

Annual Report and Financial Statements 2008/2009



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

Committment

We ensure peak performance, enthusiasm and excitement for work.

Safety

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

OUR COMMITMENT TO STAKEHOLDERS

Customers

Passionate about our customers' success delighting them with the quality of our service

Our People

Helping our People to grow, enabling individuals to make a difference and teams to win

Communities

Trusted and caring, dedicated to making a difference

Shareholders

A distinctive investment delivering outstanding performance and superior returns

Regulators

Governance and ethics and compliance

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FIVE-YEAR FINANCIAL REVIEW

	2009 Shs'000	2008 Shs'000	2007 Shs'000	2006 Shs'000	2005 Shs'000
Turnover	8,101,377	7,204,479	6,402,736	6,180,715	5,363,196
Operating profit	2,741,053	1,120,355	757,337	586,294	915,698
Foreign currency exchange Gain/(loss)	(921,185)	(414,451)	307,311	308,242	199,549
Profit before tax	1,881,678	715,889	1,112,625	924,364	1,086,280
Taxation Charge	(47,624)	(179,237)	(348,461)	(512,571)	(478,408)
Profit Attributable to Members	1,834,054	536,652	764,164	411,793	607,872
Dividends	117,000	-	234,000	234,000	225,000
Capital Employed					
Assets					
Noncurrent	8,922,932	6,411,608	5,768,197	5,570,488	4,768,043
Current	3,131,045	2,661,737	3,170,375	3,481,719	2,949,837
Total assets	12,053,977	9,073,345	8,938,572	9,052,207	7,717,880
Equity & Liabilities					
Shareholders funds	6,114,862	4,026,749	3,607,097	3,076,933	2,252,835
Noncurrent liabilities	4,426,723	3,870,221	3,896,220	4,577,333	4,570,362
Current liabilities	1,512,392	1,176,375	1,435,255	1,397,941	894,683
Total Equity & Liabilities	12,053,977	9,073,345	8,938,572	9,052,207	7,717,880
Ratio Analysis					
Profitability and Efficiency Ratios					
Gross profit margin	31%	33%	27%	28%	31%
Operating profit margin	34%	16%	12%	9%	17%
Net profit margin	23%	7%	12%	7%	11%
Return on assets	15%	6%	9%	5%	8%
Return on equity	30%	13%	21%	13%	27%
Liquidity Ratios /Working capital					
Current ratio	2.1	2.3	2.2	2.5	3.3
Quick ratio	1.6	1.4	1.8	2.1	2.7
Earnings per Share	20.38	5.96	8.49	4.58	6.75
Dividends per share (Kshs)					
Interim Paid	-	-	1.30	1.30	-
Final & proposed	1.30	-	1.30	1.30	2.50
Total	1.30	-	2.60	2.60	2.50

CHAIRMAN'S STATEMENT



Mark K ole Karbolo
CHAIRMAN

Dear Shareholder

It is my great pleasure to welcome you to the 77th Annual General Meeting of the East African Portland Cement Company Limited.

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

It was a momentous period that saw the Company improve its performance while continuing to invest in our staff, technology as well as contributing to the numerous activities in the communities we operate in.

Cement Sector Review

As government gears towards achieving Vision 2030, the country will see further growth in cement demand. The planned public sector infrastructure spend, which includes long-term investments in electricity generation and distribution capacity, airports, ports and rail infrastructures, water schemes, roads and telecommunications projects bodes well for the construction industry over the next three to five years.

The excess cement demand in the East African region has triggered capacity expansion projects and entry of new players. As a result of improved governance, international organizations are also funding many new projects. However new entrants are setting up grinding capacity rather than clinker capacity. Regional demand from neighbouring countries, e.g. Sudan, DRC and Uganda, is expected to continue. Hence new capacity installation in Kenya will result in pricing pressures while higher exports to other regional markets are expected to provide a safety margin to mitigate this.

The Kenyan market profile is expected to realign following entry of other companies with investments in capacity and cost efficiency, making it more competitive. Our Company is currently the second largest producer of cement in the Kenyan market and with the expansion programme now under way, we will maintain this position in the coming years.

However, we face greater challenges in an adverse trading environment of maintaining competitiveness in the face of increasing costs of production. To this end, EAPCC will focus on technology, value adding business models, alternative fuels and research to boost competitiveness.

Commitment to Growth and Transformation

EAPCC remains committed to creating value for its shareholders and employees, at the same time creating more employment opportunities, caring for the environment and supporting community upliftment projects as a priority.

Growth Through Expansion

The Company commissioned a new state of the art closed circuit mill in June this year. The increased grinding annual capacity of 1.3 million metric tons of cement has enabled EAPCC to double its current production capacity and meet both local and export demand as it capitalizes on the boom in the construction industry. We believe the expanded capacity will help the Company address the problem of cement shortage while strongly positioning us in the increasingly competitive regional market.

Growth Prospects

The past year has seen strong growth in the construction sector with cement volumes growing ahead of expectations. Going forward, we are relentlessly and continually searching for better ways to improve in order to grow more efficiently and profitably. Our growth strategy will involve growing existing markets, expanding and deepening cement share of the construction industry and taking advantage of opportunities across the value chain.

Financial Performance 2008/09

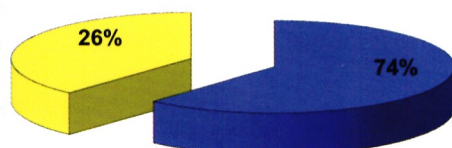
The year under review saw operating profit increase by 18% over the previous period. Internally, we focused our energies on minimizing our production costs, maximizing our operation efficiency, streamlining our procurement processes and initiating a wide range of cost saving measures. These coupled with a stringent financial discipline saw us register impressive results during the year with a profit before foreign currency exchange and taxation of the Kshs. 2.8b compared to Kshs. 1.13b the previous year. This was well within our performance target signed with the Government and in excess of the Company's financial estimates. Please therefore join me in congratulating the management for this achievement.

Our effort and desire is to invest in all areas of our business, our people, our plant and our product. Therefore, in this period substantial investments were undertaken and others initiated toward building a sustainable basis for future operations for the Company. I am confident that we will continue to translate these efforts into sustainable value for you. Revaluation of Company assets was carried out during the year and certain leasehold properties were reclassified as Investment Properties, commissioned cement Mill 5 was commissioned and work on the coal grinding plant installation is ongoing thereby increasing assets by Kshs. 2.5b (39%) compared with prior year.

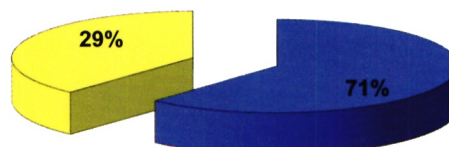
FINANCIAL HIGHLIGHTS

DISTRIBUTION OF ASSETS

2009

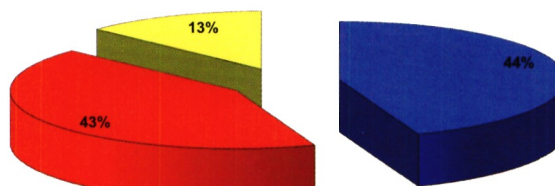
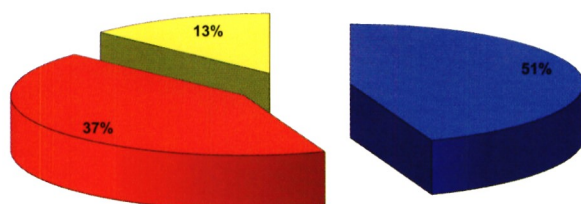


2008



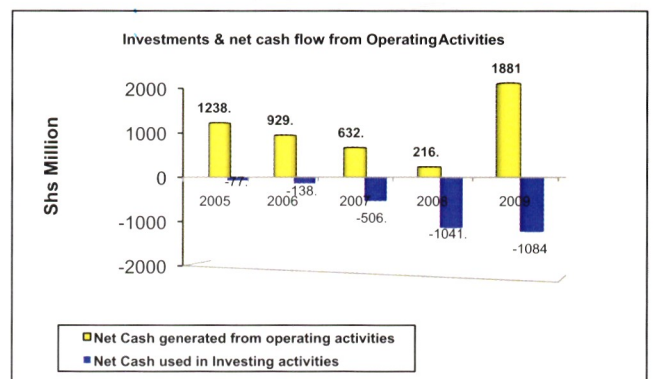
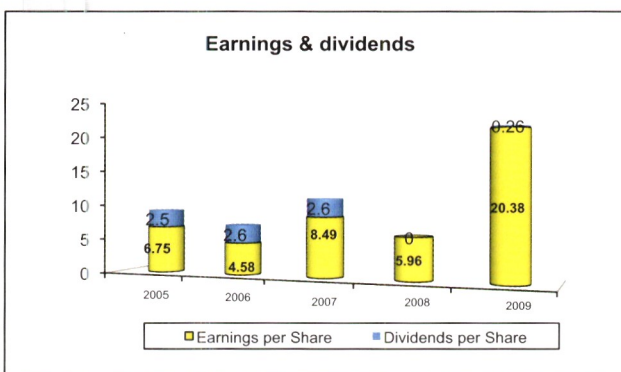
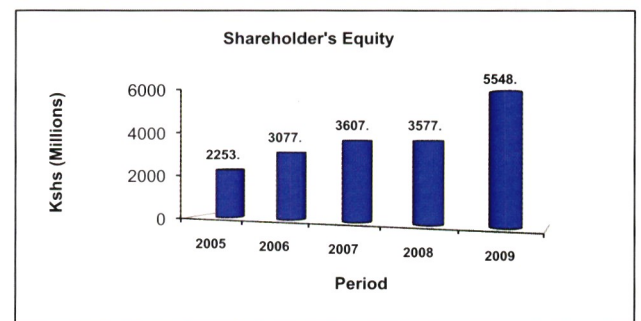
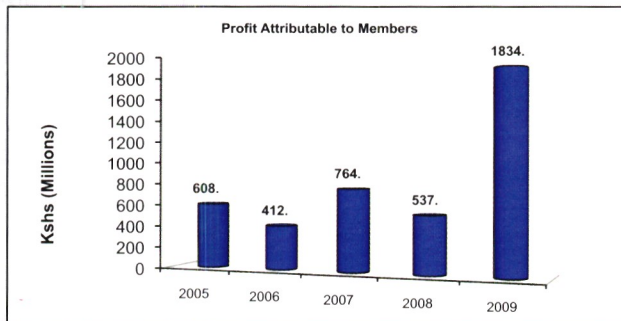
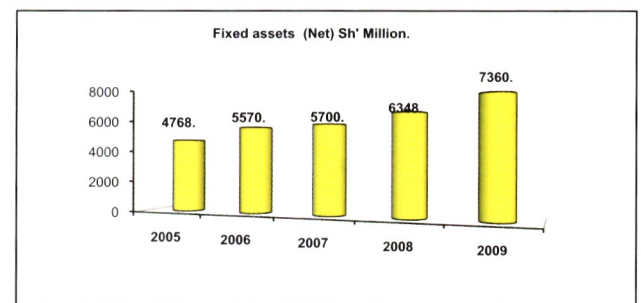
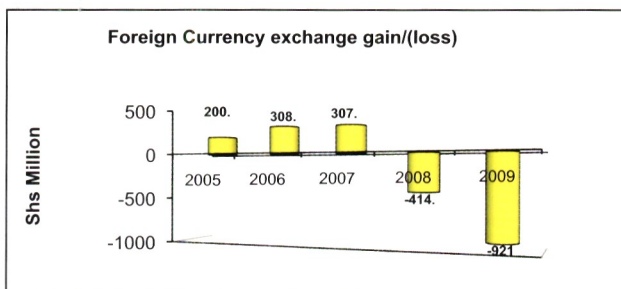
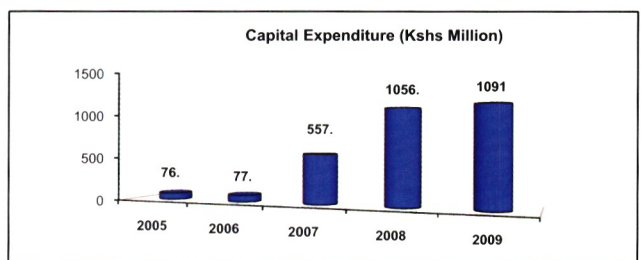
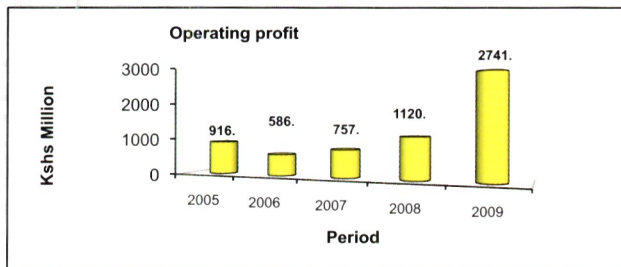
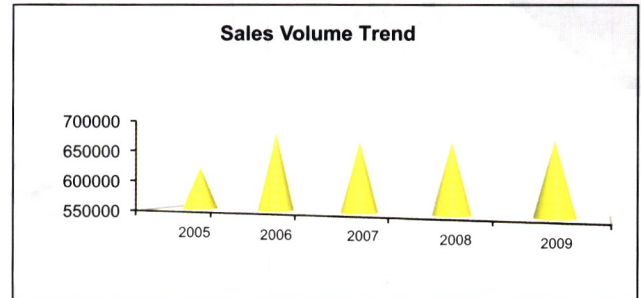
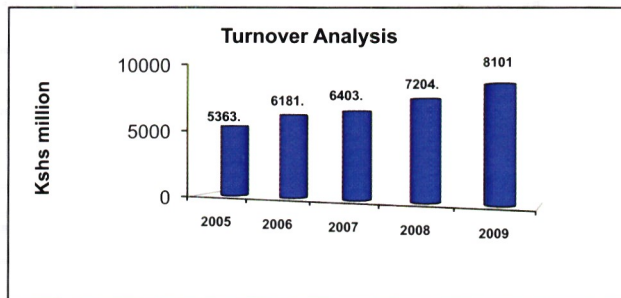
	2009 Kshs m	2008 Kshs m
Non-current Assets	8,923	6,411
Current Assets	3,131	2,662
	12,054	9,073

DISTRIBUTION OF EQUITY AND LIABILITIES



	2009 Kshs m	2008 Kshs m
Shareholders funds	6,115	4,027
Non-current liabilities	4,427	3,870
Current liabilities	1,512	1,176
	12,054	9,073

FINANCIAL HIGHLIGHTS



FINANCIAL HIGHLIGHTS FOR THE YEAR ENDED JUNE 2009

	2009 Sh'000	2008 Sh'000
Revenue	8,101,377	7,204,479
Profit before tax	1,881,678	715,889
Profit attributable to to the shareholders of the East African Portland Cement Company Limited	1,834,054	536,652
Dividends	117,000	-
Share Capital and Shareholders' funds		
Ordinary Share Capital	450,000	450,000
Shareholders' fund	5,547,862	3,576,749
Earnings and Dividend per share		
Earnings per share	20.38	5.96
Dividend Per Share		
Interim Paid	-	-
Final & proposed	1.30	-
Total	1.30	0.00



Dividends

Our overall cash position at the end of June 2009 increased to KSh1.5b from KSh988.6m in prior year mainly due to better performance in operations and effective working capital management. Despite the contracted and planned heavy capital commitments to enable the company retain its market share and competitive edge, the Board is pleased to recommend a first and final dividend of KSh1.30 per share.

Taxation

As a good corporate citizen, EAPCC is committed to paying taxes promptly as required by law. During the year under review, the Company paid in excess of KSh1.4 billion in both direct and indirect taxes to the exchequer.

Safety Health and Environment

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

EAPCC has been in the forefront of improving its environment efforts and compliance with conservation policy and legislation. We will not relax our conservation efforts and will continue to seek increased collaboration with NEMA to strengthen our participation in conserving the environment. During the year the Company signed an agreement for Carbon Credits. The Accident and Ill-Health Prevention Strategy (OHSAS 18001) is ongoing towards certification in April 2010.

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

HIV/Aids

Like the larger society, we have not been insulated against HIV/Aids. The Voluntary Counselling and Testing (VCT) Centre is fully operational and are committed to undertake programmes and activities that shall create awareness amongst staff and community, to embrace positive behaviour change so as to reduce the negative impact of the HIV pandemic on our society.

Corporate Social Responsibility

EAPCC recognizes the fact that good corporate citizenship is not only putting in place sound business strategies, making impressive profits, paying good salaries and making tax returns. It is about creating partnership with the community and ensuring both parties benefit from the co-operation.

We therefore have put in place a comprehensive Corporate Social Responsibility programme, through which we share our gains with communities that make operations possible by being good neighbours and customers. By devoting more resources annually to CSR, we powerfully demonstrate our commitment to building a strong partnership with local communities.

Our social agenda is evident in our involvement in projects, such as education, sports, water, famine relief and environmental conservation.

Corporate Governance

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

Future Outlook

With the sustained economic growth and a vibrant building and construction sector, cement demand is going to be maintained at higher levels and the Company expects a strong performance in the coming year.

However, volatile foreign currency fluctuations, the prospect of power rationing and fuel costs pose the biggest threat to margins. The company will continue to implement various cost optimization initiatives.

Energy

Besides the additional cement milling capacity from the new Cement Mill 5, installation of a coal milling facility (a coal grinding and dosing facility) is ongoing to meet the energy needs of an expanded capacity. The plan is to cut back on oil use and electricity as our main sources of energy. Currently, the energy bill constitutes about 45% of our total production costs. By switching to coal we expect to reduce the energy cost by at least 30%, which will enable the Company to achieve more sustained profitable path.

Yen-denominated loan

This poses perpetual foreign exchange risks to the Company if the exchange rate shifts unfavourably. The Board has decided to hedge this loan in the coming year.

The Board

The Board remained largely unchanged, with the exception of Mr. Sankale ole Kantai and Mrs. Rachel Lumbasyo who retired from the Board. I extend our appreciation and thanks for their contribution and at the same time welcome on the Board their replacements, Mr. David Koros and Mr. A. Kazongo respectively.

Appreciation

I wish to most sincerely thank the Board of Directors for their vision, dedication to the Company and unity of purpose.

I also congratulate the entire management and staff of East African Portland Cement Company Ltd for their commitment and hard work that has successfully positioned us for the challenges and opportunities that lie ahead.

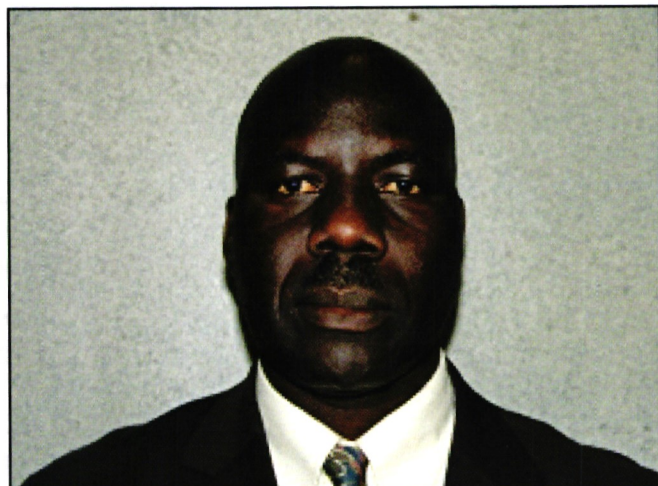
Lastly, I would like to extend my gratitude to all our business partners and customers for their loyalty and unwavering support.

Mark K ole Karbolo

Chairman

September 29, 2009

MANAGING DIRECTOR'S BUSINESS REVIEW



Eng. John Nyambok
MANAGING DIRECTOR

FINANCIAL PERFORMANCE 2008/09

Results

As a result of improved pricing, the Company's revenue increased by 12% compared to a similar period last year. However, due to the economic challenges, the volumes increased marginally by 3% compared to the previous period. During the year certain leasehold properties were reclassified as investment properties thereby increasing income by KSh 1.49 billion.

Despite the increased cost of sales by 15% and the increased fuel and electricity costs, the Company's operating profit increased by 18%. The depreciation of the Kenya Shilling against the Japanese Yen during the year resulted in an unrealized foreign exchange loss of KSh837m compared to an unrealized exchange loss of KSh347m of the same period last year. Earnings per share increased by KSh14.42 compared to prior year's EPS.

Balance Sheet

Fixed assets increased by KSh2.5 billion due to the expansion of the cement plant, the coal grinding plant and the additional value from the revaluation of assets during the year which amounted to KSh1.4 billion. The Cement Mill was operational while the coal plant installation was in progress.

Cash Flow

Due to better performance in operations in the year and effective working capital management, the cash position at the end of the financial year under review improved substantially by 53% compared to the previous year.

Cement Sector

In Kenya, cement demand is currently at 3.2 million tonnes per annum largely driven by commercial and residential property construction, Government of Kenya projects, road construction and rehabilitation. Regional demand (Eastern Africa) is expected to grow at 18.3%. The Company has positioned itself to fast track the key investments to meet commercial, internal capacity and efficiency challenges.

Corporate Strategies

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

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

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

Our core value system

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

Quality Management Processes

To enhance our competitiveness and ease of accessibility to markets we embarked on ISO certification process (ISO 9001:2008 series) and were certified in June 2009.

Research and development on alternative fuels and additional products which will yield results in the near future has been enhanced.

New Integrated System

During the period, the Company embarked on a new integrated business system (ERP). This system is intended to enhance internal efficiencies in Technical, Commercial and Key service departments of the Company.

Improved management information (Business Intelligence Systems)

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

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

Risk Management

The Company's operations and earnings are subject to various risks relating to the changing competitive, economic, political, legal, social, industry, business and financial conditions. These expose the Company to a variety of financial risks, including credit risk and the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance as follows:

Risk management is carried out by the finance department under policies approved by the Board of Directors. Finance

identifies, evaluates and hedges financial risks. The Board provides written principles for overall risk management, as well as written policies covering specific areas such as foreign exchange risk, interest rate risk, and credit risk, use of non-derivative financial instruments and investing excess liquidity.

We also take a riskbased approach to internal control. The management team is responsible for implementing, operating and monitoring the system of internal control, which is designed to provide reasonable assurance of achieving business objectives. Related requirements are set out in the Corporate Risk Management Manual, which describes the methodology to be followed to manage risks to objectives. Our control framework is supported by a set of risk-based standards; these establish rules and instructions on enterprise-wide risks that require common treatment.

We have a variety of processes for obtaining assurance on the adequacy of risks management and internal control, including:

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

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

Future Outlook

The prolonged drought in Kenya, the increasing fuel prices and the continued decline in the value of the Kenya Shilling against the Japanese Yen pose the greatest challenges to the Company in the next financial year. However, the additional cement milling capacity and the ongoing coal conversion plant to replace furnace oil will boost production and efficiency. These projects together with the completion of ISO certification and the Integrated Business System (ERP) are expected to have a positive impact on the Company's earnings. A new Kiln feasibility study has been commissioned to address the Company's long-term requirements for clinker.

Corporate Social Investment

In line with our corporate philosophy of *holding life together*, EAPCC has continued to touch the lives and hearts of many in our immediate community. We continue to enhance the quality of life for the local communities thereby lifting their standards of living. Through various implemented projects we believe in empowering the youth and where, we make monetary donations, our desire is to make the projects self-sustaining.

Our priorities in 2009/10

- Improve productivity and increase capacity utilization.
- Invest in technology, research and processes in order to support business growth.
- Maintain good control over costs and aggressive risk management.
- Develop our talent and leadership capability.
- Achieve 100% Key Objectives as derived from the Strategic Plan.
- Employ Service delivery innovations to improve customer service turnaround.

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

Thank you

Eng. John Nyambok
Managing Director

September 29, 2009

CORPORATE SOCIAL RESPONSIBILITY (CSR) REPORT

The East African Portland Cement Company defines CSR as conducting business in ways that produce social, environmental and economic benefits for the communities in which we operate and for the company's stakeholders, including shareholders.

EAPCC works hard to better the quality of life and welfare of our neighbouring communities. Consistent to our Open Doors policy, we regularly hold meetings with community leaders, government officials, and employee groups to gather information about important local needs and develop initiatives to build stronger, healthier relationships with our communities.

Continuing on our long history of corporate social awareness, equitable donations and charitable work the Company's aim is to contribute to a sustainable future to all regions in the country through the following:-

Environment

EAPCC is continually committed to protecting the environment. In the last financial year, through several Company implemented projects, EAPCC staff members and the local community have taken a giant leap in all matters environment. The continual planting of trees in order to ensure the restoration of forest cover has been a key activity. The signing of the Carbon Credit Trading agreement with JP Morgan Climate Care will see EAPCC reduce carbon dioxide emissions by over 105,000 tons per year, this reduction will in turn see the Company realize in excess of Kshs. 80,000,000 per year from carbon sales.



Staff Health and Safety

EAPCC has increased its commitment towards the general health and wellbeing of its employees. During the financial year various healthcare initiatives were undertaken by the organization towards the realization of better healthcare. Aggressive healthcare campaigns such as the Anti cholera drive and the recent Influenza immunizations that were conducted not only for staff members but for their families as well are clear indications of this commitment.



At EAPCC we continue to improve on our Operational safety. During the completed financial year the Company saw a significant reduction in the number of workplace accidents. This was a result of a carefully organized and aggressive employee education strategy that sensitized staff on the benefits of safety.

Ready to Go – Reverse Parking position. This position ensures that in the unlikely event of the need for evacuation. Drivers do not reverse into the driveway. In this position they can carefully observe traffic of both vehicles and pedestrians.



Education

At EAPCC, we feel strongly that education is the key to a brighter future and improving the quality of life for everyone. That's why education, specifically children's literacy and especially that of the girl child, is a top priority and the main focus of EAPCC's community affairs programmes in the country.

In the just completed financial year, EAPCC in recognition of the plight that had affected the residents of the greater Kajiado Central Area. The area whose main residents are pastoralists was hard hit by the drought which led to the loss of countless livestock, eradicating the communities earning

power. This effect had already trickled into the education sector as the parents could not afford to pay fees for their children.

It is in consideration of the people's plight and especially the appeal of the children that the Company intervened and donated a one off bursary of KSh2,250,000 to needy students in the greater Kajiado Central Area.



The Company also run the construction of 3 strategic CSR projects in the Kabini Hill area i.e. Kabini Primary School dining hall/kitchen, Elerai Primary classroom I and Elerai MCK Girls Secondary School. The three academic projects were aimed at bettering the academic life and standards in the Kabini Hill area where EAPCC conducts a majority of its extraction work.

Water

Water is a fundamental part of our lives. Our survival is dependent on the availability of clean water. EAPCC understands this and has over the years invested over Kshs 7 million in the drilling and repairing of boreholes especially in the Sultan Hamud (Nkama Location). This has ensured that the people in the area have access to clean drinking water. The areas main community who mostly depend on livestock have been provided with a lifeline for both them and their livestock which is their major source of income.



Relief Aid

The Company has a firm policy in regard to calamities and emergency response when the country is struck by disaster. In February 2009 after the double fire tragedy that saw Kenyans lose their lives in the Sachang'wan and Nakumatt Downtown fires, the Company in solidarity with the survivors of the tragedy donated Kshs. 1,000,000. Much recently in September when over 440 houses were burnt down in the Faza fire tragedy leaving over 2500 people displaced, EAPCC in a show of responsibility donated Kshs. 200,000 towards the Faza Fire Fundraiser which was driven by His Excellency the President of the Republic of Kenya, Hon. Mwai Kibaki, CGH, MP.



Sports

Every year the Company sponsors a myriad of sporting events. Our continued partnership with such organizations as the KMSF (Kenya Motor Sports Foundation) for Ksh.5 million as co-sponsors, Media Masters 4x4 Challenge, National Volleyball Federation, etc., ensures that sports in the country develops appropriately. Internally we host various interdepartmental games where winners in the separate disciplines earn the prestigious and much-sought-after MD's Award.



OUR CSR POLICY PILLARS

- Business Ethics
- Community Development and Economic Advancement
- Corporate Governance and accountability
- The Environment
- Human Rights and Workplace Issues – employee satisfaction,
- Workplace issues – employee benefits, diversity and HIV/AIDS in the workplace.



MILESTONES OVER THE LAST 76 YEARS OF QUALITY CEMENT MANUFACTURE

- 1933:** East African Portland Cement registered; the first company in the region to manufacture and trade solely in cement. At the time EAPCC produced 60,000 tonnes per year through Mill No. 2
- 1934:** Deliveries of cement begin
- 1956:** Construction of cement plant starts in Athi River
- 1957:** Athi River factory complete
- 1958:** EAPCC doubled its production capacity after the completion of the Athi River factory and incorporation of Mills No. 1 and 3. This doubled production to 120,000 a year
- 1974:** EAPCC commissioned the new rotary kiln (wet) which added to the production capacity and brought it to a total of 300,000 tonnes a year
- 1979:** The Company undertook minor upgrades on Mill No. 3 and put up Raw Mill No. 4, which boosted production capacity to 340,000 tons a year
- 1996:** A new kiln was commissioned which came complete with a new raw mill (Vertical Roller-Atox). A bigger limestone crusher and an ultra-modern raw material pre-blending system which brought production to 600,000 tonnes per year
- 1997:** Company changes the process from wet process to dry process
- 2007:** Ground-breaking for new cement mill to boost production capacity from 600,000 metric tonnes to about 1.3 million metric tonnes
- 2008:** EAPCC commissions the new cement mill (Cement Mill No.5), which actively doubles cement production capacity to about 1.3 million metric tonnes per annum
- EAPCC signs the Emission Reduction Purchase Agreement (ERPA) agreement with JP Morgan Climate Care for the sale of Carbon Credits
- 2009** EAPCC receives prestigious ISO 9001:2008 certification for its integration of Quality Management Systems



Experience 3 in 1 **BONDING**

...of Blue Triangle Cement

You know you value the strong bonding power of cement

For over 75 years we have selected and blended raw materials and followed stringent quality control procedures in manufacturing Blue Triangle Cement.

We have perfected our cement with a 3 in 1 action that is uncompromising in durability, strength and bright plastering finish, making Blue Triangle the ultimate cement for all your construction needs.



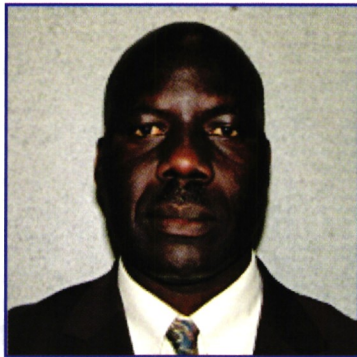
quality product from East African Portland Cement Company

strong.durable.bright

BOARD OF DIRECTORS



Mark K ole Karbolo
CHAIRMAN



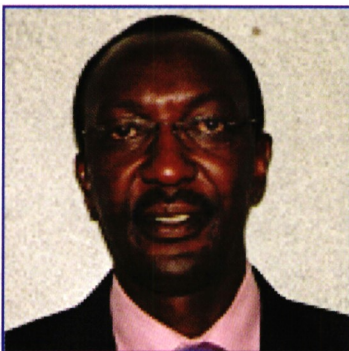
Eng. John Nyambok
MANAGING DIRECTOR



Prof. John K. Lonyangapuo
DIRECTOR



J.K Kinyua
DIRECTOR



Titus T Naikuni
DIRECTOR



Alex Kazongo
DIRECTOR



David K Koros
DIRECTOR

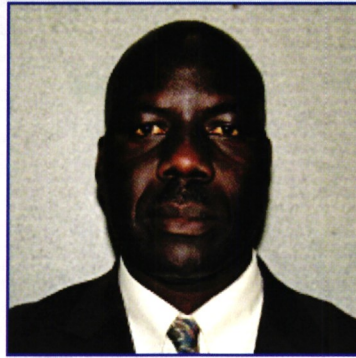


KHW Keith
DIRECTOR



JLG Maonga
COMPANY SECRETARY

MANAGEMENT TEAM



Eng. John Nyambok
MANAGING DIRECTOR



Kephah Tande
**HEAD OF FINANCIAL
MANAGEMENT**



Kananga M'nchebere
HEAD OF OPERATIONS



Alex Mutisya
**HEAD OF MARKETING
AND SALES**



Stephen Nthei
INTERNAL AUDIT MANAGER



Stephen Kamau
**HUMAN RESOURCES
MANAGER**



Peter Korir
**HEAD OF STRATEGY &
TECHNOLOGY DEVELOPMENT**

THE BOARD AND STATUTORY INFORMATION

Directors

Mark ole Karbolo	Chairman
Eng. J Nyambok	Managing Director
Prof. J Lonyangapuo	(Alternate – Eng. J Mosonik)
J K Kinyua	(Alternate – J Kinyanjui)
A. Odera	Resigned on 28th May 2009
A Kazongo -	(Alternate A. Odera)
(Appointed on 28 /5/2009)	
T T Naikuni	
D K Koros	
K H W Keith	

Secretary

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

Auditors

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

Registered Office

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

16

Registrars and Transfer Office

Haki Registrars
 P.O. Box 40868 – 00100
 NAIROBI

Bankers

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

Board Sub Committees

Board Audit Committee

	D K Koros	Chairman
	T Naikuni	
PS Treasury	J K Kinyua	
Managing Trustee NSSF	A Kazongo	
	K H W Keith	
	J L G Maonga	Secretary

Board Technical Committee

	T Naikuni	Chairman
PS Treasury	J K Kinyua	
PS Industrialization	Prof. J Lonyangapuo	
Managing Trustee NSSF	A Kazongo	
Managing Director	Eng. John Nyambok	
J L G Maonga	Company Secretary	

Board Human Resources and Remuneration Committee

A Kazongo	Chairman
Prof. J K Lonyangapuo	
K H W Keith	
D K Koros	
Eng. John Nyambok	
J L G Maonga	Company Secretary

Management Team

Eng. J. Nyambok	Managing Director
Kephar Tande	Head of Financial Management
Kananga N'chebere	Head of Production Operations
Alex Mutisya	Head of Sales & Marketing
Stephen Nthei	Internal Audit Manager
Stephen Kamau	Human Resources Manager
Peter Korir	Head of Strategy & Technology Development

REPORT OF THE DIRECTORS

The Directors present their report together with the audited financial statements of the Company for the year ended 30 June 2009.

1. PRINCIPAL ACTIVITIES

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

2. RESULTS

The results for the year are set out on page 28.

3. DIVIDENDS

The company did not pay an interim dividend during the year (2008-nil). The directors recommend the payment of a final dividend of KShs 1.30 per ordinary share amounting to KShs 117,000,000 (2008-nil).

4. DIRECTORS

The current board of directors is shown on page 14. The following changes have taken place since 1 July 2008:

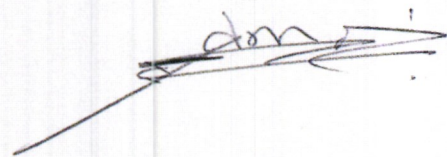
- Mr. Mark K. ole Karbolo was appointed as director and chairman on 4 November 2008 replacing Mr B.S. Ndeta who resigned as director and chairman on 19 June 2008.
- Mr. S. ole Kantai retired as a director on 17 November 2008 and D K Koros was appointed in his place.
- Mrs. R. Lumbasyo resigned as director on 4 December 2008 and Mr. J. Akoya ceased to be her alternate. Mr. A. Odero was appointed director in her place with Mr. D.Z.O Kemoni as his alternate.
- Mr. A. Odero ceased being a director on 28 May 2009 and Mr. D.Z.O Kemoni ceased to be his alternate. Mr. A Kazongo was appointed Director in his place and Mr. A. Odero as his alternate.

5. AUDITORS

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

Ernst & Young were nominated by the Controller and Auditor-General to carry out the audit for the year ended 30 June 2009.

By Order of the Board



JLG Maonga
Secretary

Nairobi

September 29, 2009

STATEMENT ON CORPORATE GOVERNANCE

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 14.

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 22.

The full Board meets regularly, at least four times a year, and has a formal schedule of matters reserved for it. The directors receive appropriate and timely information so that they can maintain full and effective control over strategic, financial, operational, compliance and governance issues.

Except for direction and guidance on general policy, the Board has delegated authority for the conduct of day-to-day business to the Managing Director and the Management Committee. The Board however retains responsibility for establishing and maintaining the Company's overall internal control of financial, operational and compliance issues as well as monitoring the performance of the executive management. The roles of the Chairman and the Managing Director are clearly delineated and have been approved by the Board.

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

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

Director	Board (scheduled) 5	Board (Special) 2	AGM 1
Chairman	5	2	1
Managing Director	5	2	1
PS Treasury	3	1	1
PS Ministry of Industrialization	4	2	1
Managing Trustee NSSF	5	2	1
Mr. T. Naikuni	3	3	
Mr. S. ole Kantai	2	1	-
Mr. J. Maonga	5	2	1
Mr. H. Keith	3	1	1
Mr. D. Koros	3	1	1

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

Delegation of Authority

Board Sub Committees

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

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

Details of these committees and membership are shown below.

Board Audit Committee

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

Role

The Committee receives reports on the 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.

The Members 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:

Mr. D. Koros	Chairman
Mr. T. Naikuni	
Permanent Secretary-Treasury	
Managing Trustee-NSSF	
Mr. H. Keith	
Mr. J. Maonga-Company Secretary	
External Auditors	

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

Managing Trustee -NSSF Chairman
Permanent Secretary-Ministry of Industrialization
Eng. John Nyambok
Mr. H. Keith
Mr. D. Koros
Mr. J. Maonga-Company Secretary

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

Management Committee

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:

Mr. T. Naikuni Chairman
Permanent Secretary-Ministry of Industrialization
Permanent Secretary-Treasury
Eng. John Nyambok-Managing Director
Managing Trustee -NSSF
Mr. J. Maonga-Company Secretary

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

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

The committee meets at least once a week.

Tender Committee

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

Directors' remuneration and loans

The remuneration of all directors is subject to regular review to ensure that levels of remuneration and compensation are appropriate. Neither at the end of the financial year, nor at any time during the year did there exist any arrangement to which the company is a party, whereby directors might get 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 12 of the financial statements

Board Performance Evaluation

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

Going concern

The Board confirms that it is satisfied that the Company has adequate resources to continue in business for the foreseeable future. For this reason,

It continues to adopt the going concern basis when preparing the financial statements.

Internal controls

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

The Board attaches great importance to maintaining a strong control environment and the Company's system of internal controls includes the assessment of non-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.

Code of Conduct

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

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

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 an opportunity to communicate with all shareholders. The Company always gives shareholders the 21 days notice of the AGM as provided for in the Kenyan Companies Act and shareholders are encouraged to submit questions and also appoint proxies to represent them where they are unable to attend. Ad hoc shareholder

requests for information are handled on an on-going basis and also on the floor of the AGM.

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

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

Skills and experience of the Board

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

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

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

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

Interaction with Management

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

Board Committee Membership

Director	Classification	Designation	Audit Committee	Technical Committee	Human Resources and Remuneration Committee
PS Treasury	Non executive		✓	✓	
PS MOI	"			✓	
MT NSSF	"	Chairman HRRC	✓	✓	✓
Managing Director	Executive			✓	✓
D. Koros	Non Executive - Independent	Chairman Audit Committee	✓		✓
T Naikuni	"	Chairman Technical Committee	✓	✓	
H Keith	"		✓		✓

During the year 2008 /2009, the membership of the Board Committees was reviewed in line with the requirements of the Board charter which provides that committee memberships and chairs be renewed annually. The Board also in addition has an ad-hoc Committee that assists the Board 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.

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, bio- diversity and resource conservation are key to a sustainable environment. We effectively integrate these concepts into our business decision-making.

STAKEHOLDER RELATIONS

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

EMPLOYEE RELATIONS

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

HUMAN RIGHTS

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

Nothing has come to the attention of the directors to indicate that the company will not remain a going concern for at least the next twelve months from the date of this statement.

Mark K ole Karbolo
CHAIRMAN

Eng. John Nyambok
MANAGING DIRECTOR

September 29, 2009





KENYA NATIONAL AUDIT OFFICE

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF EAST AFRICAN PORTLAND CEMENT COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE 2009

The financial statements of East African Portland Cement Company Limited set out on pages 28 to 68 which comprise the balance sheet as at 30 June 2009 and the income statement, the statement of changes in equity and the cash flow statement for the year then ended, together with a summary of significant accounting policies and other explanatory notes have been audited on my behalf by 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.

Directors' responsibility for the financial statements

The directors are responsible for the preparation of financial statements which give a true and fair view of the Company's state of affairs and its operating results in accordance with the International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Responsibility of the Controller and Auditor General

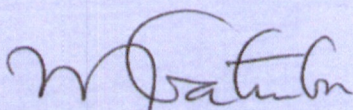
My responsibility is to express an independent opinion on the financial statements based on the audit. The audit was conducted in accordance with the International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed with a view to obtaining reasonable assurance that the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the financial statements. I believe the audit provides a reasonable basis for my opinion.

Opinion

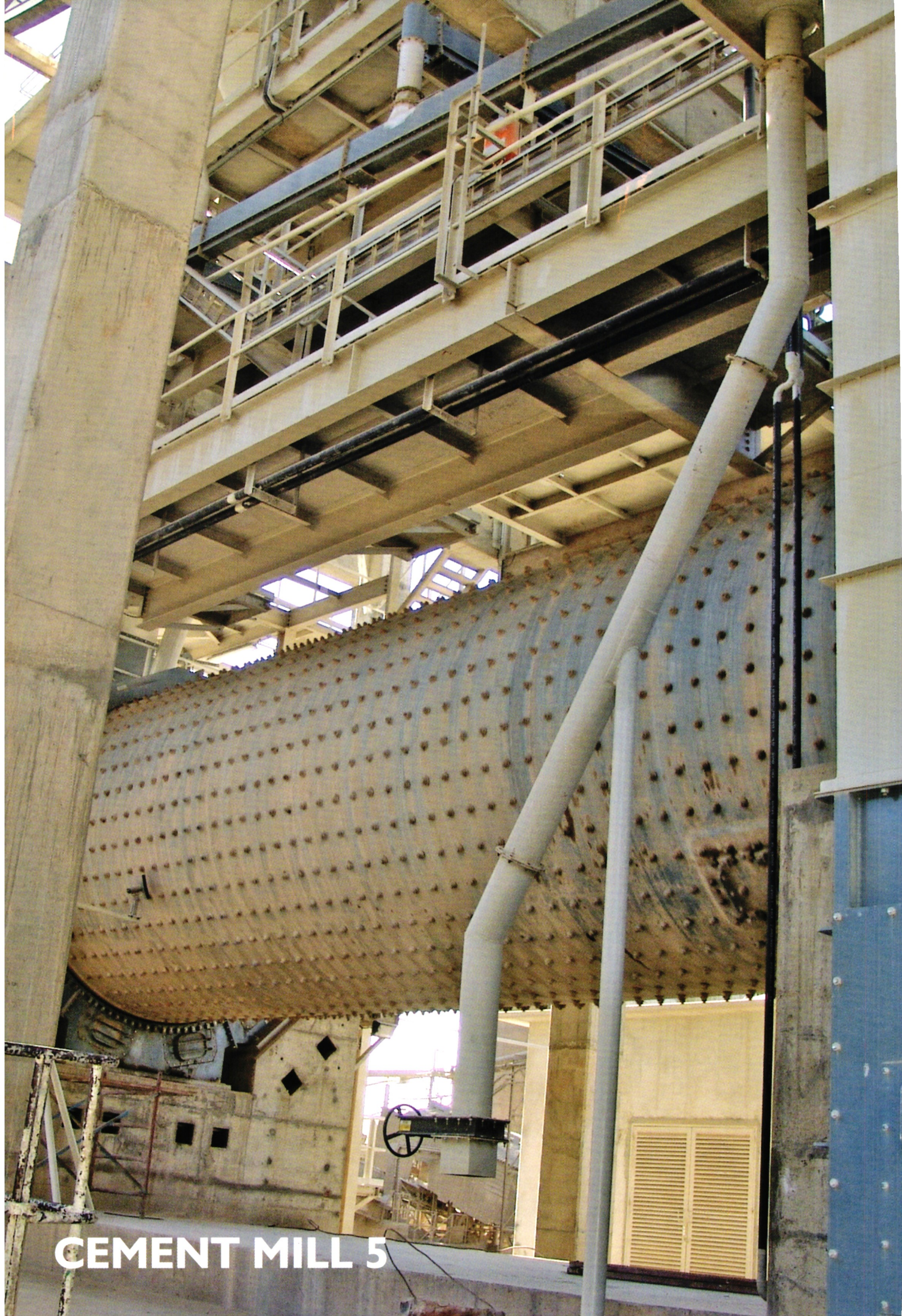
In my opinion, proper books of account have been kept and the accompanying financial statements give a true and fair view of the state of the financial affairs of the Company as at 30 June 2009 and of its profit and cashflows for the year then ended in accordance with the International Financial Reporting Standards and comply with the Kenya Companies Act, Cap 486 of the Laws of Kenya.



A.S.M. Gatumbu
CONTROLLER AND AUDITOR GENERAL

Nairobi

29 September 2009



CEMENT MILL 5



Experience 3 in 1 FOUNDATION

...of Blue Triangle Cement

You know you value a strong building foundation.

For over 75 years we have selected and blended raw materials and followed stringent quality control procedures in manufacturing of Blue Triangle Cement.

We have perfected our cement with a 3 in 1 action that is uncompromising in durability, strength and bright plastering finish, making Blue Triangle the ultimate cement for all your construction needs.



quality product from East African Portland Cement Company

strong.durable.bright

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 KShs'000	2008 KShs'000
REVENUE	21	8,101,377	7,204,479
COST OF SALES	22	(5,563,282)	(4,833,162)
GROSS PROFIT		2,538,095	2,371,317
OTHER OPERATING INCOME	23	150,344	29,054
PROVISIONS WRITTEN BACK	24	21,935	132,000
CHANGES IN FAIR VALUE OF INVESTMENT PROPERTIES	6	1,494,008	-
FARM NET LOSS	25	(11,251)	(5,420)
EXPENSES		4,193,131	2,526,951
Selling and distribution	26	704,959	612,295
Administration and establishment	27	681,736	687,089
Other operating expenses	28	65,383	174,673
		1,452,078	1,474,057
PROFIT FROM OPERATIONS		2,741,053	1,052,894
FINANCE INCOME	29	61,810	84,215
FINANCE COSTS	30	(921,185)	(421,220)
PROFIT BEFORE TAX	31	1,881,678	715,889
INCOME TAX EXPENSE	13	(47,624)	(179,237)
NET PROFIT FOR THE YEAR		1,834,054	536,652
EARNINGS PER SHARE (basic and diluted)	32	KShs 20.38	KShs 5.96

BALANCE SHEET

AS AT 30 JUNE 2009

	Note	2009 KShs'000	2008 KShs'000
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	3	7,359,558	6,305,071
Intangible assets	4	2,822	8,693
Prepaid operating leases	5	9,619	34,657
Investment properties	6	1,495,000	-
Investment	7	-	-
Biological assets	8	-	8,198
Staff receivables	9	-	825
Restricted deposits	10	55,933	54,163
		<u>8,922,932</u>	<u>6,411,607</u>
CURRENT ASSETS			
Biological assets	8	4,991	-
Inventories	11	792,606	1,033,152
Trade and other receivables	9	682,809	538,386
Amount due from related party	12	58,972	-
Tax recoverable	13	79,705	101,591
Short term deposits	10	1,225,450	497,939
Bank balances and cash	14	286,512	490,670
		<u>3,131,045</u>	<u>2,661,738</u>
TOTAL ASSETS		<u>12,053,977</u>	<u>9,073,345</u>
SHAREHOLDERS' FUNDS AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital	15	450,000	450,000
Share premium	15	648,000	648,000
Asset revaluation reserve	15	1,293,857	1,093,293
Retained earnings		3,606,005	1,835,456
Proposed dividends	16	117,000	-
		<u>6,114,862</u>	<u>4,026,749</u>
SHAREHOLDERS' FUNDS			
NON CURRENT LIABILITIES			
Staff gratuity	17	416,315	489,338
Deferred tax liability	18	1,063,490	926,041
Borrowings	19	2,946,918	2,454,842
		<u>4,426,723</u>	<u>3,870,221</u>
CURRENT LIABILITIES			
Borrowings	19	314,162	242,036
Trade and other payables	20	1,198,230	934,339
		<u>1,512,392</u>	<u>1,176,375</u>
TOTAL SHAREHOLDERS' FUNDS AND LIABILITIES		<u>12,053,977</u>	<u>9,073,345</u>

The financial statements were approved by the Board of Directors on September 29, 2009 and signed on its behalf by:-

Mark K ole Karbolo

Chairman

Eng. John Nyambok

Managing Director

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2009

	Share capital KShs'000	Share premium KShs'000	Asset revaluation reserve KShs'000	Retained earnings KShs'000	Proposed dividends KShs'000	Total KShs'000
At 1 July 2007	450,000	648,000	1,146,997	1,362,100	-	3,607,097
Transfer of excess depreciation	-	-	(75,755)	75,755	-	-
Deferred tax on excess depreciation	-	-	22,727	(22,727)	-	-
Surplus realised on disposal of revalued assets	-	-	(966)	966	-	-
Deferred tax on disposal of revalued assets	-	-	290	(290)	-	-
Profit for the year	-	-	-	536,652	-	536,652
2007-final dividend paid	-	-	-	(117,000)	-	(117,000)
At 30 June 2008	450,000	648,000	1,093,293	1,835,456	-	4,026,749
At 1 July 2008	450,000	648,000	1,093,293	1,835,456	-	4,026,749
Revaluation surplus	-	-	360,973	-	-	360,973
Deferred tax on revaluation surplus	-	-	(108,292)	-	-	(108,292)
Transfer of excess depreciation	-	-	(47,602)	47,602	-	-
Deferred tax on excess depreciation	-	-	14,281	-	-	14,281
Surplus realised on disposal of revalued assets	-	-	(5,893)	5,893	-	-
Deferred tax on disposal of revalued assets	-	-	1,768	-	-	1,768
Impairment of property, plant and equipment	-	-	(14,671)	-	-	(14,671)
Profit for the year	-	-	-	1,834,054	-	1,834,054
Final dividends proposed	-	-	-	(117,000)	117,000	-
At 30 June 2009	450,000	648,000	1,293,857	3,606,005	117,000	6,114,862

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 KShs'000	2008 KShs'000
OPERATING ACTIVITIES			
Cash generated from operations	34(a)	1,909,147	871,370
Interest paid	34(c)	(80,272)	(139,359)
Interest received	29	61,810	84,215
Taxation paid		(9,675)	(600,621)
Net cash generated from operating activities		1,881,010	215,605
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	3	(1,091,337)	(1,030,462)
Purchase of intangible assets	4	-	(3,681)
Purchase of operating lease rentals	5	-	(21,486)
Proceeds from sale of equipment		7,617	1,660
Proceeds from sale of leasehold land		-	12,313
Investment in restricted deposits		(1,770)	(1,776)
Proceeds from sale of biological assets	8	1,765	2,295
Net cash used in investing activities		(1,083,725)	(1,041,137)
FINANCING ACTIVITIES			
Dividend paid		-	(117,000)
Loan repayment	34(b)	(273,932)	(248,362)
Net cash used in financing activities		(273,932)	(365,362)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
		523,353	(1,190,894)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR			
		988,609	2,179,503
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR			
	34(d)	1,511,962	988,609

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

I. SIGNIFICANT ACCOUNTING POLICIES

- (a) Basis of preparation
- (i) Statement of compliance

The financial statements are prepared in accordance with and comply with International Financial Reporting Standards (IFRS). The financial statements are prepared on the historical cost basis except where stated otherwise.

- (ii) Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except that the Company has adopted the following new and amended IFRS and IFRIC interpretations during the year.

- IFRIC 11/IFRS 2 - Group and Treasury Share Transactions
- IFRIC 12 – Service Concession Arrangements
- IFRIC 14/IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- IAS 39/IFRS 7 (October 2008 Amendments): Reclassification of Financial Assets
- IFRIC 13 - Customer Loyalty Programmes
- Improvements to IFRS

The principal effects of these changes are as follows:

- IFRIC 11/IFRS 2 - Group and Treasury Share Transactions

The company has adopted IFRIC Interpretation 11 insofar as it applies to its financial statements. This interpretation requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an employee-settled scheme, even if the entity buys the instruments from another party, or the shareholders provide the equity instruments needed. The company amended its accounting policy accordingly. The company has not issued instruments caught by this interpretation.

- IFRIC 12 – Service Concession Arrangements

IFRIC 12 was issued in November 2006. This interpretation applies to service concession operators and explains how to account for the obligations undertaken and rights received in service concession arrangements. The company is not a service concession operator and, therefore, this interpretation has no impact on the company.

- IFRIC 14/IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction

IFRIC Interpretation 14 provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognised as an asset under IAS 19 Employee Benefits. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. This interpretation does not have any impact on the company's financial statements, as the company have no defined benefit asset.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

I. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

(ii) Changes in accounting policies (continued)

- IAS 39/IFRS 7 (October 2008 Amendments) - Reclassification of Financial Assets

These amendments allow reclassifications of certain financial instruments held-for-trading to either held-to-maturity, loans and receivables or available-for-sale categories. The amendments also allow the transfer of certain instruments from available-for-sale to loans and receivables. The company did not make use of these amendments to reclassify any of its financial instruments between the effective date of these amendments which is July 1, 2008, and June 30, 2009.

- IFRIC 13 - Customer Loyalty Programmes

This interpretation requires customer loyalty credits to be accounted for as a separate component of the sales transaction in which they are granted. A portion of the fair value of the consideration received is allocated to the award credits and deferred. This is then recognised as revenue over the period that the award credits are redeemed. This interpretation does not have any impact on the company's financial statements, as the company have no customer loyalty programmes.

Improvements to IFRS

In May 2008, the International Accounting Standard Board issued its first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The company has adopted the following improvements to IFRSs and these changes did not have any material effect on the financial statements.

- IAS 38, Intangible Assets: Expenditure on advertising and promotional activities is recognised as an expense when the company either has the right to access the goods or has received the service.
- IFRS 7, Financial Instruments: Disclosures: Removal of the reference to 'total interest income' as a component of finance costs.
- IAS 8, Accounting Policies, Change in Accounting Estimates and Errors: Clarification that only implementation guidance that is an integral part of an IFRS is mandatory when selecting accounting policies.
- IAS 10, Events after the Reporting Period: Clarification that dividends declared after the end of the reporting period are not obligations.
- IAS 18, Revenue: Replacement of the term 'direct costs' with 'transaction costs' as defined in IAS 39.
- IAS 19, Employee Benefits: Revised the definition of 'past service costs', 'return on plan assets' and 'short term' and 'other long-term' employee benefits. Amendments to plans that result in a reduction in benefits related to future services are accounted for as curtailment. Deleted the reference to the recognition of contingent liabilities to ensure consistency with IAS 37.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009 (continued)

I. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

(ii) Changes in accounting policies (continued)

g) IAS 39, Financial Instruments: Recognition and Measurement: Changes in circumstances relating to derivatives are not reclassifications and therefore may be either removed from, or included in, the 'fair value through profit or loss' classification after initial recognition. Removed the reference in IAS 39 to a 'segment' when determining whether an instrument qualifies as a hedge. Require the use of the revised effective interest rate when remeasuring a debt instrument on the cessation of fair value hedge accounting.

(iii) Accounting Standards and Interpretations not yet effective

At the date of authorisation of these financial statements, the following standards, amendments to existing standards and interpretations were in issue but not yet effective for the company's operations. They are mandatory for accounting periods beginning on the specified dates, but the company has not early adopted them:

- IFRIC 15: Agreements for the Construction of Real Estate (effective as from January 1, 2009)
- IFRS 8: Operating Segments (effective as from January 1, 2009)
- IFRIC 16: Hedges of a Net Investment in a Foreign Operation (effective from October 1, 2008)
- IFRIC 17 Distributions of Non-Cash Assets to Owners (effective from July 1, 2009)
- IFRIC 18 Transfers of Assets from Customers (effective from July 1, 2009)
- Improvements to IFRS
- a. IFRS 1: First-time Adoption of International Financial Reporting Standards - Revised May 2008 (effective from January 1, 2009)
- b. IFRS 3: Business Combinations – Revised May 2008 (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009)
- c. IAS 1: Presentation of Financial Statements - Revised May 2008 (effective from January 1, 2009)
- d. IAS 23: Borrowing Costs – Revised May 2008 (effective from January 1, 2009)
- e. IAS 27: Consolidated and Separate Financial Statements - Revised May 2008 (effective from July 1, 2009)
- f. IAS 32: Financial Instruments: Presentation - Revised May 2008 (effective from January 1, 2009)
- g. IAS 39: Financial Instruments: Recognition and Measurement - Revised May 2008 (effective from January 1, 2009)
- h. IFRS 2: Share-Based Payment - Revised May 2008 (effective from January 1, 2009)
- i. IAS 19: Employee Benefits - Revised May 2008 (effective from January 1, 2009)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

I. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

(iii) Accounting Standards and Interpretations not yet effective (continued)

- a. IAS 38 : Intangible Assets - Revised May 2008 (effective from January 1, 2009)
- b. IAS 16: Property, Plant and Equipment - Revised May 2008 (effective from January 1, 2009)
- c. IAS 20: Government Grants and Disclosure of Government Assistance - Revised May 2008 (effective from January 1, 2009)
- d. IAS 28: Investments in Associates - Revised May 2008 (effective from January 1, 2009)
- e. IAS 29: Financial Reporting in Hyperinflationary Economies - Revised May 2008 (effective from January 1, 2009)
- f. IAS 31: Interests in Joint Ventures - Revised May 2008 (effective from January 1, 2009)
- g. IAS 36: Impairment of Assets - Revised May 2008 (effective from January 1, 2009)
- h. IAS 40: Investment Property - Revised May 2008 (effective from January 1, 2009)
- i. IAS 41: Agriculture - Revised May 2008 (effective from January 1, 2009)
- j. IFRS 5: Non-current Assets Held for Sale and Discontinued Operations - Revised May 2008 (effective from July 1, 2009)

The Directors anticipate that the adoption of these standards will have no material effect on the financial statements of the Company.

(iv) Use of estimates and judgements

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

(b) Basis of accounting

The financial statements are prepared on the historical cost basis of accounting as modified to include the revaluation of certain property, plant and equipment, and biological assets, which are stated at fair value.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

I. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Revenue recognition

Revenue is recognised in the income statement 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 the income statement for all interest bearing instruments on an accrual basis taking into account the effective yield on the asset.

(d) Taxes

Current tax

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

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 balance sheet date.

Deferred income tax relating to items recognised directly in equity is recognised in 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; and,
- 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

I. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Taxes (continued)

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:

- where 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; and,
- 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 balance sheet 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 balance sheet 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 taxation authority.

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 balance sheet.

(e) Property, plant and equipment

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

I. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Depreciation

No depreciation is provided on freehold land.

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

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

The residual values and useful lives are reassessed annually and 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 revaluation surplus to the retained earnings.

(g) Leases

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

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

(h) Intangible assets

Intangible assets refer to expenditure incurred to acquire and bring to use computer software programs, which are capitalised. 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

I. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Intangible assets (continued)

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.

(i) Leasehold land

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

(j) 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 balance sheet date. Gains or losses arising from changes in the fair values of investment properties are included in the income statement 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 the income statement in the year of retirement or disposal.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009 (continued)

I. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Impairment

i) Financial assets

The company assesses at each balance sheet 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.

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 company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

(ii) Non-financial assets

The carrying amounts of the company's non-financial assets, inventories and deferred tax 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

I. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Impairment (continued)

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

(l) Inventories

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

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

(m) Biological assets

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

(n) 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 company classifies its financial assets into the following categories: Financial assets at fair value through profit or loss; loans and receivables; held- to- maturity investments; and available-for-sale assets. Management determines the appropriate classification of its investments at initial recognition and re-evaluates its portfolio every balance sheet 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 company commits to purchase or sell the asset.

A financial asset is derecognised when the company 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 company 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 FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

I. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Financial instruments (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 income statement.

Financial assets at fair value through profit or loss

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

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.

Held to maturity

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

Available-for-sale financial assets

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

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

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

Investments

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

I. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Financial instruments (continued)

Trade and other receivables

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.

Borrowings

Interest bearing loans are recorded at 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.

Cash and cash equivalents

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

(o) Currency translations

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

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in Kenya shillings (KShs) which is the company's functional currency.

(p) Dividends payable

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

I. SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Employee benefits

i) Short-term benefits

Short-term benefits consist of salaries, bonuses and any non-monetary benefits such as medical aid contributions and free services. They exclude equity based benefits and termination benefits.

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognized for the amount expected to be paid under a short-term cash bonus only if the company 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 company operates a funded defined contribution pension scheme for senior and supervisory staff, as well as an in house gratuity scheme for unionisable employees. The company also contributes to the statutory National Social Security Fund. This is a defined contribution scheme registered under the National Social Security Act. The company's obligations under the scheme are limited to specific contributions legislated from time to time and are currently limited to a maximum of KShs 200 per month per employee.

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

(r) Provision for employee entitlements

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

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

(s) Mining and exploration costs

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

I. SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Provisions

Provisions are recognised when the company 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.

(u) Offsetting

Financial assets and liabilities are offset and the net amounts reported on the balance sheet when there is a 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.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the process of applying the company's accounting policies, management has made estimates and assumptions that affect the reported amounts of assets and liabilities within current and future financial years. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The critical areas of accounting estimates and judgements in relation to the preparation of these financial statements are as set out below:

Impairment of assets

At each balance sheet date, the company reviews the carrying amount of its assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment.

Property, plant and equipment

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

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.

Biological assets

Livestock is stated at fair value less estimated point of sale costs. The company discontinued farming activities after year end and all the biological assets were disposed off.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

3.PROPERTY, PLANT AND EQUIPMENT

(a) Year ended 30 June 2009

	Freehold land KShs'000	Buildings KShs'000	Plant and machinery KShs'000	Motor vehicles KShs'000	Computers, office equipment, furniture and fittings KShs'000	Capital – work-in- progress KShs'000	Total KShs'000
COST OR VALUATION							
At 1 July 2008	74,600	1,221,612	3,813,270	400,412	366,872	1,396,275	7,273,041
Additions	-	-	28,410	43,346	23,098	996,483	1,091,337
Disposals	-	-	-	(10,805)	-	-	(10,805)
Transfer of work- in- progress	-	-	1,917,428	-	-	(1,917,428)	-
Transfer from leasehold land	21,052	-	-	-	-	-	21,052
Revaluation adjustment	24,298	(96,648)	(673,156)	(19,330)	(250,231)	-	(1,015,067)
At 30 June 2009	119,950	1,124,964	5,085,952	413,623	139,739	475,330	7,359,558
COMPRISING							
Valuation - 2009	98,898	1,096,017	3,113,628	354,386	(250,231)	-	4,412,698
Cost	21,052	28,947	1,972,324	59,237	389,970	475,330	2,946,860
	119,950	1,124,964	5,085,952	413,623	139,739	475,330	7,359,558
DEPRECIATION							
At 1 July 2008	-	59,801	504,537	178,279	225,353	-	967,970
Charge for the year	-	30,540	254,904	84,751	29,107	-	399,302
Eliminated on disposal	-	-	-	(5,903)	-	-	(5,903)
Impairment of plant,property and equipment	-	3,036	8,725	2,910	-	-	14,671
Eliminated on valuation	-	(93,377)	(768,166)	(260,037)	(254,460)	-	(1,376,040)
At 30 June 2009	-	-	-	-	-	-	-
NET BOOK VALUE							
At 30 June 2009	119,950	1,124,964	5,085,952	413,623	139,739	475,330	7,359,558

At 30 June 2009, plant and machinery, vehicles and equipment with cost/valuation amounting to KShs 197,271,658 (2008 – KShs 104,337,000) were fully depreciated. The notional depreciation charge on these assets would have been KShs 38,393,105 (2008 – KShs 24,033,741).

Capital – work – in progress relates to amounts incurred on installation of a coal grinding and dosing facility.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

3.PROPERTY, PLANT AND EQUIPMENT (continued)

(b) Year ended 30 June 2008

	Freehold land KShs'000	Buildings KShs'000	Plant and machinery KShs'000	Motor vehicles KShs'000	Computers, office equipment, furniture and fittings KShs'000	Capital – work-in- progress KShs'000	Total KShs'000
COST OR VALUATION							
At 1 July 2007	74,600	1,211,285	3,805,647	385,865	252,225	518,619	6,248,241
Additions	-	-	7,623	17,502	8,330	997,007	1,030,462
Disposals	-	-	-	(2,955)	-	-	(2,955)
Transfer	-	10,327	-	-	106,317	(116,644)	-
Transfer to intangible assets	-	-	-	-	-	(2,707)	(2,707)
At 30 June 2008	74,600	1,221,612	3,813,270	400,412	366,872	1,396,275	7,273,041
COMPRISING							
Valuation -2006	74,600	1,192,665	3,786,784	373,716	-	-	5,427,765
Cost	-	28,947	26,486	26,696	366,872	1,396,275	1,845,276
	74,600	1,221,612	3,813,270	400,412	366,872	1,396,275	7,273,041
DEPRECIATION							
At 1 July 2007	-	29,749	259,678	88,669	191,987	-	570,083
Charge for the year	-	30,052	244,859	90,349	33,366	-	398,626
Eliminated on disposal	-	-	-	(739)	-	-	(739)
At 30 June 2008	-	59,801	504,537	178,279	225,353	-	967,970
NET BOOK VALUE							
At 30 June 2008	74,600	1,161,811	3,308,733	222,133	141,519	1,396,275	6,305,071

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Included in plant and machinery is idle equipment with a cost amounting to KShs 168,786,658 (2008 - KShs 130,671,981) which is fully depreciated, in respect of the old plant which was rendered idle when the new plant was commissioned.

Included in motor vehicles are grounded vehicles that are fully depreciated with a cost amounting to KShs 28,486,000 (2008 - KShs 28,968,369) which are no longer in use.

The company has a bank overdraft facility of KShs 219,600,000 with Kenya Commercial Bank Limited and the amounts drawn against this facility attract interest at market rates. The facility is secured by a legal charge over certain properties owned by the company, Land Reference numbers 337/639, 8649, 9767, 8785 and 8786, and a debenture over the company's assets for KShs 219,600,000. No amounts were drawn against this facility as at 30 June 2009.

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:

	2009 KShs'000	2008 KShs'000
Cost	9,733,621	8,653,091
Accumulated depreciation	(4,232,179)	(3,880,553)
Net book value	5,501,442	4,772,538
4. INTANGIBLE ASSETS		
COST		
At the beginning of the year	49,762	43,374
Additions	-	3,681
Transfer from capital work-in-progress	-	2,707
At 30 June	49,762	49,762
AMORTISATION		
At the beginning of the year	41,069	34,834
Charge for the year	5,871	6,235
At 30 June	46,940	41,069
NET BOOK VALUE		
At 30 June	2,822	8,693

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

5. PREPAID OPERATING LEASE RENTALS - LEASEHOLD LAND

	2009 KShs'000	2008 KShs'000
Balance at the beginning of the year	34,657	13,538
Additions	-	21,486
Disposal	-	(89)
Amortization charge	(286)	(278)
Transfer to investment properties (note 6)	(992)	-
Transfer to free hold land (note 3)	(21,052)	-
Impairment of leasehold land	(2,708)	-
At 30 June	9,619	34,657

Included in prepaid operating lease rentals is land carried in the financial statements at a cost of KShs 2,708,763 for which the title deeds are missing and are being followed up with the Kenya Government Lands Registrar.

6. INVESTMENT PROPERTIES

	2009 KShs'000	2008 KShs'000
Balance at the beginning of the year	-	-
Transfer from operating lease rentals (note 5)	992	-
Changes in fair value of investment properties	1,494,008	-
At 30 June	1,495,000	-

Investment properties relate to two pieces of leasehold land held by the company, under long-term lease arrangements. The land was valued at KShs 1.495 billion by Crystal Valuers Limited, accredited independent valuers, as at 30 June 2009. The present value of the ground rent obligations is immaterial and thus, the valuation amount of KShs 1.495 billion is equivalent to the fair values of these properties. Comparative information has not been restated since the company had not previously revalued and reclassified the leasehold land for inclusion in the financial statements.

7. INVESTMENT

This represents unquoted investment in an associated company, Portland Mines Company Limited, which is dormant. The company's interest in the associated company is 50% and was acquired for a consideration of KShs 580. The directors are of the opinion that the investment is impaired and hence it has been stated at nil value.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

8. BIOLOGICAL ASSETS

	Cattle KShs'000	Goats KShs'000	2009 Total KShs'000	2008 Total KShs'000
Livestock				
Fair value at the beginning of the year	7,639	559	8,198	6,831
Decreases due to sales	(1,625)	(140)	(1,765)	(2,295)
Fair value (loss)/gain on livestock (a)	(1,621)	179	(1,442)	3,662
Fair value as at 30 June	4,393	598	4,991	8,198
(a) Fair value (loss)/gain on livestock (Loss)/gains arising from change in price	(2,490)	143	(2,347)	1,470
Gains arising from physical changes	869	36	905	2,192
	(1,621)	179	(1,442)	3,662
(b) Biological assets represent the value of livestock which is stated at market value less estimated transport and point of sale costs. The company discontinued farming activities after year-end and sold the biological assets at the amount shown in the financial statements.				

9. TRADE AND OTHER RECEIVABLES

	2009 KShs'000	2008 KShs'000
Gross trade receivables	598,574	635,735
Impaired trade receivables	(210,040)	(184,954)
Net trade receivables	388,534	450,781
Staff receivables	23,262	17,313
Deposits, prepayments and other receivables	271,013	71,117
	682,809	539,211
Less: Staff receivables not recoverable within 12 months	-	(825)
	682,809	538,386

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 company. For terms and conditions relating to related party receivables, refer to note 12. Before accepting any new customer, the company uses a credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

9. TRADE AND OTHER RECEIVABLES (continued)

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

	2009 KShs'000	2008 KShs'000
Neither past due nor impaired	258,109	378,102
Past due but not impaired trade receivables:		
Between 15 and 30 days	57,637	44,570
Between 31 and 60 days	53,849	28,109
Over 60 days	18,939	-
Gross trade receivables not impaired	388,534	450,781
Impaired trade receivables	210,040	184,954
Total trade receivables	598,574	635,735

The company 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:

	Trade receivables KShs'000	Other receivables KShs'000	Total 2009 KShs'000	Total 2008 KShs'000
At the beginning of the year	184,954	47,122	232,076	235,219
Impairment losses	25,086	1,290	26,376	38,395
Amounts recovered	-	-	-	(41,538)
	210,040	48,412	258,452	232,076

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

10.

DEPOSITS

	2009 KShs'000	2008 KShs'000
Short-term deposits:		
The Co-operative Bank of Kenya Limited	238,005	-
Kenya Commercial Bank Limited	212,652	497,939
Standard Chartered Bank Kenya Limited	557,119	-
CfC Stanbic Bank Limited	217,674	-
	1,225,450	497,939
Restricted deposits:		
Housing Finance Limited	55,933	54,163

The short-term deposits mature within three months and the weighted average interest rate earned on the deposits during the year was 5.05% (2008 – 5.05 %).

The deposits with Housing Finance Limited have been held as collateral for staff mortgages. The weighted average interest rate earned on the deposits during the year was 2.67% (2008 - 2.67%).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

11. INVENTORIES

	2009 KShs'000	2008 KShs'000
Consumables	436,317	539,518
Raw materials	268,124	381,673
Work-in-progress	3,724	7,465
Finished products	64,045	70,574
Goods-in-transit	20,396	33,922
	<u>792,606</u>	<u>1,033,152</u>

12. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

	2009 KShs'000	2008 KShs'000
Outstanding balances arising from transactions with related companies.		
(a) Amount due from related party:		
Bamburi Cement Limited	<u>58,972</u>	<u>-</u>

The amount relates to deposits made by the company to Bamburi Cement Limited for the purchase of clinker. Bamburi Cement Limited owns 12.5% of the shareholding in The East African Portland Cement Company Limited. No interest is charged on the balances due from related companies, which are due within 2 months of the date of the transactions.

The following transactions were carried out with related parties:-

	2009 KShs'000	2008 KShs'000
(b) Purchases from related parties:		
Purchase of clinker from Bamburi Cement Limited	<u>326,949</u>	<u>548,682</u>
(c) Directors' remuneration:		
Fees for services as directors	1,160	1,260
Other emoluments	<u>20,765</u>	<u>18,735</u>
	<u>21,925</u>	<u>19,995</u>
(d) Key management compensation:		
Short-term employee benefits	24,921	18,638
Termination benefits	3,148	-
Medical benefits	<u>652</u>	<u>341</u>
	<u>28,721</u>	<u>18,979</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

13. TAXES

	2009 KShs'000	2008 KShs'000
(a) Tax recoverable		
At beginning of year	101,591	(194,543)
Charge for the year (note 13(b))	(2,418)	(304,487)
Over-provision in the previous year	(29,143)	-
Paid in the year	9,675	600,621
At end of year	79,705	101,591
(b) Income tax expense		
Current tax based on the adjusted profit for the year at 30%	2,418	304,809
Prior year over provision	-	(322)
Total current tax charge (note 13(a))	2,418	304,487
Deferred tax charge (note 18)	45,206	(125,250)
	47,624	179,237

(c) Reconciliation of expected tax based on accounting profit to the tax charge

	2009 KShs'000	2008 KShs'000
Accounting profit before tax	1,881,678	715,889
Tax at the applicable rate of 30%	564,503	214,767
Tax effect of expenses not deductible for tax purposes	(298,283)	7,571
Tax effect of non taxable income	-	(43,101)
Tax loss carried forward for deferred tax change (note 18)	(214,249)	-
Prior year over provision	(4,347)	-
	47,624	179,237

14. BANK BALANCES AND CASH

Bank balances	286,471	490,445
Cash in hand	41	225
	286,512	490,670

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

15. SHARE CAPITAL AND RESERVES

(a) Share capital

	2009 KShs'000	2008 KShs'000
Authorised:		
126,000,000 shares of KShs 5 each	630,000	630,000
Authorised, issued and fully paid:		
90,000,000 shares of KShs 5 each	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.

16. PROPOSED DIVIDENDS

	2009 KShs'000	2008 KShs'000
Proposed for approval at the Annual General Meeting (not recognised as a liability as at 30 June)	117,000	-

(i) Dividend per share is arrived at by dividing the total dividends by the weighted average number of shares in issue during the year.

(ii) Proposed dividends are accounted for as a separate component of equity at year-end until they are ratified at an Annual General Meeting (AGM). At the AGM to approve year 2009 financial statements, a first and final dividend in respect of year 2009 of KShs 1.30 (2008- Nil) for every ordinary share of KShs.5 is to be proposed by the directors and is subject to approval by shareholders.

(iii) Payment of dividend is subject to withholding tax at the rate of 5% and 10% for resident and non-resident shareholders respectively.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

17. 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:

	2009 KShs'000	2008 KShs'000
Balance at the beginning of the year	489,338	502,324
Paid during the year	(64,057)	(85,337)
Provision for the year	(8,966)	72,351
Balance as at 30 June	416,315	489,338

18. DEFERRED TAX LIABILITY

	At 1 July 2008 KShs'000	Recognised in Income statement KShs'000	Equity KShs'000	At 30 June 2009 KShs'000
Deferred tax liabilities				
Property, plant and equipment	666,116	410,396	-	1,076,512
Unrealised exchange gain	-	35,706	-	35,706
Revalued assets	459,760	-	92,243	552,003
Overprovision in previous year	-	(4,347)	-	(4,347)
	1,125,876	441,755	92,243	1,659,874
Deferred tax assets				
Tax loss (business)	-	(211,639)	-	(211,639)
Tax loss (farming)	(1,687)	(2,610)	-	(4,297)
Provision for staff leave	(18,390)	796	-	(17,594)
Provision for credit losses	(2,984)	2,984	-	-
Provision for lawsuit	(10,203)	10,203	-	-
Provision for staff gratuity (124,895)	(146,802)	21,907	-	-
Unrealised exchange loss	(19,769)	(218,190)	-	(237,959)
	(199,835)	(396,549)	-	(596,384)
Balance as at 30 June	926,041	45,206	92,243	1,063,490

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

19. BORROWINGS (UNSECURED)

	2009 KShs'000	2008 KShs'000
The Overseas Economic Co-operation Fund of Japan (OECF) loan guaranteed by Kenya Government is denominated in Japanese Yen and is repayable in 41 half yearly instalments by 20 March 2020 with interest at 2.5% per annum – Japanese Yen 4,018,916,749 (2008 – Japanese Yen 4,384,236,749)	3,241,578	2,677,988
Accrued interest	19,502	18,890
	3,261,080	2,696,878
Less: repayable within one year	(314,162)	(242,036)
Repayable after one year	2,946,918	2,454,842

Due to the fact that the loan from the OECF is guaranteed by the Kenya Government, it was included in the Paris Club rescheduling arrangements of the Kenya Government loans in 2004. Between 2004 and December 2007, the company had been remitting the loan repayments to the Kenya Government in two annual instalments of Yen 182,660,000 totalling to Japanese Yen 1,278,620,000 but these payments have not been transmitted to the OECF, the ultimate lender, due to the rescheduling arrangement which required the amounts to be repaid beginning 30 June 2011. As at 30 June 2009, this amount has attracted a total unrealised exchange loss of KShs 165,192,058 (2008- a gain of KShs 85,708,821). It is understood that this loss and any further differences in future relating to the rescheduled balance, will be absorbed by the Kenya Government.

20. TRADE AND OTHER PAYABLES

	2009 KShs'000	2008 KShs'000
Trade payables	624,632	612,205
Other payables and accruals	536,831	267,028
Unclaimed dividends	36,767	36,340
Advance receipts from customers	-	18,766
Balance as at 30 June	1,198,230	934,339

Trade and other payables are non-interest bearing. The average credit period on purchases is 30 days. The company has financial risk management policies in place to ensure that all payables are paid within the credit timeframe. These are disclosed under note 38.

21. REVENUE

	2009 KShs'000	2008 KShs'000
Bagged cement - local	7,612,390	6,727,559
Bagged cement - export	423,981	445,298
Bulk cement - local	65,006	31,622
	8,101,377	7,204,479

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

22. COST OF SALES

	2009 KShs'000	2008 KShs'000
Raw materials used	1,352,953	921,006
Furnace oil	1,654,159	1,796,015
Factory staff costs	739,678	651,160
Power	723,933	453,135
Factory depreciation	358,697	355,379
Maintenance costs	215,403	197,057
Raw materials transport	200,988	177,054
Factory direct supplies	41,610	42,390
Fuel and repairs	166,586	135,105
Factory insurance	35,021	31,094
Exploration expenses	5,327	7,644
Explosives	6,480	4,279
Royalties	32,696	8,390
Factory water	6,973	5,421
Factory land rate and rent	3,226	2,888
Consultancy fees	382	42
Hired equipment	19,170	45,103
	<u>5,563,282</u>	<u>4,833,162</u>

23. OTHER OPERATING INCOME

Exchange gain on other foreign currency transactions and balances	113,318	-
Gain on disposal of leasehold land	-	12,224
Gain on disposal of property, plant and equipment	2,715	-
Other sundry income	34,311	16,830
	<u>150,344</u>	<u>29,054</u>

24. PROVISIONS WRITTEN BACK

Provisions written back	<u>21,935</u>	<u>132,000</u>
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(i) The write-back in 2009 relates to excess provision for termination benefits which was made in the previous year and settled during the year.

(ii) The 2008 write-back relates to tax waivers received by the company on provisions made for tax penalties arising from a tax audit carried out by Kenya Revenue Authority.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

25. FARM NET LOSS

	2009 KShs'000	2008 KShs'000
Farm gross income	1,402	5,255
Fair value (loss)/gain (note 8)	(1,442)	3,662
Gross farm (loss)/income	(40)	8,917
Farm expenditure:		
Farm salaries and wages	(9,251)	(8,988)
Farm general expenses	(187)	(3,091)
Farm depreciation	(653)	(592)
Veterinary expenses and animal feeds	(671)	(1,034)
Farm petrol and diesel	(374)	(397)
Farm maintenance and repairs	(75)	(235)
Total farm expenditure	(11,211)	(14,337)
Net loss	(11,251)	(5,420)

26. SELLING AND DISTRIBUTION EXPENSES

Cement transport	492,921	518,330
Advertising and sales commissions	113,915	52,119
Fuel and repairs	25,722	33,830
Customs and other export levies	42,680	7,173
Depot rent	3,080	3,176
Public relations costs	265	810
Credit losses expense/(recovery)	26,376	(3,143)
	704,959	612,295

27. ADMINISTRATION AND ESTABLISHMENT EXPENSES

Staff costs	411,843	471,471
Depreciation	39,951	42,655
Impairment of leasehold land	2,708	-
Amortisation of intangible assets	5,871	6,235
Amortisation of leasehold land	286	278
Office supplies	37,700	35,136
Travelling expenses	59,350	35,625
Hired services	25,034	22,870
Telephone and postage	11,606	14,280
Company functions	18,651	11,556
Board expenses	15,237	10,542
Printing and stationery	8,758	9,310
Motor vehicle expenses	8,552	8,626
Computer expenses	13,722	7,542
Electricity	13,847	6,824
Office general expenses	8,620	4,139
	681,736	687,089

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

28. OTHER OPERATING EXPENSES

	2009 KShs'000	2008 KShs'000
Professional fees	35,473	39,953
Subscriptions	9,675	10,755
Donations	8,197	7,886
Bank charges	6,317	6,439
Miscellaneous expenses	2,971	4,917
Auditors' remuneration	2,750	2,696
Exchange loss on other foreign currency transactions and balances	-	67,461
Provision for legal suits	-	34,011
Loss on disposal of property, plant and equipment	-	555
	<u>65,383</u>	<u>174,673</u>

29. FINANCE INCOME

Interest receivable	<u>61,810</u>	<u>84,215</u>
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30. FINANCE COSTS

Interest payable on loans	83,663	74,230
Exchange loss on foreign currency loan	837,522	346,990
	<u>921,185</u>	<u>421,220</u>

The exchange loss on the loan arises mainly from the translation of the Japanese Yen denominated loan to Kenya shillings at the year-end. The loss resulted from the depreciation of the Kenya Shilling by 32 % (2008 – 14.6 %) against the Japanese Yen during the year.

31. PROFIT BEFORE TAX

	2009 KShs'000	2008 KShs'000
The profit before tax is arrived at after charging:		
Directors' emoluments:		
- Fees	1,160	1,260
- Other emoluments	20,765	18,735
Auditors' remuneration	2,750	2,696
Depreciation	399,302	398,626
Amortisation -Software	5,871	6,235
-Prepaid operating lease rentals	286	278
Staff costs (note 33)	1,160,772	1,131,619
Loss on disposal of property, plant and equipment	-	555
Impairment of leasehold land	2,708	-
Foreign exchange loss	837,522	414,451
	<u>1,133,118</u>	<u>1,131,619</u>
And after crediting:		
Foreign exchange gain	113,318	-
Profit on sale of prepaid lease rentals	-	12,224
Credit losses recovered	-	3,143
Provision write-back	21,935	132,000
Gain on disposal of property, plant and equipment	2,715	-
Changes in fair value of investment properties	1,494,008	-
	<u>1,750,076</u>	<u>1,277,837</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

32. EARNINGS PER SHARE

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

	2009 KShs'000	2008 KShs'000
Earnings for purposes of basic and diluted earnings per share (KShs'000)	1,834,054	536,652
Number of ordinary shares (thousands)	90,000	90,000
Earnings per share - basic and diluted (KShs)	20.38	5.96

There were no potentially dilutive ordinary shares outstanding at 30 June 2009 or 30 June 2008. Therefore diluted earnings per share is the same as the basic earnings per share.

33. STAFF COSTS

	2009 KShs'000	2008 KShs'000
Salaries and wages	1,132,013	1,008,499
Provision for staff gratuity	(8,966)	72,351
Pension contributions	34,565	32,283
Leave pay provision	1,311	13,428
Social security costs (NSSF)	1,849	5,058
	1,160,772	1,131,619

34. CASH FLOW STATEMENT

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

	2009 KShs'000	2008 KShs'000
Profit before tax	1,881,678	715,889
Adjustments for:		
Depreciation	399,302	398,626
Amortisation on leasehold rentals	286	278
Amortisation on intangible assets	5,871	6,235
(Gain)/loss on sale of property, plant and equipment	(2,715)	555
Impairment of leasehold land	2,708	-
Gain on sale of prepaid lease rentals	-	(12,224)
Changes in fair value of investment properties	(1,494,008)	-
Exchange loss on foreign currency loan	837,522	346,990
Staff gratuity provision	(8,966)	72,351
Tax over - provision in prior year	29,143	-
Fair value loss/(gain) on biological assets	1,442	(3,662)
Interest expense	80,884	74,230
Interest received	(61,810)	(84,215)
Operating profit before working capital changes	1,671,337	1,515,053

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

34. CASH FLOW STATEMENT(continued)

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

	2009 KShs'000	2008 KShs'000
Decrease/(increase) in inventories	240,546	(399,195)
Increase in trade and other receivables	(144,423)	(181,470)
Decrease in non-current staff receivables	825	7,917
Increase in trade and other payables	263,891	14,402
Increase related party balances	(58,972)	-
Staff gratuity paid	(64,057)	(85,337)
Cash generated from operations	1,909,147	871,370
(b) Movement in loans		
Balance at the beginning of the year	2,677,988	2,579,360
Foreign currency exchange loss	837,522	346,990
Repayments during the year	(273,932)	(248,362)
Balance at 30 June	3,241,578	2,677,988
(c) Movement in loan accrued interest		
Balance at the beginning of the year	18,890	84,019
Interest accrual	80,884	74,230
Interest paid	(80,272)	(139,359)
Balance at 30 June	19,502	18,890
(d) Analysis of cash and cash equivalents		
Short term deposits	1,225,450	497,939
Bank and cash balances	286,512	490,670
	1,511,962	988,609

35. RETIREMENT BENEFITS OBLIGATIONS

The company, with effect from 1 July 2006, operates a defined contribution pension scheme for senior and supervisory staff. The scheme was previously a non-contributory defined benefits pension scheme. The scheme is administered independently by Alexander Forbes Financial Services (E.A) Limited, while its investments are managed by Stanbic Investments Services (East Africa) Limited. Contributions to this scheme during the year amounted to KShs 34,565,000 (2008 – KShs 32,283,000).

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

The company also contributes to the statutory defined contribution pension scheme, the National Social Security Fund. Contributions to the statutory scheme are determined by local statute and are currently limited to KShs 200 per employee per month. The company's contributions are charged to the income statement in the year to which they relate. Contributions to this scheme during the year amounted to KShs 1,849,000 (2008 – KShs 5,058,000).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

36. REVENUE ANALYSIS AND SEGMENTAL REPORTING

	2009 KShs'000	2008 KShs'000
The company revenues are derived from sales in the following markets;		
Local market – Kenya	7,677,396	6,759,181
Regional market (East and Central Africa)	423,981	445,298
	<u>8,101,377</u>	<u>7,204,479</u>

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

Sales to the regional market are done through depots whose net assets constitute less than 5% of the company's total net assets. Segment reporting with respect to net assets is, therefore, not considered of any real value. In addition, the local sales are 94% of the total revenue hence there is only one reportable segment.

37. CAPITAL MANAGEMENT

The company manages its capital to ensure that it will be able to continue as a going concern while optimization the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the company consists of debt, which includes the borrowings (disclosed in note 19), cash and cash equivalents and equity attributable to equity holders, comprising issued capital and retained earnings. Consistent with others in the industry, the company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity plus net debt.

	2009 KShs'000	2008 KShs'000
Share capital	450,000	450,000
Share premium	648,000	648,000
Retained earnings	3,606,005	1,835,456
Proposed dividends	117,000	-
Equity	<u>4,821,005</u>	<u>2,933,456</u>
Total borrowings	3,261,080	2,696,878
Less: cash and cash equivalents	<u>(1,511,962)</u>	<u>(988,609)</u>
Net debt	1,749,118	1,708,269
Total capital	<u>6,570,123</u>	<u>4,641,725</u>
Gearing ratio	<u>26.62%</u>	<u>36.80%</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The company's activities expose it to a variety of financial risks, including credit risk and the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance.

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

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

Credit risk

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

The amount that best represents the company's maximum exposure to credit risk as at 30 June 2009 is made up as follows:

	Fully performing KShs'000	Past due KShs'000	Impaired KShs'000	Total KShs'000
Trade receivables	258,109	130,425	210,040	598,574
Other receivables and prepayments	160,109	134,166	48,412	342,687
Amount due from related party	58,972	-	-	58,972
Deposits	1,281,383	-	-	1,281,383
Cash and bank balances	286,512	-	-	286,512

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

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

Liquidity risk

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

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

	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 2009						
Financial assets						
Trade receivables	258,109	130,425	210,040	-	-	598,574
Other receivables and prepayments	160,109	134,166	48,412	-	-	342,687
Amount due from related party	58,972	-	-	-	-	58,972
Cash and bank balances	286,512	-	-	-	-	286,512
Deposits	-	1,225,450	-	-	55,933	1,281,383
Total financial assets	763,702	1,490,041	258,452	-	55,933	2,568,128
	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
Financial liabilities						
Trade and other payables	(759,938)	(207,909)	(230,383)	-	-	(1,198,230)
Borrowings	-	(166,832)	(147,330)	(1,473,299)	(1,473,619)	(3,261,080)
Total financial liabilities	(759,938)	(374,741)	(377,713)	(1,473,299)	(1,473,619)	(4,459,310)
Net liquidity gap	3,764	1,115,300	(119,261)	(1,473,299)	(1,417,686)	(1,891,182)
At 30 June 2008						
Total financial assets	904,616	524,581	101,107	825	61,792	1,592,921
Total financial liabilities	(49,529)	(825,195)	(210,270)	(1,961,562)	(1,447,656)	(4,494,212)
Net liquidity gap	855,087	(300,614)	(109,163)	(1,960,737)	(1,385,864)	(2,901,291)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk

(i) Foreign exchange risk

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

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

	US\$ KShs'000	US\$ KShs'000	YEN KShs'000	DKK KShs'000
2009				
Assets				
Bank and cash balances	53,563	330,555	-	-
Trade receivables	46,194	134,166	-	-
Liabilities				
Borrowings	-	-	3,261,080	-
Trade and other payables	-	41,987	82,761	33,109
2008				
Assets				
Bank and cash balances	34,711	730,415	-	-
Trade receivables	39,336	154,499	-	-
Liabilities				
Borrowings	-	-	2,696,878	-
Trade and other payables	3,278	40,226	236,298	1,030

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

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

	2009 KShs'000		2008 KShs'000	
	Effect on Profit	Effect on equity	Effect on Profit	Effect on equity
Currency – Ugandan shillings				
+ 1% KShs movement	(536)	(161)	708	495
- 1% KShs movement	536	161	(708)	(495)
Currency - US dollars				
+ 1% KShs movement	3,106	932	8,447	5,913
- 1% KShs movement	(3,106)	(932)	(8,447)	(5,913)
Currency - Yen				
+ 1% KShs movement	(32,416)	(9,725)	(26,780)	(18,746)
- 1% KShs movement	32,416	9,725	26,780	18,746

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk (continued)

(ii) Cement price risk

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

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

	2009 KShs'000		2008 KShs'000	
	Effect on Profit	Effect on equity	Effect on Profit	Effect on equity
Cement price				
+ 1% movement	81,014	56,710	74,586	52,210
- 1% movement	(81,014)	(56,710)	(74,586)	(52,210)

(iii) Interest rate risk

Interest rate risks arise from fluctuations in the bank borrowing rates. The interest rates vary from time to time depending on the prevailing economic circumstances. To minimise the exposure, the company has negotiated a fixed interest rate on the borrowings. The company closely monitors the interest rate trends to minimize the potential adverse impact of interest rate changes. The table below summarises the exposure to interest rate risk at the balance sheet date.

Included in the table are the company's financial instruments at carrying amounts, categorized by the earlier of contractual repricing or maturity dates.

	Up to 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 2009						
Assets						
Cash and bank balances	286,512	-	-	-	-	286,512
Deposits	-	1,225,450	-	-	55,933	1,281,383
At 30 June 2008						
Assets						
Cash and bank balances	490,670	-	-	-	-	490,670
Deposits	-	497,939	-	-	54,163	552,102

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk (continued)

(iii) Interest rate risk (continued)

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

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

	2009 KShs'000		2008 KShs'000	
	Effect on Profit	Effect on equity	Effect on Profit	Effect on equity
+ 1% Movement	12,133	8,493	17,931	12,551
-1 % Movement	(12,133)	(8,493)	(17,931)	(12,551)

Fair Values of Financial instruments

The table below is a comparison by category of carrying amounts and fair values of all the company's financial instruments, which are carried in the financial statements.

	Carrying amount		Fair value	
	2009 KShs 000	2008 KShs 000	2009 KShs' 000	2008 KShs' 000
Financial assets				
Cash	286,512	490,670	286,512	490,670
Short term deposits	1,225,450	497,939	1,225,450	497,939
Trade and other receivables	682,809	538,386	682,809	538,386
Amount due from related party	58,972	-	58,972	-
Financial liabilities				
Trade and other payables	1,198,230	934,339	1,198,230	934,339
Borrowings	3,261,080	2,696,878	3,261,080	2,696,878

The Directors are of the opinion that the carrying value of financial instruments approximates fair value due.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

39. CONTINGENT LIABILITIES

	2009 KShs'000	2008 KShs'000
Pending law suits	177,918	129,552
Guarantee of staff mortgages	55,933	54,163
	<u>233,851</u>	<u>183,715</u>

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

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

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 2006 to 2009. KRA, in their letter dated 7 September 2009, has demanded KShs 2.78 billion as the principal tax. In the opinion of the directors, after taking appropriate tax advice, this amount is not payable and they have appealed to the commissioner to review the assessment. The directors are of the opinion that the outcome of their appeal will be favourable hence no provision has been made for any tax liability that may arise from this assessment in these financial statements.

40. CAPITAL COMMITMENTS

	2009 KShs'000	2008 KShs'000
Authorised by the directors but not contracted for	3,823,670	1,228,956
Authorised by the directors and contracted for	<u>1,018,000</u>	<u>1,639,837</u>

41. OPERATING LEASE RENTALS

Not later than 1 year	5,142	7,171
Later than 1 year but not later than 2 years	5,444	6,391
	<u>10,586</u>	<u>13,562</u>

42. COUNTRY OF INCORPORATION

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

43. COMPARATIVES

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

44. CURRENCY

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

SHAREHOLDING STRUCTURE 30.06.2009

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

SHARE DISTRIBUTION SCHEDULE

CATEGORY	NO. OF SHAREHOLDERS	SHARES HELD	PERCENTAGE
1-1,000	615	233,550	0.26
1,001-5,000	232	580,381	0.64
5,001-10,000	70	520,729	0.58
10,001-50,000	58	1,376,808	1.53
50,001-100,000	11	761,807	0.85
Over 100,000	10	86,526,725	96.14
TOTAL	996	90,000,000	100.00

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 77th Annual General Meeting of The East African Portland Cement Company Limited will be held at the Company's Club House, Athi River, on Thursday, 19 November 2009 at 12.00 noon to transact the following business:-

1. To read the Notice convening the meeting.
2. To confirm the minutes of the 76th Annual General Meeting held on 4 December 2008.
3. To receive the Chairman's Report.
4. To receive, consider and adopt the Financial Statements for the year ended 30 June 2009 together with the reports of the directors and auditors thereon.
5. To approve a first and final dividend of Kshs 1.30 per share in respect of the Financial Year ended 30 June 2009 as recommended by the directors.
6. To re- elect directors:-
 - (i) In accordance with Article 99 of the Company's Articles of Association, the following Directors retire by rotation at this meeting and, being eligible, offer themselves for re-election.
 - Mr Joseph Kinyua
 - Mr Titus Naikuni
 - (ii) In accordance with Article 83 of the Company's Articles of Association, Mr Alex Kazongo retires at this meeting and, being eligible, offers himself for re-election.
7. To approve the remuneration of the Directors as shown in the Financial Statements for the year ended 30 June 2009.
8. To note that Messrs Ernst & Young, who were appointed by the Controller and Auditor-General as authorized auditors, have expressed their willingness to continue in office subject to being re-appointed in accordance with Section 39(1) of the Public Audit Act 2003 and to authorise the directors to fix their remuneration for the ensuing financial year.
9. To transact any other business of an annual general meeting of which due notice has been received in accordance with the Company's Articles of Association.

BY ORDER OF THE BOARD



J L G MAONGA
SECRETARY

October 2, 2009

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

PROXY FORM

For the year ended 30 June 2009

I/We _____

of (address): _____

Being a member/s of the above Company, hereby appoint: _____

of (address): _____

or failing _____

of (address): _____

Or failing him, the Chairman of the Meeting, as my/our proxy, to vote for me/us and on my/our behalf at the 77th Annual General Meeting of The East African Portland Cement Company Limited to be held on 19 November 2009 and at any adjournment thereof.

As witnessed by my/our hand this _____ day of _____ 2009

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. This proxies must be deposited at the Registered Office of the Company not less than 48 hours before the time of holding the meeting:

East African Portland Cement Company Limited
P.O. Box 20 - 00204
Athi River
Off Namanga Road

NOTES



Experience 3 in 1 PLASTERING

.of Blue Triangle Cement

...e know you value a bright plastering finish.

...o for over 75 years we have selected and blended raw materials and followed stringent quality control procedures in manufacturing of Blue Triangle Cement.

...e have perfected our cement with a 3 in 1 action that is uncompromising in durability, strength and bright plastering finish, making Blue Triangle the ultimate cement for all your construction needs.



A quality product from East African Portland Cement Company

strong.durable.bright

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