ANNUAL REPORT
& FINANCIAL STATEMENTS
FY 2006/2007

www.eastafricanportland.com

East African Portland
Cement Co. Ltd

Holding life together

CONTENTS

FOR THE YEAR ENDED 30 JUNE 2007

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 is hereby given that the 75th Annual General Meeting of The East African Portland Cement Company Limited will be held at the Company's Club House, Athi River, on Thursday 29 November 2007 at 12.00 Noon to transact the following business:-

ORDINARY BUSINESS

1. To read the Notice convening the meeting.
2. To confirm the minutes of the 74th Annual General Meeting held on 14 December 2006.
3. To receive the Chairman's Report.
4. To receive, consider and adopt the Financial Statements for the year ended 30 June 2007 together with the reports of the Directors and auditors thereon.
5. To confirm an Interim dividend of KShs1.30 per share paid during the year and to declare a final dividend of KShs1.30 per share in respect of the Financial Year ended 30 June 2007 as recommended by the Directors.
6. 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 Joseph Kinyua
   - Mr David Nalo

   (ii) In accordance with Article 83 of the Company's Articles of Association, Mr Titus Naikuni 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 2007.
8. To note that Messrs Deloitte & Touche, who were appointed by the Controller and Auditor General as authorized auditors, have expressed their willingness to continue in office subject to being re-appointed in accordance with Section 39(1) of the Public Audit Act 2003 and to authorise the Directors to fix their remuneration.

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

BY ORDER OF THE BOARD

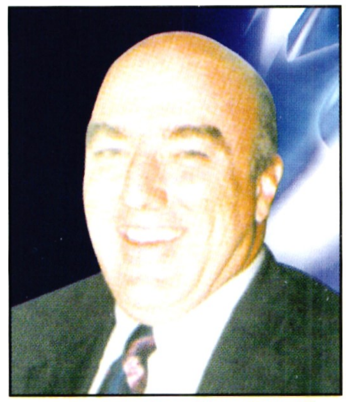
J L G MAONGA
SECRETARY
Date: September 14, 2007

Note: A member en titled 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.

BOARD OF DIRECTORS

NDEGWA K KAGIO
Ag MANAGING DIRECTOR

BENSON SANDE NDETA
CHAIRMAN



R ANTHONY HADLEY
DIRECTOR

JOSEPH K KINYUA
DIRECTOR

DAVID NALO
DIRECTOR

TITUS TUKERO NAIKUNI
DIRECTOR

RACHAEL LUMBASYO
DIRECTOR

J L G MAONGA
COMPANY SECRETARY

SANKALE ole KANTAI
DIRECTOR

MANAGEMENT EXECUTIVE TEAM

NDEGWA KAGIO	Ag. MANAGING DIRECTOR
KEPHAR L TANDE	GENERAL MANAGER FINANCE
CALEB KAPTEN	GENERAL MANAGER COMMERCIAL
ALEX MUTISYA	Ag GM-WORKS
ROSEMARY GITUMA	FINANCE MANAGER
HARRIS NJUGUNA	Ag HUMAN RESOURCES MANAGER
CHARLES KALOKI	IT MANAGER
CHARLES OBOCK	PRODUCTION MANAGER
PETER KORIR	CORPORATE PLANNING & PERFORMANCE MANAGER
KANANGA M'NCHEBERE	CHIEF ELECTRICAL ENGINEER
SALIM DAGHAR	CHIEF MECHANICAL ENGINEER
STEPHEN K NTHEI	INTERNAL AUDIT MANAGER
TOM OMBASA	COMMERCIAL MANAGER

DIRECTORS

B S NDETA	CHAIRMAN	
N K KAGIO	MANAGING DIRECTOR (Ag)	
S ole KANTAI		
T T NAIKUNI		
R A HADLEY*	(ALTERNATE – K H W KEITH)	* BRITISH
J K KINYUA	(ALTERNATE – J KINYANJUI)	
R LUMBASYO	(ALTERNATE – J AKOYA)	
D NALO	(ALTERNATE – E KIMURI)	

SECRETARY

J L G MAONGA
CERTIFIED PUBLIC SECRETARY (KENYA)
P O Box 30029 - 00100, Nairobi

REGISTERED OFFICE

L R 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 Limited
Standard Chartered Bank Kenya Limited
Standard Chartered Bank Uganda Limited
The Co-operative Bank of Kenya Limited
Barclays Bank of Kenya Limited
Stanbic Bank Kenya Limited

AUDITORS

Controller and Auditor General
P O Box 30084 - 00100, Nairobi

SHAREHOLDING STRUCTURE 30/06/2007

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 30/06/2007

CATEGORY	NO. OF SHAREHOLDERS	SHARES HELD	%
1 -1,000	495	204,557	0.2
1,001 - 5,000	229	573,994	0.6
5,001 -10,000	72	535,753	0.6
10,001 - 50,000	62	1,323,404	1.5
50,001 - 100,000	9	574,026z	0.6
Over 100,000	12	86,788,266	96.4
TOTAL	**879**	**90,000,000**	**100.0**

The Directors present their report together with the audited financial statements of the Company for the year ended 30 June 2007.

ACTIVITIES

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

RESULTS

	Sh'000
Profit before taxation	1,112,625
Taxation charge	(348,461)
Profit for the year	764,164

DIVIDENDS

An interim dividend of Sh1.30 per share (2006 – Sh1.30 per share) totalling to Sh117,000,000 (2006 – Sh117,000,000) was paid during the year. The Directors propose the payment of a final dividend of Sh1.30 per share (2006 – Sh1.30), totalling Sh117,000,000 (2006 - Sh117,000,000) in respect of the year ended 30 June 2007.

DIRECTORS

The current Board of Directors is shown on pages 9 and 10. The following changes have taken place since 1 July 2006: Mr G C D Groom resigned on 10 July 2007 and was replaced by

Mr T T Naikuni. On 25 July 2007, Mrs M C Rotich was replaced by Mr E Kimuri as an alternate director to Mr D Nalo. Mr A Odero was replaced by Mr J Akoya as alternate director to Mrs Rachael Lumbasyo on 6 September 2007.

AUDITORS

The Controller & Auditor General is responsible for the statutory audit of the Company's books of account in accordance with Section 14 and WSection 39(i) of the Public Audit Act, 2003 which empowers the Controller & Auditor General to nominate other auditors to carry out the audit on her behalf. Deloitte & Touche, who were nominated by the Controller & Auditor General, carried out the audit of the financial statements for the year ended 30 June 2007.

BY ORDER OF THE BOARD

Secretary
Nairobi
September 14, 2007

STATEMENT OF DIRECTORS' RESPONSIBILITIES

FOR THE YEAR ENDED 30 JUNE 2007

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

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of 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.

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

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

Benson S. Ndeta
Chairman

Ndegwa K. Kagio
Ag. Managing Director

September 14, 2007.

CHAIRMAN'S STATEMENT

FOR THE YEAR ENDED 30 JUNE 2007

BENSON SANDE NDETA
CHAIRMAN

It is my great pleasure to welcome you to the 75th Annual General Meeting of The East African Portland Cement Company Limited.

I wish to thank you all for your continued interest and 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.

ECONOMIC GROWTH OVERVIEW

All leading economic indicators continue to show that the Kenyan economy is robust. Real Gross Domestic Product (GDP) expanded by 6.1 per cent in 2006 compared to a revised growth of 5.7 per cent in 2005. This growth has been attributed to better than average performance in key sectors of agriculture, manufacturing, finance, transport and communication, tourism, retail, energy and construction.

The construction sector, which is where we operate, saw a marked increase in the consumption of cement, which increased by 12.3 per cent from 1,572.5 thousand tonnes in 2005 to 1,765.8 thousand tonnes in 2006. The index of government expenditure on roads increased from 62.6 in 2005 to 209.0 in 2006, largely driven by sevenfold increase in government allocation on roads.

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.

OUTLOOK FOR 2007

In spite of the General Election scheduled at the tail end of 2007, the outlook for the domestic economy is vibrant. The inflation rate is expected to decline in 2007 as a result of lower food commodity prices and a stable macroeconomic environment. Activities in the financial sector are likely to depict an upward trend supported by the huge earnings experienced in 2006 and good corporate management.

Activities on the Nairobi Stock Exchange in 2007 are likely to go up following expected sales of Safaricom, through an Initial Public Offer (IPO).

Growth in the agriculture, manufacturing, hotels and restaurant, transport and communication, wholesale and retail trade, and construction sectors are likely to improve in 2007. Gross Domestic Product (GDP) is expected to record a growth rate of between 5.8 to 6.5 per cent in 2007.

As government gears towards achieving Vision 2030, the country will see further growth in cement demand. In order for Vision 2030 and sustained growth to be achieved, the private and public sectors will have to work together. In conclusion, the outlook for cement demand remains positive and continued strong performance is expected.

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 invested in a new state of the art closed circuit mill which is expected to be commissioned late 2008. The increased grinding annual capacity of 1.3 million metric tonnes of cement will enable 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. The key objectives of the project are:

- Capacity Increase Strategy
  Milling capacity from current 720,000 MT to 1.3 million metric tones per annum.

- Low Cost Production Strategy
  Reduce milling cost as technology allows for use of more additives without compromising on quality.

- Marketing Strategy
  Achieve consistent high milling capacity capable of satisfying current and future market demands.

- Product Quality Strategy
  The Company will be able to consistently conform to and sustain a high quality product through the close circuit milling system.

- Profitability Strategy
  Through reduced production costs as a result of the close circuit system, the Company intends to sustain positive operating margins and thus generate enough positive cash flows to meet its foreign debt obligation.

GROWTH PROSPECTS

The past year has seen strong growth in the construction sector with cement volumes growing ahead of expectations. As a result it has been a challenging year, with all our production facilities running at high utilization levels.

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.

COMPANY PERFORMANCE

In the year under review, there was a strong market demand attributable to robust building and construction activities in the local market, leading to improved revenue and gross profit.

In line with the Company's objective of profitable growth, operating profit grew by 29% despite higher inputs and distribution costs.

Overall, profit before tax grew by 20% to KSh1.1 billion from 924 million in the prior year. After tax profit increased by 86% and earnings per share improved to KSh8.49 from KSh4.58 compared to prior year.

In line with its expansion and modernization programme, the Company invested KSh 0.5 billion during the period. Considering the planned capital expenditure necessary for the Company to retain its market share and competitive edge, the Board is pleased to recommend a final dividend of KSh1.30 per share. This is in addition to an interim dividend of KSh1.30 per share already paid but which brings the total dividend to KSh2.60 per share.

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, possibility of power rationing and fuel costs pose the biggest threat to margins. The Company will continue to implement various cost optimization initiatives.

ENERGY

Besides investing in the new cement mill, we also have plans to invest in coal milling facility (a coal grinding and dosing facility) 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 constitute about 45% of our total production cost. 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.

HEALTH AND ENVIRONMENT

EAPCC has been at the forefront of improving its environment conservation efforts and compliance with conservation policies and legislation. We will not relax our conservation efforts and we will continue to seek increased collaboration with NEMA to strengthen our participation in conserving the environment.

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 and Coordination Act of 1999.

CORPORATE SOCIAL RESPONSIBILITY

EAPCC recognises the fact that good corporate citizenship is not only about putting in place sound business strategies, making impressive profits, paying good salaries and making tax returns. It is also about creating partnerships 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 our 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. Besides focusing on communities, we also have an internal CSR programme to improve health care among staff.

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 Code of Behaviour within the expectations of our shareholders and other stakeholders. We will continue to identify with and share best practices across the entire Company structure.

THE BOARD

The Board remained largely unchanged with the exception of Mr. Geoffrey C. D. Groom, who retired from the Board. I extend our appreciation and thanks for his contribution and at the same time welcome on the Board his replacement, Mr. Titus Naikuni.

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 have 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.

Benson Sande Ndeta
Chairman
September 14, 2007

2nd Runner-up:
East African Portland Cement for the Blue Triangle cement's Jijenge na Busara promotion

Successful corporate governance is achieved through a system that clearly defines authority and responsibility, resulting in a system of internal controls that is regularly tested to ensure effectiveness.

The Company confirms its commitment to the principle of openness, integrity and accountability as embodied by the core tenets of corporate governance. Through this process the shareholders and other stakeholders get the assurance that the Company is managed according to prudently determined risk parameters in compliance with the law and generally accepted corporate practice.

The Company is committed to meeting the standards of good corporate governance set out in the Capital Markets Authority guidelines on Corporate Governance practices and by public listed Companies in Kenya (CMA guidelines) as well as other internationally recognised standards.

The Board places a high premium on maintaining a sound control environment and applying the highest standards of business integrity and professionalism in all areas. The Board has adopted the Code for Corporate Governance as its benchmark in developing corporate governance principles. The Board continually reviews compliance with CMA guidelines and international standards and has confirmed that the Company is compliant in most respects.

ROLES AND RESPONSIBILITIES

SHAREHOLDERS

The shareholders' role is to appoint the Board of Directors and external auditors. This role is extended to holding the Board accountable and responsible for efficient and effective governance. The Board is responsible for governing the Company and conducts the business and operations of the Company with integrity and in accordance with generally accepted corporate practices based on transparency, accountability and responsibility.

EXECUTIVE COMMITTEE

The committee is chaired by Benson S. Ndeta (Chairman of the Board and non-executive director), whose other members are the Managing Director and five non-executive Directors. The Board meets whenever issues necessitating a meeting arise, but at any rate not less than four times a year.

BOARD OF DIRECTORS

In line with conventional best practice, the Board is chaired by a non-executive Chairman and includes a Managing Director and six other non-executive Directors. All non-executive Directors are independent of management. Directors are required to disclose all areas of conflict of interest to the Board and are excluded from voting on such areas.

The Directors bring a wealth of experience and knowledge to the Board's deliberations, which are enhanced by the provision of relevant information on the Company's performance.

The Board provides overall strategic direction, reviews performance, takes material policy decisions, ensures that the Company meets its responsibilities to its shareholders and ensures that adequate controls exist to protect the Company's assets against major risks. The Board has delegated the authority for implementing strategy and day-to-day management of the Company to the Managing Director. It, however, retains the overall responsibility for financial and operating decisions and monitoring performance of senior management.

The Board meets on a regular basis and has a formal schedule of matters reserved for it and also has access to the internal audit of the Company, the Company Secretary and the legal counsel. The Board has appointed a number of sub-committees to which it has delegated certain responsibilities with the chairpersons of the sub-committees reporting to the Board.

All new Directors undergo a formal induction process to ensure they are fully acquainted with the Company's business, its policies and organisation structure.

COMMITTEES OF THE BOARD

The Board has appointed four sub-committees which meet regularly under the terms of reference set by the Board.

AUDIT COMMITTEE

The committee is chaired by Mr. Sankale ole Kantai, who is an independent and non-executive Director. It comprises five non-executive Directors and its meetings are attended by the Head of Finance, Internal Audit Manager and representatives of the external auditors. It meets at least once every quarter and also before every Board meeting. The functions of the committee include: -

- Evaluation and improvement of management information and internal control systems.
- Review of financial statements of the Company, focusing particularly on accounting policies and practices, adjustments arising from and compliance with International Financial Reporting Standards (IFRS) and other legal requirements.
- Meetings with external auditors before audit to review the nature and scope of audit.
- Review of major findings of internal and external audit reports and management's response.
- Discussion of problems and reservations arising from internal and final audits and any other matters the external auditors may wish to discuss.

The committee also reviews bi-annually the authority, resources and scope of internal audit with a view of strengthening the effectiveness of internal and external audit.

HUMAN RESOURCES AND REMUNERATION COMMITTEE

The Committee is chaired by Mrs. Rachael Lumbasyo. It meets quarterly or as required and it is responsible for monitoring and appraising the performance of senior management, including the Managing Director, reviewing of all human resource policies, determining the remuneration of senior management and making recommendations to the Board on the remuneration of non-executive Directors.

TECHNICAL COMMITTEE

The Committee meets quarterly or as required. It is chaired by the Mr. Titus T. Naikuni. Among its responsibilities is to consider and recommend the Company's capital expenditure plans. It also reviews proposals for capital developments.

The Committee also appraises capital budgets for all hardware and software purchases for recommendation to the Board and ensures that the Company's IT strategy is in line with the Company's overall business objectives.

TENDER COMMITTEE

The Committee is chaired by Mr. Caleb K. Kapten. It meets quarterly or as required and its composition and responsibilities are as per the Company's procurement policies and the Public Procurement and Disposals Act 2005 and The Public Procurement and Disposal Regulations, 2006. There is a Disposal Committee also responsible for the disposal of the Company's significant non-operating assets.

DIRECTORS' EMOLUMENTS AND LOANS

The aggregate amount of emoluments paid to Directors for services rendered during the Financial Year 2007 are disclosed in notes 3 and 31 to the financial statements. 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.

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 recognise that pollution prevention, biodiversity and resource conservation are key to a sustainable environment. We effectively integrate these concepts into our business decision-making.

STAKEHOLDER RELATIONS

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

EMPLOYEE RELATIONS

We ensure that employees are treated fairly and with dignity so as to enable them to achieve their career goals and aspirations. We apply fair labour practices, while respecting national laws, as well as the customs, 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 workplace 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.

SHARING OUR GAINS THROUGH CORPORATE SOCIAL RESPONSIBILITY

The East African Portland Cement Company has as part of its corporate strategy the resolve to do profitable and sustainable business while contributing positively to the communities around us and safeguarding the environment. Our daily activities together with our partners are guided by the spirit of producing high quality cement products while helping to build stronger local communities, minimise our environmental footprint and be responsive to our customers' health and wellness needs.

Giving back to the community is part of our corporate culture and business model. This is outlined in our CSR Policy. Our support is focused on nine key areas, namely:

- Staff health, safety and job satisfaction
- The environment
- Education
- Water
- Health
- Relief aid
- Sports
- Charity donations
- Social marketing

As a corporate citizen, we have a mandate to integrate and manage social and environmental concerns in our business practice and operations while mutually interacting with its stakeholders.

We always seek to achieve commercial success in ways that honour ethical values and respect people, communities, and the environment. We recognise the fact that good corporate citizenship is not only about putting in place sound business strategies, making impressive profits, paying good salaries and making huge tax returns. It is also about creating partnerships 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 our operations possible by being good neighbours and customers. We employ a collaborative approach to facilitate partnership with communities. We conduct surveys to understand their development priorities and then devise solutions.

OUR CSR POLICY PILLARS

- Business ethics
- Community development and economic advancement
- Community involvement – philanthropy, cause-related marketing, volunteerism, etc.
- Corporate governance and accountability
- The environment
- Human rights
- Workplace issues – employee benefits, diversity, HIV/Aids in the workplace, sexual harassment and employee privacy

STRATEGIC POSITION

- Promoting business activities that bring about simultaneous economic, social and environmental benefits.
- Working in partnership with staff, community organisations, civil society, customers and other stakeholders to achieve our corporate goals while servicing the interests of the community.
- Encouraging innovative approaches and continual development and application of best practices.
- Ensuring we have decent levels of performance in areas such as health and safety, the environment and equity.
- Facilitating increased awareness, open dialogue and trust among our stakeholders.
- Creating a policy framework that encourages and facilitates responsible corporate governance.
- Communicating openly and honestly with our stakeholders about our business practices and our social and environmental initiatives.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF THE EAST AFRICAN PORTLAND CEMENT COMPANY LIMITED

The Financial Statements on pages 23 to 46 for the year ended June 30, 2007, which have been prepared on the basis of the accounting policies set out on page 27 to 30, have been audited on my behalf by the 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. The financial statements are in agreement with the books of account.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND AUDIT GENERAL

As stated on page 13, the Directors are responsible for the preparation of financial statements, which give a true and fair view of the state of the affairs of the Company and of its operating results. My responsibility is to express an independent opinion of the financial statements based on my audit.

BASIS OF OPINION

The audit was conducted in accordance with the International Standards on Auditing. Those standards require that the audit be planned and performed with a view to obtaining reasonable assurance that the financial statement s are free from material misstatement. An audit includes an examination, on a test basis, of evidence supporting the amount and disclosures in the financial statements. It also includes an assessment of the accounting policies used and significant estimates made by the Directors, as well as an evaluation of the overall presentation of the financial statements. I believe the audit provides a reasonable basis of my opinion.

OPINION

In my opinion, proper books of account have been kept by the Company and the financial statements give a true and fair view of the state of the financial affairs of the Company as at June 30, 2007 and of its profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act (Cap 486 of the Laws of Kenya).

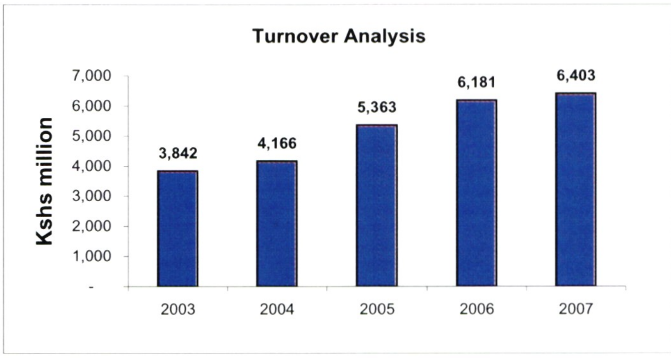
P.N. KOMORA
CONTROLLER AND AUDITOR GENERAL
Nairobi
September, 14 2007.

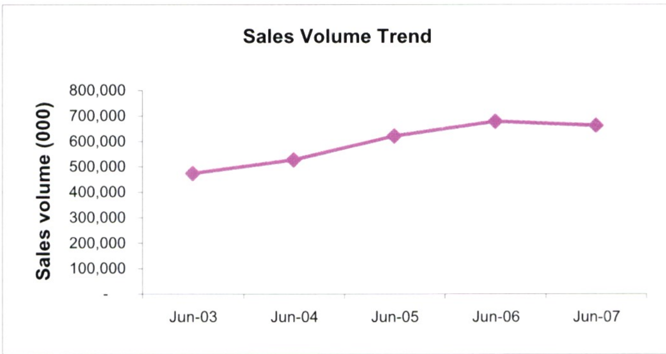
FOR THE YEAR ENDED 30 JUNE 2007

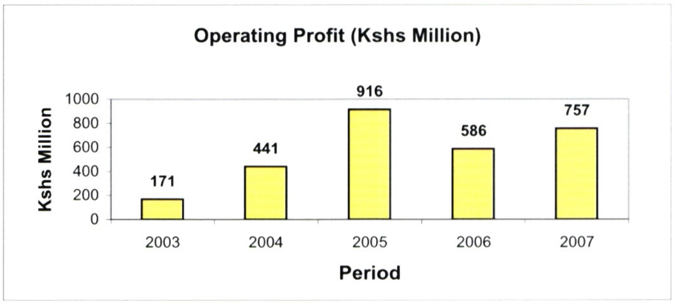
Five Year Financial Review

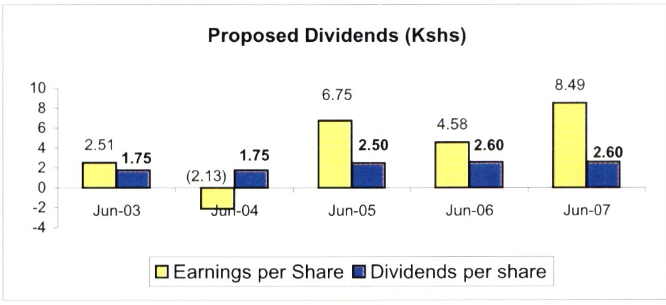
	2007	2006	2005	2004	2003
Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Turnover	6,402,736	6,180,715	5,363,196	4,166,289	3,842,138
Operating profit	757,337	586,294	915,698	441,076	170,543
Foreign currency exchange Gain/ (Loss)	307,311	308,242	199,549	(637,632)	298,522
Profit / (Loss) before tax	1,112,625	924,364	1,086,280	(391,594)	382,164
Taxation credit / (Charge)	(348,461)	(512,571)	(478,408)	199,901	(156,021)
Profit /(Loss) Attributable to Members	764,164	411,793	607,872	(191,693)	226,143
Dividends	234,000	234,000	225,000	157,500	157,500
Capital Employed					
Assets					
Non current	5,768,197	5,570,488	4,768,043	5,050,681	5,201,517
Current	3,170,375	3,481,719	2,949,837	2,419,616	2,266,420
Total assets	8,938,572	9,052,207	7,717,880	7,470,297	7,467,937
Equity & Liabilities					
Capital and reserves	3,607,097	3,076,933	2,252,835	1,802,463	2,151,656
Non current liabilities	3,896,220	4,577,333	4,570,362	4,589,480	4,378,135
Current liabilities	1,435,255	1,397,941	894,683	1,078,354	938,146
Total Equity & Liabilities	8,938,572	9,052,207	7,717,880	7,470,297	7,467,937
Profit as % of Turnover					
Operating profit	12%	9%	17%	11%	z4%
Net Profit for the Year	12%	7%	11%	-5%	6%
Earnings per Share	8.49	4.58	6.75	(2.13)	2.51
Dividends per share (Kshs)					
Interim Paid	1.30	1.30	-	-	-
Final & proposed	1.30	1.30	2.50	1.75	1.75
Total	2.60	2.60	2.50	1.75	1.75

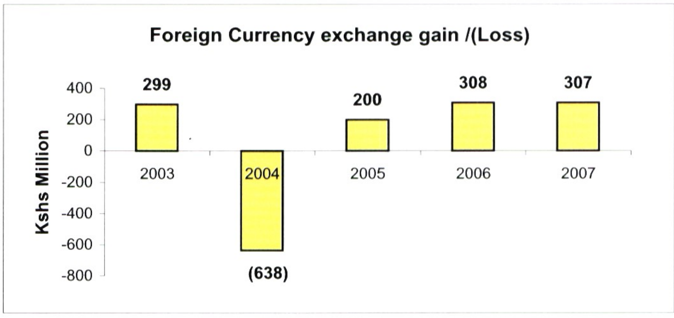
FOR THE YEAR ENDED 30 JUNE 2007

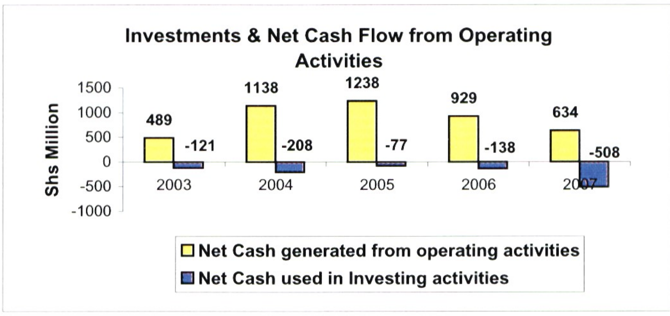


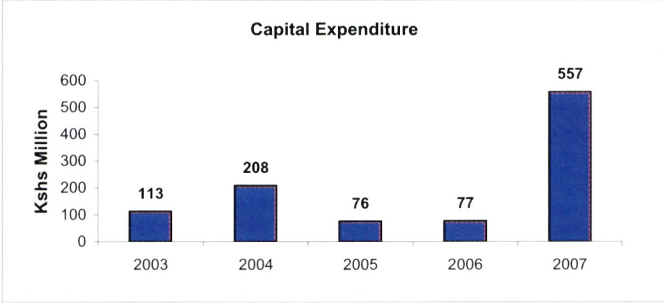


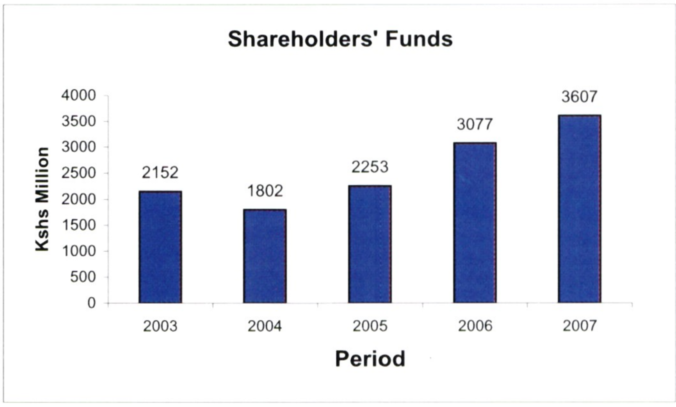


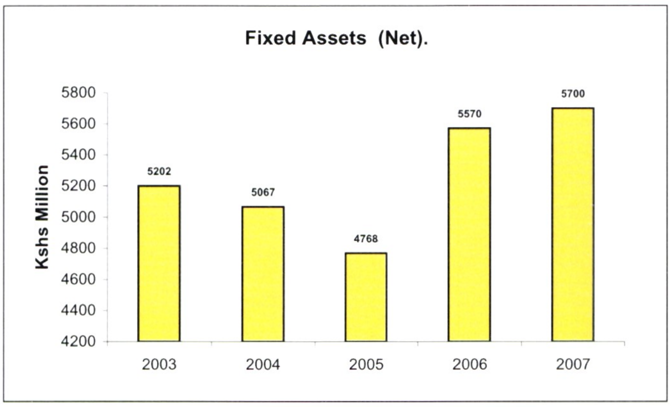










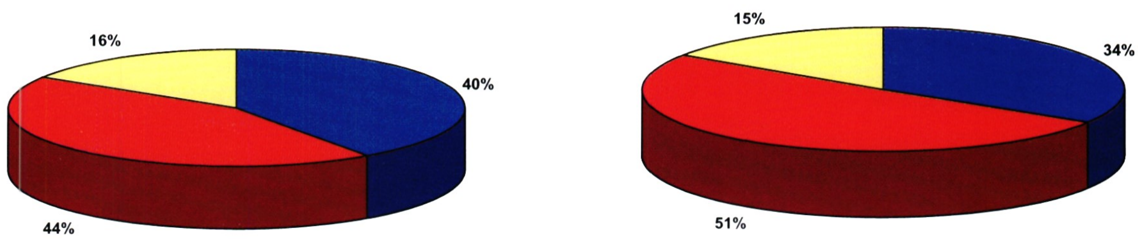


DISTRIBUTION OF ASSETS

2007 | 2006

	2007 Kshs m	2006 Kshs m
Non current Assets	5,768	5,621
Current Assets	3,170	3,431
	8,939	9,052

DISTRIBUTION OF EQUITY AND LIABILITIES



	2,007 Kshs m	2,006 Kshs m
Capital and reserves	3,607	3,077
Non current liabilities	3,896	4,577
Current liabilities	1,435	1,398
	8,939	9,052

FOR THE YEAR ENDED 30 JUNE 2007

	2007 Sh'000	2006 Sh'000
Revenue	6,402,736	6,180,715
Profit /(Loss) before tax	1,112,625	924,364
Profit/ (Loss) attributable to to the shareholders of the East African Portland Cement Company Limited	764,164	411,793
Dividends	**234,000**	**234,000**
Share Capital and Shareholders' Funds		
Ordinary Share Capital	450,000	450,000
Shareholders fund	3,157,097	2,626,933
Earnings and Dividend Per Share		
Earnings Per Share	8.49	4.58
Dividend Per Share		
Interim Paid	1.30	1.30
Final & Proposed	1.30	1.30
Total	**2.60**	**2.60**

INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2007

	Note	2007 Sh'000	2006 Sh'000
SALES		6,402,736	6,180,715
COST OF SALES		(4,667,811)	(4,461,235)
GROSS PROFIT		1,734,925	1,719,480
OTHER OPERATING INCOME		71,363	56,230
SELLING EXPENSES	5	(492,055)	(459,574)
ADMINISTRATIVE EXPENSES	6(a)	(442,954)	(442,374)
OTHER OPERATING EXPENSES	6(b)	(108,245)	(273,424)
FARM LOSS		(5,697)	(14,044)
OPERATING PROFIT	3	757,337	586,294
NET INTEREST INCOME	7(a)	47,977	29,828
FOREIGN CURRENCY EXCHANGE GAIN	7(b)	307,311	308,242
PROFIT BEFORE TAXATION		1,112,625	924,364
TAXATION CHARGE	8	(348,461)	(512,571)
PROFIT FOR THE YEAR		764,164	411,793
EARNINGS PER SHARE (basic and diluted)	9	Sh 8.49	Sh 4.58
DIVIDENDS PER SHARE	10	Sh 2.60	Sh 2.60
- Paid		Sh 1.30	Sh1.30
- Proposed		Sh 1.30	Sh 1.30

The accounting policies on pages 27 to 30 and the notes on pages 31 to 46 form an integral part of the financial statements.

Report of the auditors is on page 18.

BALANCE SHEET

AS AT 30 JUNE 2007

	Note	2007 Sh'000	2006 Sh'000
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	11	5,678,158	5,523,315
Intangible assets	12	8,540	16,316
Prepaid operating lease rentals	13	13,538	14,225
Investment	14	1	1
Biological assets	15	6,831	6,758
Staff receivables	17	8,742	9,873
Restricted deposits	18	52,387	50,994
		5,768,197	5,621,482
CURRENT ASSETS			
Inventories	16	633,956	595,127
Trade and other receivables	17	356,916	326,312
Short term deposits	18	2,065,472	2,277,558
Bank and cash balances		114,031	231,728
		3,170,375	3,430,725
TOTAL ASSETS		**8,938,572**	**9,052,207**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	19	450,000	450,000
Share premium		648,000	648,000
Revaluation surplus		1,146,997	1,201,245
Revenue reserve		1,362,100	777,688
Shareholders' funds		3,607,097	3,076,933
NON CURRENT LIABILITIES			
Staff gratuity	20	502,324	468,322
Deferred taxation	21	1,051,291	1,046,312
Borrowings	22	2,342,605	3,062,699
		3,896,220	4,577,333
CURRENT LIABILITIES			
Borrowings	22	320,775	347,283
Trade and other payables	23	872,065	842,609
Leave pay provision	24	47,872	46,424
Corporation tax payable	8	194,543	161,625
		1,435,255	1,397,941
TOTAL EQUITY AND LIABILITIES		**8,938,572**	**9,052,207**

The financial statements on pages 23 to 46 were approved by the board of Directors on September 14, 2007 and were signed on its behalf by:

Benson Ndeta **Chairman**

Ndegwa K. Kagio **Ag. Managing Director**

The accounting policies on pages 27 to 30 and the notes on pages 31 to 46 form an integral part of the financial statements.

Report of the auditors is on page 18.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2007

	Share Capital Sh'000	Share Premium Sh'000	Revaluation Surplus Sh'000	Revenue Reserve Sh'000	Total Sh'000
At 1 July 2005	450,000	648,000	472,239	682,596	2,252,835
2005 - dividend declared	-	-	-	(225,000)	(225,000)
Revaluation surplus	-	-	1,065,030	-	1,065,030
Deferred tax on revaluation surplus	-	-	(310,725)	-	(310,725)
Transfer of excess depreciation	-	-	(36,141)	36,141	-
Deferred tax on excess depreciation	-	-	10,842	(10,842)	-
Profit for the year	-	-	-	411,793	411,793
2006 – interim dividend paid	-	-	-	(117,000)	(117,000)
At 30 June 2006	450,000	648,000	1,201,245	777,688	3,076,933
At 1 July 2006	450,000	648,000	1,201,245	777,688	3,076,933
Transfer of excess depreciation	-	-	(73,471)	73,471	-
Deferred tax on excess depreciation	-	-	22,041	(22,041)	-
Surplus realised on disposal of revalued assets	-	-	(4,026)	4,026	-
Deferred tax on disposal of revalued assets	-	-	1,208	(1,208)	-
Profit for the year	-	-	-	764,164	764,164
2006 – final dividend paid	-	-	-	(117,000)	(117,000)
2007 – interim dividend paid	-	-	-	(117,000)	(117,000)
At 30 June 2007	450,000	648,000	1,146,997	1,362,100	3,607,097

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

The accounting policies on pages 27 to 30 and the notes on pages 31 to 46 form an integral part of the financial statements.

Report of the auditors is on page 18.

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2007

	Note	2007 Sh'000	2006 Sh'000
OPERATING ACTIVITIES			
Cash generated from operations	25(a)	896,777	1,116,697
Interest paid		(69,083)	(88,178)
Interest received		117,060	118,006
Taxation paid	8(c)	(310,564)	(217,809)
Net cash generated from operating activities		634,190	928,716
INVESTING ACTIVITIES			
Additions to property, plant and equipment	11	(557,224)	(77,446)
Purchase of intangible assets	12	-	(17,598)
Proceeds from sale of equipment		3,313	8,171
Proceeds from sale of leasehold land		46,892	-
Movement in restricted deposits		(1,393)	(50,994)
Net cash used in investing activities		(508,412)	(137,867)
FINANCING ACTIVITIES			
Dividends paid		(234,000)	(342,000)
Loan repayments	25(b)	(221,561)	(231,650)
Net cash used in financing activities		(455,561)	(573,650)
DECREASE / INCREASE IN CASH AND CASH EQUIVALENTS		(329,783)	217,199
CASH AND CASH EQUIVALENTS AT 1 JULY		2,509,286	2,292,087
CASH AND CASH EQUIVALENTS AT 30 JUNE	**25(c)**	**2,179,503**	**2,509,286**

The accounting policies on pages 27 to 30 and the notes on pages 31 to 46 form an integral part of the financial statements.

Report of the auditors is on page 18.

1 ACCOUNTING POLICIES

Statement of compliance

The financial statements are prepared in accordance with International Financial Reporting Standards. The accounting policies adopted in the preparation of these financial statements remain unchanged from the previous years and are set out below:

Adoption of new and revised international financial reporting standards

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

- IFRS 7 on Financial Instruments Disclosures
- IFRS 8 on Operating Segments
- IFRIC 8 - Scope of IFRS 2
- IFRIC 9 Reassessment of Embedded Derivatives
- IFRIC 10 Interim Financial Reporting and Impairment

The adoption of these Standards and Interpretations, when effective, will have no material impact on the financial statements of the Company.

(a) BASIS OF ACCOUNTING

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

(b) REVENUE RECOGNITION

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

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

(c) TAXATION

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

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

(d) PROPERTY, PLANT AND EQUIPMENT

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

The Company's policy is to professionally revalue property, plant and equipment at least once every five years.

1 ACCOUNTING POLICIES (CONTINUED)

(e) DEPRECIATION

No depreciation is provided on freehold land.

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

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

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

(f) LEASES

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

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

(g) INTANGIBLE ASSETS

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

(h) 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.

(i) IMPAIRMENT

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

(j) 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-

1 ACCOUNTING POLICIES (CONTINUED)

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.

(k) BIOLOGICAL ASSETS

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

(l) INVESTMENTS

The unquoted investment is stated at cost less any accumulated impairment losses.

(m) FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company has become a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off when all reasonable steps to recover them have failed.

Borrowings

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

Trade payables

Trade payables are stated at their nominal value.

(n) CURRENCY TRANSLATIONS

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

(o) RETIREMENT BENEFITS OBLIGATIONS

The Company operates a defined contribution pension scheme for senior and supervisory staff, as well as an in house gratuity scheme for unionisable employees. It also makes contributions to the statutory pension fund, the National Social Security Fund.

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

1 ACCOUNTING POLICIES (CONTINUED)

(P) CASH FLOW STATEMENT

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.

(Q) COMPARATIVES

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

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Impairment of assets

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

Property, plant and equipment

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

	2007 Sh'000	2006 Sh'000
3 OPERATING PROFIT		
The operating profit is arrived at after charging:		
Directors' emoluments:		
- Fees	1,260	1,260
- Other emoluments	14,855	17,688
Auditors' remuneration	2,345	2,233
Depreciation	397,526	333,573
Amortisation		
- Software	7,776	6,158
- Prepaid operating lease rentals	61	74
Staff costs (Note 4)	1,018,750	984,221
Back taxes, penalties and interest	-	219,000
Loss on sale of equipment	1,542	-
Provision for damages awarded to Baraka Tools		
- a former distributor	34,787	-
And after crediting:		
Profit on sale of prepaid lease rentals	46,266	4,335
Bad debts recovered	9,593	44,082
4 STAFF COSTS		
Wages & salaries and other staff costs	911,049	873,548
Provision for staff gratuity	65,968	78,925
Pension contributions	36,785	48,128
Leave pay provision	1,448	911
Social security costs (NSSF)	3,500	1,520
Write back of retirement benefit liability	-	(18,811)
	1,018,750	984,221
5 SELLING EXPENSES		
Bad debts expense	51,241	1,730
Cement transport	351,008	325,271
Customs and other export levies	23,454	39,213
Advertising and sales commissions	62,532	73,904
Public relations costs	3,820	19,456
	492,055	459,574

6(a) ADMINISTRATIVE EXPENSES

Staff costs	320,778	298,733
Depreciation	32,439	43,500
Board expenses	5,702	18,948
Telephone and postage	18,388	16,092
Office rent and rates	14,306	18,915
Office supplies	25,067	14,010
Printing and stationery	5,807	8,373
Computer expenses	3,792	4,964
Fuel and motor vehicle expenses	13,251	15,713
Trade licenses	2,303	1,700
Office equipment and furniture	1,121	1,426
	442,954	442,374

6(b) OTHER OPERATING EXPENSES

Legal and professional fees	27,289	11,198
Provision for damages awarded to Baraka Tools		
- a former distributor	34,787	-
Bank charges	7,478	8,686
Subscription	8,177	8,714
Donations	19,863	13,947
Back taxes, penalties and interest	-	219,000
Miscellaneous expenses	8,306	9,646
Audit fees	2,345	2,233
	108,245	273,424

7 (a) NET INTEREST INCOME

Interest receivable	117,060	118,006
Interest on loans	(69,083)	(88,178)
	47,977	29,828

(b) FOREIGN CURRENCY EXCHANGE GAIN

Exchange gain on loan	517,370	255,961
Exchange (loss)/gain on other foreign currency		
transactions and balances	(210,059)	52,281
	307,311	308,242

The exchange gain on the loan arises mainly from the translation of the Japanese Yen denominated loan to Kenya shillings at the year end. The gain resulted from the appreciation of the Kenya Shilling by 16.3 % (2006 – appreciation of 6.7 %) against the Japanese Yen during the year.

		2007 Sh'000	2006 Sh'000
8 TAXATION			
(a) Tax charge			
Current taxation based on the adjusted profit for the year at 30%		348,232	312,594
Prior year (over)/under provision		(4,750)	76,352
Total current tax charge (note 8(c))		343,482	388,946
Deferred tax charge	- current year	4,979	60,922
	- prior year under provision	-	62,703
Total deferred tax charge (Note 21)		4,979	123,625
		348,461	512,571
(b) Reconciliation of expected tax based on accounting profit to the tax charge			
Accounting profit before taxation		1,112,625	924,364
Tax at the applicable rate of 30%		333,787	277,309
Tax effect of expenses not deductible for tax purposes		19,424	96,207
Prior year (over)/under provision – current tax		(4,750)	76,352
Prior year under provision – deferred tax		-	62,703
		348,461	512,571
(c) Tax payable			
Balance at 1 July		(161,625)	9,512
Charge for the year (note 8(a))		(343,482)	(388,946)
Paid in the year		310,564	217,809
Balance as at 30th June		(194,543)	(161,625)

9 EARNINGS PER SHARE

The earnings per share has been calculated on the profit after taxation of KSh764,164,000 (2006 – profit of KSh411,793,000) and the 90,000,000 (2006 – 90,000,000) shares in issue during the year.

There were no potentially dilutive ordinary shares outstanding at 30 June 2007 or 30 June 2006. The diluted earnings per share is therefore the same as the basic earnings per share.

10 DIVIDENDS

During the year an interim dividend of KSh1.30 (2006 – Sh 1.30) amounting to a total of KSh117,000,000 (2006- 117,000,000) was paid.

At the annual general meeting a final dividend in respect of 2007 of KSh1.30 per share (2006 – KSh1.30 per share) amounting to a total of KSh117,000,000 (2004 - KSh117,000,000) is to be proposed. The total dividend for the year is therefore, KSh2.60 per share (2006 - KSh2.60 per share) amounting to a total of KSh234,000,000 (2006 - KSh234,000,000)

11 PROPERTY, PLANT AND EQUIPMENT

	Freehold land Sh'000	Buildings Sh'000	Plant and machinery Sh'000	Motor vehicles Sh'000	Computers, office equipment, furniture and fittings Sh'000	Capital work in progress Sh'000	Total Sh'000
COST OR VALUATION							
At 1 July 2005	45,320	1,162,248	4,619,019	682,419	219,013	15,988	6,744,007
Additions	-	495	23,694	25,006	16,936	11,315	77,446
Disposals	-	(792)	-	(21,925)	-	-	(22,717)
Revaluation	29,280	30,714	-	-	-	-	59,994
At 30 June 2006	74,600	1,192,665	4,642,713	685,500	235,949	27,303	6,858,730
COMPRISING:							
Valuation - 2006	74,600	1,192,665	4,642,713	685,500	-	-	6,595,478
Cost	-	-	-	-	235,949	27,303	263,252
	74,600	1,192,665	4,642,713	685,500	235,949	27,303	6,858,730
At 1 July 2006	74,600	1,192,665	4,642,713	685,500	235,949	27,303	6,858,730
Additions	-	200	18,863	12,149	16,276	509,736	557,224
Disposals	-	-	-	(4,855)	-	-	(4,855)
Transfer	-	18,420	-	-	-	(18,420)	-
At 30 June 2007	74,600	1,211,285	4,661,576	692,794	252,225	518,619	7,411,099
COMPRISING:							
Valuation - 2006	74,600	1,192,665	4,642,713	680,645	-	-	6,590,623
Cost	-	18,620	18,863	12,149	252,225	518,619	820,476
	74,600	1,211,285	4,661,576	692,794	252,225	518,619	7,411,099

FOR THE YEAR ENDED 30 JUNE 2007

11 PROPERTY, PLANT AND EQUIPMENT

	Freehold land Sh'000	Buildings Sh'000	Plant and machinery Sh'000	Motor vehicles Sh'000	Computers, office equipment, furniture and fittings Sh'000	Capital work in progress Sh'000	Total Sh'000
DEPRECIATION							
At 1 July 2005	-	131,535	1,299,456	441,870	152,898	-	2,025,759
Charge for the year	-	29,047	237,253	47,614	19,659	-	333,573
Eliminated on disposal	-	-	-	(18,881)	-	-	(18,881)
Revaluation adjustment	-	(160,582)	(680,780)	(163,674)	-	-	(1,005,036)
At 30 June 2006	-	-	855,929	306,929	172,557	-	1,335,415
At 1 July 2006	-	-	855,929	306,929	172,557	-	1,335,415
Charge for the year	-	29,749	259,678	88,669	19,430	-	397,526
At 30 June 2007	-	29,749	1,115,607	395,598	191,987	-	1,732,941
NET BOOK VALUE							
At 30 June 2007	74,600	1,181,536	3,545,969	297,196	60,238	518,619	5,678,158
At 30 June 2006	74,600	1,192,665	3,786,784	378,571	63,392	27,303	5,523,315

At 30 June 2007, plant and machinery, vehicles and equipment with cost/valuation amounting to KSh93,717,000 (2006 – KSh92,204,000) were fully depreciated. The notional depreciation charge on these assets would have been KSh22,575,000 (2006 – KSh17,382,000).

Capital work in progress relates to amounts incurred on installation of a new cement mill and equipment to monitor the performance of the plant.

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

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Included in plant and machinery is idle equipment with a cost amounting to KSh130,671,981 (2006 - KSh130,671,981) 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 KSh28,968,369 which are no longer in use.

The Company has a bank overdraft facility of KSh219,600,000 with Kenya Commercial Bank Limited and the amounts drawn against this facility attract interest at market rates. The facility is secured by a legal charge over certain properties owned by the Company, Land Reference numbers 337/639, 8649, 9767, 8785 and 8786, and a debenture over the Company assets for KSh219,600,000 respectively. No amounts were drawn against this facility as at 30 June 2007.

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

	2007 Sh'000	2006 Sh'000
Cost	7,517,576	7,071,413
Accumulated depreciation	(3,557,406)	(3,233,351)
Net book value	3,960,170	3,838,062

12 INTANGIBLE ASSETS – COMPUTER SOFTWARE

	2007 Sh'000	2006 Sh'000
COST		
At 1 July	43,374	25,776
Additions	-	17,598
At 30 June	43,374	43,374
AMORTISATION		
At 1 July	27,058	20,900
Charge for the year	7,776	6,158
At 30 June	34,834	27,058
NET BOOK VALUE		
At 30 June	8,540	16,316

13 PREPAID OPERATING LEASE RENTALS - LEASEHOLD LAND

	2007 Sh'000	2006 Sh'000
COST		
At 1 July	14,597	14,597
Disposal	(629)	-
At 30 June	13,968	14,597
AMORTISATION		
At 1 July	372	298
Charge for the year	61	74
Eliminated on disposal	(3)	-
At 30 June	430	372
NET BOOK VALUE		
At 30 June	13,538	14,225

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

14 INVESTMENT

	2007 Sh'000	2006 Sh'000
Unquoted investment in an associated Company at cost	1	1

The associated Company, Portland Mines Company Limited, remains dormant. The Company's interest in the associated Company is 50%.

15 BIOLOGICAL ASSETS

	2007 Sh'000	2006 Sh'000
Cattle	6,485	6,417
Goats	346	341
	6,831	6,758

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

	2007 Sh'000	2006 Sh'000
16 INVENTORIES		
Consumables	432,192	391,260
Raw materials	163,736	127,949
Work in progress	1,116	31,426
Finished products	20,719	31,731
Goods in transit	16,193	12,761
	633,956	595,127
17 TRADE AND OTHER RECEIVABLES		
Trade receivables	314,391	212,429
Staff receivables	18,622	16,009
Deposits, prepayments and other receivables	32,645	107,747
	365,658	336,185
Less: Staff receivables not recoverable within 12 months	(8,742)	(9,873)
	356,916	326,312
18 DEPOSITS		
Short term deposits		
The Cooperative Bank of Kenya Limited	926,996	965,562
Kenya Commercial Bank Limited	470,760	500,681
Standard Chartered Bank Kenya Limited	667,716	811,315
	2,065,472	2,277,558
Restricted deposits		
Housing Finance Company of Kenya Ltd	52,387	50,994

The short term deposits mature within three months and the weighted average interest rate earned on the deposits during the year was 5.05% (2006 – 5.0 %).

The deposits with Housing Finance Company of Kenya Ltd have been held as collateral for staff mortgages. The weighted average interest rate earned on the deposits during the year was 2.67% (2006- 2.67%).

FOR THE YEAR ENDED 30 JUNE 2007

	2007 Sh'000	2006 Sh'000

19 SHARE CAPITAL

	2007 Sh'000	2006 Sh'000
Authorised:		
126,000,000 shares of Sh5 each	630,000	630,000
Authorised, issued and fully paid:		
90,000,000 shares of Sh5 each	450,000	450,000

20 STAFF GRATUITY

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

	2007 Sh'000	2006 Sh'000
Balance at 1 July	468,322	424,463
Paid during the year	(31,966)	(35,066)
Provision for the year	65,968	78,925
Balance at 30 June	502,324	468,322

21 DEFERRED TAX

The net deferred tax liability is attributable to the following items:

	2007 Sh'000	2006 Sh'000
Accelerated capital allowances on property, plant and equipment	710,751	758,832
Unrealised exchange gain/(loss)	43,632	(37,984)
Revaluation surpluses on property, plant and equipment	461,967	484,008
Provision for staff gratuity	(150,697)	(140,497)
Provision for staff leave pay	(14,362)	(13,925)
Provision for salary increments	-	(4,122)
	1,051,291	1,046,312

The movement on the deferred tax account is as follows:

	2007 Sh'000	2006 Sh'000
At 30 June	1,046,312	611,962
Income statement charge for the year (Note 8(a))	4,979	123,625
Debited directly to equity	-	310,725
At 30 June	1,051,291	1,046,312

	2007 Sh'000	2006 Sh'000
22 LOANS (UNSECURED)		
The Overseas Economic Co-operation Fund of Japan (OECF) loan guaranteed by the Kenya Government is denominated in Japanese Yen and is repayable in 41 half yearly instalments by 20 March 2020 with interest at 2.5% per annum - Japanese Yen 4,749,556,749 (2006 - Japanese Yen 5,114,876,749)	2,561,056	3,296,793
Loan from Kenya Government (6th Danish loan) repayable in 50 equal half yearly instalments by 31 December 2020 with interest at 15% per annum	18,305	24,048
Accrued interest	84,019	89,141
	2,663,380	3,409,982
Less: repayable within one year	(320,775)	(347,283)
	2,342,605	3,062,699

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. The Company has therefore been remitting the loan repayments to the Kenya Government in two annual instalments of Yen 182,660,000 but these payments have not been transmitted to the OECF, the ultimate lender, due to the rescheduling arrangement. The balance outstanding in the records of OECF is Japanese Yen 6,027,780,000. Any exchange losses arising between the balance in EAPCC records and the lender will be borne by the government.

	2007 Sh'000	2006 Sh'000
23 TRADE AND OTHER PAYABLES		
Trade payables	382,212	501,270
Other payables and accruals	425,104	261,433
Unclaimed dividends	36,340	36,340
Advance receipts from customers	28,409	43,566
	872,065	842,609

24 LEAVE PAY PROVISION

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

	2007 Sh'000	2006 Sh'000
Balance at 1 July	46,424	45,513
Net additional provision	1,448	911
Balance at 30 June	47,872	46,424

25 CASH FLOW STATEMENT

(a) RECONCILIATION OF OPERATING PROFIT TO CASH GENERATED FROM OPERATIONS

	2007 Sh'000	2006 Sh'000
Operating profit	757,337	586,294
Adjustments for:		
Depreciation	397,526	333,573
Armortisation on leasehold rentals	61	74
Armortisation on intangible assets	7,776	6,158
Loss/(profit) on sale of property, plant and equipment	1,542	(4,335)
Profit on sale of prepaid lease rentals	(46,266)	-
Exchange (loss)/gains realised	(210,059)	52,281
Staff gratuity provision	65,968	78,925
Leave pay provision	1,448	911
Write back of the danish loan interest	(7,671)	-
Write back of retirement benefits provision	-	(18,811)
Movement in biological assets	(73)	12,862
Operating profit before working capital changes	967,589	1,047,932
Increase in inventories	(38,829)	(75,421)
Increase in trade and other receivables	(30,604)	(197,780)
Decrease in non current staff receivables	1,131	1,126
Increase in trade and other payables	29,456	375,906
Staff gratuity paid	(31,966)	(35,066)
Cash generated from operations	896,777	1,116,697

(b) MOVEMENT IN LOANS

Balance at 1 July	3,409,982	3,897,593
Foreign currency exchange gain	(517,370)	(255,961)
Repayments during the year	(221,561)	(231,650)
Write back of Danish loan interest	(7,671)	-
Balance at 30 June	2,663,380	3,409,982

(c) ANALYSIS OF CASH AND CASH EQUIVALENTS

Short term deposits	2,065,472	2,277,558
Bank and cash balances	114,031	231,728
	2,179,503	2,509,286

26 RETIREMENT BENEFITS OBLIGATIONS

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

Contributions to this scheme during the year amounted to Sh36,785,000 (2006 - Sh48,128,000).

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 2005. 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 KSh200 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 KSh3,500,881 (2006 – KSh1,520,710).

	2007 Sh'000	2006 Sh'000
27 REVENUE ANALYSIS AND SEGMENTAL REPORTING		
The Company revenues are derived from sales in the following markets;		
Local market - Kenya	5,955,148	5,784,858
Regional market (East and Central Africa)	447,588	395,857
	6,402,736	6,180,715

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.

28 FINANCIAL RISKS

The nature of activities and policies with respect to financial risks are:

Exchange Risk

The Company's operations are predominantly in Kenya, where the currency has remained relatively stable against major convertible currencies.

The major portion of the Company's loans are denominated in foreign currencies, principally the Japanese Yen, which is subject to exchange rate fluctuations. The Company has not hedged its foreign currency risk on this borrowing. The Company is currently looking at various options available for the management of exchange risk associated with this loan..

Credit Risk

The credit risk is managed through management's constant monitoring of the status of the credit worthiness of its customers. The Company also obtains bank guarantees from its customers for purposes of credit risk management.

29 CONTINGENT LIABILITIES

	2007 Sh'000	2006 Sh'000
Pending law suits	168,058	119,362
Gurantee of staff mortgages	52,387	50,994
	220,445	170,356

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

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

30 CAPITAL COMMITMENTS

	2007 Sh'000	2006 Sh'000
Authorised by the Directors but not contracted for	955,000	900,000
Authorised by the Directors and contracted for	545,000	210,000

31 RELATED PARTY TRANSACTIONS

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

	2007 Sh'000	2006 Sh'000
Directors' remuneration:		
Fees for services as Directors	1,260	1,260
Other emoluments	14,855	17,688
	16,115	18,948
Key management compensation:		
Salaries and other benefits	13,667	17,890
Purchases from related parties		
Purchase of clinker from Bamburi Cement Limited	662,131	34,560

These balances were fully paid by year end. Bamburi Cement Limited owns 12.5% of the shareholding in the East African Portland Cement Company Limited. All transactions with related parties are at arm's length in the normal course of business, and on terms and conditions similar to those applicable to other customers.

32 OPERATING LEASE RENTALS

	2007 Sh'000	2006 Sh'000
Outstanding commitments under operating leases due:		
Not later than 1 year	7,039	7,039
Later than 1 year but not later than 2 years	7,039	14,078
	14,078	21,117

33 COUNTRY OF INCORPORATION

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

34 CURRENCY

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

FOR THE YEAR ENDED 30 JUNE 2007

I/WE ______________________________

____

OF ______________________________

____

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

____

OF ______________________________

____

Whom failing ______________________________

____

OF ______________________________

____

or failing him, the Chairman of the Meeting, as my/our proxy, to vote for me/us and on my/our behalf at the 75th Annual General Meeting of The East African Portland Cement Company Limited to be held on 29 November 2007 and at any adjournment thereof.

As witness my/our hand this day of 2007

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, Namanga Road, Athi River, off Mombasa Road, P O Box 40101, 00100 Nairobi not less than 48 hours before the time of holding the meeting.

CUT HERE.

NOTES

FOR THE YEAR ENDED 30 JUNE 2007

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