EAST AFRICAN PORTLAND CEMENT COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS

2012 2013

East African Portland Cement Co. Ltd

Holding Life Together

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.

Commitment: We ensure peak performance, enthusiasm and excitement for work.

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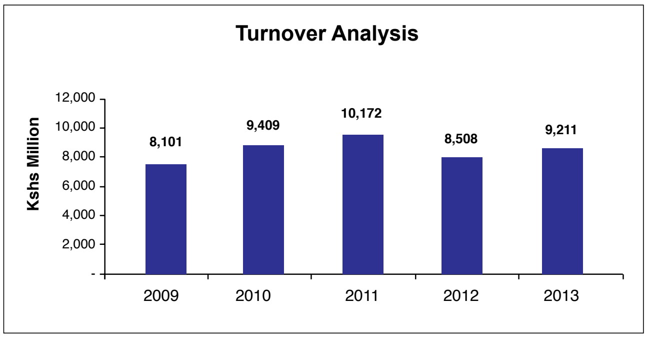
FIVE YEAR FINANCIAL REVIEW

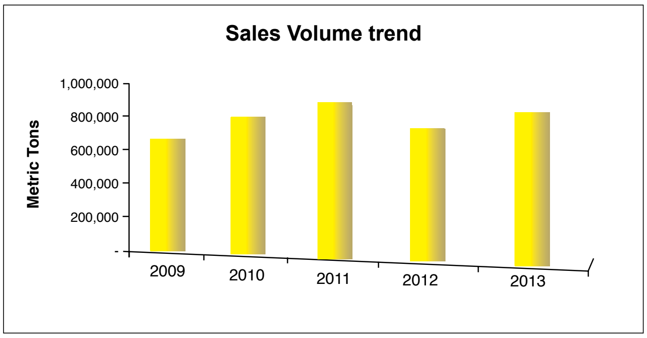
	2013 Shs'000	2012 Shs'000 restated	2011 Shs'000 restated	2010 Shs'000	2009 Shs'000
Turnover	9,211,462	8,508,303	10,172,140	9,408,711	8,101,377
Operating profit	340,931	(793,714)	653,640	90,015	1,247,045
Foreign currency exchange gain/ (loss)	594,113	(61,575)	(655,909)	(451,176)	(837,522)
Profit / (loss) before tax	1,419,478	(1,032,914)	(119,059)	(338,571)	1,881,678
Taxation credit /(charge)	355,905	60,199	120,776	54,520	(47,624)
Other comprehensive income	713,451	2,958	-	-	-
Profit /(loss) attributable to members	1,775,383	(972,715)	1,717	(284,051)	1,834,054
Dividends	67,500	-	45,000	-	117,000
Capital Employed					
ASSETS					
Non current	12,531,640	11,520,764	10,358,801	9,125,885	8,904,918
Current	3,602,063	2,456,031	3,085,332	2,911,680	3,131,045
TOTAL ASSETS	**16,133,703**	**13,976,795**	**13,444,133**	**12,037,565**	**12,035,963**
EQUITY & LIABILITIES					
Share holders funds	7,090,257	4,601,423	5,616,180	5,701,201	6,102,252
Non current liabilities	5,723,968	6,976,194	5,727,774	4,499,714	4,421,319
Current liabilities	3,319,478	2,399,178	2,100,179	1,836,650	1,512,392
TOTAL EQUITY & LIABILITIES	**16,133,703**	**13,976,795**	**13,444,133**	**12,037,565**	**12,035,963**
RATIO ANALYSIS					
Profitability and Efficiency Ratios					
Gross profit margin	25%	13%	23%	22%	31%
Operating profit margin	4%	-9%	6%	1%	15%
Net profit margin	19%	-11%	0%	-3%	23%
Return on assets	11%	-7%	0%	-2%	15%
Return on Equity	25%	-21%	0%	-5%	30%
Liquidity Ratios /Working capital					
Current ratio	1.09	1.02	1.47	1.59	2.07
Quick ratio	0.43	0.30	1.20	1.20	1.50
Earnings per Share (Basic and diluted)	19.73	(10.81)	0.02	(3.16)	20.38
Dividends per share (Kshs)					
Interim Paid	-	-	-	-	-
Final & proposed	0.75	-	0.50	-	1.30
TOTAL	**0.75**	**-**	**0.50**	**-**	**1.30**

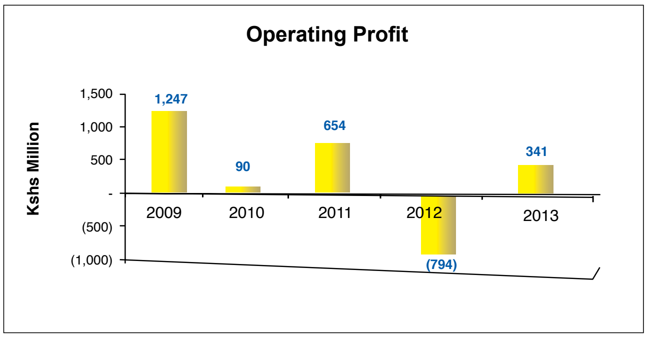
THREE YEAR FINANCIAL HIGHLIGHTS

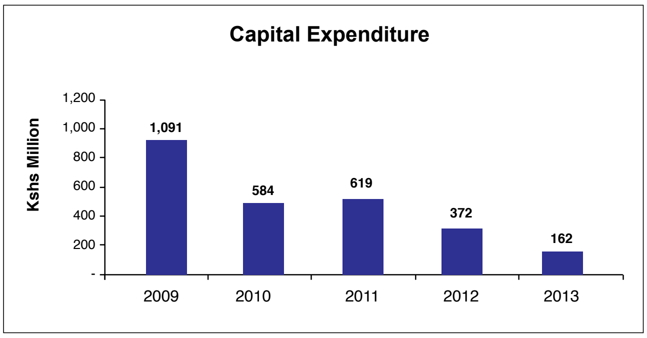
	2013 SH'000	2012 SH'000	2011 SH'000
Revenue	9,211,462	8,508,303	10,172,140
Profit /(Loss) before tax	1,419,478	(1,032,914)	(119,059)
Profit/ (Loss) attributable to to the shareholders of East African Portland Cement Company Limited	1,775,383	(972,715)	1,717
Dividends	67,500	-	45,000
SHARE CAPITAL AND SHAREHOLDERS' FUNDS			
Ordinary Share Capital	450,000	450,000	450,000
Shareholders' funds	7,090,257	4,601,423	6,262,456
EARNINGS AND DIVIDEND PER SHARE			
Earnings per share (Basic and diluted)	19.73	(10.81)	0.02
Dividend Per Share			
Final & proposed	0.75	-	0.50
Total	0.75	-	0.50

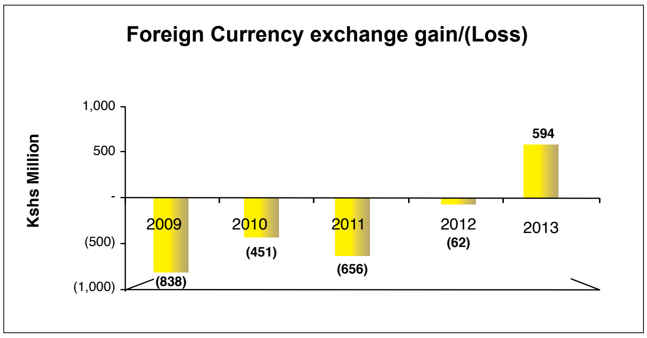
FINANCIAL HIGHLIGHTS

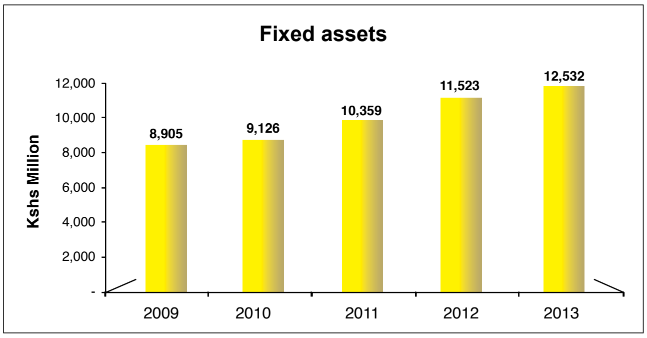


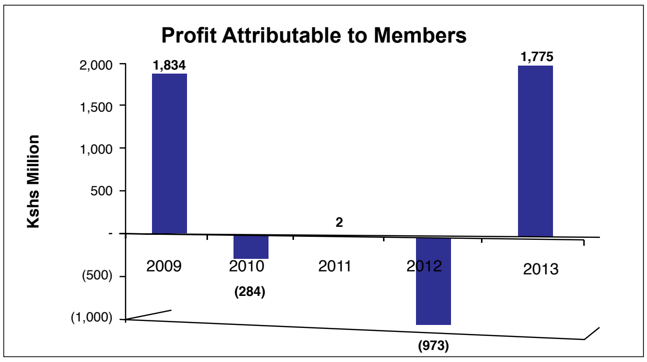


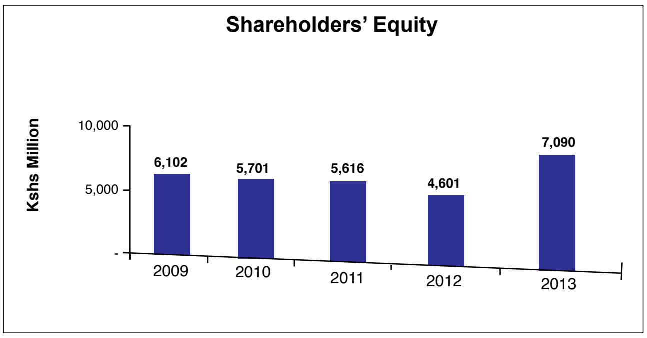


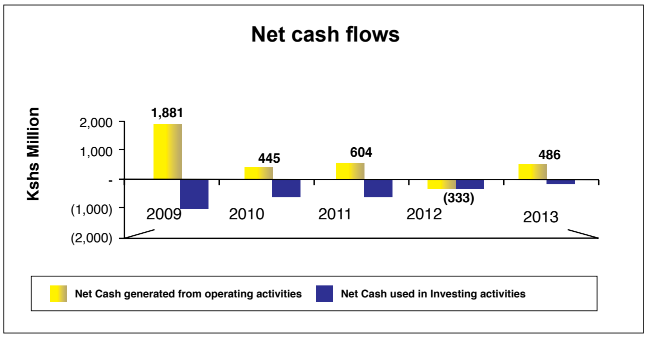






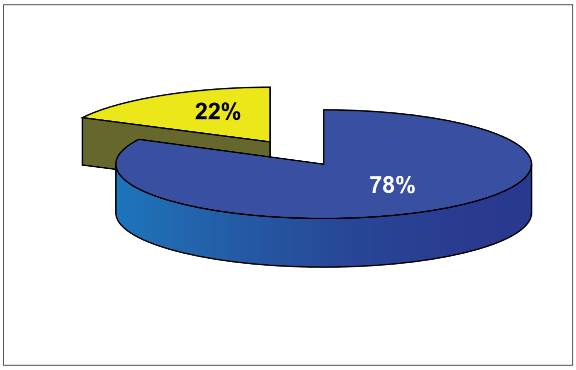




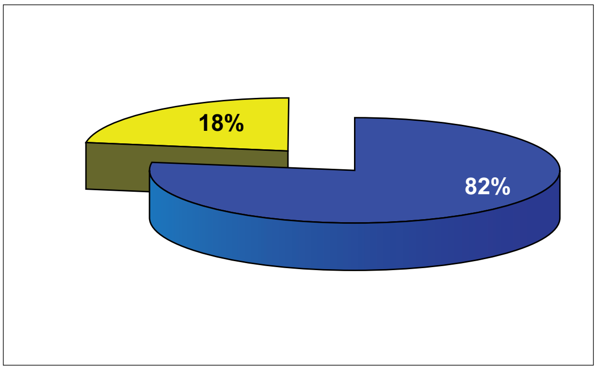


DISTRIBUTION OF ASSETS

2013



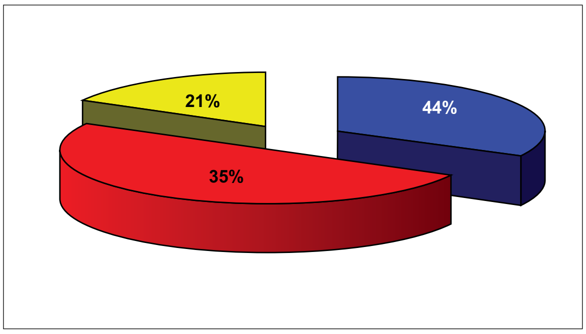
2012



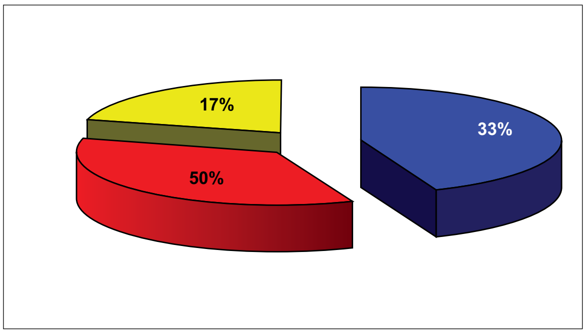
	2013 Kshs M	2012 Kshs M
Non current Assets	12,532	11,521
Current Assets	3,602	2,456
	16,134	13,977

DISTRIBUTION OF EQUITY AND LIABILITIES

2013



2012



	2013 Kshs M	2012 Kshs M
Shareholders' funds	7,090	4,602
Non current liabilities	5,724	6,976
Current liabilities	3,320	2,399
Total	**16,134**	**13,977**

Mark ole Karbolo
Chairman

"The Company's performance in the year confirmed that the recovery strategy adopted by the Board in the previous year was bearing fruit. Revenue increased by 8% and Gross Profit margin doubled to 25% from 13% recorded in the previous year. Earnings per share rose to 19.73 up from a loss of Kshs 10.81 in the year 2012."

Chairman's Statement

I have the pleasure to welcome all of you to the 81st 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 2013.

The Company's performance in the year confirmed that the recovery strategy adopted by the Board in the previous year was bearing fruit. Revenue increased by 8% and Gross Profit margin doubled to 25% from 13% recorded in the previous year. The recovery strategy's focus was cost reduction and growth of market share as included in the 2011-2016 strategic plan. The company continues to implement this strategic plan.

Economic outlook

The year began with an inflation rate of 14% and ended with an inflation rate of 9.5%. This was achieved by the tight monetary policy stance applied by the Central Bank, which also halted the depreciation of the local currency.

The Central Bank rate was gradually reduced from 18% in January 2012 to 8.5% in June 2013. The Kenya shilling was relatively stable against major hard currencies, averaging at the range of Kshs 80-85 against the US dollar.

The GDP recorded a growth rate of 4.5% in 2012, with the building and construction sector registering a growth of 4.8% up from 4.3% in the year 2011. The growth is attributed to increased bank credit to the sector, increased foreign investment in building and construction and continued implementation of the Vision 2030 flagship projects. The spending by the Ministry of Roads stood at Kshs 92 billion and is poised to rise to Kshs 118 billion in the year 2013. EAPCC continues to be a key supplier of cement to key infrastructure projects and will continue working closely with the government to this end.

During the year, the peaceful conclusion of the general election served to lower political uncertainty in the economy and this is expected to translate to increased economic activity. This year also marked the transition to devolved county governments under the new constitution. It is expected that counties will invest in provision of infrastructure as part of a wider scheme to spur the growth of county economies and hence stimulate needed demand for economic growth.

Cement Market and Competition

EAPCC's market share averaged 20% in the year, up from 14% in the previous year. Kenya's cement consumption rose by 1.7% to 3.9 million tons in 2012 compared to 3.8 million tons in 2011. The rapidly growing middle class and ongoing infrastructure projects continue to drive cement demand. Entrance of other players in the cement industry had the effect of increasing cement milling capacity and due to constrained demand price competition will intensify in the short run.

Cheap imports particularly from energy-subsidized economies will also be a source of price pressure in the market.

Regionally, the earmarked infrastructure projects such as the LAPSETT project linking South Sudan to the Lamu port and recently successful oil and other mineral explorations in Kenya and Uganda will see an increased interest in foreign investment in the region.

Performance

The business environment in the year continued to present challenges such as competition, high energy costs and importation of cheap cement into the market. EAPCC has demonstrated resilience in the year by recording an impressive performance amid the market challenges. Clinker production increased in the year reducing the quantity of purchased clinker by 54%.

Earnings per share rose to Kshs 19.73 up from a loss of Kshs 10.81 in the year 2012. This is reflected in the performance of the Company's shares at the Nairobi Securities Exchange that improved from a low of Kshs 32 per share to close at Kshs 55.50 per share in June 2013.

To sustain the Company's profitability going forward, capital expenditure necessary to increase and sustain production and efficiency has been allocated over Kshs 2 billion. Included in this plan will be kiln cooler retrofit needed to sustain and increase clinker production;

installation of an additional cement packer to enhance cement dispatch; an air pollution control project to ensure the production activities comply with the company's and regulators' environmental standards and installation of a pre-cast plant for the production of paving blocks that will see a further diversification of the company's product portfolio as well as increased revenue base.

Energy

During the financial year under review the Kenya shilling remained relatively stable against the US dollar. This ensured that the cost of Electricity and Coal, two main sources of energy, remained relatively stable. However, the overall energy costs still compare very unfavorably to some cement producing Northern African economies that enjoy significant energy subsidies. To enhance its competitive position, the Company is embarking on energy efficient processes with emphasis being placed on capital projects that will reduce energy loss, optimize energy usage and reduce overall energy costs.

Yen Denominated Loan

The company continues to service the Yen denominated loan, which will be fully repaid in year 2020. The amount outstanding at the end of the year was 2,922 million Japanese Yen. Half of the loan has been hedged in a USD: JPY currency swap to minimize exchange rate fluctuations. In the financial year under review we have seen that this strategy continues to safeguard the Company against adverse foreign exchange fluctuations and the Company will continue pursuing such strategies to minimize any potential foreign exchange exposures.

Risks

The company continues to implement a risk management plan as guided by Board approved risk management policies. The risk management framework is documented in the Risk Manual and various departments have been tasked with execution of various risk management procedures. The Board Audit Committee in collaboration with Internal Audit monitors the appropriateness of these processes to respond to the company's evolving risk environment from time to time.

Taxation

As a responsible corporate citizen, EAPCC continued to honor its tax obligations and made payments in excess of Kshs 500 million in both direct and indirect taxes to the exchequer.

HIV/Aids

The implemention of our HIV/Aids awareness program continues through a team of Peer Educators working with our staff and the local community. This is geared towards reducing the negative impact of the disease to the workforce and the community.

Corporate Social Responsibility

During the year, the company continued to engage with the community to identify opportunities where the Company can create a positive impact to the environment and the local community. Our long history of corporate social responsibility activities has helped us build strong partnerships with the local communities in contributing to their sustainable future. We continue to support projects in education, sports, water and sanitation, famine relief and environmental conservation.

Corporate Governance

The Company has continued to improve on its governance structures to ensure it plays its proper role as a responsible corporate citizen to its stakeholders. The Board has continued to ensure proper and elaborate governance practices are in place. The Board is served by four active board committees each with properly set terms of reference. All the directors, except the Managing Director, are independent but meet regularly with the senior management to review corporate strategy.

During the year a Board Charter was approved and this will contribute immensely in guiding the interaction between the Board and other stakeholders. All employees have continued to sign a code of conduct that guide the interaction amongst employees themselves and interaction with the other stakeholders.

Dividend

The directors have recommended a dividend of Kshs 0.75 per share on the basis of the improved performance that has been posted. This compares favourably to prior year where there were no dividends declared as a result of the losses made.

Government of Kenya Divestiture

The Privatization Commission that was formed to look into the privatization of the Company concluded its report for the divestiture of Government from the Company. The Government is yet to make a decision on the recommendation. The new Government also appointed a select committee to review the performance and rationalization of parastatals and the committee has reported back to the Government.

Transformation

As a company, we have set out on a change management program with the aim of enhancing industrial relations and at the same time creating positive behavior change within our teams. We expect that this will increase employee efficiency and reduce instance of industrial unrest that have caused disruptions in the past. This is also expected to result to increased productivity, and indeed we have started to reap the dividends if the 2012-2013 results are anything to go by.

Future Outlook

The global economy seems to have weathered the storm as indicated by the euro zone's return to growth and the impressive growth recorded in Asia. Locally, the economy is on an upward trajectory having successfully gone through peaceful elections that ushered in devolution in Governance structures. Increased political stability and investments in the counties should spur economic growth and increased cement demand.

Regionally, our markets in Uganda and South Sudan continue to be served by our Uganda subsidiary and are expected to grow in line with economic growth in the two countries.

The Board
The Board was joined by Mrs. Hope Mwashumbe representing NSSF. Dr. Kamau Thugge also joined the Board on appointment as Principal Secretary at the National Treasury and Dr. Wilson Songa joined as Principal Secretary Ministry of Industrialization and Enterprise Development. I look forward to their valuable contributions to the Board. I also acknowledge the invaluable contribution made by the other members of the Board of Directors.

Appreciation
On behalf of the Board, I would like to extend my sincere thanks to the shareholders for their continued contribution, the Board for its dedication and visionary leadership and to the management and staff of the company for their hard work. They have delivered exceptional results in difficult market conditions. We all look forward to even better results in the coming year.

Lastly, I would like to extend my gratitude to all our business partners and customers for their continued loyalty and support to the Blue Triangle brand.

God Bless you all.

Mark ole Karbolo
Chairman
25 October 2013

Kephar L. Tande
Managing Director

"Price competition in the domestic and regional cement markets persisted in the year. The Company has responded by expanding and utilizing capacity so as to benefit from scale economies while re-engineering business processes to build efficiency and reduce operating costs."

Managing Director's Business Review

Performance

This year marked the Company's return to profitability with the implementation of the recovery strategy and the strategic plan 2011-2016. Revenue increased by 8% from Kshs 8.5 billion to 9.2 billion driven by increase in sales volumes and improved market share.

During the year, the Company improved the run factor on its machinery and equipment and this spurred production of more clinker compared to the previous year when a substantial amount of clinker was purchased. This saw clinker production improve by approximate 11% over the previous year. The improved clinker production resulted in more product availability thus enabling the Company to reclaim market share that had fallen to 14% in 2012 to close at 20% in 2013.

Major improvements in production efficiencies resulted to 7% savings in cost of production. This translates to Kshs 500 million in cost reduction. The cost of energy remained fairly stable in the year averaging Kshs 12.70 per kwh compared to Kshs 14.4 per kwh in 2012 while power consumption averaged 67.7 million kwh in 2013 compared to 63.3 million kwh in 2012 resulting in savings of Kshs 50 million. As a result, gross margin doubled from 13% achieved in 2011-2012 to close at 25% in 2012-2013.

Administrative and Selling Costs remained stable, increasing only marginally by 3%, well below inflation rates due to improvements in operating efficiency. More focus was placed on improving distribution channels which resulted in significant positive impact on distribution costs and product availability. Staff motivation improved through a culture change program resulting to increase in productivity and efficiency improvements.

The hedging strategy for managing the foreign currency exchange risk posed by our Japanese Yen denominated loan also performed exceptionally well, with the currency swap and foreign currency revaluation returning a foreign exchange gain of Kshs 594 million. The value of the Kenya shilling strengthened against the Japanese Yen but remained relatively unchanged against the US dollar in the year. This resulted in foreign exchange gains on the JPY loan in addition to currency swap, both contributing positively to the bottom line. However, interest rates started at high levels, but have reduced in the current period and are expected to continue improving.

The Company's operating profit in the year increased by Kshs 1 billion to Kshs 340 million compared to prior year loss of Kshs 793 million while the profit before tax was Kshs 1,419 million compared to a loss of Kshs 1,032 million the previous year.

The investment properties as well as all other items of property, plant and equipment were subjected to independent professional revaluation in accordance with International Financial Reporting Standards and the Company's own accounting policies, which require independent valuation after every five years. Upon revaluation, the investment property returned a fair value gain of Kshs 730 million and other classes of fixed assets returned a net gain of Kshs 711 million.

Consistent with the return to profitability in the year, cash flows generated from operations increased by Kshs 800 million to Kshs 485 million up from a negative of Kshs 332 million used up in operations in the previous year. Investment in long term capital items used up Kshs 161 million while servicing of loan obligations used up another Kshs 407 million in the year. Plans are under way to optimize the funding structure of the Company to reduce finance costs and increase flexibility in the finance model.

Corporate strategy

Price competition in the domestic and regional cement markets persisted in the year. The Company has responded by expanding and utilizing capacity so as to benefit from scale economies while re-engineering business processes to build efficiency and reduce operating costs. This strategy will ensure the ex-factory cement price is competitive for the prevailing market conditions, and foster faster market recovery and growth. This financial year the improvement in systems and processes has already resulted in a reduction in cement production costs.

Implementation of the five year (2011-2016) strategy is currently mainstreamed on increasing production capacity in both clinker and cement. Some of the major ongoing projects that have been prioritized in line with strategy outlook include:

- Kiln cooler retrofit needed to sustain clinker production
- Installation of an additional cement packer

and revamping of the transport system which will enhance annual cement dispatch by over 400,000 metric tons when finalized;

- Installation of Electrostatic Precipitator, an air pollution control system for clean air;
- Installation of a pre-cast plant for product diversification and value addition; and
- Acquisition of new reserves in Kitui and Kajiado Counties among others.

In recognition of the current and projected clinker deficit-Kenya will remain in a clinker deficit position in the coming years as clinker demand far exceeds installed capacity-plans are under way to add a new clinker line by 2014-2016. This new clinker line will bring total clinker production capacity to 1.5M tons per annum by 2016. In addition, implementation of a new Grinding Mill is planned for in 2014 and this will bring total cement production to 2 million tons by 2015.

The behavior change program, which is part of the 2011-2016 strategic plan is geared towards reorienting the work force towards the values and strategy of the business and to ensure that the work culture is dynamic and responsive to the evolving business environment. The Company has undertaken several training sessions under the *Uungwana* Change Program and so far this endeavor has seen tremendous turn around in morale, culture, attitude, positive focus and team spirit. In order to safeguard the gains made, a new change management section was created and headed by a senior Change Manager, under the auspices of the Human Resource Department.

Ongoing efforts on innovation and product diversification will also see the commercialization of the cabro manufacturing plant, thereby introducing a new product to the existing Company's product portfolio which serves to increase the revenue base.

Quality Management Process

Our commitment to quality in our products and processes remains solid. Complying to the requirements of ISO 9001:2008 ensures that the Company not only retains its status as an ISO 9001:2008 certified organization but that continuous improvement, research and development and ongoing review of processes is systematically done to ensure that our processes and strategies remain current and relevant in the evolving business environment. In the long run, there is a positive impact on revenue, quality, costs and customer satisfaction.

Training

Staff training remains at the heart of our human resource strategy. In this financial year, trainings have been carried out across all cadres of staff to ensure that identified training needs are addressed to develop skills relevant to the Company's business. These include Talent Management trainings, Management Development Program for executives, Energy Management, Corporate Culture Change, Integrity Awareness, Corporate Governance for the Board members, just to mention but a few. Budgetary allocations are prioritized in human capital development initiatives.

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 real threats of financial and non financial loss. Some of these risks include credit risk, cement price risk, liquidity risk, foreign currency risk and interest rate risk.

Given the regional presence in Uganda and Southern Sudan, and plans to venture into Tanzania, the Company is also faced with country risk, although to a small, but growing extent. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance using a variety of techniques.

Under the policies approved by the Board of Directors, the Company has developed policies and procedures designed to aid in the identification, evaluation and taking appropriate response to various risks. The Company also takes a risk-based approach when designing, evaluating and monitoring the internal control environment. There are procedures designed to ensure business objectives are realized and ensure business continuity in case of process failures.

Related requirements are set out in the Corporate Risk Management Manual and the Business Continuity Plan. The manual describes the methodology to be followed to manage risks and the risk-based standards that provide a common approach to enterprise-wide risks. The Business Continuity Plan establishes alternatives to normal established processes in instances of process failures.

The following processes are used for the continuous monitoring and evaluation of the Company's risk management and Internal Control activities:

- 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 incidence reporting and provisioning process; and
- An ethics and compliance program.

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

The Company has also put in place whistle blowing measures to discourage corrupt and unethical practices among its employees. This guarantees the safety and wellbeing of the Company's resources and assets as suspected corrupt cases are reported immediately. The Company's toll-free corruption reporting hotline continues in use and is managed outside the control of management. It is designed in such a way that the information shared is held in confidence and is not used to punish the whistle blower.

Corporate Social Responsibility

Our philosophy of "holding life together" has meant that the Company continues to engage with the communities through supporting sustainable initiatives that address the social economic challenges of such communities. Some of the CSR projects the Company has sponsored include Community-based programs such as building schools, developing community water projects, construction of community access roads, paying school fees for needy children and sports sponsorships. During this financial year, the Company spent over Kshs 50 million in such programs.

Safety, Health and Environment

The Company adopted the OHSAS18001:2007 standard in November 2008. Certification under this standard indicates that the Company adheres to strict safety and occupational health standards across all aspects of the work culture. Through compliance with this international standard of Occupational Health and Safety, management systems that reduce and prevent recurrence of accidents and other forms of occupational hazards in the work place have been implemented and integrated with other management systems of the Company. The Company has also developed a proactive approach in addressing safety, health and environmental concerns throughout its Operations. Projects are manged to ensure strict compliance with Environmental Management and Coordination Act 1999. Regular audits and trainings are also conducted.

FUTURE OUTLOOK

Market Environment

The market continues to be very competitive, with 7 million tons total installed cement production capacity surpassing the annual market demand of 4 million metric tons. However, with the planned Government infrastructure projects coming on line beginning next financial year, and elimination of duty waiver on imported cement thereby creating a level playing field, it is expected that the aggregate market demand will match the production capacity in the coming years and provide stability in cement market prices. Further push into the export market in Uganda, South Sudan and Northern Tanzania is expected in the next financial year, with cumulative effect of buttressing and consolidating the market share. The Company expects to fully recover market position and achieve a minimum 37% market share by 2016.

Priorities

Our priorities in 2013-2014:

- To sustain and indeed increase the Company's profitability momentum
- Improvement of productivity and capacity utilization
- Complete the specified components of the kiln up rate project
- Construction of the new packer and the waste energy recovery system
- Cost containment initiatives and innovation
- Aggressive risk management and value addition initiatives
- Development of our talent and leadership capability
- Implementation of the balanced score card tool to ensure 100% achievement of the 2011-2016 strategic plan
- Improvement of our customer service processes to improve the EAPCC customer experience as a competitive strategy.

With all these plans, and with the support of all our stakeholders, I would indeed say the future holds a lot for the Company. The Management of the Company will endeavor to gain the maximum benefit from the goodwill the Company enjoys to create value and increase shareholder wealth.

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

I am confident that in this coming year and in the future, we can build on our successes by nudging the corporate strategy to align even closer to market dynamics as we strive to build sustainability and innovation in the business.

Thank you.

Kephar L. Tande
Managing Director


Kenya Homes expo
Welcome to the
Biggest
Homes Sh
In Eastern and Central
BLUE TRIANGLE CEMENT
16th KENYA HOMES
EXPO
INSPIRE YOUR LIVING

CSR

CORPORATE SOCIAL RESPONSIBILITY

For the Year ended 30 June 2013

East African Portland Cement Company Limited has a mandate to integrate and manage social and environmental concerns in its business practices and operations while mutually interacting with its stakeholders. It involves achieving commercial success in ways that honor ethical values and respect people, communities, and conserves the natural environment.

EAPCC's managerial decision making increasingly takes into account a wide range of criteria relating to environmental and social implications of business operations.

EAPCC's CSR policy pillars include;

- Community Development and Economic Advancement
- The Environment
- Employees and the Workplace

It is as a result of this commitment that EAPCC has continued to support programmes in education, health, personal and industrial safety and places considerable investments in new technology to mitigate the effects of its industrial processes to the environment.

Community Development and Economic Advancement

Water

The Company draws most of its crucial raw materials from regions that are coincidentally water scarce. For several decades now, the bulk of its mining operations have occurred at Kabini hill, an arid region in Kajiado County. Working in partnership with the local community, the Company has sunk five boreholes and dug numerous dams in the community to facilitate ease of access to water. The community relies on these facilities to look after their livestock as well as for their livelihood. The Company also purchased a 10,000 Liters water tank for Oleleshua dispensary in Bissil and sunk a borehole in Kanziko, an area still under exploration to facilitate the local community's access to water.

A section photo of Oleleshua health center. The community celebrates the completion of the facility.

Education

Education is one of the core elements of the Company's CSR focus, believing that the best investment any society can make is equipping young people with intellectual and technical skills. In this financial year, the Company awarded bursaries and scholarships to students from the local communities amounting to over Kshs 3.4 Million. The Company also completed and handed over a boys dormitory for Ilkerin primary school in Loita. The boys' dormitory was fully equipped with modern solar panels, beds and mattresses with a capacity for sixty four students. This important project is expected to boost the performance of the boy child in the area.

Every year, EAPCC involves itself in promoting the education of bright but underprivileged children. The Company also regularly admits scores of University students at the Head Office where they are given exposure in their respective fields under its internship programme.

The Company has also continued to sponsor apprentice students to further their technical skills and develop their knowledge base. Where the apprentices have excelled, they are sponsored to pursue professional engineering courses in institutions of higher learning.

Greening From The Front: *Cabinet Secretary for Industrialization and Enterprise Development Mr. Adan Mohamed plants a tree during a company visit. Looking on is the MD, Mr. Kephar Tande and the Environment Team.*

Health

In its commitment to improving healthy living among local communities, EAPCC, in May 2013, successfully completed construction of Oleleshua Health Centre project in Ilbissil. The project seeked to improve access to medical care by building a health centre close to the local community. The Oleleshua Health Centre came as a big relief to the community who previously had to walk for over 20kms to access the nearest health facility.

The Environment

EAPCC remains fully committed to embracing ever more innovative ways to conserve and restore the environment in its areas of operation and the country as a whole. The Company consistently takes measures to conserve and improve the environment.

EAPCC recognizes that environmental sustainability is an essential ingredient in doing business responsibly and successfully. It is in this thinking that the Company has consistently strived for a cleaner and greener manufacturing-conscious workplace.

Three Tier Green Partnership Program.

The three tier aims to engage corporate, employees and the community in environmental conservation programs with the Company playing a leading corporate role. The company continues to devise ways to protect ecosystems and reverse damage done to them over the past decades. This is demonstrated through rehabilitation of mined out quarries with revegetation using assorted tree seedlings. A tree nursery is operated by the Company to guarantee sustainability of these programs.

The need to green the planet cannot be over emphasized with the ever glaring impacts of climate change. It is in light of this that the Company has initiated the Green Homes program so as to engage its employees in restoration of nature. This involves employees planting trees in their home areas from seedling supplied free of charge by the Company.

The Company has continued to engage the local community in environmental protection and conservation activities. This has involved regular issuance of tree seedlings to the local community groups, schools and religious centers.

The FY 2012/13 realized planting of 7,300 tree seedlings across the three tiers i.e. Corporate (2900), Employees (3600) and Community (800).

Beyond Green Compliance; EMS 14001:2004 Implementation

The Company carried compliance projects to help in defining meaningful goals for a cleaner and greener workplace. These projects also assisted to ascertain whether all environmental aspects within our business operations are fully compliant with regulatory requirements. The compliance projects included;

- Annual Environmental Audit,
- Water Quality and Effluent Analysis,
- Air Quality Assessment
- Noise Survey
- Water Resource Audit

EAPCC Board chairman Mr. Mark ole Karbolo joins H.E. Samuel K. ole Tunai ,Governor Narok County, as he officially opened a boys' dormitory at Ilkerin Primary School.

The audits assisted in identifying areas for improvement in environmental sustainability.

The company has reshaped itself from the bottom up, improving its environmental profile and the public image by integrating green criteria in its strategic Plan. The implementation of EMS 14001:2004, targeted for certification by June 2015, is one of the major milestones of the Corporate Strategy. The EMS 14001:2004 will contribute immensely towards achieving sustainable future while maintaining a natural capital base.

Cleaner Production; ESP to Bag House Conversion

The Company is focused in promoting environmental stewardship and sustainability by implementing innovative environmental technologies and practices. "Clean and healthy work place" is a philosophy the company endeavors to uphold. It is in this spirit that the Company is currently converting its Electrostatic Precipitators (ESP), used in dust emmision control, to a bag-house system. This project once complete will greatly improve the dust management processes and enable the Company to conform with regulatory requirements on dust control, emission and management. It is noteworthy that ESP performance is affected by power fluctuations, thus this conversion will not only have value addition to nature but also to energy efficiency as power consumption for dust suppression will be reduced significantly.

Blending Care for the Community with Environmental Conservation: *Environment Officer, G.G Wachira creating awareness on environmental conservation through safe water drinking practices to local community at Kabini Quarry*

Employees and the Workplace

EAPCC has a comprehensive policy to safeguard its employees, their dependants and surrounding communities in terms of health and safety as embodied in the health and safety policies.

The Health and Safety policies currently in place include:
1. Fire policy
2. Industrial safety
3. Driving policy
4. Employee's general safety rules
5. Personal Protective Equipment (PPE) policy

EAPCC's safety architecture

Health and Safety Policy

Fire Policy | PPE Policy | Driving Policy | Employees General Safety Rules

Health and Safety

Health and safety remains the pillar of the Company's strategy. The slogans ''safety first in anything you do'' and'' Safety begins with me", underscores the Company's commitment to achieving high safety standards and consciousness.

The Company achieved significant improvements in safety performance in the year. Total injury frequency rate achieved was 0.91% for over 3.1 million employee hours worked. The Company aims to attain and maintain zero fatalities in its operations in all the sectors.

The Company successfully achieved OHSAS 18001:2007 re-certification during the year. This has become the focal point of the Company's safety performance. The Company also continues to comply with the safety Act 2007.

Road safety Campaigns

The Company continued with road safety campaigns during the year. As a result, the Company experienced a general drop in reported incidents over the year. The safety campaign involved rigorous training and sensitizing drivers on defensive driving skills among others. Safety marshalls have been deployed across the Company to help identify safety hazards.

The good performance of road safety is also attributed to the numerous efforts to address safety programmes initiated in partnership with other stakeholders such as The Kenya Red Cross and other stakeholders in the transport industry.

EAPCC works closely with security agencies to secure its business operations as well as enhance the general safety of the communities in which it operates. In the last financial year, the Company purchased and donated a speed gun to the National Road Safety Authority at a cost of Ksh 1.3 million. The speed gun has been deployed along the Nairobi-Mombasa highway. Put to the right use, the Company is confident this equipment will significantly enhance road safety.

Sponsorships

Support for the Sofa Paka football club has continued for the 4th year running. The annual sponsorship stands at over Kshs 30 million and over the last 4 years, the total spend is over Kshs 120 million. The sponsorship has helped the team grow both in size and stature. The seasonal football tournament continues to attract football enthusiasts both locally and in the region.

The sponsorship has given the Company an opportunity to positively contribute to soccer development in the region. EAPCC also participates in other tournaments like volleyball in men and women categories, darts, netball and golf tournaments.

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 last financial year, employees received training in Quality Management Systems as well as Culture Change training.

The Company's CSR programs are clear and measurable. The programs are meant to drive the Company's attainment of industry leadership while building an exemplary record for environmental protection, social responsibility and corporate governance.

Ambient Air Quality; *University of Nairobi air quality analysis expert Mr. Wafula in liaison with Environment Team collect air quality samples at the coal plant*

BOARD OF DIRECTORS

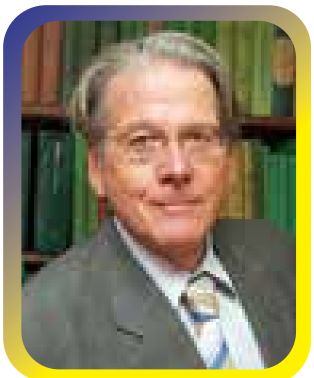
MARK OLE KARBOLO
CHAIRMAN

KEPHAR L. TANDE
MANAGING DIRECTOR

DR. KAMAU THUGGE
DIRECTOR

DR. T. NAIKUNI
DIRECTOR

DR. WILSON SONGA
DIRECTOR



K.H.W. KEITH
DIRECTOR

HOPE MWASHUMBE
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

ENOS AUCH
HEAD OF FINANCIAL MANAGEMENT

ISAAC MUTUA
HEAD OF ICT

LUCY MOLONKET
Ag HEAD OF SALES & MARKETING

STEPHEN NTHEI
HEAD OF INTERNAL AUDIT AND RISK MANAGEMENT

JOHNSON NYAGAH
PROCUREMENT MANAGER

STATEMENT ON CORPORATE GOVERNANCE

For the year ended 30 June 2013

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 25. 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 27.

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 Committees. The Board, however takes 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 defined 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 Board 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)	80th AGM
Chairman	4	4	1
Managing Director	4	4	1
PS Treasury	3	2	1
PS Ministry of Industrialization & Enterprise Development	4	2	1
NSSF	4	3	1
Dr. T. Naikuni	3	4	1
Mr. K. H. W. Keith	3	1	1
Mr. J. L. G. Maonga (Company Secretary)	4	4	1

Experts and business representatives are invited on a need basis.

During the year, eight (8) meetings were held.

The Board is of the opinion that there is a balance between executive and independent 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 Committee, Board Human Resources and Remuneration Committee, and Board Tender and Procurement Oversight Committee while Management has Executive Management Committee and Management Tender Committee.

The Board Committees assist the Board in discharging its responsibilities. The Committees have clear defined roles and terms of reference 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 six (6) 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 Audit Committee which ensures that their independence is in no way impaired.

Other responsibilities of the Committee 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:

Mrs H. Mwashumbe (representing NSSF)	Chairman
Dr. T. Naikuni	
Principal Secretary, Treasury	
Mr K. H. W. Keith	
Mr J. L. G. Maonga	Secretary

*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 technical operations of the Company. During the year four (4) 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 & Enterprise Development	
Principal Secretary, Treasury	
Mrs Hope Mwashumbe	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 three (3) meetings were held.

The Members of the Committee are:

PS, Ministry of Industrialization & Enterprise Development	Chairman
Mrs Hope Mwashumbe	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 three 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 & Enterprise Development	
Mrs Hope Mwashumbe	Representing NSSF
Mr Kephar L. Tande	Managing Director
Mr J. L. G. Maonga	Secretary

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

Management 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 Executive 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 month.

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 13 to the financial statements.

Board Performance Evaluation

Under the guidelines of Performance Contracting and the Board Charter, 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 of Performance Contracting is conducted quarterly and annually and the results of the evaluation are provided to the Ministry of Industrialization and Office of the President 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 include 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 the 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 the 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 the corporate 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 shareholders. The Company always gives shareholders adequate 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.

Skills and experience of the Board

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

- Corporate governance and legal knowledge
- 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. A corruption prevention committee chaired by the Managing Director oversees integrity issues in the Company and files regular reports with Ethics and Anti-corruption Commission (EACC).

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 promptly 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 directors participate in, and 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 in shaping the strategic direction of the Company. 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. There is a procedure which 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 2012 /2013, 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. In addition, the Board has an ad-hoc Committee that assists it in Legal Matters.

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.

The Company provides timely and appropriate information to shareholders through publication of periodic accounts and the Annual Report and holds an annual face-to-face briefing. Shareholders are also advised of all important events that impact the Company's operation.

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 by ensuring compliance with National Environment Management Authority (NEMA) requirements.

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.

	Audit Committee	Technical Committee	Human Resources and Remuneration Committee	Tender and Procurement Oversight Committee
Number of Meetings	6	4	3	3
PS Treasury	5	1	*	*
PS Ministry of Industrialization & Enterprise Development	*	2	2	1
NSSF	6	3	3	3
Managing Director	6	3	2	3
Dr. T Naikuni	5	4	*	*
K H W Keith	5	*	1	2

THE BOARD AND STATUTORY INFORMATION

Directors

Mark ole Karbolo	Chairman
Kephar L. Tande	Managing Director
Dr. Wilson Songa	(Alternate - Reuben Rotich)
Dr. Kamau Thugge	(Alternate - J Kinyanjui)
Hope Mwashumbe	Representing NSSF
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
CFC Stanbic Bank Kenya Limited
Citi Bank N.A. Kenya Branch

Board Sub Committees

Board Audit Committee

Hope Mwashumbe	Chairman
Dr. T. Naikuni	
Dr. K. Thugge	
K. H. W. Keith	
J. L. G. Maonga	Secretary

Board Technical Committee

Dr. T. Naikuni	Chairman
J. K. Kinyua	
Dr. Wilson Songa	
H. Mwashumbe	Representing NSSF
Kephar L. Tande	
J. L. G. Maonga	Secretary

Board Human Resources and Remuneration Committee

Dr. Wilson Songa	Chairman
Hope Mwashumbe	Representing NSSF
K. H. W. Keith	
Kephar L. Tande	
J. L.G. Maonga	Secretary

Board Tender and Procurement Oversight committee

K. H. W. Keith	Chairman
Dr. Wilson Songa	
H. Mwashumbe	Representing NSSF
Kephar L. Tande	
J. L. G. Maonga	Secretary

Executive Management Team

Kephar L. Tande	Managing Director
Enos Auch	Head of Financial Management
Charles Charo	Head of Production Operations
John Kimanjoi	Head of Human Resources & Administration
Stephen Nthei	Head of Internal Audit & Risk Management
Isaac Mutua	Head of ICT
Lucy Molonket	Ag Head of Sales & Marketing
Johnson Nyagah	Procurement Manager

REPORT OF THE DIRECTORS

The Directors present their Report together with the audited consolidated financial statements of the Group for the year ended 30 June 2013.

1. PRINCIPAL ACTIVITIES

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

The principle activity of the Company's wholly owned subsidiary, East African Portland Cement Uganda Limited, 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 33 and 34, respectively.

3. DIVIDENDS

Subject to the approval of the shareholders at the Annual General Meeting, the Directors recommend a first and final divided of Kshs 0.75 per share amounting to Kshs 67.5 million to be paid for the year ended 30 June 2013 (2012-Nil).

4. DIRECTORS

The current Board of Directors is shown on page 25. The following changes have taken place since 1 July 2012:

NSSF representative Tom Odongo was replaced by Hope Mwashumbe with effect from 22 July 2013.

The Treasury representative J. K. Kinyua was replaced by Dr. Kamau Thugge from 27 June 2013.

The Industrialization & Enterprise Development Ministry representative, Eng Kibicho Karanja was replaced by Dr. Wilson Songa from 27 June 2013.

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 2013.

By Order of the Board

J.L.G. Maonga
Secretary

Nairobi
25 October 2013

STATEMENT OF DIRECTORS' RESPONSIBILITIES ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

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

25 October 2013

REPUBLIC OF KENYA

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Fax: +254-20-311482
E-mail: cag@kenao.go.ke
Website: www.kenao.go.ke

P.O. Box 30084-00100
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 2013

REPORT ON THE FINANCIAL STATEMENTS

The accompanying financial statements of East African Portland Cement Company Limited set out at pages 31 to 85, which comprise the consolidated and Company's statements of financial position as at 30 June 2013, the consolidated and Company's statements of comprehensive income, statements of changes in equity and statements 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 these 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.

The management is also responsible for the submission of its financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on these 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 to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Promoting Accountability in the Public Sector

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 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 2013 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 AND REGULATORY 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 purpose of the audit;
ii. In my opinion, proper books of account have been kept by the Company, so far as appears from my examination of those books; and,
iii. The Company's statements of financial position and statements of comprehensive income are in agreement with the books of account.

Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

25 October 2013

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2013

ASSETS	Note	2013 KShs'000	2012 KShs'000 Restated*	2011 KShs'000 Restated*
NON CURRENT ASSETS				
Property, plant and equipment	3	8,015,560	7,463,709	7,657,923
Capital work- in- progress	4	133,752	116,917	217,453
Intangible assets	5	39,977	80,559	1,233
Prepaid operating leases	6	11,497	11,624	11,681
Investment properties	7	2,225,046	1,495,000	1,495,000
Loan swap asset	9	2,044,066	2,293,200	916,925
Restricted deposits	10	61,742	59,755	58,586
		12,531,640	**11,520,764**	**10,358,801**
CURRENT ASSETS				
Inventories	11	2,191,123	1,724,887	1,551,254
Trade and other receivables	12	883,028	527,025	877,765
Amount due from related party	13	6,030	5,703	5,703
Tax recoverable	14(a)	119,262	119,295	86,236
Short term deposits	10	29,558	29,435	348,143
Bank balances and cash	15	373,062	49,686	216,231
		3,602,063	**2,456,031**	**3,085,332**
TOTAL ASSETS		**16,133,703**	**13,976,795**	**13,444,133**
EQUITY AND LIABILITIES				
CAPITAL AND RESERVES				
Share capital	16(a)	450,000	450,000	450,000
Share premium	16(b)	648,000	648,000	648,000
Asset revaluation reserve	16(c)	1,900,899	1,210,284	1,242,047
Retained earnings		4,086,892	2,290,181	3,276,133
Foreign currency translation reserve	16(d)	4,466	2,958	-
TOTAL EQUITY		**7,090,257**	**4,601,423**	**5,616,180**
NON CURRENT LIABILITIES				
Staff gratuity	18	677,904	639,024	517,528
Long - term loan	19	2,357,448	3,182,951	3,279,403
Loan swap liability	9	1,895,374	2,219,122	929,580
Obligations under finance leases	20	43,155	92,823	129,665
Deferred tax liability	21	750,087	842,274	871,598
		5,723,968	**6,976,194**	**5,727,774**
CURRENT LIABILITIES				
Current portion of long - term loans	19	324,945	423,900	407,522
Obligations under finance leases	20	48,534	48,583	61,462
Bank overdraft	22	853,223	447,643	1,695
Trade and other payables	23	1,944,894	1,354,477	1,515,379
Provisions	24	147,882	124,575	114,121
		3,319,478	**2,399,178**	**2,100,179**
TOTAL EQUITY AND LIABILITIES		**16,133,703**	**13,976,795**	**13,444,133**

*Certain figures shown here do not correspond to the 2011 and 2012 financial statements and reflect adjustments made as detailed in note 46. The financial statements were approved by the Board of Directors on 25 October 2013 and signed on its behalf by:

Mark ole Karbolo Director

Kephar Tande Director

The accompanying notes set out on pages 39 to 85 form an integral part of these financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2013

ASSETS	Note	2013 KShs'000	2012 KShs'000 Restated*	2011 KShs'000 Restated*
NON CURRENT ASSETS				
Property, plant and equipment	3	8,015,379	7,463,528	7,657,923
Capital work- in- progress	4	133,752	116,917	217,453
Intangible assets	5	39,977	80,559	1,233
Prepaid operating leases	6	11,497	11,624	11,681
Investment properties	7	2,225,046	1,495,000	1,495,000
Investment in subsidiary	8	2,500	2,500	-
Loan swap asset	9	2,044,066	2,293,200	916,925
Restricted deposits	10	61,742	59,755	58,586
		12,533,959	**11,523,083**	**10,358,801**
CURRENT ASSETS				
Inventories	11	2,172,290	1,680,583	1,551,254
Trade and other receivables	12	641,736	401,461	877,765
Amount due from related parties	13	398,077	258,634	5,703
Tax recoverable	14(a)	119,262	119,295	86,236
Short term deposits	10	29,558	29,435	348,143
Bank balances and cash	15	265,482	31,709	216,231
		3,626,405	**2,521,117**	**3,085,332**
TOTAL ASSETS		**16,160,364**	**14,044,200**	**13,444,133**
EQUITY AND LIABILITIES				
CAPITAL AND RESERVES				
Share capital	16(a)	450,000	450,000	450,000
Share premium	16(b)	648,000	648,000	648,000
Asset revaluation reserve	16(c)	1,900,899	1,210,284	1,242,047
Retained earnings		4,135,404	2,370,192	3,276,133
TOTAL EQUITY		**7,134,303**	**4,678,476**	**5,616,180**
NON CURRENT LIABILITIES				
Staff gratuity	18	677,904	639,024	517,528
Long - term loan	19	2,357,448	3,182,951	3,279,403
Loan swap liability	9	1,895,374	2,219,122	929,580
Obligations under finance leases	20	43,155	92,823	129,665
Deferred tax liability	21	750,087	842,274	871,598
		5,723,968	**6,976,194**	**5,727,774**
CURRENT LIABILITIES				
Current portion of long - term loan	19	324,945	423,900	407,522
Obligations under finance leases	20	48,534	48,583	61,462
Bank overdraft	22	853,223	447,643	1,695
Trade and other payables	23	1,927,509	1,344,829	1,515,379
Provisions	24	147,882	124,575	114,121
		3,302,093	**2,389,530**	**2,100,179**
TOTAL EQUITY AND LIABILITIES		**16,160,364**	**14,044,200**	**13,444,133**

Certain figures shown here do not correspond to the 2011 and 2012 financial statements and reflect adjustments made as detailed in note 46. The financial statements were approved by the Board of Directors on 25 October 2013 and signed on its behalf by:

Mark ole Karbolo Director

Kephar Tande Director

The accompanying notes set out on pages 39 to 85 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 KShs'000	2012 KShs'000 Restated*
REVENUE	25	9,211,462	8,508,120
COST OF SALES	26	(6,878,139)	(7,391,003)
GROSS PROFIT		2,333,323	1,117,117
Other operating income	27	36,388	120,705
Provisions written back	12	56,988	-
		2,426,699	1,237,822
EXPENSES			
Selling and distribution	28	(422,251)	(458,877)
Administration and establishment	29	(1,450,158)	(1,332,298)
Other operating expenses	30	(213,359)	(240,361)
		(2,085,768)	(2,031,536)
PROFIT/(LOSS) FROM OPERATIONS		340,931	(793,714)
FINANCE INCOME	31	66,000	108,365
FINANCE COSTS	32	(311,612)	(285,990)
EXCHANGE GAIN/(LOSS) ON FOREIGN CURRENCY LOAN	33	594,113	(61,575)
FAIR VALUE GAIN ON INVESTMENT PROPERTY	7	730,046	-
PROFIT/(LOSS) BEFORE TAX	34	1,419,478	(1,032,914)
INCOME TAX CREDIT	14(b)	355,905	60,199
PROFIT/(LOSS) FOR THE YEAR		1,775,383	(972,715)
OTHER COMPREHENSIVE INCOME			
Revaluation surplus		976,780	-
Deferred income tax on revaluation surplus	21	(264,837)	-
		711,943	-
Exchange differences on translation of foreign operation		1,508	2,958
TOTAL COMPREHENSIVE INCOME		2,488,834	(969,757)
EARNINGS/(LOSS) PER SHARE			
Basic and diluted (KShs)	35	19.73	(10.81)

The accompanying notes set out on pages 39 to 85 form an integral part of these financial statements.

COMPANY STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 KShs'000	2012 KShs'000 Restated*
REVENUE	25	8,958,001	8,067,427
COST OF SALES	26	(6,685,295)	(6,940,857)
GROSS PROFIT		2,272,706	1,126,570
Other operating income	27	36,388	120,705
Provisions written back	12	56,891	-
		2,365,985	1,247,275
EXPENSES			
Selling and distribution	28	(418,435)	(453,750)
Administration and establishment	29	(1,426,499)	(1,299,869)
Other operating expenses	30	(206,505)	(207,359)
		(2,051,439)	(1,960,978)
PROFIT/(LOSS) FROM OPERATIONS		314,546	(713,703)
FINANCE INCOME	31	60,886	108,365
FINANCE COSTS	32	(311,612)	(285,990)
EXCHANGE GAIN/(LOSS) ON FOREIGN CURRENCY LOAN	33	594,113	(61,575)
FAIR VALUE GAIN ON INVESTMENT PROPERTY	7	730,046	-
PROFIT/(LOSS) BEFORE TAX	34	1,387,979	(952,903)
INCOME TAX CREDIT	14(b)	355,905	60,199
PROFIT/(LOSS) FOR THE YEAR		1,743,884	(892,704)
OTHER COMPREHENSIVE INCOME			
Revaluation surplus		976,780	-
Deferred income tax on revaluation surplus	21	(264,837)	-
		711,943	-
TOTAL COMPREHENSIVE INCOME		2,455,827	(892,704)
EARNINGS/(LOSS) PER SHARE			
Basic and diluted (KShs)	35	19.38	(9.92)

The accompanying notes set out on pages 39 to 85 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2013

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 2011						
As previously stated	450,000	648,000	1,242,047	3,362,871	-	5,702,918
Prior year adjustment (Note 46)	-	-	-	(86,738)	-	(86,738)
Restated balance	450,000	648,000	1,242,047	3,276,133	-	5,616,180
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	-	-	-	(972,715)	-	(972,715)
Other comprehensive income	-	-	-	-	2,958	2,958
Total comprehensive income	-	-	-	(972,715)	2,958	969,757
At 30 June 2012	450,000	648,000	1,210,284	2,290,181	2,958	4,601,423
At 1 July 2012	450,000	648,000	1,210,284	2,290,181	2,958	4,601,423
Transfer of excess depreciation	-	-	(21,328)	21,328	-	-
Profit for the year	-	-	-	1,775,383	-	1,775,383
Other comprehensive income	-	-	711,943	-	1,508	713,451
Total comprehensive income	-	-	711,943	1,775,383	1,508	2,488,834
At 30 June 2013	450,000	648,000	1,900,899	4,086,892	4,466	7,090,257

The accompanying notes set out on pages 39 to 85 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2013

COMPANY

	Share capital KShs'000	Share premium KShs'000	Asset revaluation reserve KShs'000	Retained earnings KShs'000	Total KShs'000
At 1 July 2011					
As previously stated	450,000	648,000	1,242,047	3,362,871	5,702,918
Prior year adjustment (Note 46)	-	-	-	(86,738)	(86,738)
Restated balance	450,000	648,000	1,242,047	3,276,133	5,616,180
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	-	-	-	(892,704)	(892,704)
At 30 June 2012	450,000	648,000	1,210,284	2,370,192	4,678,476
At 1 July 2012	450,000	648,000	1,210,284	2,370,192	4,678,476
Transfer of excess depreciation	-	-	(21,328)	21,328	-
Profit for the year	-	-	-	1,743,884	1,743,884
Other comprehensive income	-	-	711,943	-	711,943
At 30 June 2013	450,000	648,000	1,900,899	4,135,404	7,134,303

The accompanying notes set out on pages 39 to 85 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 KShs'000	2012 KShs'000 Restated*
OPERATING ACTIVITIES			
Cash generated from/(used in) operations	37(a)	779,757	(58,571)
Interest paid	37(c)	(300,986)	(283,480)
Interest received	31	7,876	11,449
Income tax paid	14(a)	(1,086)	(2,184)
Net cash generated from/(used in) operating activities		485,561	(332,786)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	3	(139,089)	(340,563)
Additions to capital work-in-progress	4	(20,895)	(42,006)
Proceeds from sale of equipment		-	11,064
Investment in restricted deposits		(1,987)	(1,169)
Net cash used in investing activities		(161,971)	(372,674)
FINANCING ACTIVITIES			
Dividends paid	17	-	(45,000)
Receipt of asset finance loan		57,378	283,446
Repayment of lease obligation	37(d)	(49,717)	(49,722)
Loan repayment	37(b)	(414,840)	(417,424)
Net cash used in financing activities		(407,179)	(228,700)
DECREASE IN CASH AND CASH EQUIVALENTS		(83,589)	(934,160)
Effect of foreign currency translation reserve		1,508	2,958
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		(368,522)	562,680
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	37(e)	(450,603)	(368,522)

The accompanying notes set out on pages 39 to 85 form an integral part of these financial statements.

COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 KShs'000	2012 KShs'000 Restated*
OPERATING ACTIVITIES			
Cash generated from/(used in) operations	37(a)	696,776	(71,271)
Interest paid	37(c)	(300,986)	(283,480)
Interest received	31	2,762	11,449
Income tax paid	14(a)	(1,086)	(2,184)
Net cash generated from /(used in) operating activities		397,466	(345,486)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	3	(139,089)	(340,381)
Additions to capital work-in-progress	4	(20,895)	(42,006)
Proceeds from sale of equipment		-	11,064
Investment in restricted deposits		(1,987)	(1,169)
Investment in subsidiary	8	-	(2,500)
Net cash used in investing activities		(161,971)	(374,992)
FINANCING ACTIVITIES			
Dividend paid	17	-	(45,000)
Receipt of asset finance Loan		57,378	283,446
Repayment of lease obligations	37(d)	(49,717)	(49,722)
Loan repayment	37(b)	(414,840)	(417,424)
Net cash used in financing activities		(407,179)	(228,700)
DECREASE IN CASH AND CASH EQUIVALENTS		(171,684)	(949,178)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		(386,499)	562,679
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	37(e)	(558,183)	(386,499)

The accompanying notes set out on pages 39 to 85 form an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

1. GENERAL INFORMATION

East African Portland Cement Company Limited is incorporated in Kenya under the Kenyan Companies Act. The company manufactures and sells cement in East Africa.

The company's shares trade at the Nairobi Securities Exchange.

The consolidated financial statements for the year ended 30 June 2013 were authorised for issue by the directors on 25 October 2013.

2. ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied, unless otherwise stated.

a) Basis of preparation

The financial statements have been prepared on the historical cost basis, except where otherwise stated or disclosed in the accounting policies hereafter. The financial statements are presented in Kenya Shillings (KShs) and all values are rounded to the nearest thousand (KShs'000) except where otherwise indicated. Unless stated otherwise, references to the company include the group.

b) Statement of compliance

The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs).

c) Consolidation of financial statements

Subsidiaries are all entities over which the company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date control ceases.

The consolidated financial statements of the group comprise the financial statements of the company and its subsidiary at the end of the reporting period.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The accounting policies for the subsidiary are consistent with the policies adopted by the company.

d) Critical accounting estimates, judgements and assumptions

In the process of applying the company's accounting policies, the directors make certain estimates, judgements and assumptions about future events. In practice, the estimated and assumed results may differ from the actual results. Such estimates and assumptions, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

2. ACCOUNTING POLICIES (continued)

d) Critical accounting estimates, judgements and assumptions (continued)

Property, plant and equipment
The directors make estimates in determining the depreciation rates and residual values for property, plant and equipment. The depreciation rates used are set out in the accounting policy for property, plant and equipment. These estimates 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 prevailing circumstances.

Impairment of assets
The directors assess whether there are any indicators of impairment of its assets at each reporting date. Assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. Further details are disclosed in note (m).

Deferred tax assets
Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Allowances for obsolete inventories
The directors review the inventories on an annual basis to assess the likelihood of obsolescence. In determining whether an inventory item is obsolete, the directors make judgements as to whether the inventory item can be used as an input in production or is in a saleable condition.

Allowances for credit losses
The directors review the receivables portfolio regularly to assess the likelihood of impairment. This requires an estimation of the amounts that are irrecoverable. The company ages its trade receivables and provisions are made for all trade receivables which are over 120 days.

Revaluation of property, plant and equipment and investment properties
The group carries its investment properties at fair value, with changes in fair value being recognised in profit or loss. In addition, it measures property, plant and equipment at revalued amounts with changes in fair value being recognised in other comprehensive income. The group engaged an independent valuation specialist to assess the fair value of property, plant and equipment and investment property as at 30 June 2013. A valuation methodology based on comparable market data was adopted.

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 judgment 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

For the year ended 30 June 2013

2. ACCOUNTING POLICIES (continued)

e) New and amended IFRS and IFRIC 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 2012:

- IAS 12 Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets
- IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1

The adoption of the standards or interpretations is described below:

IAS 12 Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets:
The amendment clarified the determination of deferred tax on investment property measured at fair value and introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. It includes the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 should always be measured on a sale basis. The group's investment properties comprise two pieces of land held for capital appreciation and carrying amounts of the properties will be recovered entirely through sale. Since there is currently no capital gains tax in Kenya, no deferred tax provision has been made on fair value gains. The amendment is effective for annual periods beginning on or after 1 January 2012 and there has been no effect on the Group's financial position, performance or its disclosures.

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1:
The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that will never be reclassified (or 'recycled') to profit or loss at a future point in time (for example, net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items that could be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affected presentation only and had no impact on the Group's financial position or performance. The amendment is effective for annual periods beginning on or after 1 July 2012 and has no effect on the Group's financial position, performance or its disclosures.

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. The group expects that adoption of these standards, amendments and interpretations in most cases not to have any significant impact on the group's financial position or performance in the period of initial application but additional disclosures will be required. In cases where it will have an impact the group is still assessing the possible impact.

IAS 19 Employee Benefits (Revised)
The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. 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 recognised 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. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

2. ACCOUNTING POLICIES (continued)

e) New and amended IFRS and IFRIC interpretations (continued)

Standards issued but not yet effective (continued)

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)
As a consequence of the new IFRS 11 Joint Arrangements, and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates, 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 revised standard becomes effective for annual periods beginning on or after 1 January 2013 and will have no impact on the group as the company does not have any investments in associates and interests in joint arrangements.

IAS 32 Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32
These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the group's financial position or performance and become effective for annual periods beginning on or after 1 January 2014.

IFRS 1 Government Loans – Amendments to IFRS 1
These amendments require first-time adopters to apply the requirements of IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, prospectively to government loans existing at the date of transition to IFRS. Entities may choose to apply the requirements of IFRS 9 (or IAS 39, as applicable) and IAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for that loan. The exception would give first-time adopters relief from retrospective measurement of government loans with a below-market rate of interest. The amendment is effective for annual periods on or after 1 January 2013. The amendment has no impact on the group as the group is not a first-time adopter of IFRS.

IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7
These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments will not impact the group's financial position or performance and become effective for annual periods beginning on or after 1 January 2013.

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 financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

2. ACCOUNTING POLICIES (continued)

e) New and amended IFRS and IFRIC interpretations (continued)

Standards issued but not yet effective (continued)

IFRS 10 Consolidated Financial Statements, IAS 27 Separate 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 addresses the issues raised in SIC-12 Consolidation – Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. Based on the preliminary analyses performed, IFRS 10 is not expected to have any impact on the currently held investments of the Group. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 11 Joint Arrangements
IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities – Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. 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.

IFRS 12 Disclosure of Interests in 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, but has no impact on the group's financial position or performance. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 13 Fair Value Measurement
IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Group is currently assessing the impact that this standard will have on the financial position and performance, but based on the preliminary analyses, no material impact is expected. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine
This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. The interpretation is effective for annual periods beginning on or after 1 January 2013. The new interpretation will not have a material impact on the Group.

IAS 36 Impairment of Assets - Disclosure requirements for the recoverable amount of impaired assets
The IASB has issued amendments to IAS 36 - Impairment of Assets, to clarify the disclosure requirements about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendments clarify the IASB's original intention: that the scope of these disclosures is limited to the recoverable amount of impaired assets that is based on fair value less costs of disposal. The amendment will become effective for annual periods beginning on or after 1 January 2014 and may have an impact on the group's disclosure in future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

2. ACCOUNTING POLICIES (continued)

e) New and amended IFRS and IFRIC interpretations (continued)

Annual Improvements May 2012

These improvements will not have an impact on the group, but include:

IFRS 1 First-time Adoption of International Financial Reporting Standards
This improvement clarifies that an entity that stopped applying IFRS in the past and chooses, or is required, to apply IFRS, has the option to re-apply IFRS 1. If IFRS 1 is not re-applied, an entity must retrospectively restate its financial statements as if it had never stopped applying IFRS.

IAS 1 Presentation of Financial Statements
This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

IAS 16 Property Plant and Equipment
This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

IAS 32 Financial Instruments, Presentation
This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.

IAS 34 Interim Financial Reporting
The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.

These improvements are effective for annual periods beginning on or after 1 January 2013.

(f) 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.

(g) 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 tax 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

For the year ended 30 June 2013

2. ACCOUNTING POLICIES (continued)

(g) 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 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

For the year ended 30 June 2013

2. ACCOUNTING POLICIES (continued)

(g) 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.

(h) Property, plant and equipment
Property, plant and equipment are stated at 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 property, plant and equipment were revalued as at 30 June 2013

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.

Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Depreciation
No depreciation is provided on freehold land as the useful life is considered to be indefinite.

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

For the year ended 30 June 2013

2. ACCOUNTING POLICIES (continued)

(i) 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.

(j) 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.

(k) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

2. ACCOUNTING POLICIES (continued)

(l) 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 investment properties were revalued as at 30 June 2013.

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.

(m) 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

2. ACCOUNTING POLICIES (continued)

(m) Impairment (continued)

(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.

(n) 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.

(o) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

2. ACCOUNTING POLICIES (continued)

(o) Financial instruments (continued)

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 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

2. ACCOUNTING POLICIES (continued)

Derecognition (continued)

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.

(p) 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.

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).

ii) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

2. ACCOUNTING POLICIES (continued)

(q) 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.

(r) 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.

(s) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

2. ACCOUNTING POLICIES (continued)

(t) 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.

(u) 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.

(v) 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

For the year ended 30 June 2013

3. PROPERTY, PLANT AND EQUIPMENT

(a) Year ended 30 June 2013

GROUP

	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 2012	166,335	1,124,964	6,430,162	845,460	286,446	8,853,367
Additions	-	725	58,371	58,728	21,265	139,089
Transfer from capital work-in progress (note 4)	-	4,060	-	-	-	4,060
Revaluation adjustment 30 June 2013	93,990	(7,582)	(730,508)	(118,859)	(217,997)	(980,956)
At 30 June 2013	260,325	1,122,167	5,758,025	785,329	89,714	8,015,560
COMPRISING:						
Valuation adjustment at 30 June 2013	192,888	1,088,434	2,383,120	235,527	(468,228)	3,431,741
Cost	67,437	33,733	3,374,905	549,802	557,942	4,583,819
	260,325	1,122,167	5,758,025	785,329	89,714	8,015,560
DEPRECIATION AND IMPAIRMENT						
At 1 July 2012	-	84,374	895,401	312,075	97,808	1,389,658
Charge for the year	-	28,124	338,965	160,055	40,935	568,079
Eliminated on revaluation	-	(112,498)	(1,234,366)	(472,130)	(138,743)	(1,957,737)
At 30 June 2013	-	-	-	-	-	-
NET CARRYING AMOUNT						
At 30 June 2013	260,325	1,122,167	5,758,025	785,329	89,714	8,015,560

The property, plant and equipment were revalued by Transcountry Valuers Limited, registered valuers, as at 30 June 2013. 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(h)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

3. PROPERTY, PLANT AND EQUIPMENT (continued)

(a) Year ended 30 June 2013

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 2012	166,335	1,124,964	6,430,162	845,460	286,265	8,853,186
Additions	-	725	58,371	58,728	21,265	139,089
Disposals	-	-	-	-	-	-
Transfer from capital work-in progress (note 4)	-	4,060	-	-	-	4,060
Revaluation adjustment 30 June 2013	93,990	(7,582)	(730,508)	(118,859)	(217,997)	(980,956)
At 30 June 2013	260,325	1,122,167	5,758,025	785,329	89,533	8,015,379
COMPRISING						
Valuation adjustment at 30 June 2013	192,888	1,088,434	2,383,120	235,527	(468,228)	3,431,741
Cost	67,437	33,733	3,374,905	549,802	557,761	4,583,638
	260,325	1,122,167	5,758,025	785,329	89,533	8,015,379
DEPRECIATION AND IMPAIRMENT						
At 1 July 2012	-	84,374	895,401	312,075	97,808	1,389,658
Charge for the year	-	28,124	338,965	160,055	40,935	568,079
Eliminated on revaluation	-	(112,498)	(1,234,366)	(472,130)	(138,743)	(1,957,737)
At 30 June 2013	-	-	-	-	-	-
NET CARRYING AMOUNT						
At 30 June 2013	260,325	1,122,167	5,758,025	785,329	89,533	8,015,379

The property, plant and equipment were revalued by Transcountry Valuers Limited, registered valuers, as at 30 June 2013. 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(h)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

3. PROPERTY, PLANT AND EQUIPMENT (continued)

(b) Year ended 30 June 2012

GROUP

	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	8,179	340,563
Disposals	-	-	-	(32,205)	-	(32,205)
Transfer from capital work-in progress (note 4)	-	-	-	-	22,636	22,636
At 30 June 2012	166,335	1,124,964	6,430,162	845,460	286,446	8,853,367
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	536,677	4,440,669
	166,335	1,124,964	6,430,162	845,460	286,446	8,853,367
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	188,638	7,463,709

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

3. PROPERTY, PLANT AND EQUIPMENT (continued)

(b) Year ended 30 June 2012

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	255,632	8,522,374
Additions	-	-	71,208	261,176	7,997	340,381
Disposals	-	-	-	(32,205)	-	(32,205)
Transfer from capital work-in progress (note 4)	-	-	-	-	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

3. 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

	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
2013						
Cost	120,367	1,083,962	8,469,840	1,419,455	483,783	11,577,407
Accumulated depreciation	-	(268,178)	(4,330,817)	(878,891)	(402,995)	(5,880,881)
Net carrying amount	120,367	815,784	4,139,023	540,564	80,788	5,696,526
2012						
Cost	120,367	981,164	7,645,292	1,028,971	420,512	10,196,306
Accumulated depreciation	-	(248,792)	(4,061,936)	(763,984)	(307,624)	(5,382,336)
Net carrying amount	120,367	732,372	3,583,356	264,987	112,888	4,813,970

(d) Finance leases

There were no additions made during the year under finance leases. Leased assets are pledged as security for the related finance lease liabilities.

4. CAPITAL WORK-IN-PROGRESS

	GROUP AND COMPANY 2013 KShs'000	2012 KShs'000
Cost		
At the beginning of the year	116,917	217,453
Additions	20,895	42,006
	137,812	259,459
Transfers to intangible assets (note 5)	-	(119,906)
Transfers to property, plant and equipment (note 3)	(4,060)	(22,636)
Balance at 30 June	133,752	116,917

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

5. INTANGIBLE ASSETS

	GROUP AND COMPANY	
	2013 KShs'000	2012 KShs'000
COST		
At the beginning of the year	171,517	51,611
Transfer from capital work-in-progress (note 3)	-	119,906
	171,517	171,517
AMORTISATION		
At the beginning of the year	90,958	50,378
Charge for the year	40,582	40,580
	131,540	90,958
CARRYING AMOUNT		
At 30 June	39,977	80,559

Intangible assets relate to computer software in use by the group. The computer software's remaining amortisation period is one year.

6. PREPAID OPERATING LEASES

	GROUP AND COMPANY	
	2013 KShs'000	2012 KShs'000
COST		
At the beginning year	12,886	12,886
AMORTISATION AND IMPAIRMENT		
At the beginning of the year	1,262	1,205
Amortisation charge	127	57
At the end of the year	1,389	1262
NET CARRYING AMOUNT		
At 30 June	11,497	11,624

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 99 years with a renewal option on expiry of the lease.

7. 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 KShs 2.225 billion by Transcountry Valuers Limited, registered independent valuers, as at 30 June 2013. The present value of the ground rent obligations is immaterial and thus, the valuation amount of KShs 2.225 billion is equivalent to the fair values of these properties.

	GROUP AND COMPANY	
	2013 KShs'000	2012 KShs'000
At the beginning of the year	1,495,000	1,495,000
Gain on fair value	730,046	-
	2,225,046	1,495,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

8. INVESTMENT IN SUBSIDIARY

Investment in subsidiary relates to the company's investment in East African Portland Cement Company Uganda limited, which is wholly owned subsidiary. The principal activity of the company is the sale of cement purchased from the parent company. The subsidiary was incorporated 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.

9. LOAN SWAP

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	
	2013 KShs'000	**2012 KShs'000**
Assets		
Cross currency swap	2,044,066	2,293,200
Liabilities		
Cross currency swap	1,895,374	2,219,122

The group exchanged a Japanese Yen payable loan of JPY 1,461,280,000 for a US$ 18,409,754 equivalent resulting in a gain of KShs 58,124,045 as at 30 June 2013 (2012-KShs 96,915,597). The derivative instruments are carried in the books of account at fair value.

10. DEPOSITS

	GROUP AND COMPANY	
	2013 KShs'000	**2012 KShs'000**
Short-term deposits:		
Kenya Commercial Bank Limited	29,558	29,435
Restricted deposits:		
Housing Finance Company Limited	61,742	59,755

The short-term deposits mature within three months and the weighted average interest rate earned on the deposits during the year was 4.5% (2012 – 4.25%).

The deposits with Housing Finance Company Limited have been held as collateral for staff mortgages. The weighted average interest rate earned on the deposits during the year was 4.5% (2012 - 2.76%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

11. INVENTORIES

	GROUP		COMPANY	
	2013 KShs'000	2012 KShs'000	2013 KShs'000	2012 KShs'000
Consumables	1,826,197	1,366,716	1,826,197	1,366,716
Raw materials	343,482	340,063	343,482	340,063
Work-in-progress	2,158	8,341	2,158	8,341
Finished products	106,648	97,129	87,815	52,825
	2,278,485	1,812,249	2,259,652	1,767,945
Provision for obsolete inventories	(87,362)	(87,362)	(87,362)	(87,362)
	2,191,123	1,724,887	2,172,290	1,680,583

No inventory was written off or provided for in the current year.

12. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY		GROUP & COMPANY
	2013 KShs'000	2012 KShs'000 Restated*	2013 KShs'000	2012 KShs'000 Restated*	2011 KShs'000 Restated*
Gross trade receivables					
As previously stated	825,043	848,041	584,801	724,657	664,847
Prior year adjustment 2011 (note 46)	-	(86,738)	-	(86,738)	(86,738)
Prior year adjustment 2012 (note 46)	-	(76,732)	-	(76,732)	-
	825,043	684,571	584,801	561,187	578,109
Impaired trade receivables	(316,511)	(373,499)	(314,791)	(371,682)	(278,145)
Net trade receivables	508,532	311,072	270,010	189,505	299,964
Staff receivables	97,263	71,599	97,263	71,599	42,344
Deposits, prepayments and other receivables					
As previously stated	277,233	127,284	274,463	123,287	535,457
Prior year adjustment 2012 (note 46)	-	17,070	-	17,070	-
	277,233	144,354	274,463	140,357	535,457
	883,028	527,025	641,736	401,461	877,765

Gross trade receivables for the year ended 30 June 2011 and 30 June 2012 do not correspond to the 2011 and 2012 financial statements and reflect adjustments made as detailed in note 46.

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 13.

Deposits, prepayments and other receivables are unsecured, non-interest bearing and their carrying amounts approximate their fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

12. TRADE AND OTHER RECEIVABLES (continued)

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

	GROUP		COMPANY		GROUP AND COMPANY
	2013 KShs'000	2012 KShs'000	2013 KShs'000	2012 KShs'000 Restated	2011 KShs'000 Restated
Neither past due nor impaired	78,964	145,237	78,964	80,106	54,537
Past due but not impaired trade receivables:					
Between 15 and 30 days	54,047	17,315	18,607	17,315	62,619
Between 31 and 60 days	52,707	55,220	12,785	2,582	6,282
Over 60 days	322,813	93,300	159,654	89,502	176,526
Total trade receivables not impaired	508,532	311,072	270,010	189,505	299,964
Impaired trade receivables	316,511	373,499	314,791	371,682	278,145
Gross trade receivables	825,043	684,571	584,801	561,187	578,109

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 2013 GROUP	Trade Receivables KShs'000	Other Receivables KShs'000	Total 2013 KShs'000
At the beginning of the year	373,499	50,224	423,723
Writebacks	(56,988)	-	(56,988)
As at 30 June	316,511	50,224	366,735
COMPANY			
At the beginning of the year	371,682	50,224	421,906
Writebacks	(56,891)	-	(56,891)
As at 30 June	314,791	50,224	365,015
Year ended 30 June 2012			
GROUP			
At the beginning of the year	278,145	50,224	328,369
Additions	114,227	-	114,227
Write backs	(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
Write backs	(18,873)	-	(18,873)
As at 30 June	371,682	50,224	421,906

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

13. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

	GROUP 2013 KShs'000	GROUP 2012 KShs'000	COMPANY 2013 KShs'000	COMPANY 2012 KShs'000
Outstanding balances arising from transactions with related companies.				
(a) Amount due from related parties:				
East African Portland Cement Uganda Limited	-	-	392,047	252,931
Bamburi Cement Limited	6,030	5,703	6,030	5,703
	6,030	5,703	398,077	258,634

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 mainly 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.

The following transactions were carried out with related parties:-

	GROUP 2013 KShs'000	GROUP 2012 KShs'000	COMPANY 2013 KShs'000	COMPANY 2012 KShs'000
(b) Transactions with related parties:				
Sales to East African Portland Cement Uganda Limited	-	-	412,672	1,000,000
Purchase of coal from Bamburi Cement Limited	76,450	134,111	76,450	134,111
(c) Directors' remuneration:				
Fees for services as directors	1,100	1,260	1,100	1,260
Other emoluments	9,479	12,056	9,479	12,056
	10,579	13,316	10,579	13,316
(d) Key management compensation:				
Short-term employee benefits	24,885	30,115	24,885	30,115
Termination benefits	28,555	9,999	28,555	9,999
Post employment benefits	7,546	6,278	7,546	6,278
	60,986	46,392	60,986	46,392

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

14. TAXES

		GROUP		COMPANY	
		2013 KShs'000	2012 KShs'000 Restated	2013 KShs'000	2012 KShs'000 Restated
(a)	Tax recoverable				
	At beginning of year	119,295	86,236	119,295	86,236
	Charge for the year (note 14(b))	(1,119)	(1,131)	(1,119)	(1,131)
	Under-provision in the previous year	-	32,006	-	32,006
	Paid in the year	1,086	2,184	1,086	2,184
	At end of year	119,262	119,295	119,262	119,295
(b)	Income tax expense/(credit)				
	Current tax based on the adjusted profit for the year at 30%	1,119	1,131	1,119	1,131
	Under-provision in previous year	-	(32,006)	-	(32,006)
	Total current tax charge/(credit)	1,119	(30,875)	1,119	(30,875)
	Deferred tax credit (note 21)	(357,024)	(29,324)	(357,024)	(29,324)
		(355,905)	(60,199)	(355,905)	(60,199)
(c)	Reconciliation of expected tax based on accounting profit/(loss) to the tax charge				
	Accounting profit/(loss) before tax	1,419,478	(1,032,914)	1,387,979	(952,903)
	Tax at the applicable rate of 30%	425,843	(309,874)	416,394	(285,871)
	Tax effect of items not deductible for tax purposes	145,277	348,624	135,827	336,622
	Tax effects on non-taxable income	(778,252)	(129,122)	(759,353)	(141,124)
	Tax loss	(148,773)	62,180	(148,773)	62,180
	Prior year over-provision	-	(32,006)	-	(32,006)
		(355,905)	(60,199)	(355,905)	(60,199)

15. BANK BALANCES AND CASH

	GROUP 2013 KShs'000	GROUP 2012 KShs'000 Restated	COMPANY 2013 KShs'000	COMPANY 2012 KShs'000 Restated
Bank balances	371,581	48,397	264,164	30,842
Cash on hand	1,481	1,289	1,318	867
	373,062	49,686	265,482	31,709

Bank balances do not earn any interest.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

16. SHARE CAPITAL AND RESERVES

	GROUP		COMPANY	
	2013 KShs'000	2012 KShs'000	2013 KShs'000	2012 KShs'000
(a) Share capital				
Authorised:				
126,000,000 shares of KShs 5 each	630,000	630,000	630,000	630,000
Authorised, issued and fully paid:				
90,000,000 shares of KShs 5 each	450,000	450,000	450,000	450,000

(b) 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.

(c) 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.

(d) 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.

17. DIVIDENDS PAID

	GROUP AND COMPANY	
	2013 KShs'000	2012 KShs'000
Declared and paid during the year		
Final dividend for 2011 – KShs 0.5 per share	-	45,000
Proposed for approval at the annual general meeting (not recognized as a liability as at 30 June 2013)		
Final dividend for 2013 – KShs 0.75 per share	67,500	-

(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.

18. 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	
	2013 KShs'000	2012 KShs'000
Balance at the beginning of the year	639,024	517,528
Paid during the year	(52,408)	(14,864)
Provision for the year	91,288	136,360
Balance as at 30 June	677,904	639,024

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

19. LONG - TERM LOANS

(a) JAPANESE LOAN

The Overseas Economic Co-operation Fund of Japan (JICA) loan guaranteed by Kenya Government is denominated in Japanese Yen and is repayable in 41 half yearly instalments by 20 March 2020 with interest at 2.5% per annum. The outstanding balance at 30 June 2013 was JPY 2,922,560,000 (2012–JPY 3,287,880,000).

GROUP AND COMPANY	2013 KShs'000	2012 KShs'000
Balance as at 30 June	2,361,554	3,318,776
Accrued interest	9,405	12,324
	2,370,959	3,331,100

(b) ASSET FINANCE LOAN

The group purchased mobile plant at a cost of KShs 57,378,000 (2012-KShs 283,446,000) 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 10.5%. The loan is secured against the assets financed.

	2013 KShs'000	2012 KShs'000
Balance as at 30 June	311,434	275,751
Total loans	2,682,393	3,606,851
Less: repayable within one year	(324,945)	(423,900)
Repayable after one year	2,357,448	3,182,951

20. 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			
	2013		2012	
	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	67,378	48,534	75,433	48,583
After one year but not more than five years	49,906	43,155	117,284	92,823
Total minimum lease payments	117,284	91,689	192,717	141,406
Less amounts representing finance charges	(25,595)	-	(51,311)	-
Present value of minimum lease payments	91,689	91,689	141,406	141,406

The interest rate applicable to the above leases is variable and was an average 10.5% over the period, 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 2013 was KShs 121,011,000 (2012-KShs 146,858,000). There were no additions during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

21. DEFERRED TAX

GROUP AND COMPANY 2013

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

	1 July 2012 KShs'000	Through profit or loss KShs'000	Other comprehensive income KShs'000	At 30 June 2013 income KShs'000
Deferred tax liabilities				
Property, plant and equipment	1,783,614	(119,865)	264,837	1,928,586
Deferred tax assets				
Tax loss (business)	(632,554)	148,773	-	(483,781)
Provision for staff leave	(22,168)	(1,780)	-	(23,948)
Provision for staff gratuity	(191,887)	(11,484)	-	(203,371)
Provision for bonus	(26,457)	(6,992)	-	(33,449)
Obsolete stock provision	(26,209)	-	-	(26,209)
Staff debts provision	(15,068)	-	-	(15,068)
Bad debts provision	(62,131)	(102,154)	-	(164,285)
Legal fees provision	(10,916)	-	-	(10,916)
Unrealised exchange loss	46,050	(263,522)	-	(217,472)
	(941,340)	(237,159)	-	(1,178,499)
Balance as at 30 June	842,274	(357,024)	264,837	750,087

GROUP AND COMPANY 2012

	1 July 2011 KShs'000	Through profit or loss 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	(22,169)
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

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For the year ended 30 June 2013

22. BANK OVERDRAFT

	GROUP AND COMPANY	
	2013 KShs'000	2012 KShs'000
Kenya Commercial Bank Limited	(853,223)	(447,643)

The group has a composite facility with the Kenya Commercial Bank Limited. The approved limit as at year-end was KShs 1.2 billion and drawings against this facility attract interest at market rates. The facility is secured by a legal charge of Kshs 1,244,000,000 over certain properties owned by the company, Land Reference numbers 337/639, 8649, 9767 and 8786, and a fixed and floating debenture over the company's assets of KShs 1,244,000.000.

23. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2013 KShs'000	2012 KShs'000	2013 KShs'000	2012 KShs'000
Trade payables	1,352,823	991,038	1,352,823	991,038
Other payables and accruals	450,266	260,225	432,886	250,577
Unclaimed dividends	38,288	38,288	38,288	38,288
Advance receipts from customers	103,517	64,926	103,512	64,926
Balance as at 30 June	1,944,894	1,354,477	1,927,509	1,344,829

24. PROVISIONS

	GROUP AND COMPANY	
	2013 KShs'000	2012 KShs'000
a) Movement in provision for bonus		
Balance at the beginning of the year	88,190	77,736
Additions	23,307	10,454
Balance at the end of the year	111,497	88,190
This is provision for the incentive bonus to the employees which is provided depending on the performance of the company every month.		
b) Movement for provision for legal fees and claims		
Balance at the beginning of the year	36,385	36,385
Writeback/additions	-	-
Balance at the end of the year	36,385	36,385
This is a provision for legal fees for cases which are pending in the courts against the company. The amount is the same as the previous years.	147,882	124,575

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 41.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

	GROUP 2013 KShs'000	GROUP 2012 KShs'000	COMPANY 2013 KShs'000	COMPANY 2012 KShs'000
25. REVENUE				
As previously stated	-	8,614,806	-	8,174,113
Prior year adjustment (note 46)	-	(106,686)	-	(106,686)
Total revenue restated	-	8,508,120	-	8,067,427
Bagged cement – local	8,422,636	6,798,092	8,422,207	6,797,909
Bagged cement – export	689,589	1,549,439	436,557	1,108,929
Bulk cement – local	99,237	160,589	99,237	160,589
	9,211,462	8,508,120	8,958,001	8,067,427
26. COST OF SALES				
Raw materials used	1,816,136	2,453,743	1,816,136	2,453,743
Furnace oil	178,188	101,390	178,188	101,390
Coal	1,030,216	1,154,401	1,030,216	1,154,401
Factory staff costs	1,295,166	972,709	1,295,166	972,709
Power	863,912	912,095	863,912	912,095
Factory depreciation	431,733	413,869	431,733	413,869
Maintenance costs	366,522	293,110	366,522	293,110
Raw materials transport	321,917	219,897	321,917	219,897
Transport and import duty	192,844	450,146	-	-
Factory direct supplies	35,646	14,008	35,646	14,008
Fuel and repairs	199,450	165,696	199,450	165,696
Factory insurance	35,866	34,218	35,866	34,218
Exploration expenses	635	690	635	690
Explosives	6,870	4,377	6,870	4,377
Royalties	61,389	36,123	61,389	36,123
Factory water	12,796	13,833	12,796	13,833
Factory land rates and rent	4,892	3,332	4,892	3,332
Consultancy fees	4,125	10,051	4,125	10,051
Other production overheads	4,670	3,377	4,670	3,377
Hired equipment	15,166	133,938	15,166	133,938
	6,878,139	7,391,003	6,685,295	6,940,857
27. OTHER OPERATING INCOME				
Refund of withholding tax by Uganda Revenue Authority	-	43,449	-	43,449
Sale of scrap	613	35,615	613	35,615
Rent and electricity recovery	8,201	8,743	8,201	8,743
Other sundry income	27,574	32,898	27,574	32,898
	36,388	120,705	36,388	120,705

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

	GROUP		COMPANY	
28. SELLING AND DISTRIBUTION EXPENSES	**2013 KShs'000**	**2012 KShs'000**	**2013 KShs'000**	**2012 KShs'000**
Cement transport	275,294	225,078	275,294	224,961
Advertising and sales commissions	82,659	84,094	78,945	81,893
Fuel and repairs	29,816	23,894	29,816	23,894
Depot rent	21,673	17,404	21,673	16,412
Public relations costs	12,809	13,053	12,707	13,053
Provision for bad and doubtful debts	-	95,354	-	93,537
	422,251	458,877	418,435	453,750
29. ADMINISTRATION AND ESTABLISHMENT EXPENSES				
Staff costs	948,307	871,503	935,032	865,681
Depreciation of property, plant and equipment	136,347	127,704	136,347	127,704
Amortisation of intangible assets	40,582	40,580	40,582	40,580
Amortisation of prepaid operating leases	127	57	127	57
Office supplies	8,967	39,185	8,150	38,835
Travelling expenses	57,884	50,347	55,920	46,482
Hired services	50,387	39,185	43,913	29,172
Telephone and postage	10,906	22,505	10,285	22,153
Company functions	6,608	4,498	6,608	4,498
Board expenses	10,579	13,316	10,579	13,316
Printing and stationery	10,527	12,033	10,404	11,999
Motor vehicle expenses	11,297	11,396	11,297	11,396
Computer expenses	74,588	35,264	74,588	35,264
Electricity	11,278	12,409	11,278	12,409
Office general expenses	71,774	52,316	71,389	40,323
	1,450,158	1,332,298	1,426,499	1,299,869
30. OTHER OPERATING EXPENSES				
Professional fees	103,267	114,434	100,331	108,976
Subscriptions	3,407	2,859	3,407	2,859
Donations	1,794	1,581	1,794	1,581
Bank charges	19,803	13,497	19,246	12,676
Miscellaneous expenses	10,435	4,664	7,738	4,664
Auditors' remuneration	7,130	6,200	6,456	5,587
Valued Added Tax expensed	50,060	-	50,060	-
Loss on disposal of property, plant and equipment	-	4,778	-	4,778
Exchange loss on other foreign currency transactions and balances	17,473	92,348	17,473	66,238
	213,359	240,361	206,505	207,359

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

31. FINANCE INCOME

	GROUP		COMPANY	
	2013 KShs'000	2012 KShs'000	2013 KShs'000	2012 KShs'000
Interest income	7,876	11,449	2,762	11,449
Fair value gain on hedge instrument	58,124	96,916	58,124	96,916
	66,000	108,365	60,886	108,365

Interest income was earned on short term and restricted deposits which were held by Kenya Commercial Bank Limited and Housing Finance Company Limited respectively during the year. The weighted average interest rate earned on the short-term deposits was 4.5% (2012-4.25%) while the weighted average interest rate on restricted deposits was 4.5% (2012-2.76%).

32. FINANCE COSTS

	GROUP		COMPANY	
	2013 KShs'000	2012 KShs'000	2013 KShs'000	2012 KShs'000
Interest on overdraft	117,940	102,189	117,940	102,189
Interest charged on loans	87,002	70,252	87,002	70,252
Interest on loan swap liability	78,886	78,628	78,886	78,628
Interest on lease obligation	27,784	34,921	27,784	34,921
	311,612	285,990	311,612	285,990

33. EXCHANGE GAIN/(LOSS) ON FOREIGN CURRENCY LOAN

The exchange gain on the loan arises mainly from the translation of the Japanese Yen denominated loan to Kenya Shillings at the year-end. The gain resulted from the appreciation of the Kenya Shilling by 18% (2012-depreciation of 7.8%) against the Japanese Yen during the year. However, 50% (2012-50%) of the loan was swapped with a USD loan (see note 9).

34. PROFIT/(LOSS) BEFORE TAX

	GROUP		COMPANY	
	2013 KShs'000	2012 KShs'000	2013 KShs'000	2012 KShs'000
The profit / (loss) before tax is arrived at after charging:				
Directors' emoluments:				
Fees	1,100	1,260	1,100	1,260
Other emoluments	9,479	12,056	9,479	12,056
Auditors' remuneration	7,130	6,200	6,456	5,587
Depreciation (note 3)	568,079	541,573	568,079	541,573
Amortisation-software (note 5)	40,582	40,580	40,582	40,580
Prepaid operating lease rentals (note 6)	127	57	127	57
Loss on disposal of property, plant and equipment (note 30)	-	4,778	-	4,778
Staff costs (note 36)	2,243,473	1,844,212	2,230,198	1,838,390
Provision for doubtful debts	(56,988)	95,354	(56,891)	93,537
Interest expenses	311,612	285,990	311,612	285,990
Foreign exchange loss (note 30 and 33)	17,473	153,923	17,473	127,813
And after crediting:				
Foreign exchange gain (note 33)	594,113	-	594,113	-
Fair value gain on investment property	730,046	-	730,046	-
Interest income (note 32)	7,876	11,449	2,762	11,449
Fair value gain on hedge instrument	58,124	96,916	58,124	96,916

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

35. 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		COMPANY	
	2013 KShs'000	2012 KShs'000	2013 KShs'000	2012 KShs'000
Earnings for purposes of basic and diluted earnings per share	1,775,383	(972,715)	1,743,884	(892,704)
Number of ordinary shares (thousands)	90,000	90,000	90,000	90,000
Earnings per share basic and diluted (KShs)	19.73	(10.81)	19.38	(9.92)

There were no potentially dilutive ordinary shares outstanding at 30 June 2013 or 30 June 2012. Therefore, diluted earnings per share are the same as the basic earnings per share.

36. STAFF COSTS

	GROUP		COMPANY	
	2013 KShs'000	2012 KShs'000	2013 KShs'000	2012 KShs'000
Salaries and wages	2,100,155	1,657,146	2,087,527	1,651,324
Provision for staff gratuity	91,288	136,360	91,288	136,360
Pension contributions	48,228	47,057	48,228	47,057
Social security costs (NSSF)	3,802	3,649	3,155	3,649
	2,243,473	1,844,212	2,230,198	1,838,390

37. STATEMENT OF CASH FLOWS

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

	GROUP		COMPANY	
	2013 KShs'000	KShs'000 Restated	2013 KShs'000	KShs'000 Restated
Profit/(loss) before tax	1,419,478	(1,032,914)	1,387,979	(952,903)
Adjustments for:				
Depreciation (note 3)	568,079	541,573	568,079	541,573
Amortisation on prepaid operating leases (note 6)	127	57	127	57
Amortisation of intangible assets (note 5)	40,582	40,580	40,582	40,580
Loss on sale of property, plant and equipment	-	4,778	-	4,778
Fair value gain on investment property (note 7)	(730,046)	-	(730,046)	-
Exchange (gain)/loss on foreign currency loan	(594,113)	59,596	(594,113)	59,596
Exchange loss on hedging instrument	-	1,979	-	1,979
Staff gratuity provision	91,288	136,360	91,288	136,360
Interest expense:				
– long term loan	33,528	53,463	33,528	53,463
– bank overdraft	117,940	102,189	117,940	102,189
- Interest on lease obligations	27,784	34,921	27,784	34,921
- Hedging instrument	78,886	78,628	78,886	78,628
- Asset finance loan	53,474	16,789	53,474	16,789
Interest Income	(7,876)	(11,449)	(2,762)	(11,449)
Fair value gain on hedge instrument	(58,124)	(96,916)	(58,124)	(96,916)
Operating profit before working capital changes	1,041,007	(70,366)	1,014,622	9,645

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

37. STATEMENT OF CASH FLOWS (continued)

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

		GROUP		COMPANY	
		2013 KShs'000	2012 KShs'000 Restated	2013 KShs'000	2012 KShs'000 Restated
	Increase in inventories	(466,236)	(173,633)	(491,707)	(129,329)
	(Increase)/Decrease in trade and other receivables	(356,003)	350,740	(240,275)	476,304
	Increase/ (Decrease) in trade and other payables	613,724	(150,448)	605,987	(160,096)
	Movement in related party balances	(327)	-	(139,443)	(252,931)
	Staff gratuity paid	(52,408)	(14,864)	(52,408)	(14,864)
	Cash generated from operations	779,757	(58,571)	696,776	(71,271)
(b)	Movement in loans				
	Balance at the beginning of the year	3,318,776	3,667,699	3,318,776	3,667,699
	Foreign currency exchange gain	(594,113)	(132,537)	(594,113)	(132,537)
	Repayments during the year	(363,109)	(408,519)	(363,109)	(408,519)
	Balance at 30 June	2,361,554	3,126,643	2,361,554	3,126,643
	Payment of swap loans	(196,236)	(148,845)	(196,236)	(148,845)
	Payment of asset finance loan	(37,023)	(7,695)	(37,023)	(7,695)
	Receipt from swap asset	181,528	147,635	181,528	147,635
	Total loan repayments	(414,840)	(417,424)	(414,840)	(417,424)
(c)	Interest paid on borrowings				
	Balance at the beginning of the year	12,324	19,226	12,324	19,226
	Interest charge	33,528	53,464	33,528	53,464
	Accrued as at 30 June (note 19)	(9,405)	(12,324)	(9,405)	(12,324)
	Interest paid on long-term loan	36,447	60,366	36,447	60,366
	Interest paid on overdraft	117,940	102,189	117,940	102,189
	Interest paid on asset finance loan	42,597	16,789	42,597	16,789
	Interest paid on lease obligations	23,333	34,921	23,333	34,921
	Interest on loan swap liabilities	80,669	69,215	80,669	69,215
	Interest paid on borrowings	300,986	283,480	300,986	283,480
(d)	Movement in lease obligations				
	Balance at the beginning	141,406	191,128	141,406	191,128
	Repayments during the year	(49,717)	(49,722)	(49,717)	(49,722)
	Balance at the close of the year	91,689	141,406	91,689	141,406
(e)	Analysis of cash and cash equivalents				
	Short term deposits (note 10)	29,558	29,435	29,558	29,435
	Bank and cash balances (note 15)	373,062	49,686	265,482	31,709
	Bank overdraft (note 22)	(853,223)	(447,643)	(853,223)	(447,643)
		(450,603)	(368,522)	(558,183)	(386,499)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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38. 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 Stanlib Kenya Limited and ICEA Asset Managers Limited. Contributions to this scheme during the year amounted to KShs 48,228,000 (2012-KShs KShs 47,057,468).

The group also operates an in-house gratuity scheme for unionisable and contract employees. Contributions to this gratuity scheme are governed by a collective bargaining agreement that is reviewed triennially and prevailing human resources policy. 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 KShs 3,802,000 (2012 - KShs 3,649,000).

39. REVENUE ANALYSIS AND SEGMENTAL REPORTING

	2013 KShs'000	2012 KShs'000
The group revenues are derived from sales in the following markets;		
Local market - Kenya	8,521,873	6,958,681
Regional market (East and Central Africa)	689,589	1,549,439
	9,211,462	8,508,120

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 97% (2012-98%) of the total revenue hence there is only one reportable segment.

40. CAPITAL MANAGEMENT

The group manages its capital to ensure that it will be able to continue as a going concern while optimising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the group consists of debt, which includes borrowings (disclosed in notes 9, 19 and 20), 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.

	2013 KShs'000	2012 KShs'000
Share capital	450,000	450,000
Share premium	648,000	648,000
Retained earnings	4,086,892	2,290,181
Equity	5,184,892	3,388,181
Total borrowings	4,669,456	5,967,379
Add: cash and cash equivalents (note 37e)	450,603	368,522
Net debt	5,120,059	6,335,901
Total capital	10,304,951	9,724,082
Gearing ratio	50%	65%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

41. 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 programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance.

Risk management is carried out by the finance/internal audit departments under policies approved by the Board of Directors. The finance/audit departments identify, evaluate and mitigate 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 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.

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 2013

	Neither past due nor impaired KShs'000	Past due but not impaired KShs'000	Impaired KShs'000	Total KShs'000
Trade receivables	78,965	429,567	316,511	825,043
Other receivables and prepayments	374,496	-	50,224	424,720
Amount due from related party	-	6,030	-	6,030
Bank balances and cash	373,062	-	-	373,062
Deposits	91,300	-	-	91,300

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	145,237	165,835	373,499	684,571
Other receivables and prepayments	215,953	-	50,224	266,177
Amount due from related party	-	5,703	-	5,703
Bank balances and cash	49,686	-	-	49,686
Deposits	89,190	-	-	89,190

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41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

COMPANY AS AT 30 JUNE 2013	Neither past due nor impaired KShs'000	Past due but not impaired KShs'000	Impaired KShs'000	Total KShs'000
Trade receivables	78,965	191,045	314,791	584,801
Other receivables and prepayments	371,726	-	50,224	421,950
Amount due from related parties	-	398,077	-	398,077
Bank balances and cash	265,482	-	-	265,482
Deposits	91,300	-	-	91,300
COMPANY AS AT 30 JUNE 2012				
Trade receivables	80,106	109,399	371,682	561,187
Other receivables and prepayments	211,956	-	50,224	262,180
Amount due from related party	-	258,634	-	-
Bank balances and cash	31,709	-	-	31,709
Deposits	89,190	-	-	89,190

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.

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For the year ended 30 June 2013

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

	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
GROUP						
At 30 June 2013						
Financial assets						
Trade receivables	133,012	375,520	316,511	-	-	825,043
Other receivables and prepayments	97,263	-	-	50,224	-	147,487
Amount due from related party	327	-	-	5,703	-	6,030
Bank balances and cash	373,389	-	-	-		373,062
Loan swap asset	-	125,258	541,564	1,219,220	158,024	2,044,066
Deposits	29,558	-	-	-	61,742	91,300
Total financial assets	633,222	500,778	858,075	1,275,147	219,766	3,486,988
Financial liabilities						
Trade and other payables	483,635	565,252	288,323	119,580	-	1,456,790
Borrowings:						
Long term loan	-	229,752	260,923	2,243,024	372,201	3,105,900
Finance leases obligations	-	8,780	28,598	79,906	-	117,284
Loan swap liability	-	164,228	143,602	1,356,977	230,567	1,895,374
Asset finance loan	-	12,680	42,951	255,803	-	311,434
Total financial liabilities	483,635	980,692	764,397	4,055,290	602,768	6,886,782
Net liquidity gap	149,587	(479,914)	93,678	(2,780,143)	(383,002)	(3,399,794)
GROUP						
At 30 June 2012						
Financial assets						
Trade receivables	145,237	165,835	373,499	-	-	684,571
Other receivables and prepayments	71,695	-	50,224	-	-	121,919
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	296,053	282,437	544,777	1,415,865	705,137	3,244,269
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	(156,256)	(323,325)	(197,784)	(1,848,681)	(893,557)	(3,419,603)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

41. 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 2013						
Financial assets						
Trade receivables	97,572	172,438	314,791	-	-	584,801
Other receivables and prepayments	97,263	-	-	50,224		147,487
Amount due from related party	392,374	-	-	5,703	-	398,077
Bank balances and cash	265,482	-	-	-		265,482
Loan swap asset	-	125,258	541,564	1,219,220	158,024	2,044,066
Deposits	29,558	-	-	-	61,742	91,300
Total financial assets	882,249	297,696	856,355	1,275,147	219,766	3,531,213
Financial liabilities						
Trade and other payables	466,140	565,252	292,215	119,580	-	1,443,187
Borrowings:						
Long term loan	-	229,752	260,923	2,243,024	372,201	3,105,900
Finance leases obligations	-	8,780	28,598	79,906	-	117,284
Loan swap liability	-	164,228	143,602	1,356,977	230,567	1,895,374
Asset finance loan	-	12,680	42,951	255,803	-	311,434
Total financial liabilities	466,140	980,692	768,289	4,055,290	602,768	6,873,179
Net liquidity gap	416,109	(682,996)	88,066	(2,780,143)	(383,002)	(3,341,966)
COMPANY						
At 30 June 2012						
Financial assets						
Trade receivables	80,106	109,399	371,682	-	-	561,187
Other receivables and prepayments	71,695	-	50,224	-	-	121,919
Amount due from related party	252,931	-	-	5,703	-	258,634
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	465,876	226,001	542,960	1,415,865	705,137	3,355,839
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	1,545,990
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	16,706	(379,761)	(199,601)	(1,848,681)	(893,557)	(3,304,894)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

41. 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:

2013	UShs KShs'000	US$ KShs'000	JPY KShs'000	DKK KShs'000	EURO KShs'000
Assets					
Bank and cash balances	103,115	23,636	-	-	-
Loan swap asset	-	-	2,044,066	-	-
Trade receivables and other receivables	445,274	93,183	-	-	-
	548,389	116,819	2,044,066	-	-
Liabilities					
Borrowings	-	-	2,370,959	-	-
Loan swap liability	-	1,895,374	-	-	-
Trade and other payables	-	-	26,966	3,414	1,649
	-	1,895,374	2,397,925	3,414	1,649
Assets					
2012					
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

41. 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

	2013 KShs'000		2012 KShs'000	
	Effect on profit	Effect on equity	Effect on profit	Effect on equity
Currency – Ugandan shillings				
+ 5% KShs movement	26,114	18,280	7,055	4,939
5% KShs movement	(26,114)	(18,280)	(7,055)	(4,939)
Currency - US dollars				
+ 5% KShs movement	88,928	63,385	112,250	78,575
5% KShs movement	(88,928)	(63,385)	(112,250)	(78,575)
Currency – JPY				
+ 5% KShs movement	(19,359)	(13,551)	29,954	20,968
5% KShs movement	19,359	13,551	(29,954)	(20,968)

(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

	2013 KShs'000		2012 KShs'000	
	Effect on profit	Effect on equity	Effect on profit	Effect on equity
Cement price				
+ 1% movement	114,865	80,406	86,107	60,275
1% movement	(114,865)	(80,406)	(86,107)	(60,275)

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

41. 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	3-12 Months KShs'000	15 Years KShs'000	Over 5 years KShs'000	Total KShs'000
At 30 June 2013						
Assets						
Deposits	-	29,558	-	-	61,742	91,300
At 30 June 2012						
Assets						
Deposits	-	29,528	-	-	59,819	89,347

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.

	2013 KShs 000		2012 KShs' 000	
	Effect on Profit	Effect on Equity	Effect on Profit	Effect on Profit
+5% Movement	236	165	145	100
-5 % Movement	(236)	(165)	(145)	(100)

Fair values of financial instruments

The group had financial instruments whose subsequent measurement is at fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Listed below are required disclosures of fair value measurement, 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.

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

For the year ended 30 June 2013

41. 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 As at 30 June 2013	Level 1 KShs '000	Level 2 KShs '000	Level 3 KShs '000	Total fair value KShs '000
Financial assets designated at fair value through profit and loss				
Loan swap asset	-	2,044,066	-	2,044,066
Total financial assets	-	2,044,066	-	2,044,066
Financial liabilities designated at fair value through profit and loss				
Long term loans	-	2,682,393	-	2,682,393
Loan swap liabilities	-	1,895,374	-	1,895,374
Total financial liabilities	-	4,577,767	-	4,577,767
GROUP AND COMPANY As at 30 June 2012				
Financial assets designated at fair value through profit and loss				
Loan swap asset	-	2,293,200	-	2,293,200
Total financial assets	-	2,293,200	-	2,293,200
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

42. CONTINGENT LIABILITIES

	GROUP AND COMPANY 2013 KShs'000	 2012 KShs'000
Pending law suits	226,702	198,781
Guarantee of staff mortgages	57,349	57,349
	284,051	256,130

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

The group has placed deposits with Housing Finance Company Limited as collateral for staff mortgages (see note 10). The liability would only crystallise if a staff member defaults on their mortgage payments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

42. CONTINGENT LIABILITIES (continued)

Tax Assessment

The Kenya Revenue Authority (KRA) carried out an audit of the company covering corporate tax, employee taxes, withholding tax and VAT for the period from 2005 to 2008 and raised an assessment on the company of KShs 2.5 billion on the tax heads mentioned above. Out of this assessment, KShs 1.7 billion has been resolved with the tax authorities. The company has paid KShs 122 million and appealed against a further KShs 473 million through the Local Committee, which subsequently ruled in favour of the company. KRA however filed a notice to appeal in the High Court against the Local Committee ruling. The substantive appeal to the High Court has however not been filed by KRA. Consequently, no provision has been made for any tax liability that may arise from this assessment in these Consolidated Financial Statements.

43. CAPITAL COMMITMENTS

	2013 KShs'000	2012 KShs'000
Authorised by the directors but not contracted for	1,625,805	1,003,000
Authorised by the directors and contracted for	414,566	520,871

44. 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.

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

	2013 KShs'000	2012 KShs'000
Within 1 year	16,292	19,024
Later than 1 year but not later than 2 years	9,015	11,624

45. COUNTRY OF INCORPORATION

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

46. COMPARATIVES

The company lost cement worth KShs 124 million and KShs 57 million during the years ended 30 June 2012 and 30 June 2013, respectively, through fraud, which was discovered in 2013.

Therefore, the bank overdraft as at 30 June 2012 was understated by KShs 124 million. On the other hand, sales and VAT payable for the year ended 30 June 2012 were overstated by KShs 107 million and KShs 17 million, respectively. The financial statements for the year ended 30 June 2012 have been restated to correct these misstatements. Inventory was correctly stated as at 30 June 2012 and no adjustment needs to be made to the inventory balance.

In addition, during the migration of data from the old accounting system on 31 December 2010, some balances were erroneously uploaded as trade receivables in the general ledger in the new system. This resulted to overstatement in trade receivables and retained earnings in the financial statements for the year ended 30 June 2011 by KShs 86 million and 30 June 2012 by KShs 76 million. The financial statements for the respective years have been restated to correct the misstatements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

46. COMPARATIVES (continued)

The effects of the restatements are summarised below.

The effect on the statement of comprehensive income

	2012 KShs 000	2011 KShs 000
Decrease in revenue	106,686	-
Increase in selling and distribution expenses	76,732	-
Increase in corporate tax credit	(32,006)	-
Decrease in total comprehensive income	151,412	-

The impact on the company's earnings per share for 2012 was a decrease of KShs 0.83

	2012 KShs 000	2011 KShs 000
Effect on the statement of financial position:		
Increase in bank overdraft	(123,756)	-
Increase in trade and other receivables	17,070	-
Increase in corporate tax recoverable	32,006	-
Decrease in trade and other receivables	(76,732)	(86,738)
Decrease in retained earnings	151,412	86,738
	-	-

47. CURRENCY

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

48. 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 30.6.2013

Name	No. of Shares	Percentage
BOARD OF TRUSTEES NATIONAL SOCIAL SECURITY FUND	24,300,000	27.0%
THE PERMANENT SECRETARY TO THE TREASURY	22,799,505	25.33%
CEMENTIA HOLDINGS AG	13,180,442	14.64%
ASSOCIATED INTERNATIONAL CEMENT LTD	13,144,442	14.60%
NAIROBI NOMINEES LTD A/C BCL	11,265,068	12.52%
KESTREL CAPITAL NOMINEES LTD A/C 006	725,627	0.81%
KESTREL CAPITAL NOMINEES LTD A/C 007	496,380	0.55%
KENYA COMMERCIAL BANK NOMINEES LIMITED A/C	450,000	0.50%
KENYA REINSURANCE CORPORATION LIMITED	365,988	0.41%
NAIROBI NOMINEES LTD A/C	218,500	0.24%
	86,945,952	**96.61%**

SHARE DISTRIBUTION SCHEDULE AS AT 30.6.2013

Category	No. of Shareholders	No. of Shares held	Percentage
1"1,000	803	280,646	0.31%
1,001"5,000	249	592,637	0.66%
5,001"10,000	52	384,654	0.43%
10,001"50,000	35	716,015	0.80%
50,001"100,000	5	335,596	0.37%
Over2100,000	15	87,690,452	97.43%
	1,159	**90,000,000**	**100%**

TO ALL SHAREHOLDERS

THE EAST AFRICAN PORTLAND CEMENT COMPANY LIMITED

NOTICE is hereby given that the 81st Annual General Meeting of the Company will be held at the Company's Club House, Athi River on Tuesday, 17 December 2013 at 12 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 80th Annual General Meeting held on 14 December 2012.
3. To receive the Chairman's Report.
4. To receive, consider and adopt the Financial Statements for the year ended 30 June 2013 together with the reports of the Directors and Auditors thereon.
5. To declare a first and final dividend of Kshs 0.75 per share (2012-Nil) in respect of the financial year ended 30 June 2013 payable on or around 20 January 2014 to the shareholders on the register of members as at the close of business on 17 December 2013.
6. To re-elect Mr Hamish Keith and NSSF, the directors retiring at this meeting in accordance with Article 98 of the Company's Articles of Association, and, being eligible, offer themselves for re- election.
7. To approve the remuneration of the Directors as shown in the Financial Statements for the year ended 30 June 2013.
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

25 October 2013

NOTE:- 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.

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 Tuesday, 17 December 2013 at 12 noon and at any adjournment thereof.

As witness my/our hand this……………………………day of…………………………….2013

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.


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East African Portland Cement Co. Ltd

Holding Life Together

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