)	5,332	3,732
Currency – JPY				
+ 5% KShs movement	29,954	20,968	27,700	19,390
5% KShs movement	(29,954)	(20,968)	(27,700)	(19,390)

(ii) Cement price risk
The Group 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.

GROUP AND COMPANY

	2012 KShs' 000		2011 KShs' 000	
	Effect on profit	Effect on equity	Effect on profit	Effect on Equity
Cement price				
+ 1% movement	86,107	60,275	100,359	70,252
1% movement	(86,107)	(60,275)	(100,359)	(70,252)

(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 Group has negotiated a fixed interest rate on the borrowings. The Group 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 reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2012

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)
Market risk (continued)

(iii) Interest rate risk (continued)
Included in the tables below are the Group's and Company's financial instruments at carrying amounts, categorized by the earlier of contractual repricing or maturity dates.

	Up to 1 month KShs'000	13 Months KShs'000	312 Months KShs'000	15 Years KShs'000	Over 5 years KShs'000	Total KShs'000
At 30 June 2012						
Assets						
Deposits	-	29,528	-	-	59,819	89,347
At 30 June 2011						
Assets						
Deposits	-	348,143	-	-	55,586	398,729

Interest rate risks – Increase / decrease of 5% 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 reporting date with all other variables held constant.

	2012 KShs 000		2011 KShs' 000	
	Effect on Profit	Effect on Equity	Effect on Profit	Effect on Profit
+5% Movement	145	100	100	70
-5 % Movement	(145)	(100)	(100)	(70)

Fair values of financial instruments
The Group had financial instruments whose subsequent measurement is at fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2012

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Below follows required disclosure of fair value measurements, using a three-level fair value hierarchy that reflects the significance of the inputs used in determining the measurements. It should be noted that these disclosure only cover instruments measured at fair value.

Level 1

Included in Level 1 category are financial assets and liabilities that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Fair values of financial instruments (continued)

Level 2

Included in level 2 category are financial assets and liabilities measured using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). For example, instruments measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are categorised as level 2.

Financial assets and liabilities measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are assets and liabilities for which pricing is obtained via pricing services, but where prices have not been determined in an active market, financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Group's own models whereby the majority of assumptions are market observable.

Level 3

Financial assets and liabilities measured using inputs that are not based on observable market data are categorised as level 3. Non market observable inputs means that fair values are determined in whole or in part using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. The main asset classes in this category are unlisted equity investments and limited partnerships. Valuation techniques are used to the extent that observable inputs are not available, thereby allowing for situations for which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, that is, an exit price from the perspective of the Group. Therefore, unobservable inputs reflect the Group's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available, which might include the Group's own data.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2012

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)
The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

GROUP AND COMPANY	Level 1	Level 2	Level 3	Total fair value
As at 30 June 2012	KShs '000	KShs '000	KShs '000	KShs '000
Financial assets designated at fair value through profit and loss				
Deposits with financial institutions	-	59,755	-	59,755
Loan swap asset	-	2,293,200	-	2,293,200
Total financial assets	-	2,352,955	-	2,352,955
Financial liabilities designated at fair value through profit and loss				
Long term loans	-	3,606,851	-	3,606,851
Loan swap liabilities	-	2,219,122	-	2,219,122
Total financial liabilities	-	5,825,973	-	5,825,973

43. CONTINGENT LIABILITIES

GROUP AND COMPANY	2012	2011
	KShs'000	KShs'000
Pending law suits	198,781	198,781
Guarantee of staff mortgages	57,349	57,349
	256,130	256,130

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 Group has placed deposits with Housing Finance Corporation Limited as collateral for staff mortgages (see note 11). The liability would only crystallise if a staff member defaults on their mortgage payments.

Tax Assessment
The Kenya Revenue Authority carried out an audit of the Company covering Corporate tax, employee Taxes, Withholding Tax and VAT for the period from 2005 to 2009 and raised an assessment on the Company of KShs2.5 billion on the tax heads mentioned above. Out of this assessment, KShs1.7 billion has been solved with the tax authorities. The Company has paid KShs 122 million and has appealed against a further 473 million. The directors are of the opinion that the outcome of their appeal will be favourable hence no provision has been made for any tax liability that may arise from this assessment in these Consolidated Financial Statements.

44. CAPITAL COMMITMENTS	2012	2011
	KShs'000	KShs'000
Authorised by the Directors but not contracted for	1,003,000	787,000
Authorised by the Directors and contracted for	520,871	415,000

45. OPERATING LEASE RENTALS

The Group has entered into operating lease agreements for leasing of most of its depots. These leases have an average life of between 12 months to 36 months with a renewal option on expiry of the contract.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2012

Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:

	2012 KShs'000	2011 KShs'000
Later than 1 year but not later than 2 years	11,624	11,681

46. COUNTRY OF INCORPORATION

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

47. COMPARATIVES

During the year ended 30 June 2011, the deferred tax credit arising from the coal mill acquired in December 2011 was overstated. The financial statements for the year ended 30 June 2011 have been restated to correct this overstatement. The effect of the restatement is as summarised below. There is no effect on the balances as at 1 July 2010.

	KShs'000
Decrease in deferred tax credit in the statement of comprehensive income	(559,538)
Increase in deferred tax liability in the statement of financial position	(559,538)

48. CURRENCY

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

49. EVENTS AFTER THE REPORTING DATE

No material events or circumstances have arisen between the reporting date and the date of this report.

TOP TEN SHAREHOLDERS AS AT 30.6.2012

Name	No. of Shares	Percentage
Board Of Trustees National Social Security Fund	24,300,000.00	27.0%
The Permanent Secretary To The Treasury	22,799,505.00	25.3%
Cementia Holdings Ag	13,180,442.00	14.6%
Associated International Cement Ltd	13,144,442.00	14.6%
Nairobi Nominees Ltd a/c BCL	11,265,068.00	12.5%
Kenya Reinsurance Corporation Limited	558,888.00	0.6%
Kestrel Capital Nominees Ltd a/c Pauline Groom	496,380.00	0.6%
Kenya Commercial Bank Nominees Limited A/C 885	450,000.00	0.5%
Nairobi Nominees Ltd a/c MSV	218,500.00	0.2%
Standard Chartered Nom a/c Ke 11993	197,200.00	0.2%
	86,610,425.00	96.2%
1088 other shareholders	3,389,575.00	3.8%
Total	**90,000,000.00**	**100.0%**

SHARE DISTRIBUTION SCHEDULE AS AT 30.6.2012

Category	No. of Shareholders	No. of Shares held	Percentage
1-1,000	740	254,937	0.28%
1,001-5,000	229	563,015	0.63%
5,001-10,000	58	433,497	0.48%
10,001-50,000	50	1,160,618	1.29%
50,001-100,000	9	648,608	0.72%
Over 100,000	12	86,939,325	96.60%
Total	**1,098**	**90,000,000**	**100%**

TO ALL SHAREHOLDERS

THE EAST AFRICAN PORTLAND CEMENT COMPANY LIMITED

NOTICE is hereby given that the 80th Annual General Meeting of the Company will be held at the Company's Club House, Athi River, on Friday, 14 December 2012 at 12.00 noon to transact the following business:-

AGENDA

1. To read the notice convening the meeting, table proxies and to confirm the presence of a quorum.
2. To confirm the minutes of the 79th Annual General Meeting held on 15 December 2011.
3. To receive the Chairman's Report.
4. To receive, consider and adopt the Financial Statements for the year ended 30 June 2012 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 2012.
6. To re-elect directors:-

   In accordance with Article 99 of the Company's Articles of Association, the following Directors retire by rotation at this meeting and, being eligible, offer themselves for re-election:-
   - Dr. Titus Tukero Naikuni
   - Dr. Eng. Karanja Kibicho

7. To approve the remuneration of the Directors as shown in the Financial Statements for the year ended 30 June 2012.
8. To note that Messrs Ernst & Young who were appointed by the Auditor-General as authorised 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, Chapter 412A and to authorise the directors to fix their remuneration for the ensuing financial year.
9. To transact any other business of an annual general meeting of which due notice has been received.

BY ORDER OF THE BOARD

J L G MAONGA
COMPANY SECRETARY

Date: 31 October 2012

NOTE:- 1) A member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote on his or her behalf. A proxy need not be a member of the Company.

2) Dematerialization of your share certificates.
Please take note that in accordance with section 24 of the CDS Act 2000, CDSC has given notice that it will declare all listed Securities dematerialized. Accordingly, you are required to open a CDSC Account with CDC and immobilize all the Share Certificates you hold in respect of your Shareholding in the Company by 31 December 2012

Kindly take immediate action to avoid the last minute rush

THE EAST AFRICAN PORTLAND CEMENT COMPANY LIMITED

PROXY FORM

I/WE ____

OF ____

Being a member of the above Company, hereby appoint:

____

OF ____

Whom failing ____

OF ____

or failing him, the Chairman of the Meeting, my/our proxy, to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on Friday, 14 December 2012 and at any adjournment thereof.

As witness my/our hand this.................day of.......................................2012

Signed ____________________________

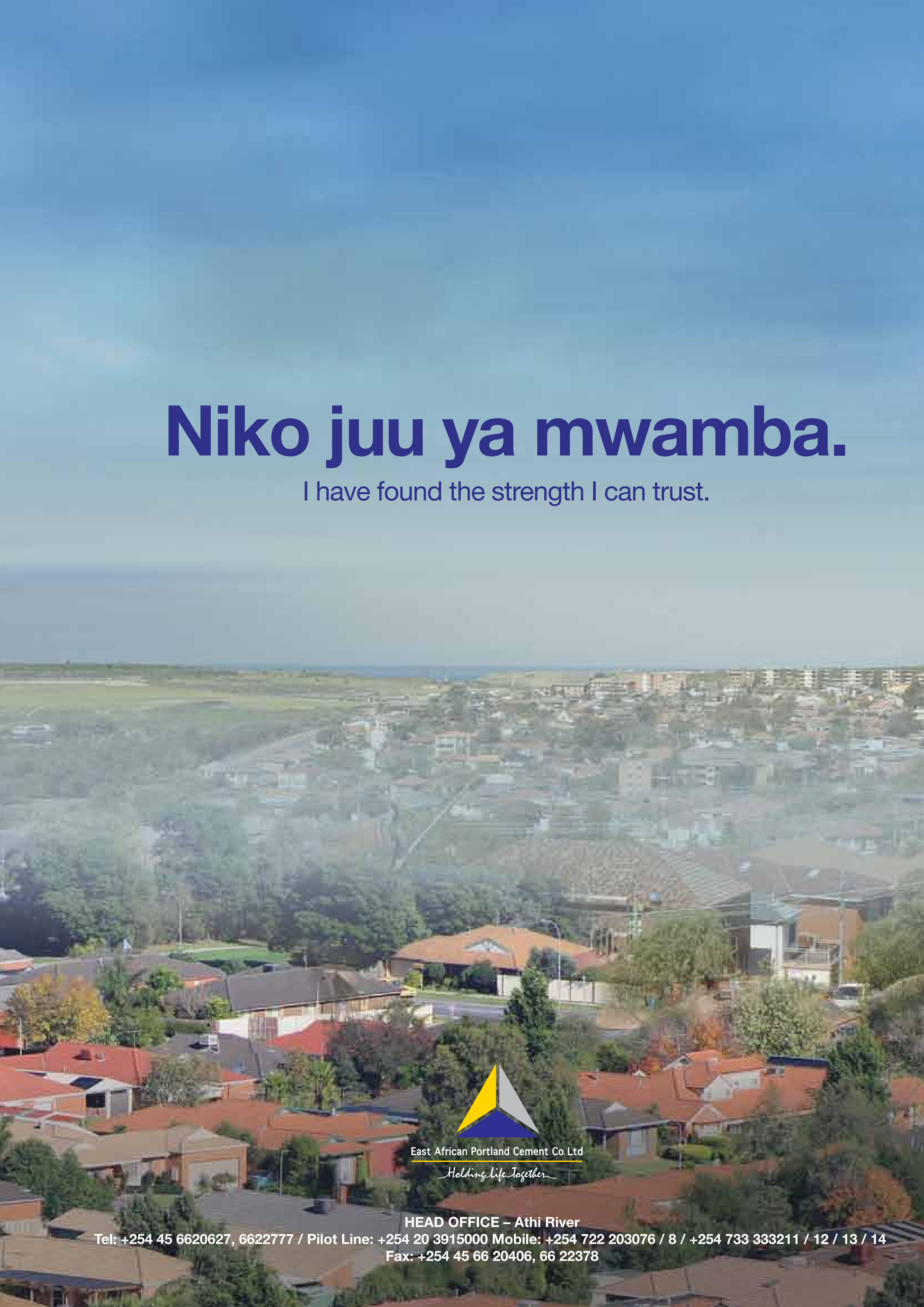
Signed ____________________________

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 the 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) Proxies must be in the hands of the Secretary not later than 48 hours before the time of holding the meeting.


HD255
BLUE TRIANGLE CEMENT
KOMATSU


50kg
Net
BLUE
TRIANGLE
Cement


Niko juu ya mwamba.
I have found the strength I can trust.
East African Portland Cement Co. Ltd
Holding Life Together
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2011
2012

East African Portland Cement Co. Ltd

Holding Life Together

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