

East African Portland Cement Company Limited

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Annual Report & Financial Statements FY 2005/2006

17

East African Portland
Cement Co. Ltd

Holding Life Together

17-3
A.P.C.

CORPORATE SOCIAL RESPONSIBILITY



A peer trainer consults with EAPCC trainees during a session. The peer team objective is to disseminate information on HIV/Aids and sexual behaviour.



A community health worker takes Portland staff through an HIV/Aids talk during the Community Week. Separate talks on alcoholism and VCT were also conducted.

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Vision

To be the preferred provider of cement and cement products in Eastern Africa.

Mission

To manufacture and market quality cement and cement products to the satisfaction of our customers.

Values

Teamwork

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

Integrity

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

Customer Focus

We are dedicated to meeting customer expectations.

Timeliness

We promote timely delivery of high quality products.

Innovativeness

We encourage creativity; embrace positive change and reward innovation.

Commitment

We ensure peak performance, enthusiasm and excitement for work.

NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given that the 74th Annual General Meeting of The East African Portland Cement Company Limited will be held at the Company's Club House, Athi River, on Thursday, 14th December 2006 at 12:00 for the following purposes:-

ORDINARY BUSINESS

1. To confirm the minutes of the 73rd Annual General Meeting held on 2 December 2005.
2. To receive the Chairman's Report.
3. To receive and consider the Financial Statements for the year ended 30 June 2006 together with the reports of the Directors and Auditors thereon.
4. To confirm an Interim dividend of Kshs 1/30 per share paid during the year and to declare a final dividend of Kshs 1/30 per share in respect of the Financial Year ended 30 June 2006 as recommended by the directors.
5. To 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 R A Hadley
 - Mr G C D Groom
 - (ii) In accordance with Article 83 of the company's Articles of Association, Mrs Rachel Lumbasyo, retires at this meeting and, being eligible, offers herself for re-election.
6. To note that Messrs Deloitte & Touche, who were appointed by the Controller and Auditor General as authorized auditors, have expressed their willingness to continue in office subject to being re-appointed in accordance with Section 39(1) of the Public Audit Act 2003 and to authorise the directors to fix their remuneration.
7. To transact any other business of the Company of which due notice has been received in accordance with the Company's Articles of Association.

BY ORDER OF THE BOARD

J. L. G. MAONGA

SECRETARY

Date: 26 September 2006

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.

COMPANY INFORMATION

BOARD OF DIRECTORS

Director's Name	Nationality	Occupation and particulars of all other directorships	Age	Date of Appointment	Position
Benson Sande Ndeta	Kenyan	Architect Other Directorships • In-house Architects • Weiss Systems	34	18.06.03	Chairman
Ndegwa Kairo Kagio	Kenyan	Ag. Managing Director – EAPCC Other Directorships Laureate School	54	04.08.06	Ag. Managing Director
R Anthony Hadley	British	Company Executive – Regional President - Africa La farge Cement Division Other Directorships • Bamburi Cement Ltd	47	21.07.99	Director
Hamish Keith(Alternate to Mr R A Hadley)	Kenyan	Advocate Other Directorships 1. AON Minet Insurance Brokers Limited 2. Bora Services Limited 3. De La Rue Currency & Security Print Limited 4. Kenya Titanium Minerals (Epz) Limited 5. Kole Kole Limited 6. Kwazi Limited 7. Longonot Farm Limited 8. Mukenya Ranch Limited 9. Segera Ranch Limited 10. Madeteni Limited 11. Ngalawa Limited 12. Halasa Limited 13. Rumada Limited 14. Pelele Limited 15. Shazia Limited 16. Mliwa Limited 17. Sagai Limited 18. Shalaka Limited 19. Shwari Limited 20. Deraya Limited COMPANY SECRETARY 1. The Jubilee Insurance Company of Kenya Limited 2. De La Rue Currency and Security Print Limited 3. AIG Global Investment Company Limited	58	16.12.02	Alternate Director
Mr David Nalo PS Ministry of Trade and Industry	Kenyan	Civil Servant Other Directorships 1. Kenya Bureau of Standards 2. Kenya Investment Authority 3. Kenya Industrial Research and Development Institute. 4. Kenya Wine Agencies 5. Kenya Industrial Property Institute 6. Industrial & Commercial Development Corporation 7. Kenya Industrial Estates 8. Industrial Development Bank 9. Export Promotion Council 10. Kenya National Trading Corporation 11. Export Processing Zone Authority 12. Industrial Property Tribunal		24.08.05	Director

BOARD OF DIRECTORS

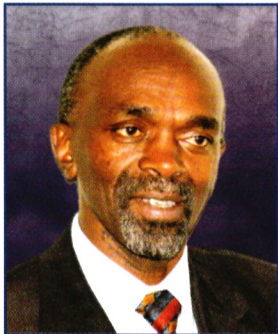
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Director's Name	Nationality	Occupation and particulars of all other directorships	Age	Date of Appointment	Position
Mrs Margaret Chepwogen Rotich (Alt to PS Trade and Industry)	Kenyan	Civil Servant Other Directorships • Alt Director – ICDC • Alt Director – ICDCI • Life Ministry (Kenya) • Radiation Direction Board	50	20.08.04	Alternate Director
Mr Joseph K. Kinyua (PS Treasury)	Kenyan	Civil Servant		05.08.04	Director
Mr. Jackson Kinyanjui (Alternate to PS Treasury)	Kenyan	Civil Servant	51	14.01.04	Alternate Director
Mrs Rachel Khavaya Lumbasyo (Managing Trustee – NSSF)	Kenyan	Managing Trustee, National Social Security Fund Other Directorships • National Bank of Kenya Ltd • Bamburi Cement Company Ltd • Housing Finance of Kenya • Consolidated Bank of Kenya Ltd	55	31.01.06	Director
Albert Odero (Alternate to the Managing Director – NSSF)	Kenyan	Deputy Managing Trustee, NSSF	42	24.08.05	Alternate Director
Geoffrey Christopher David Groom	British	Company Executive Other Directorships • Kenya Flourspar Co Ltd • Ndoto Holdings Ltd • Hot Pepper Holdings Ltd	60	01.07.97	Director
Sankale ole Kantai	Kenyan	Advocate No other directorships	45	15.07.03	Director
John Lucks Gwaro Maonga	Kenyan	No other directorships	46	09.12.02	Company Secretary

BOARD OF DIRECTORS



Mr Benson Sande Ndeta
Chairman



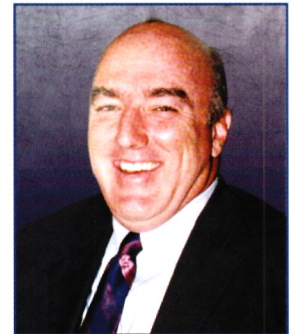
Mr Ndegwa K. Kagio
Ag. Managing Director



Mr Joseph K. Kinyua
Director



Mr David Nalo
Director



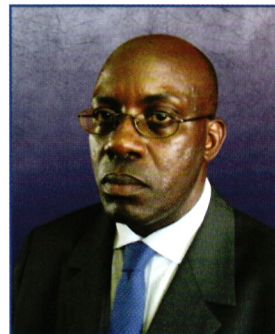
Mr R. Anthony Hadley
Director



Mrs Rachael Lumbasyo
Director



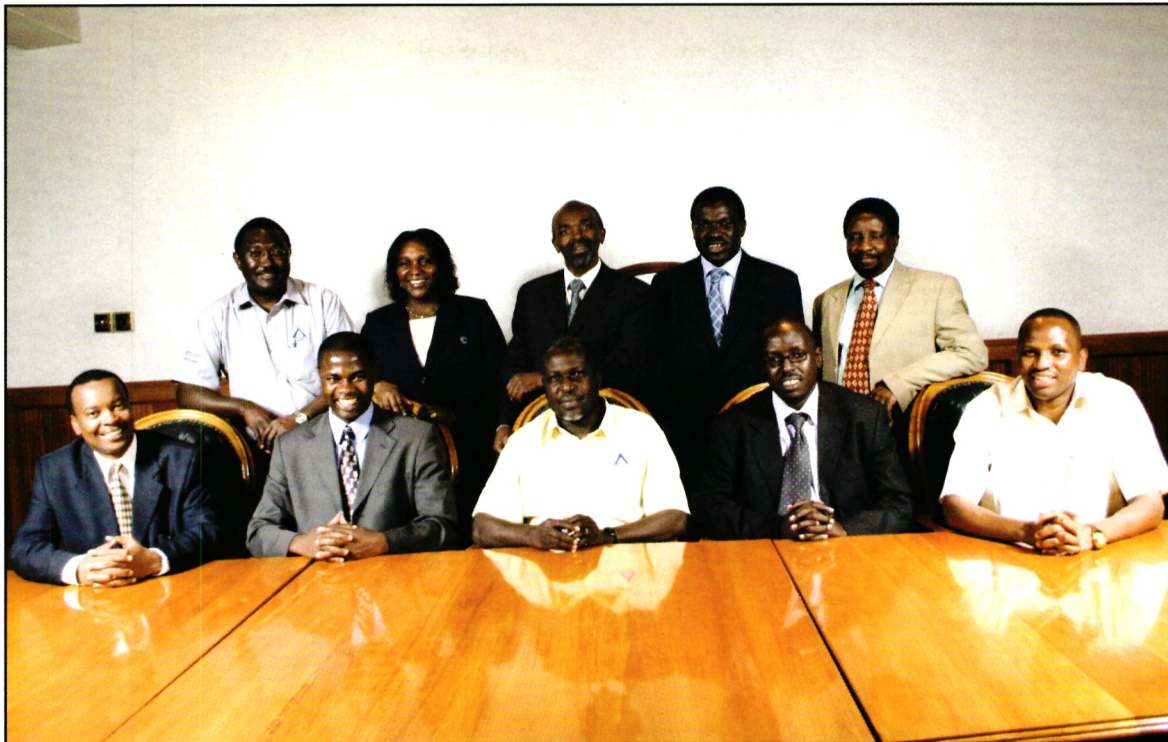
Mr Geoffrey C.D. Groom
Director



Mr Sankale ole Kantai
Director



Mr J.L.G. Maonga
Company Secretary



MANAGEMENT EXECUTIVE TEAM

Standing, left to right: Alex Mutisya (Ag. GM-Works), Rosemary Gituma (Finance Manager), **Ndegwa K. Kagio** (Ag. Managing Director), Caleb Kapten (GM-Commercial), Harris Njuguna (Ag. HR Manager),
Seated, left to right: Charles Kaloki (IT Manager), Ivor Wekesa (Internal Audit Manager), Charles Obock (Production Manager), Peter Korir (Corporate Planning & Performance Manager), Kananga M'Nchebere (Chief Electrical Engineer),
Not in the picture: Salim Daghar (Chief Mechanical Engineer).

DIRECTORS

- B.S. Ndeta** Chairman
- N. K Kagio** Ag. Managing Director
- S. ole Kantai**
- G.C.D. Groom**
- R.A. Hadley*** (Alternate – K.H. W. Keith)
- J.K. Kinyua** (Alternate – J. Kinyanjui)
- R. Lumbasyo** (Alternate – A. Odero)
- D. Nalo** (Alternate – Mrs M.C. Rotich)

* British

SECRETARY

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

REGISTERED OFFICE

LR 337/113/1
 Namanga Road, off Mombasa Road
 P O Box 40101-00100, Nairobi

REGISTRARS

Haki Registrars
 P.O. Box 40868-00100
 Nairobi

BANKERS

Kenya Commercial Bank Ltd.
 Standard Chartered Bank Kenya Ltd.
 Standard Chartered Bank Uganda Ltd.
 The Co-operative Bank of Kenya Ltd.
 Barclays Bank of Kenya Ltd.
 Stanbic Bank Kenya Ltd.

AUDITORS

The Controller and Auditor General
 P.O. Box 30084 - 00100 GPO
 Nairobi



COMPANY INFORMATION

CONTINUED



Mr Ndegwa K. Kagio, the Ag. Managing Director (centre) and Mr Sankale ole Kantai, a Director, during the signing of a capacity expansion contract with Polysius, a division of ThyssenKrupp Engineering (Pty) of South Africa. On the right is a Polysius representative.

SHAREHOLDING STRUCTURE

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(NOMINESS)	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	431	200,209	0.2
1,001-5,000	236	587,526	0.7
5,001-10,000	70	522,249	0.6
10,001-50,000	62	1,289,124	1.4
50,001-100,000	9	612,626	0.7
Over 100,000	12	86,788,266	96.4
	820	90,000,000	100.0

The board committees as at the date of this report comprise:

Executive Committee	Tender & Procurement Committee	Human Resources & Remuneration Committee
Composition Seven non –executive and one Executive Director	Composition Three non-executive Directors, Managing Director, General Manager Works, General Manager Commercial, Finance Manager, Procurement Manager and Production Manager	Composition Four non-executive Directors and Managing Director
Main function Strategic decision making in accordance with powers conferred by the shareholders	Main function Strategic decision making in accordance with powers conferred by the shareholders	Main function Strategic decision making in accordance with powers conferred by the shareholders
Frequency of meetings per annum Atleast Four times	Frequency of meetings per annum Atleast Four times	Frequency of meetings per annum Atleast Four times
Chairman Benson S. Ndeta	Chairman Hamish Keith	Chairman Rachel Lumbasyo
Members J. K. Kinyua Mr. David Nalo Sankale ole Kantai G.C.D Groom R. A. Hadley Rachel Lumbasyo Ndegwa K. Kagio	Members Benson S. Ndeta Rachel Lumbasyo Ndegwa K. Kagio	Members Hamish Keith Sankale ole Kantai J. K. Kinyua Ndegwa K. Kagio

Audit Committee	Technical Committee
Composition Five non-executive directors	Composition Four non-executive directors and Managing Director
Main function Strategic decision making in accordance with powers conferred by the shareholders	Main function Strategic decision making in accordance with powers conferred by the shareholders
Frequency of meetings per annum Atleast Four times	Frequency of meetings per annum Atleast Four times
Chairman Sankale ole Kantai	Chairman Mr. David Nalo
Members G.C.D. Groom J. K. Kinyua Mr. David Nalo Rachel Lumbasyo	Members Benson S. Ndeta J. K. Kinyua G.C.D. Groom Ndegwa K. Kagio

Note: Inspectorate of State Corporations is in attendance at all Board and Board committee meetings

REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements of the company for the year ended 30 June 2006.

ACTIVITIES

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

RESULTS	Sh'000
Profit before taxation	924,364
Taxation charge	(512,571)
Net profit for the year	411,793

DIVIDEND

An interim dividend of Sh 1.30 per share (2005 – Nil) totalling to Sh 117,000,000 (2005 – Nil) was paid during the year. The directors propose the payment of a final dividend of Sh 1.30 per share (2005 – Sh 2.50), totalling Sh 117,000,000 (2005- Sh 225,000,000) in respect of the year ended 30 June 2006.

DIRECTORS

The current board of directors is shown on page 4 to 6. The following changes have taken place since the date of the last annual general meeting.

Mr Naftali Mogere resigned on 31 January 2006 and was replaced by Mrs Rachael Lumbasyo.

Mr Ole Mapelu Zakayo resigned on 4 August 2006 as the Managing Director, Mr Ndegwa K. Kagio was appointed on 4 August 2006 as the acting Managing Director. Mr Sankale ole Kantai was reappointed on 1 September 2006.

Board Chairman, Mr. Benson Sande Ndeti was re-appointed with effect from 16 July, 2006

AUDITORS

Deloitte & Touche, who have been appointed as authorised auditors by the Controller and Auditor General, have expressed their willingness to continue in office in accordance with provisions of section 159(2) of the Companies Act (Cap. 486) and subject to section 29(2)(b) of the Exchequer and Audit (Amendment) Act 1985.

BY ORDER OF THE BOARD

Secretary

Nairobi
September 14, 2006