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**REPORT**

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**OF**

**THE AUDITOR-GENERAL**

**ON**

**EAST AFRICA PORTLAND CEMENT PLC**

**FOR THE YEAR ENDED  
30 JUNE, 2024**



**EAST AFRICAN PORTLAND CEMENT PLC**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2024**

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<b>DIRECTORS</b>	<p>Brig. (Rtd) Richard K. Mbithi          Oliver Mwandigha Kirubai</p> <p>Kungu Gatabaki          Patrick Koinari Ole Tutui          Prof. Sarone Ole Sena          Hon. Prof. Njuguna S. Ndungu, EGH</p> <p>David Koross</p> <p>Dr. Eusebius Juma Mukhwana</p>	<p>Chairman          Managing Director (retired 9<sup>th</sup> September 2024)</p> <p>Cabinet Secretary, National Treasury          (Alternate Director – Edward Wamweya)          Representative of National Social Security Fund (NSSF)          (Alternate Director – David Mwangangi and Richard Nyamosi)</p> <p>Principal Secretary, State Department for Industrialization, Ministry of Investments, Trade and Industry          (Alternate Director – Timothy Gakuu and Martin Wanyonyi)</p>
<b>SECRETARY</b>	<p>Florence Mitey          Certified Public Secretary (Kenya)          P. O. Box 40101 – 00100          Nairobi</p>	
<b>REGISTERED OFFICE</b>	<p>L R 337/113/1          Namanga Road, off Mombasa Road          P. O. Box 40101 – 00100          Nairobi</p>	
<b>REGISTRARS</b>	<p>Haki Registrars          P. O. Box 40868 – 00100          Nairobi</p>	
<b>BANKERS</b>	<p>KCB Bank Kenya Limited          Moi Avenue Branch          P. O. Box 30081 – 00100, Nairobi</p> <p>Citibank, N.A,          P. O. Box 30711 – 00100,          Nairobi</p> <p>Stanbic Bank Limited          Kimathi Street          P. O. Box 30550 – 00100          Nairobi</p> <p>Equity Bank Limited          Kenyatta Avenue          P. O. Box 104860 – 00100,          Nairobi</p>	<p>Standard Chartered Bank Kenya          Kenyatta Avenue          P. O. Box 30003 – 00100, Nairobi</p> <p>Co-operative Bank of Kenya Limited          P. O. Box 321 – 00204,          Athi River</p> <p>Standard Chartered Bank Uganda          Limited          5 Speke Road          P. O. Box 711, Kampala</p> <p>KCB Bank Uganda Limited          6<sup>th</sup> Street Industrial Area          P. O. Box 28568          Kampala</p>
<b>PRINCIPAL AUDITOR</b>	<p>The Auditor General          Anniversary Towers          P. O. Box 30084 – 00100          Nairobi</p>	
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Dear Shareholders,

It is both an honor and a privilege to present the Annual Report and Financial Statements for the year ended 30 June 2024. This report is not only a reflection of our achievements and the challenges we have navigated over the past year but also a testament to the strength of our collective efforts. I am pleased to welcome you all to the 92nd Annual General Meeting of East African Portland Cement Plc (EAPC). Your trust, dedication, and involvement have been indispensable in fueling our progress, and we remain deeply committed to building a brighter future together.

### **Economic Outlook**

Globally, GDP growth is projected to be modest, with a forecasted 3.0% increase in 2024 and a slight uptick to 3.1% in 2025. While this signals steady progress, it falls short of pre-pandemic levels, with notable factors such as inflationary pressures, heightened geopolitical tensions, and complex financial conditions tempering stronger recovery.

Closer to home, Kenya's economy is projected to grow at a healthy 5.4% in 2024, with further growth to 5.6% anticipated in 2025. This growth is largely driven by robust performance in the services sector and strong household consumption. Inflation rates are projected to decrease gradually, benefiting from global trends and the government's proactive agricultural subsidies. While the agricultural sector's resilience will likely support continued stability, there remain some hurdles, particularly around reduced domestic demand due to high interest rates and associated constraints on private investment. Nevertheless, the outlook for Kenya's economy remains fundamentally strong, presenting opportunities for EAPC to thrive as we continue to support national growth.

### **Cement Market and Competitive Landscape**

The cement sector has seen dynamic shifts, overall production remained stable. Notably, rising energy costs – which represent a substantial percentage of our production expenses – are a significant pressure point. Additionally, an increase in clinker capacity, both domestically and regionally, means heightened competition and potential cost fluctuations as more players enter the market. Nevertheless, we at EAPC remain committed to our strategic goals, pursuing a market share of at least 20% through proactive market regeneration and strategic brand positioning initiatives. Our emphasis on Blue Triangle Cement, our flagship brand, underscores our dedication to quality and customer satisfaction, as we strive to remain a trusted choice in the market.

### **Performance Highlights**

This past year has been transformative for EAPC, marked by considerable achievements amidst a challenging environment. We successfully completed the first phase of our comprehensive plant refurbishment program, with the commissioning of our refurbished Clinkering unit. This milestone has been pivotal in improving both clinker and cement production, enabling us to meet increased demand with a reliable, high-quality supply. Revenue increased by a notable 11%, reflecting both enhanced plant efficiency and our strategic market initiatives. However, rising input prices have also led to an increase in our cost of sales, underscoring the need for continued vigilance and cost management. Our flagship brand, Blue Triangle Cement, continues to lead in consumer preference, and we are proud of its growing presence as a trusted brand in Kenya.

### **Dividend Update**

In our journey to sustained profitability, we are pleased to announce the resumption of dividend payments – a milestone that marks our commitment to delivering long-term value to our shareholders. This year, dividends have been made possible through the sale of select idle assets, enabling us to reward our investors while still prioritizing the reinvestment of operational profits back into the business. Moving forward, we are focused on ensuring that future pay-outs can be consistently supported by our strengthened operations and financial health. We thank you for your patience and trust as we took the steps necessary to reach this point, and we look forward to sharing the benefits of our growth with you in the years to come.

### **Strategic Focus and Corporate Direction**

EAPC's Five-Year Strategic Plan is a powerful blueprint for our future, designed with the support and guidance of our esteemed Board. Guided by five pillars – Operational Excellence, Market Regeneration and Customer Centricity, Financial Sustainability, People, and a Better Planet – our strategy serves as a navigational tool, aligning all levels of the organization toward a shared vision of prosperity.

Each pillar plays a critical role in our path forward. Operational Excellence focuses on streamlining and enhancing our production processes, while Market Regeneration aims to refresh our brand and deepen customer engagement. Financial Sustainability, in turn, reinforces disciplined resource management, ensuring we remain resilient. Our People pillar is central to our commitment to nurturing a dedicated, skilled workforce, and our Better Planet initiatives embody our pledge to environmentally responsible practices. We are confident that this structured approach will deliver sustainable profitability, benefiting all stakeholders and positioning EAPC for continued success.

### **Financing Strategy**

To drive our strategic objectives, we have adopted a prudent yet ambitious financing strategy. At the heart of this approach is the selective disposal of idle land assets, a process overseen by our Board's Finance, and Strategy Committee. Each transaction is carefully evaluated to ensure alignment with our corporate goals, securing necessary capital for key growth initiatives while upholding fiscal responsibility. This strategy transforms potential into purpose, with funds directed toward critical projects that enhance operational capacity, drive innovation, and support our brand's expansion. In a rapidly changing business landscape, this approach not only enables immediate progress but also positions us to adapt and thrive.

### **Acknowledgments and Closing Remarks**

I would like to express my heartfelt appreciation to our Board members for their invaluable contributions and dedication. Their guidance has been instrumental in navigating the complexities of this year and will continue to shape our path forward. To our shareholders, your enduring commitment, loyalty, and faith in EAPC have been integral to our progress, and we are immensely grateful for your support. We also extend our deepest gratitude to the Government of Kenya, whose partnership and vision for national development have been pivotal in our journey.

A special acknowledgment goes to our Management and entire EAPC team. Your dedication to our mission is the bedrock of our achievements, and I am truly inspired by your passion and resilience. To our valued customers and business partners, your trust in Blue Triangle Cement is the foundation of our success, and we are honored to serve you as we build a future of shared prosperity.

Together, we look forward to advancing EAPC's growth, resilience, and impact. Thank you for being a vital part of this journey.

**Brig. (Rtd) Richard K. Mbithi**  
Chairman of the Board of Directors

Dear Shareholders,

It is both an honor and a responsibility to present East African Portland Cement Plc's performance for the financial year 2023/24, as well as to share insights into our strategic initiatives aimed at securing sustainable growth and long-term profitability. The past year has seen us navigate a demanding landscape with resilience, dedication, and the unwavering support of our stakeholders. I am pleased to report significant advancements that underscore our commitment to revitalizing and positioning EAPC for a sustainable future.

### **Business Performance**

The reporting period was marked by considerable global and local economic pressures. Globally, inflationary pressures, largely stemming from supply chain disruptions, increased the costs of essential raw materials and affected many industries, including ours. In Kenya, shifts in currency valuation further elevated our input and distribution costs. However, we were able to counterbalance some of these challenges through a successful plant maintenance shutdown in the third quarter of the year, which led to cost containment and productivity improvements that became essential for maintaining stability and focus. During the initial stages of the reporting period, we experienced a decline in sales volume of approximately 5%, a result of production interruptions due to intermittent kiln runs. However, the plant maintenance shutdown completed in early 2024 allowed us to improve the reliability and operational capacity of our plant. As we stabilized operations, our revenues saw a steady increase of over 10%, largely supported by price consistency in the cement market. Rising production costs, compounded by currency depreciation and lingering supply chain disruptions, led to an approximate 5% increase in overall production expenses. Nonetheless, these efforts helped improve our gross loss position by close to 20% compared to the previous year, moving us towards a more resilient operational stance.

### **Improvement Initiatives**

The comprehensive maintenance shutdown was a turning point in our drive toward operational excellence, setting the stage for significant improvements in efficiency and output. As we progress into the new financial year, we are confident that our production levels will consistently approach full capacity. This operational achievement has allowed us to return to profitability in recent months, with promising performance trends that we aim to sustain going forward.

In support of our long-term goals, we also conducted a rigorous plant audit. This exercise has equipped us with a strategic roadmap for reinvesting proceeds from asset sales to expand our clinker production capacity by approximately 50%. Once implemented, this will allow our total cement production to reach new levels, positioning us to better meet the market's demand and strengthen our competitive standing. Additionally, we have made substantial strides in reducing legacy debt through carefully planned asset sales. This ongoing strategy has already provided meaningful improvements to our balance sheet, with further debt reduction anticipated through ongoing negotiations with government stakeholders. The potential debt reduction, facilitated by a land-debt swap, would reduce our liabilities by a substantial margin, providing much-needed working capital flexibility to support operational efficiency and growth initiatives.

### **Commitment to Shareholders**

Our commitment to enhancing shareholder value remains steadfast. We recognize and deeply appreciate the confidence our shareholders have placed in us, and we are committed to honoring that trust by delivering meaningful, long-term returns. As part of this commitment, we allocated resources to settle outstanding dividends declared several years ago. Additionally, the Board has declared a final dividend, reflecting our progress toward financial stability and our optimism for sustained profitability in the years ahead.

These initiatives represent our ongoing pledge to create lasting value and return to consistent profitability. With continued improvements in operational efficiency, strategic debt management, and prudent reinvestment, we are confident that EAPC will meet its target of robust profitability, further enhancing shareholder returns over time. Our projections for the current financial year indicate a significant upward trajectory, with profitability expected to exceed prior levels and deliver an encouraging return on investment to our valued shareholders.

## Outlook

As we look ahead, the outlook for EAPC remains positive, buoyed by promising economic projections for the region. While global markets continue to face economic headwinds, Sub-Saharan Africa's growth rate is expected to outpace recent years, with GDP growth projected at an encouraging rate for 2024. For EAPC, these macroeconomic forecasts signal opportunities for expansion, as infrastructure and construction projects are set to drive regional demand for quality building materials.

Our commitment to sustainable growth is reflected in our ongoing expansion of production capacity. As we optimize our clinker production and ramp up cement output, we aim to increase our market share to a significant double-digit percentage by the end of the current financial year. This expansion is a testament to our broader vision of becoming a leading producer of high-quality cement and related products, distinguished not only by operational excellence but also by our commitment to sustainability and community impact.

In conclusion, EAPC's future rests on a foundation of resilience, innovation, and a shared purpose to contribute positively to the communities we serve. We remain dedicated to our role as a cornerstone of Kenya's infrastructure development and a contributor to the region's economic progress. As we embark on this exciting new chapter, I extend my sincere gratitude to all our shareholders, whose trust and commitment fuel our ambition to achieve great things. Your support is the foundation upon which we continue to build a thriving and sustainable enterprise.

Thank you for being an integral part of East African Portland Cement Plc's journey. We look forward to the year ahead with optimism and determination, confident in our shared vision for success



**Mohamed Osman Adan**  
Ag. Managing Director

## **Introduction**

The Group steadfastly maintains a commitment to upholding rigorous standards of corporate governance, a commitment that serves to both enhance and safeguard the value of our business while ensuring its long-term sustainability. Our Board of Directors is deeply dedicated to fulfilling its duties and responsibilities with unwavering integrity, consistently acting in the best interests of the Company. In doing so, we are steadfastly focused on benefiting not only our valued shareholders but also our customers, suppliers, financiers, the Government, and the broader community.

## **Compliance statement**

The Company's operational framework is shaped by a comprehensive set of guidelines and regulations, including the Capital Markets Authority Guidelines on Code of Corporate Governance Practices for Issuers of Securities to the Public 2015, the Public Officer Ethics Act of 2003, and various other relevant laws that pertain to our operations. Additionally, we draw upon the principles articulated in the 'Mwongozo' Code of Governance for State Corporations, as well as other industry best practices delineated in our Board Charter. These collective standards serve as the bedrock of our commitment to corporate governance excellence and guide our actions and decision-making processes.

## **Responsibilities of the Board**

The foremost role of the Board is to provide visionary leadership and strategic guidance to the Company, with a paramount focus on enhancing shareholder value. Its primary responsibilities encompass the formulation of strategy and the establishment of overarching policies, oversight of the preparation of statutory financial statements, vigilant review and monitoring of both the Company's performance and that of its senior Management, and the assurance of robust internal controls to safeguard business continuity. To facilitate the efficient execution of daily operations, the Board has judiciously delegated the authority for day-to-day business activities to the Managing Director and the Management Committee. This strategic division of responsibilities ensures streamlined operations and allows the Board to concentrate on its core functions. In its quest to fulfil its obligations effectively, the Board of Directors maintains open lines of communication with the Company Secretary and possesses access to timely and pertinent information from the Management. Furthermore, Directors are endowed with the authority to solicit independent professional counsel on Company matters, should the need arise, with the Company bearing the associated costs. This enables the Board to make informed decisions and uphold its commitment to the Company's best interests.

The Composition of the Board is set out on page 1.

The Board comprises seven members, including the Chairman, Managing Director, and five non-executive directors. The non-executive directors maintain their independence from the management team and undergo periodic re-appointment procedures as stipulated in the Company's Articles of Association. Upon their appointment, directors undergo a comprehensive induction program that acquaints them with the Company's business operations. This orientation also includes an in-depth briefing on the legal, regulatory, and other obligations associated with being a director of a publicly listed Company. The specific responsibilities and duties of the directors are comprehensively outlined in the Statement of Directors Responsibilities section, which serves as a guiding document, delineating their roles and obligations within the organization.

The Board convenes on a regular basis, ensuring a structured and consistent forum for discussions and decision-making. To empower directors in their roles and responsibilities, they receive pertinent and timely information, enabling them to exercise comprehensive oversight and maintain full control over a spectrum of critical domains, including strategic, financial, operational, compliance, and governance matters. This commitment to transparency and effective communication ensures that the Board is well-informed and equipped to make sound judgments and provide effective leadership.

The roles of the Chairman and the Managing Director are clearly defined and have been approved by the Board. The composition of the Board reflects a diverse and extensive pool of skills and experience. Each member contributes independent judgment and possesses a wealth of knowledge that enriches Board discussions. The Board is fully cognizant that, at its heart, the corporate governance system places

### Responsibilities of the Board (continued)

ultimate accountability and responsibility on its shoulders for the Company's performance and affairs. In adherence to their fiduciary duty, the directors consistently act in the best interests of both the Company and its shareholders. The Board comprehends the profound importance of corporate governance and actively endeavours to provide robust and competitive strategic leadership, ensuring that the Company remains well-positioned to navigate the complex business landscape and deliver sustained value to its stakeholders.

The Company Secretary is a member of the Institute of Certified Public Secretaries of Kenya. She supports the Board on procedural and regulatory matters while ensuring the Company adheres to the Board policies and procedures.

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

Director	Board Schedule	Board (special)	AGM (91st)
Chairman – Brig. (Rtd) Richard Mbithi	4	8	1
Managing Director – Oliver Kirubai	4	8	1
CS Treasury or his alternate	4	8	1
PS Ministry of Investments, Trade & Industry	4	7	1
NSSF	4	6	1
Kungu Gatabaki	4	8	1
Professor Sarone Ole Sena	4	8	1
Company Secretary	4	8	1

Twelve board meetings were held during the year.

The Board is of the opinion that there is a balance between executive and non-executive directors as required by the Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015.

### Delegation of Authority

#### Board Sub Committees

The Board has established four distinct Sub-Committees, each endowed with specific delegated authorities and focused responsibilities. These Committees include the Audit Committee, Finance & Strategy Committee, Technical Committee and the Human Resources & Remuneration Committee. Additionally, the management team operates through an Executive Management Committee. These specialized Board Committees play a pivotal role in supporting the Board in fulfilling its various responsibilities. Each Committee operates with well-defined roles and terms of reference that have received approval from the Board, ensuring a clear mandate and purpose. Importantly, these Committees are chaired by non-executive directors, promoting an independent and impartial oversight of their respective areas of focus. This structured governance approach enhances the Board's capacity to effectively manage and oversee various critical aspects of the Company's operations.

**Details of these committees and membership are shown below:**

#### Audit Committee

The Audit Committee conducts comprehensive reviews of the Company's financial statements on a quarterly, semi-annual, and annual basis. Their purview extends to examining external audit plans, assessing audit findings, and scrutinizing both internal audit operations and their findings. Moreover, the Committee diligently evaluates risks that impact the Company's operations. To facilitate a robust and transparent audit process, the external auditors are afforded unrestricted access to both the Managing Director and the Chairman of the Audit Committee. This open channel of communication ensures that the audit process is thorough, objective, and free from any undue influence, thereby upholding the highest standards of financial transparency and accountability.

### **Audit Committee (continued)**

The members of the Committee are:

#### **Director**

David Koross (representing NSSF) Kungu Gatabaki CS, Treasury Prof. Sarone Ole Sena Company Secretary	Chairman    Secretary
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The Committee held four meetings during the year.

### **Finance & Strategy Committee**

The Committee is tasked with the crucial responsibility of formulating and recommending financial policies, capital expenditure plans, Sales and Marketing strategies and budgets that align harmoniously with the Company's mission, values, and overarching strategic goals. Additionally, it undertakes a diligent review of the Company's financial performance in relation to its predefined objectives, thereby ensuring alignment with strategic targets. Furthermore, the Committee plays a pivotal role in proposing significant transactions and programs to the Board, providing valuable insights and recommendations for the Company's strategic development and continued growth.

#### **The members of the Committee are**

Kungu Gatabaki CS, Treasury PS Ministry of Investments, Trade & Industry Patrick Koinari ole Tutui David Koross Managing Director Company Secretary	Chairman    Representing NSSF  Secretary
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The Committee held eight meetings during the year.

### **Technical Committee**

The Committee holds the essential responsibility of developing and recommending Technology and Research goals that align closely with the Company's mission, values, and strategic priorities. It also carefully reviews the Company's technical performance improvement efforts to ensure they meet established objectives and support strategic targets.

#### **The members of the Committee are**

Patrick Koinari ole Tutui CS, Treasury PS Ministry of Investments, Trade & Industry Kungu Gatabaki Managing Director Florence Mitey	Chairman    Secretary
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The Committee held eight meetings during the year.

### Human Resources & Remuneration Committee

The Committee assumes a critical role in the formulation and periodic review of human resource policies and the organizational structure within the Company. It actively participates in decisions related to the appointment of senior management, establishing the terms and conditions governing their roles. Additionally, it oversees matters concerning promotions and disciplinary actions involving senior staff. Furthermore, the Committee is entrusted with the crucial task of designing and evaluating the remuneration and benefits structure for employees, ensuring it aligns with industry standards and supports the Company's strategic objectives. Moreover, the Committee plays a pivotal role in approving performance-based rewards, reinforcing a culture of meritocracy and motivation within the organization.

#### The Members of the Committee are:

Prof. Sarone Ole Sena	Chairman
David Koross	Representing NSSF
PS Ministry of Investments, Trade & Industry	
Patrick Koinari ole Tutui	
Kungu Gatabaki	
Managing Director	
Florence Mitey	Secretary

The Committee held eight meetings during the year.

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

	Audit committee	Finance & Strategy Committee	Technical Committee	HR & Remuneration Committee
Chairman – Brig.(Rtd) Richard Mbithi	-	-	-	-
CS Treasury / Alternate	4	8	6	-
PS Ministry of Investments, Trade & Industry	4	5	-	8
NSSF	4	-	6	-
Managing Director	3	8	6	8
Kungu Gatabaki	-	8	6	8
Patrick Koinari Ole Tutui	-	8	8	8
Prof. Sarone Ole Sena	4	-	5	7
Company Secretary	4	8	6	8

### Management Committee

The Management Committee serves as the vital bridge connecting the Board and the Management team. Its primary role is to provide invaluable assistance to the Managing Director in charting the overarching direction of the business. The Committee assumes the crucial responsibility of overseeing the execution of operational plans and annual budgets, ensuring alignment with the Company's strategic goals. Furthermore, it conducts periodic reviews of ongoing operations, strategic plans, and proposals, with a keen eye on identifying and managing key risks and opportunities that may impact the Company's performance. Additionally, the Committee plays an essential role in the formulation and approval of guidelines governing employee remuneration.

To facilitate agile decision-making and effective management oversight, the Committee convenes at least once a week, maintaining an active and responsive presence in the day-to-day operations of the Company.

### Directors' shareholding

No member of the Board holds shares in his or her personal capacity that exceeds 1% of the total shareholding of the Company. This practice ensures a fair and balanced distribution of ownership interests among the Board members, promoting transparency and preventing any single director from exerting disproportionate influence on the Company's affairs.

### **Directors' remuneration and loans**

The Company maintains a commitment to conducting regular reviews of the remuneration provided to all directors, ensuring that these levels of compensation remain appropriate and in line with industry standards. Importantly, no arrangements were in place at the end of the financial year, or at any point during the year, through which directors might derive benefits from the acquisition of the Company's shares. To enhance transparency and disclosure, detailed information regarding emoluments and fees paid to directors can be found in (Note 34 (vi)) of the financial statements, allowing stakeholders to access a comprehensive overview of the compensation structure for the Board members.

### **Board Performance Evaluation**

In adherence to the guidelines outlined in Performance Contracting and the provisions set forth in the Board Charter, the Board undertakes the pivotal responsibility of overseeing rigorous evaluations of its own performance, along with that of its committees and individual directors. This evaluation process is conducted at regular intervals, both quarterly and annually, to maintain a robust and systematic assessment of performance. Furthermore, the results of these evaluations are diligently compiled and provided to the Ministry of Investments, Trade and Industry and the Office of the Prime Cabinet Secretary, in accordance with the requirements stipulated under Performance Contracting. This commitment to comprehensive evaluation ensures that the Board and its components consistently strive for excellence and accountability in fulfilling their duties and responsibilities.

### **Going concern**

The Board affirms its confidence in the Company's ability to sustain its operations for the foreseeable future, supported by adequate resources. In light of this assurance, the Company continues to adopt the going concern basis for the preparation of its financial statements. The Company's advancements in balance sheet restructuring are highly promising, with initial proceeds effectively allocated to a full-scale refurbishment of the clinkering line last quarter. Early results show marked improvements in efficiency and reliability, positioning the Company on a strong trajectory toward operational profitability by the end of the upcoming financial year.

In light of these developments and the revised financial outlook, the Board has diligently reviewed the projected operating results for the next one year and is confident that the Company will maintain its status as a going concern, demonstrating its commitment to financial stability and sustainability.

### **Internal controls**

The Board collectively holds the responsibility for establishing and upholding a robust system of internal control, designed to provide reasonable assurance of effective and efficient operations within the Company. The Board places significant emphasis on maintaining a robust control environment, and the Company's internal control framework extends beyond financial aspects to encompass the assessment of non-financial risks and controls. After thorough review, the Board is confident that the Company has appropriate procedures in place.

The Company conducts its business within a well-defined control framework, which is underpinned by policy statements, written procedures, and control manuals. This framework ensures that there are documented policies and procedures in place to identify and manage various forms of risk, including operational, liquidity, regulatory, legal, reputational, market, and credit risks. The Board has established a well-defined management structure that clearly outlines roles, responsibilities, and reporting lines. Delegated authorities are also documented and communicated.

Performance reporting is an integral part of the Company's operations, with regular updates provided to both management and the Board. Performance trends, forecasts, and actual results against budgets and prior periods are closely monitored. Financial information is prepared using consistent accounting policies, while operational procedures and controls have been implemented to facilitate the accurate and timely processing of transactions and to safeguard assets. These controls encompass practices such as the segregation of duties, regular account reconciliations, and asset valuations.

Moreover, all employees are provided with a Code of Ethics and are expected to adhere to high standards of integrity and fairness when interacting with customers, staff, regulators, and the communities in which the Company operates. This framework forms an integral part of the Company's compliance structure, establishing policies and standards for compliance with rules, regulations, and legal requirements. The Board remains committed to effectively fulfilling its role within the corporate governance structure. Non-executive directors will continue to exercise oversight over the Company's management through Board meetings and their respective Committee responsibilities, ensuring that governance standards and practices are upheld and aligned with the Company's mission and values.

### **Relations with shareholders**

The Board places a high value on effective communication with all shareholders and acknowledges its significance. Two primary avenues for this communication are the Annual General Meeting (AGM) and the publication of the annual report. The Company ensures that shareholders receive adequate notice of the AGM, adhering to the provisions outlined in the Kenyan Companies Act. Shareholders are actively encouraged to utilize this platform to submit questions and appoint proxies to represent them should they be unable to attend in person. Additionally, the Company addresses shareholder requests for information on an ongoing basis, with particular emphasis during the AGM.

In its unwavering commitment to uphold and protect shareholders' rights, the Board affirms that every shareholder possesses the right to participate and cast their votes at general shareholders' meetings. Furthermore, the Board facilitates an open environment where shareholders can seek clarification and gain insights into the Company's performance during these meetings, reinforcing transparency and accountability in corporate governance.

### **Skills and experience of the Board**

Our esteemed Directors bring a wealth of diverse skills and extensive experience to the Company, including but not limited to:

- **Corporate Governance and Legal Knowledge:** Several Directors possess significant expertise in corporate governance and legal matters, ensuring that the Company adheres to the highest standards of legal and ethical conduct.
- **Diverse Age Profiles:** The Board boasts a broad spectrum of age profiles, offering a balanced mix of seasoned wisdom and fresh perspectives, which contributes to well-informed decision-making.
- **Cement Industry Experience:** With a core focus on the cement industry, some Directors offer invaluable insights and in-depth knowledge of this sector, which is instrumental in guiding the Company's strategic direction and operations.
- **Diverse and Complementary Skills:** The Board is characterized by a diverse array of skills, each Director contributing their unique competencies and expertise. These diverse and complementary skills synergize to form a cohesive and effective leadership team.

This rich blend of skills and experience positions the Board to provide strong leadership, steer the Company towards its strategic objectives, and navigate the complexities of the business landscape with confidence and agility.

### **Code of Conduct**

The Board has taken the proactive step of approving a comprehensive Code of Ethics, which delineates the Company's fundamental values pertaining to the ethical and lawful conduct of its business operations. This Code of Ethics serves as a guiding document, outlining the principles and standards that underpin the Company's commitment to integrity, transparency, and responsible business practices.

### **Conflict of Interest**

All directors are held to a stringent duty to prevent conflicts of interest. This obligation encompasses refraining from participating, either directly or indirectly, in any business activities that directly compete with or pose conflicts of interest with the Company's operations. In the event of any potential or actual conflicts of interest arising, directors are promptly required to report such instances to the Company Secretary. This commitment to transparency and diligence in managing conflicts ensures that the Board's actions are consistently aligned with the best interests of the Company and its stakeholders.

### **Appointments to the Board**

Directors follow an annual rotation retirement process, with their retirement occurring on a yearly basis. If eligible, their names are submitted for re-election at the annual general meetings. All director appointments are contingent upon confirmation by shareholders at the annual general meetings. This practice underscores the significance of shareholder involvement in the selection and retention of directors.

In addition to the induction program tailored for new directors, the Company also organizes specific training workshops that directors actively participate in. These workshops are accredited by the Centre for Corporate Governance, providing directors with valuable insights and knowledge to enhance their governance roles and responsibilities.

### **Interaction with Management**

The Board of EAPC maintains a robust and highly interactive relationship with the management team. This close collaboration empowers directors to infuse their extensive experience and professional knowledge of the target market into shaping the Company's strategic direction. A policy of open communication between the Board and Management is rigorously adhered to, ensuring that the Board remains fully informed about significant matters concerning EAPC and its overall business operations. Furthermore, the Company has implemented a well-defined procedure that allows directors to propose additional agenda items for discussion at meetings and request supplementary information or briefings on specific topics in advance of meetings.

In line with the provisions of the Board charter, the composition of the Board Committees was diligently reviewed during the fiscal year 2023/2024. This annual review process ensures that committee memberships and chairs are aligned with the evolving needs and objectives of the Company, facilitating effective governance and oversight.

### **Communication**

The Board is content that its decision-making capability remains strong, and it maintains a high level of accuracy in its reporting and financial results, thereby ensuring thorough disclosure and transparency in its operations. To bolster these efforts, the Board places reliance on both the external group of Auditors and the Audit Committee to promptly flag any financial concerns that may arise.

The Company upholds a commitment to providing timely and pertinent information to its shareholders. This is achieved through the regular publication of periodic accounts and the Annual Report. Additionally, the Company conducts an annual briefing to keep shareholders informed about key developments. Furthermore, shareholders are promptly notified of any significant events that have an impact on the Company's operations, fostering a culture of transparency and accountability in its communication with stakeholders.

### **Corporate Social Responsibility**

The Company actively engages in Corporate Social Responsibility (CSR) initiatives, with a focus on enhancing education, healthcare, water resources, and environmental conservation. These CSR activities are designed to make a positive impact on the communities in which the Company operates. A distinctive aspect of our CSR approach is the direct involvement of local communities in identifying and prioritizing the initiatives that would most benefit them. Local committees are established to facilitate this process, ensuring that the projects and programs undertaken truly address the specific needs and aspirations of the communities we serve. Through these CSR efforts, the Company is committed to not only being a responsible corporate citizen but also to creating tangible and sustainable benefits for the communities it operates in, contributing to their overall well-being and development.

### **Procurement policies**

The Company has procurement policies which promote transparent procurement processes and build mutually beneficial relationships with suppliers. Management Tender Committees oversee the award of tenders to facilitate transparency of procurement processes in the company.

**Whistle blowing policy**

The Company has a whistle blowing policy which provides a platform for employees, suppliers, dealers and agents to raise complaints on any suspected wrongdoing. The policy also gives the procedures to be followed regarding such complaints.

The Directors submit their report together with the audited financial statements which disclose the state of affairs of East African Portland Cement PLC (the "Company") and its subsidiaries together the (the "Group") for the year ended 30 June 2024.

Dear Shareholders,

It is with gratitude and optimism that we present this report, reflecting East African Portland Cement Plc's (EAPC) dedication to creating sustainable growth and value for our shareholders. In a year marked by transformation, we made substantial progress across our operational, financial, and strategic objectives. With a strong foundation now in place, we are pleased to announce the return of dividend payments, made possible through ongoing balance sheet restructuring and prudent management of our assets. This achievement reflects our commitment to rewarding our shareholders and reinforcing EAPC's resilience and future potential.

## **BUSINESS REVIEW**

Our primary activities remain focused on the production and sale of high-quality cement, fulfilling the demands of a dynamic market with the steadfast support of our dedicated team. Our wholly-owned subsidiary, East African Portland Cement Uganda Limited, continues to support our regional footprint, though primarily dormant due to strategic route-to-market adjustments. Guided by our Five-Year Strategic Plan, we have undertaken significant steps to strengthen our operations and meet our market goals. Key milestones, such as the successful refurbishment of critical production equipment, have enhanced both efficiency and reliability, setting EAPC on a solid path toward growth.

### **Financial Performance**

The financial year marked a pivotal phase in our transformation, as EAPC implemented the initial phase of our strategic roadmap with a strong focus on increasing production efficiency and market engagement. Through diligent execution of our refurbishment and market regeneration efforts, we achieved close to a 40% revenue increase, underscoring the benefits of our targeted initiatives and our ability to capitalize on market opportunities. Rising input costs and currency fluctuations have challenged profitability; however, our strategic adjustments have kept us on a solid growth trajectory. Cost of sales also saw an increase, largely influenced by global inflationary pressures and currency depreciation, which significantly impacted material and energy costs.

In line with our commitment to maximizing asset value, we undertook a structured land divestment plan, prioritizing sales within the local community and involving stakeholders in an inclusive, collaborative approach. This plan is expected to yield proceeds that will drive essential investments in working capital and plant infrastructure, helping us meet production goals and capitalize on new growth avenues. Additionally, the strategic subdivision of adjacent properties adds another promising revenue stream, empowering us to direct funds into infrastructure and technology improvements that underpin our long-term vision of operational efficiency and market leadership.

### **Risk Management**

We operate in an environment where risks are inherent, and the cement industry, in particular, faces challenges such as increased market competition, price pressures, and evolving economic conditions. To navigate these, we have developed a comprehensive risk management framework, incorporating proactive measures to mitigate credit, liquidity, and operational risks. Our strategy emphasizes investment in capacity expansion and technological efficiency as essential countermeasures to competitive pressures. This approach ensures that we remain agile, resilient, and well-equipped to meet both present and future challenges, safeguarding our position in the market while delivering reliable products to our customers.

### **The Environment**

At EAPC, sustainability is not just a commitment—it is a fundamental part of our operations and future aspirations. Our **Better Planet** pillar within the Five-Year Strategic Plan embodies our dedication to Environmental, Social, and Governance (ESG) principles, serving as a guiding framework for responsible growth. Through this pillar, we are onboarding key ESG practices to drive positive environmental impact, enhance social responsibility, and ensure robust governance.

This year, our efforts focused on environmental stewardship through extensive afforestation initiatives, partnering with local communities to increase green cover and enhance biodiversity. These initiatives are part of our larger strategy to reduce emissions and support Kenya's green ambitions. By integrating ESG

into our core practices, we are building a more sustainable foundation that aligns with both regional and global standards, and we are committed to continuously improving these practices to create a resilient, environmentally conscious future.

### Human Capital

At EAPC, our workforce is a cornerstone of our success, and we are devoted to nurturing a culture of continuous learning and growth. Our employees bring invaluable skills, commitment, and energy to our mission, and we prioritize their development through targeted training and knowledge-sharing initiatives. In collaboration with our technical suppliers, we facilitate knowledge transfer that enriches our teams' skills, enabling them to perform at their best and contribute to EAPC's strategic goals. This investment in our people not only enhances productivity but also builds a resilient, engaged workforce equipped to drive innovation and support EAPC's vision of excellence:

	2024	2023
Permanent	59	60
Contract	406	428
<b>Total</b>	<b>465</b>	<b>488</b>

### Outlook

Looking forward, EAPC is well-positioned to capitalize on growth opportunities within Kenya and the East African region, driven by an infrastructure deficit that continues to fuel demand for quality construction materials. Public and private investments are actively addressing this need, placing EAPC as a critical supplier in regional development. Our focus on operational excellence has enabled the resumption of dividend payments, reflecting our commitment to delivering value to shareholders. This progress is supported by the careful allocation of funds unlocked through balance sheet restructuring, allowing us to reinvest in expanding production capacity, improving efficiency, and strengthening market reach. These efforts ensure we meet growing market demand sustainably while safeguarding our financial health.

As we advance, EAPC remains dedicated to our strategic pillars of market regeneration, operational efficiency, and sustainable growth. With a stable foundation and a renewed focus on shareholder returns, we are excited to further our role in regional development while providing consistent dividends

### Key performance indicators

The table below highlights some of the key performance indicators;

Key performance ratios	Group		Company	
	2024 Shs'000	2023 Shs'000	2024 Shs'000	2023 Shs'000
Gross loss margin	24%	36%	24%	36%
Operating loss margin	60%	86%	57%	86%
Net profit margin	33%	25%	35%	25%
Return on assets	3%	2%	3%	2%
Return on equity	5%	3%	5%	3%

### DIVIDENDS

The Group's profit after tax for the year of KES 1,067,075,000 (2023: Loss of KES 1,356,467,000) has been added to retained earnings. The directors recommend the payment of a dividend in respect of the current year (2023: Shs nil).

### DIRECTORS

The directors who held office during the year and to the date of this report are shown on page 1.

**STATEMENT AS TO DISCLOSURE TO THE COMPANY'S AUDITOR**

With respect to each director at the time this report was approved:

- (a) there is, as far as each director is aware, no relevant audit information of which the Group's and Company's auditor is unaware; and
- (b) the director has taken all steps that ought to have been taken as a director so as to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.


**TERMS OF APPOINTMENT OF AUDITOR**

The Auditor General is responsible for the statutory audit of the financial statements of East African Portland Cement Plc in accordance with Section 23 of the Public Audit Act, 2015 which empowers the Auditor General to nominate other auditors to carry out the audit on her behalf. Ronalds LLP was nominated by the Auditor General to carry out the audit of East African Portland Cement Plc for the year ended 30 June 2024.

The directors monitor the effectiveness, objectivity and independence of the auditor. The responsibility includes the approval of the audit engagement contract and the associated fees on behalf of the shareholders.

On behalf of the Board

**Director**

  
..... 2024

The Board of Directors extends its heartfelt congratulations to our dedicated investors for their unwavering support throughout the just-concluded financial year. The business environment faced by the Company during this period was notably more challenging than in previous years, marked by a myriad of factors, both internal and external.

In light of these challenges and the imperative to develop effective mitigating strategies, the Board of Directors proactively engaged in a series of initiatives on behalf of the Group. These endeavours, once implemented, are expected to pave the way for enhanced profitability in the foreseeable future. The Board remains resolute in its commitment to steer the Company towards a brighter and more prosperous path, and we deeply appreciate the trust and support of our valued investors in this journey.

### **The Director's remuneration policy at a glance**

#### **Executive Directors**

The Managing Director holds the unique position of being the sole Executive Director within both the Group and the Company, as outlined in accordance with the provisions of the Company's Act. His remuneration is established in strict adherence to the staff remuneration policy, which has received approval from the Board of Directors.

The remuneration package for the Managing Director encompasses various components, including a basic salary, gratuity, and other benefits. This comprehensive package is meticulously designed to duly acknowledge the Managing Director's exceptional skills, extensive experience, and the level of attention and commitment required for the effective leadership and management of the Group.

#### **Non-Executive Directors**

The Non-Executive Directors of the Company are remunerated through fees and other emoluments, which acknowledge their invaluable contributions during Board and Committee meetings. These fees are subject to approval by Shareholders at the Annual General Meetings and are disbursed subsequent to the occurrence of the respective meetings. In addition to fees, the Non-Executive Directors receive expense allowances, which are paid out over the course of the year.

Non-Executive Directors do not receive any performance-based remuneration, and there are no pension contributions payable on their emoluments. To facilitate their participation in board meetings, the Group covers travel and accommodation expenses related to attendance, ensuring that Directors can fulfill their responsibilities effectively and efficiently. This compensation framework aligns with industry best practices and supports the Company's commitment to maintaining a robust and effective Board of Directors.

#### **Directors' shareholding**

None of the members of the Board of Directors hold shares in their personal capacity within the Group. However, the composition of the directorships reflects the representation of key shareholders of the Group. The National Treasury is represented by the Cabinet Secretary, who also nominates an alternate representative. Similarly, the parent ministry is represented by the Principal Secretary, with a nominated alternate.

Additionally, the National Social Security Fund is represented by the Managing Trustee, who also nominates an alternate representative. This structure ensures that key stakeholders and shareholders are appropriately represented at the Board level, promoting transparency and alignment with the Company's strategic direction and objectives.

There will be no changes to these policies in the next financial year.

### Directors Contract of service

The tenures of the directors in office during the last financial year are tabulated below:

DIRECTORS CONTRACT OF SERVICE		
Director	Start of contract	End of Contract
Brig.(Rtd) Richard K. Mbithi - Chairman	30 June 2024	30 June 2026
Kungu Gatabaki	Shareholder rep	Shareholder rep
Prof. Sarone Ole Sena	Shareholder rep	Shareholder rep
Prof. Njuguna S. Ndungu	Shareholder rep	Shareholder rep
Patrick Koinari Ole Tutui	Shareholder rep	Shareholder rep
National Social Security Fund	Shareholder rep	Shareholder rep
Dr. Eusebius Juma Mukhwana	Shareholder rep	Shareholder rep

In the previous annual general meeting shareholders voted for the adoption of the directors' remuneration through proposal and secondment on the floor of the AGM. The remuneration policy was not on the agenda for discussion hence was not voted for given that there was no anticipated change except the routine approval of the directors' remuneration in the financial year.

### Information subject to audit

The following table shows the remuneration for the executive directors, chairman and non-executive directors in respect of qualifying services for the year ended 30 June 2024 together with the comparative figures for 2023. The aggregate directors' emoluments for Group and Company are shown on below:

#### Year ended 30 June 2023

S/N	Name	Salary	Fees	Bonuses	Expenses Allowance	Post Employment Benefits	Estimated Value of Non-cash Benefits	Total
		Shs '000'	Shs '000'	Shs '000'	Shs '000'	Shs '000'	Shs '000'	Shs '000'
1	Edwin Kinyua	-	300	-	4,817	-	-	5,117
2	Oliver Kirubai	12,167	-	-	-	3,772	-	15,939
3	Kungu Gatabaki	-	160	-	2,688	-	-	2,848
4	Dr. Antony Omerikwa	-	160	-	214	-	-	374
5	Prof. Sarone Ole Sena	-	160	-	4,071	-	-	4,231
6	Edward Wamweya	-	160	-	2,652	-	-	2,812
7	David Mwangangi	-	-	-	257	-	-	257
8	Moses Cheseto	-	-	-	814	-	-	814
9	Nancy Muya	-	-	-	1,081	-	-	1,081
10	Timothy Gakuu	-	160	-	1,500	-	-	1,660
	<b>Totals</b>	<b>12,167</b>	<b>1,100</b>		<b>18,094</b>	<b>3,772</b>		<b>35,133</b>

#### Year ended 30 June 2024

S/N	Name	Salary	Fees	Bonuses	Expenses Allowance	Loss of Office/Terminations	Estimated Value of Non-cash Benefits	Total
		Shs '000'	Shs '000'	Shs '000'	Shs '000'	Shs '000'	Shs '000'	Shs '000'
1	Brig.(Rtd) Richard Mbithi	-	300	-	4,504	-	-	4,804
2	Oliver Kirubai	12,167	-	-	-	7,774	-	19,941
3	Kungu Gatabaki	-	160	-	2,504	-	-	2,664
4	Patrick Koinari ole Tutui	-	160	-	3,232	-	-	3,392
5	Prof. Sarone Ole Sena	-	160	-	3,397	-	-	3,557
6	Edward Wamweya	-	160	-	2,545	-	-	2,705
7	Ronald Nyamosi	-	-	-	284	-	-	284
8	David Mwangangi	-	-	-	1,202	-	-	1,202
9	Martin Wanyonyi	-	160	-	1,308	-	-	1,468
10	Timothy Gakuu	-	-	-	1,463	-	-	1,463
	<b>Totals</b>	<b>12,167</b>	<b>1,100</b>		<b>20,439</b>	<b>7,774</b>		<b>41,480</b>

**Information subject to audit (continued)**

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 Group is a party, whereby directors might get benefits by means of acquisition of the Group's shares. Information on aggregate of emoluments and fees paid to directors are disclosed in Note 34(vi) of the financial statements.

On behalf of the Board

  
x  
**Company Secretary**

..... 2024

The Companies Act, 2015 requires the directors to prepare financial statements for each financial year which give a true and fair view of the financial position of the Group and Company at the end of the financial year and their financial performance for the year then ended. The directors are responsible for ensuring that the Group and Company keep proper accounting records that are sufficient to show and explain the transactions of the Group and Company, disclose with reasonable accuracy at any time the financial position of the Group and Company; and that enables them to prepare financial statements of the Group and Company that comply with prescribed financial reporting standards and the requirements of the Companies Act, 2015. They are also responsible for safeguarding the assets of the Group and Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors accept responsibility for the preparation and presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2015. They also accept responsibility for:

- i. Designing, implementing and maintaining internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error;
- ii. Selecting suitable accounting policies and then apply them consistently; and
- iii. Making judgements and accounting estimates that are reasonable in the circumstances.

Having assessed the Company's ability to continue as a going concern, the directors have disclosed matters relating to the use of going concern basis of preparation in note 2(a) of the financial statements.

The directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibility.

Approved by the board of directors on ..... 2024 and signed on its behalf by:



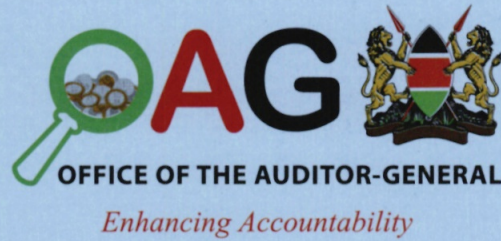
**Brig. (Rtd) Richard K. Mbithi**  
Chairman



**Kungu Gatabaki**  
Director

# REPUBLIC OF KENYA

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NAIROBI

## REPORT OF THE AUDITOR-GENERAL ON EAST AFRICAN PORTLAND CEMENT PLC FOR THE YEAR ENDED 30 JUNE, 2024

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### PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements which considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations which have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner, to ensure Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An Unmodified Opinion is issued when the Auditor-General concludes that the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

### REPORT ON THE FINANCIAL STATEMENTS

#### Opinion

The accompanying consolidated and company financial statements of East African Portland Cement PLC set out on pages 31 to 84, which comprise of the Group and the Company's statement of financial position as at 30 June, 2024, and the Group and the

Company's statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, have been audited on my behalf by Ronalds LLP, auditors appointed under Section 23 of the Public Audit Act, 2015. 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.

In my opinion, the financial statements present fairly, in all material respects, the financial position of East African Portland Cement PLC as at 30 June, 2024 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Companies Act, 2015.

### **Basis for Opinion**

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the East African Portland Cement PLC Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **Material Uncertainty Related to Going Concern**

#### **1. Negative Working Capital**

I draw attention to Note 2(a) in the financial statements, which indicates that the Group and Company recorded a net profit for the year of Kshs.1,067,075,000 (2023: loss of Kshs.1,356,467,000) and Kshs.1,156,554,200 (2023: Net loss Kshs.1,356,467,000) respectively for the year ended 30 June, 2024. The current liabilities for the Group and the Company exceeded the current assets by Kshs.6,090,887,000 (2023: Kshs.11,824,491,000) and Kshs.5,990,879 (2023: Kshs.11,788,168,000) respectively, an indication of negative working capital for the Group and the Company.

The Company defaulted on a loan from one of the key lenders in September, 2019 and obtained an approval from shareholders to dispose some of the idle land to pay the debt which was paid in November, 2022. Additionally, the Company is in the process of signing off a subsidiary loan agreement with the Government of Kenya relating to JICA loan that was taken over by the Government. In particular, the Company continues to operate significantly below capacity due to working capital constraints.

#### **2. Contingent Liabilities**

The Company has significant litigations and claims against it, which if successful, may result in claims that are unlikely to be settled, given the Company's current financial position. Details of the significant claims include employees' related claims arising from

unpaid salaries based on the Collective Bargaining Agreement (CBA) terms with an estimated total exposure of Kshs.1.5 billion, debt claims by suppliers for termination of contracts, unpaid bills for services rendered and/or goods delivered totalling Kshs.3 billion and claims arising from disputed delivered, breach of distribution contracts and termination of supplier contracts totalling Kshs.383 million. All of these claims have been provided for in the financial statements.

### **3. Unremitted Statutory Deductions**

The Company has been unable to settle its obligations in respect of statutory authorities which include Pay As You Earn (PAYE) of Kshs.2,986,000,000, Value Added Tax (VAT) balances of Kshs.893,000,000 and pension liabilities of Kshs.227,000,000 being principal, penalties and interest. The Management made subsequent payments totalling Kshs.60,000,000 after the year end to reduce the outstanding pension liabilities.

These events or conditions, along with other matters as set forth in Note 2(a), indicate that a material uncertainty exists that cast significant doubt on the Group's and Company's ability to continue as a going concern.

The financial statements have been, therefore, prepared on a going concern assumption that the Company will continue to obtain financial support from the bankers, suppliers and shareholders.

My opinion is not modified in respect of this matter.

### **Emphasis of Matter**

#### **Consolidation of Unaudited Financial Statements of a Subsidiary**

I draw attention to Note 35 in the financial statements, which indicates ongoing winding up of the Ugandan subsidiary (East Africa Portland Cement Uganda Limited). Management initiated the process of winding up the subsidiary which led to subsidiary deregistration by the Uganda Revenue Authority on 31 December, 2023 and the process is expected to be concluded in the current financial year. The Management has not provided audited financial statements for the subsidiary even though the reported group balances have consolidated the subsidiary.

My opinion is not modified in respect of this matter.

### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. These matters were addressed in the context of the audit of the financial statements as a whole and in forming my opinion thereon. I do not provide a separate opinion on these matters and for each matter below, a description of how the audit addressed the matter is provided in that context.

Key Audit Matter	How the Audit Addressed the Key Audit Matter
<p><b>Valuation of Investment Properties</b></p> <p>As disclosed in Note 18 to the financial statements, the Group's and the Company's investment properties consist of investment in land carried at fair value. Management engaged an independent professional valuer to determine the fair value as at 30 June, 2024. The valuer determined the open market value using recent property transactions prices within the vicinity of the properties.</p> <p>Further, Management has exercised judgement in applying valuation amounts based on the recent comparable sales made by the Group.</p> <p>The carrying value of the investment of property as at 30 June, 2024 total to Kshs.21,238,614,000(2023:Kshs.25,909,698,000)</p>	<p>I have performed the following audit procedures;</p> <ul style="list-style-type: none"> <li>• Assessed the competency, capabilities and objectivity of the independent valuer.</li> <li>• Assessed the appropriateness of the methodology used by the independent valuer and its consistency with the International Financial Reporting Standards (IFRS).</li> <li>• Assessed any judgements exercised by Management in determining the fair value including any overlays applied.</li> <li>• Verified the ownership of the property and assessed Management's judgement on the appropriateness of the classification of the encroached land as investment property.</li> <li>• Reviewed Management's estimate of eviction costs for reasonableness.</li> <li>• Reviewed the adequacy of the disclosures in Note 18 to the financial statements.</li> </ul>

I have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit section of the report including in relation to these matters. Accordingly, the audit included the performance of procedures designed to respond to the assessment of the risks of material misstatement of the financial statements. The results of the audit procedures, including the procedures performed to address the matters above provide the basis for my audit opinion on the accompanying financial statements.

## **Other Matters**

### **1. Borrowings**

The statement of financial position reflects Government debt balance of Kshs.1,942,945,000 payable to the Government of Kenya. As previously reported and as disclosed in Note 26 to the financial statements, the loan amount has accumulated from the interest and principal repayment made on Japanese – OECT loan by the Government of Kenya on behalf of the Company as the guarantor. However, the loan agreement and the agreed amount was not provided for audit verification. It was not therefore, possible to ascertain the terms of the loan or the actual outstanding loan amount due to the Government of Kenya as at 30 June, 2024.

In addition, the Company has not accrued any interest that may become payable even though there has been no explicit waiver of interest on the loan which has been outstanding for more than five years. The interest liability and corresponding expense may have been understated.

In the circumstances, it has not been possible to determine when the Government guarantee will crystalize.

### **2. Assets Held for Sale**

The statement of financial position reflects assets held for sale balance of Kshs.4,655,912,000 which as disclosed in Note 18 (b) to the financial statements relate to other properties that are currently occupied by informal settlers. The Management asserts that the eviction cost would be or were likely to be substantial and opted for regularization of ownership by disposing the property to the current occupants at market rates. As at the time of the audit the Company commenced the ownership regularization process and some settlers had applied for allocation and paid deposit towards the acquisition of the occupied property.

In the circumstances, the realization of the assets held for sale is dependent on the acceptance and settlement of offers to informal settlers.

## **Other Information**

The Directors are responsible for the other information set out on page 1 to 20 which comprises of Corporate information, the Chairman's Statement, Managing Director's Statement, the Statement of Corporate Governance, Directors Report, Directors Remuneration Report and the Statement of Directors' Responsibilities. The other information does not include the financial statements and my auditor's report thereon.

In connection with my audit on the East African Portland Cement PLC financial statements, my responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of

this Other Information, I am required to report that fact. I have nothing to report in this regard.

## REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

### Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### Basis for Conclusion

#### 1. Idle Asset

The statement of financial position reflects a property, plant and equipment balance of Kshs.4,920,670,000 which as disclosed in Note 16 to the financial statements, includes capital work in progress of Kshs.157,021,000 relating to assembling of a grate cooler for the kiln. The balance has remained the same since the financial year ended 30 June, 2020 and has had no impairment to it over the last four (4) years.

In the circumstances, the value for money on work in progress of Kshs.157,021,000 could not be confirmed.

#### 2. Non-Remittance of Tax Deductions

As previously reported, the Company had not remitted PAYE dues amounting to Kshs.2,986,000,000 (2023: Kshs.1,700,000,000) in principal, penalties and interests as at 30 June, 2024. This was contrary to Sections 3(2)(a)(ii), 5 and 37 of the Income Tax Act, Cap 470 which requires employers to deduct PAYE at source and remit the same to the tax authorities before the ninth of the subsequent month of pay. As a result, the Company is likely to incur additional tax penalties and interest.

Further, as previously reported, the Company had not remitted VAT totalling to Kshs.893,000,000 (2023: Kshs.247,000,000) in principal, penalties and interests as at 30 June, 2024. This was contrary to Section 13(3) of the Value Added Tax Act, Cap 476 that requires entities to remit Value Added Tax (VAT) payable to tax authorities before the 20<sup>th</sup> of the subsequent month of collection. The outstanding amounts are as per the Kenya Revenue Authority portal information.

In the circumstances, Management was in breach of law.

### **3. Non-Remittance of Employees Pension Contributions**

As previously reported, the Company had accrued pension balances amounting to Kshs.226,523,452 in principal, penalties and interests as at 30 June, 2024. The unremitted contributions date back to August 2018. This was contrary to Sections 53 and 54A of the Retirement Benefits Act, 1997 which requires entities to remit contributions by the employees timely, failure to which, the entities will be penalized. The Company is therefore exposed to the consequences of non-compliance with the retirement benefits law through penalties and non-payment of retirement to the employees upon retirement.

In the circumstances, Management was in breach of law.

### **4. Non-Remittance of Mining Levies**

As previously reported, the Company had outstanding remittances of mining levy amounting to Kshs.195,866,873 as at 30 June, 2024. This was contrary to legal Notice No.222 of the Mining Act (Cap.336) dated 18 December, 2013 which requires cement producers to pay mineral levy at the rate of Kshs.140 per ton of cement with effect from 01 January, 2014. The Company is therefore exposed to the consequences of non-compliance with the mining regulations.

In the circumstances, Management was in breach of law.

### **5. Non-Remittance of Unclaimed Dividends**

As previously reported, the statement of financial position reflects accrued dividends payable amounting to Kshs.101,680,120 as at 30 June, 2024. Part of this amount has been outstanding for more than three (3) years exposing the Company to increased penalties. This was contrary to Section 20 of the Unclaimed Financial Assets Act, 2011 which requires entities to remit unclaimed assets, including but not limiting to ownership interests (share and dividends), with a period of abandonment of three (3) years.

In the circumstances, Management was in breach of law.

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on

Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

## **Basis for Conclusion**

### **1. Advance Receipts from Customers**

The statement of financial position reflects trade and other payables balance of Kshs.12,106,506,000 which includes advance receipts from customers amounting to Kshs.669,798,000 as disclosed in Note 28 to the financial statements. However, included in the balance are receipts of Kshs.55,309,000 from various bank accounts received between 2014 and 2022 that have not been processed in the customers' accounts and is yet to be declared as Unclaimed Assets.

In the circumstances, effectiveness in management of receipts from customers could not be confirmed.

### **2. Weakness in Accounts Receivables Management**

As previous reported, review of credit process revealed the system in place does not automatically apply the customer receipts to the corresponding accounts, and manual intervention is required to apply the receipts to the customer invoices. The manual application of the receipts is tedious and prone to error or fraud. The total unapplied receipts as at 30 June, 2024 amount to Kshs.4.8 billion (2023: Kshs.2.1 billion). Unapplied receipts distort the ageing of trade receivables balances impacting on the reliability of the aged analysis report as a basis for computing estimated credit losses.

In the circumstances, effectiveness in management of accounts receivables could not be confirmed.

### **3. Lack of Regular Preparation of Supplier Reconciliations**

The audit identified material differences between the ledger and the supplier statements, independently circularized, which amounted to Kshs.35,945,667 against the total sampled amount of Kshs.118,835,419. These variances indicate lapses in the effectiveness of the supplier reconciliations which were not done at the closure of the year.

In the circumstances, effectiveness in management of suppliers balances could not be confirmed.

### **4. Removal of Signatories from Company Bank Accounts**

Review of the bank confirmations received from the financial institutions, revealed that four (4) former staff were still signatories to the bank accounts despite having ceased being employees of the Company. There is risk of unauthorized access to the bank accounts.

In the circumstances, existence of effective controls in management of bank accounts could not be confirmed.

#### **5. Lack of IFRS 9 and IFRS 16 Model Documentation**

Review of records revealed significant deficiencies in the Company's model documentation for IFRS 9 and IFRS 16. The Company lacks detailed documentation of key methodologies, assumptions, and procedures for both the Expected Credit Loss (ECL) model and lease accounting practices. This includes incomplete documentation on Probability of Default (PD), Loss Given Default (LGD), Significant Increases in Credit Risk (SICR) assessment and Incremental Borrowing Rate (IBR) determination. The models have not documented the governance framework.

As a result, independent verification and understanding the assumptions driving the credit risk and lease liability valuations could not be confirmed.

#### **6. Accounting System Weaknesses**

Review of the financial management system revealed a variance of Kshs.6,587,991 between receivables ledger account and the receivables listing. Significant weaknesses were identified in the Company's financial management system, particularly the absence of a production module for cement manufacturing. This deficiency limited my ability to obtain reliable system-generated production reports and as a result, I relied on manual reports prepared by production personnel. It was not possible to assess the accuracy and reliability of these reports, due to the subjectivity of the manual process.

In the circumstances, the effectiveness of Company's financial management system could not be confirmed.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

#### **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

As required by the Companies Act, 2015, I report, based on my audit, that:

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. Information given in the Directors' report on pages 14 to 16 is consistent with the financial statements; and
- iii. The auditable part of the Directors' remuneration report on pages 17 to 19 has been properly prepared in accordance with the Companies Act, 2015.

The Companies Act, 2015 requires that I report on the legal or regulatory requirements, or on performance information disclosed. These matters require expressing a separate opinion as to the East African Portland Cement PLC compliance with laws and regulations. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

### **Responsibilities of the Management and the Board of Directors**

Management is responsible for the preparation and fair presentation of the consolidated and separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015, and for such internal control as Management determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and overall governance.

In preparing the Group and the Company's financial statements, Management is responsible for assessing the Group and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

The Board of Directors is responsible for overseeing the Group and the Company's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

### **Auditor-General's Responsibilities for the Audit**


My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards for Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error

and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.

  
FCPA Nancy Gathungu, CBS  
**AUDITOR-GENERAL**

**Nairobi**

**27 November, 2024**

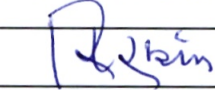
**Group and Company statement of profit or loss and other comprehensive income**

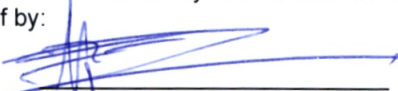
	Notes	Group Year ended 30 June		Company Year ended 30 June	
		2024 Shs'000	2023 Shs'000	2024 Shs'000	2023 Shs'000
Revenue	6	3,279,053	2,953,573	3,279,053	2,953,573
Cost of sales	7	(4,056,504)	(3,909,857)	(4,056,504)	(3,909,857)
<b>Gross loss</b>		<b>(777,451)</b>	<b>(956,284)</b>	<b>(777,451)</b>	<b>(956,284)</b>
Other operating income	8	87,878	78,936	87,878	78,936
Selling and distribution expenses	9	(22,429)	(87,000)	(22,429)	(87,000)
Administration and establishment expenses	10	(894,267)	(844,665)	(804,788)	(844,665)
Other operating expenses	11(a)	(346,171)	(237,070)	(346,171)	(237,070)
Expected credit loss allowance	11(b)	(9,049)	120,056	(9,049)	120,056
<b>Loss from operations</b>		<b>(1,961,489)</b>	<b>(1,926,027)</b>	<b>(1,872,010)</b>	<b>(1,926,027)</b>
Finance costs	12	(427)	(70,594)	(427)	(70,594)
Fair value gain-investment property	18	3,033,462	644,506	3,033,462	644,506
<b>Profit/(Loss) before tax</b>		<b>1,071,546</b>	<b>(1,352,115)</b>	<b>1,161,025</b>	<b>(1,352,115)</b>
Income tax (expense)/ credit	14(a)	(4,471)	(4,352)	(4,471)	(4,352)
<b>Profit/(Loss) for the year</b>		<b>1,067,075</b>	<b>(1,356,467)</b>	<b>1,156,554</b>	<b>(1,356,467)</b>
<b>Other comprehensive income/(loss) for the year</b>					
<i>Items that will not be reclassified subsequently to profit or loss</i>					
Remeasurement of post-employment benefit obligations, net of tax	25(ii)	93,598	11,623	93,598	11,623
Impairment loss on property, plant and equipment		-	(960,784)	-	(960,784)
<i>Items that may be subsequently reclassified to profit or loss</i>					
Exchange differences on translation of foreign operation, net of tax		25,796	(61,400)		-
<b>Total comprehensive (loss)/ income for the year</b>		<b>1,186,469</b>	<b>(2,367,028)</b>	<b>1,250,152</b>	<b>(2,305,628)</b>
Earnings per share					
- Basic and diluted (Shs)	15	11.86	(15.07)	12.85	(15.07)

**Group and Company statement of financial position**

	Notes	Group At 30 June		Company At 30 June	
		2024	2023	2024	2023
		Shs'000	Shs'000	Shs'000	Shs'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Investment properties	18	21,238,614	25,909,698	21,238,614	25,909,698
Property, plant and equipment	16	4,920,670	5,111,086	4,920,670	5,111,086
Assets Held for Sale	18 (b)	2,269,592	-	2,269,592	-
Right-of-use assets	33(b)	10,607	23,486	10,607	23,486
Intangible assets	20	3,629	4,768	3,629	4,768
Investment in subsidiary	19	-	-	2,500	2,500
		<u>28,443,112</u>	<u>31,049,038</u>	<u>28,445,612</u>	<u>31,051,538</u>
<b>Current assets</b>					
Assets Held for Sale	18(b)	2,386,320	-	2,386,320	-
Trade and other receivables	23	3,138,973	747,756	3,138,973	791,359
Inventories	22	1,171,049	873,595	1,171,049	876,637
Cash and cash equivalents	21	20,758	80,281	20,758	66,413
Current income tax	14(b)	25,938	30,261	25,938	30,409
		<u>6,743,038</u>	<u>1,731,893</u>	<u>6,743,038</u>	<u>1,764,818</u>
<b>TOTAL ASSETS</b>		<u>35,186,150</u>	<u>32,780,931</u>	<u>35,188,650</u>	<u>32,816,356</u>
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and reserves</b>					
Share capital	24 (a)	450,000	450,000	450,000	450,000
Share premium	24 (b)	648,000	648,000	648,000	648,000
Asset revaluation reserves	24 (c)	103,935	103,935	103,935	103,935
Retained earnings		18,827,445	17,760,370	18,917,047	17,760,493
Other reserves	24 (d)	371,352	251,958	384,256	290,658
<b>TOTAL EQUITY</b>		<u>20,400,732</u>	<u>19,214,263</u>	<u>20,503,238</u>	<u>19,253,086</u>
<b>Non-current liabilities</b>					
Borrowings	26	1,942,945	-	1,942,945	-
Lease liabilities	33(a)	8,550	10,284	8,550	10,284
		<u>1,951,495</u>	<u>10,284</u>	<u>1,951,495</u>	<u>10,284</u>
<b>Current liabilities</b>					
Borrowings	26	-	1,942,945	-	1,942,945
Trade and other payables	28	12,106,506	10,953,243	12,006,500	10,949,845
Post-employment benefits obligation	25	607,404	533,641	607,404	533,641
Dividends payable	29	101,680	101,680	101,680	101,680
Lease liabilities	33(a)	18,333	24,875	18,333	24,875
		<u>12,833,924</u>	<u>13,556,384</u>	<u>12,733,917</u>	<u>13,552,986</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>35,186,150</u>	<u>32,780,931</u>	<u>35,188,650</u>	<u>32,816,356</u>

The financial statements on pages 31 to 84 were approved for issue by the board of directors on 2024 and signed on its behalf by:

  
Brig. (Rtd) Richard K. Mbiti  
Chairman

  
Kungu Gatabaki  
Director

**Group statement of changes in equity**

	Share Capital	Share Premium	Asset revaluation reserves	Retained earnings	Other reserves	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
<b>Year ended 30 June 2023</b>						
At start of year	450,000	648,000	1,031,948	19,149,608	301,735	21,581,291
Transfer of excess depreciation	-	-	(364,948)	364,948	-	-
Deferred tax on excess depreciation	-	-	109,484	(109,484)	-	-
Impairment loss	-	-	(960,784)	-	(960,784)	-
Release of deferred tax on impairment loss	-	-	288,235	(288,235)	-	-
Loss for the year	-	-	-	(1,356,467)	-	(1,356,467)
Other comprehensive loss	-	-	-	-	(49,777)	(49,777)
Total comprehensive loss for the year	-	-	(928,013)	(1,389,238)	(49,777)	(2,367,028)
At end of year	450,000	648,000	103,935	17,760,370	251,958	19,214,263
<b>Year ended 30 June 2024</b>						
At start of year	450,000	648,000	103,935	17,760,370	251,958	19,214,263
Profit for the year	-	-	-	1,067,075	-	1,067,075
Other comprehensive income	-	-	-	-	119,394	119,394
Total comprehensive income for the year	-	-	-	1,067,075	119,394	1,186,469
At end of year	450,000	648,000	103,935	18,827,445	371,352	20,400,732

**Company statement of changes in equity**

	Share Capital	Share Premium	Asset revaluation reserves	Retained earnings	Other reserves	Total equity
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
<b>Year ended 30 June 2023</b>						
At start of year	450,000	648,000	1,031,948	19,149,731	279,035	21,558,714
Transfer of excess depreciation	-	-	(364,948)	364,948	-	-
Deferred tax on excess depreciation	-	-	109,484	(109,484)	-	-
Impairment loss	-	-	(960,784)	-	-	(960,784)
Release of deferred tax on impairment loss	-	-	288,235	(288,235)	-	-
Loss for the year	-	-	-	(1,356,467)	-	(1,356,467)
Other comprehensive income	-	-	-	-	11,623	11,623
Total comprehensive loss for the year	-	-	(928,013)	(1,389,238)	11,623	(2,305,628)
At end of year	450,000	648,000	103,935	17,760,493	290,658	19,253,086
<b>Year ended 30 June 2024</b>						
At start of year	450,000	648,000	103,935	17,760,493	290,658	19,253,086
Profit for the year	-	-	-	1,156,554	-	1,156,554
Other comprehensive income	-	-	-	-	93,598	93,598
Total comprehensive income for the year	-	-	-	1,156,554	93,598	1,250,152
At end of year	450,000	648,000	103,935	18,917,047	384,256	20,503,238

**Group and Company statement of cash flows**

	Notes	Group		Company	
		Year ended 30 June		Year ended 30 June	
		2024	2023	2024	2023
		Shs'000	Shs'000	Shs'000	Shs'000
<b>Cash flows from operating activities</b>					
Net cash used in operations	32	(3,006,126)	(12,727)	(2,966,462)	(76,640)
Interest paid		(427)	(3,315)	(427)	(3,315)
Income tax paid	14	-	-	-	-
Net cash used in operating activities		(3,006,553)	(16,042)	(2,966,889)	(79,955)
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment	16	(160,136)	(109,873)	(160,136)	(109,873)
Purchase of Intangible assets	20	-	(5,174)	-	(5,174)
Proceeds from disposal of investment properties		3,089,646	2,107,256	3,089,646	2,107,256
Proceeds on sale of property, plant and equipment		-	-	-	-
Net cash generated from investing activities		2,929,510	1,992,209	2,929,510	1,992,209
<b>Cash flows from financing activities</b>					
Proceed from borrowings	26	-	366,261	-	366,261
Repayment of borrowings	26	-	(2,229,221)	-	(2,229,221)
Repayment of principal portion of lease liability	33	(8,276)	(8,702)	(8,276)	(8,702)
Net cash (used in)/ generated from financing activities		(8,276)	(1,871,662)	(8,276)	(1,871,662)
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(85,319)</b>	<b>104,505</b>	<b>(45,655)</b>	<b>40,592</b>
<b>Movement in cash and cash equivalents</b>					
Effects of exchange rate changes		25,796	(61,380)	-	-
At start of year		80,281	37,156	66,413	25,821
(Decrease)/Increase		(85,319)	104,505	(45,655)	40,592
At end of year	21	20,758	80,281	20,758	66,413

## Notes

### 1 General information

East African Portland Cement Plc is incorporated in Kenya under the Companies Act as a limited liability company and is domiciled in Kenya. The address of its registered office is:

L R 337/113/1  
Namanga Road, off Mombasa Road  
P. O. Box 40101 – 00100  
Nairobi

The shares of the company are listed on the Nairobi Securities Exchange.

For Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income, in these financial statements.

### 2 Summary of significant accounting policies

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

#### (a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by International Accounting Standards Board (IASB). The measurement basis applied is the historical cost basis. The financial statements are presented in Kenya Shillings (Shs), rounded to the nearest thousand.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

#### Going concern

The Group's and Company's made a profit after tax of KES 1,067,075,000(2023: loss of KES 1,356,467,000) and KES 1,156,554,200 (2023: loss of KES 1,356,467,000) respectively during the year ended 30 June 2024 and, as of that date, the Group's and company's current liabilities exceeded the current assets by KES 6,090,887,000 (2023: KES 11,824,491,000) and KES 5,990,879,000 (2023: KES 11,788,168,000)

The Company is at the tail end of sign off of a subsidiary loan agreement with the Government of Kenya relating to the Japanese loan that was taken over by the government. The plant continues to operate significantly below capacity due to working capital constraints. Due to the cash flow constraints, the Company has been unable to settle the amounts due to its key suppliers and regulatory authorities including Kenya Revenue Authority and pension liabilities.

The Company has significant litigations and claims against it which if successful, may result in claims that are unlikely to be settled, given the entity's current financial position. Details of the significant claims include employee related claims arising from unpaid salaries based on the CBA terms with an estimated total exposure of Shs 1.5 billion, debt claims by suppliers for unpaid bills for services rendered and /or goods delivered totalling Shs 3 billion and claims arising from disputed deliveries, breach of distribution contracts and termination of supplier contracts totalling to Shs 383 million. All of these claims have been provided for in the financial statements. Due to the cashflow constraints, the Company has been unable to settle the amounts due to regulatory authorities which include PAYE balances of Shs 2.9 billion, VAT balances of Shs 893 million and pension balances of Shs 227 million being principal, penalties and interests.

## Notes (continued)

### 2 Summary of significant accounting policies (continued)

#### (a) Basis of preparation (continued)

##### Going concern (continued)

The Group's total assets exceeded the total liabilities by Shs 20,400,731,000 (2023: Shs 19,214,263,000) due to investment properties carried at fair value. The Board of Directors has purposed to extract value from disposal of part of the investment property to normalise its working capital. Therefore, there is enough room that guarantees the Group's ability to meet its obligations.

The directors remain confident that the Group and Company will remain a going concern over the next 12 months. In making this assessment the directors have considered in detail all pertinent facts as outlined below:

- a) A thorough review of the budgetary and forecasting process to ensure that appropriate assumptions have been considered in developing the Group's forecast.
- b) Consideration of the timing and uncertainty of the cash flows to reflect the underlying maturity of the liabilities and assets.
- c) Consideration of the Group's financial adaptability.
- d) Review of possible exposures to contingent liabilities
- e) Review of the Group's risk mitigation practices and their adequacy for business related risks such as interest rates, currency exchange rate risk and credit risk.
- f) Review of other considerations relevant to business continuity such as maintenance of key suppliers and customers; maintenance of stable labour work force and key staff.
- g) Review of the stability of the Group's cost structure.
- h) Key areas of focus that include:
  - Review of the entire mine to market process with a view to enhance efficiency, minimize wastage and capitalize on opportunities to contain costs.
  - Plant refurbishment with a view to lower production costs whilst maintaining quality standards
  - Increase revenue through new product development.
  - Retire corporate loan through balance sheet restructuring and improve working capital.
  - Continuous engagement with creditors to agree on payment plans based on paying ability of the company and in line with projected cash flows.

For the year ended 30 June 2024 the Board of Directors and Management took the following measures to address and mitigate the above conditions:

- a. Conducted a thorough assessment and review of the market, competition and competition trends and strengths and the potential impact. The Company is convinced that both the domestic Kenyan market and the regional market present vast business opportunities that it can tap into by improving its production capacity and product offering.
- b. Implemented its 5 year strategic plan premised on short term, medium term and long term business focus through phased execution approach as detailed below:
  - Rapid Results Initiative (RRI) for the first 100 days whose objective will be to kick off the new strategy cycle named 'New Dawn'. A phased approach for plant refurbishment was completed in May 2024, with planned plant improvement programme expected in quarter 3 FY 2024/25.
  - The second phase shall run for 15 months as a Transformation phase, whose objective will be to fix and stabilize business operations. Other plant refurbishment activities are planned to coincide with receipt of land sale proceeds which will restore the Company to its rightful position as the low cost producer of choice in the region
  - The third phase will be the rest of the strategy period and shall be used to grow and sustain the Company.

## Notes (continued)

### 2 Summary of significant accounting policies (continued)

#### (a) Basis of preparation (continued)

##### Going concern (continued)

- c. Closure and settlement of some of the old debts through workable payment plans and negotiations.
- d. Pursue waiver of penalties and interest from lenders and other creditors.
- e. Recapitalize the business through sale of land. The Company has embarked on a regularization plan of LR 8784/144, 8784/145 & 8784/653 totaling 909 acres which had been heavily populated with informal settlers. This plan ensures that the local community has first right of purchase with expected proceeds of KES 5 billion. Furthermore, the Company has also subdivided 1000 acres of the adjacent property LR 10424 into 50-acre plots which are on sale with expected proceeds totaling to approximately KES 5 billion. These measures will significantly impact working capital.

##### Key sources of uncertainty in the plans to mitigate the going concern risk

The following are the key sources of uncertainties in realisation of measures mentioned above:

1. Realization of proceeds from sale of land. Land disposals are, by the nature of the underlying asset, lengthy transactions. To this end, the Company subdivided 1,000 acres of LR 10424 into 50 acre land parcels to address general liquidity challenges in large land acquisitions. In order to hasten speed of realization of proceeds, the Company has engaged banks to provide financing for land acquisition by prospective buyers. Phased approach of plant refurbishment geared towards unlocking capacity, enhancing efficiency and improving the Company's cost structure is predicated on proceeds from sale of land mentioned above.
2. Achievement of significant cost reductions accruing from improved plant utilization and efficiency dependent on application of funds from sale of land.
3. Presence of sufficient markets and demand for the significantly higher forecasted volumes to be produced over the next 5 years (83% volume growth in first year and 21% volume growth on average thereafter).
4. Achievement of significant working capital improvements beyond current levels.
5. Successful conclusion of negotiations of debt repayment plans with lenders and other creditors.
6. Reduction of concentration risk of a key customer and focus on cost reduction attributed to plant efficiencies.

Directors have reviewed the projections as based on the above strategies and the medium-term plan and are confident that it is appropriate to prepare the financial statements on the going concern basis. Based on the implementation of the various turnaround initiatives outlined above, the directors consider it appropriate to prepare the financial statements on the going concern basis.

##### **Changes in accounting policy and disclosures**

###### *i) New and amended standards adopted by the Group*

The Group has applied the following standards and amendments for the first time for the annual reporting year commencing 1 July 2023. These amendments did not have a material impact on the Group's financial statements.

**Notes (continued)**

**2 Summary of significant accounting policies(continued)**

**(a) Basis of preparation(continued)**

**Changes in accounting policy and disclosures (continued)**

*i) New and amended standards adopted by the Group (continued)*

Standard	Executive summary	Effective date
Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2	<p>The IASB amended IAS 1 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.</p> <p>To support this amendment, the IASB also amended IFRS Practice Statement 2 Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures.</p>	1 January 2024
Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	<p>The amendments to IAS 12 Income Taxes require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities.</p> <p>The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:</p> <ul style="list-style-type: none"> <li>• right-of-use assets and lease liabilities, and</li> <li>• decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets.</li> </ul> <p>The cumulative effect of recognising these adjustments is recognised in retained earnings, or another component of equity, as appropriate. IAS 12 did not previously address how to account for the tax effects of on-balance sheet leases and similar transactions and various approaches were considered acceptable. Some entities may have already accounted for such transactions consistent with the new requirements. These entities will not be affected by the amendments.</p>	1 January 2024

**Notes (continued)**

**2 Summary of significant accounting policies(continued)**

**(a) Basis of preparation(continued)**

**Changes in accounting policy and disclosures (continued)**

*(ii) New and amended standards not yet adopted by the Group*

The Group has not applied the following new or revised Standards and Interpretations that have been published but are not yet effective for the year beginning 1 July 2024, and the Directors do not plan to apply any of them until they become effective. They are not expected to have a significant impact on the financial statements.

<b>Standard</b>	<b>Executive summary</b>	<b>Effective date</b>
Amendment to IAS 1 – Non-current liabilities with covenants	These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.	1 January 2024
Amendment to IAS 12 - International tax reform - pillar two model rules	These amendments give companies temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies.	1 January 2024
Amendment to IFRS 16 – Leases on sale and leaseback	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.	1 January 2024
Amendments to IAS 7 and IFRS 7 on Supplier finance arrangements	These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.	Annual periods beginning on or after 1 January 2024 (with transitional reliefs in the first year).
IFRS S1, 'General requirements for disclosure of sustainability-related financial information	This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity's value chain.	Reporting periods beginning on or after 1 January 2024. This is subject to endorsement of the standards by local jurisdictions.

**Notes (continued)**

**2 Summary of significant accounting policies(continued)**

**(a) Basis of preparation(continued)**

**Changes in accounting policy and disclosures (continued)**

*(ii) New and amended standards not yet adopted by the Group (continued)*

<b>Standard</b>	<b>Executive summary</b>	<b>Effective date</b>
IFRS S2, 'Climate-related disclosures'	This is the first thematic standard issued that sets out requirements for entities to disclose information about climate-related risks and opportunities.	Reporting periods beginning on or after 1 January 2024. This is subject to endorsement of the standards by local jurisdictions.

The directors do not plan to apply the above standards until they become effective. There are no other standards that are not yet effective that would be expected to have a material impact on the Group in the current or future reporting periods and on near future transactions.

**(b) Consolidation**

*(i) Subsidiaries*

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 9 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

## Notes (continued)

### 2 Summary of significant accounting policies(continued)

#### (b) Consolidation (continued)

##### *(ii) Subsidiaries (continued)*

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies

##### *(ii) Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

##### *(iii) Disposal of subsidiaries*

When the Group ceases to have control any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss. Investments in subsidiary companies are carried at cost less provision for impairment.

#### (c) Revenue recognition

The Group generates revenue from sales of cement and paving blocks. Revenue is recognised as and when it satisfies a performance obligation by transferring control of a product to a customer. The amount of revenue recognised is the amount the Group expects to receive in accordance with the contract with the customer and excludes amounts collected on behalf of third parties, such as value added tax.

##### *Sale of cement and paving blocks*

Revenue from sale of cement and paving block is recognised as and when the Group satisfies its performance obligation by transferring control of a product to a customer. The point of transfer of control is determined as date of delivery to and acceptance by the customer. There is no variable element to the contract price, and payment, less any deposit already paid, is typically due within the agreed credit period with the customer.

#### (d) Interest income

Interest income is recognised on a time proportion basis using the effective interest method. Once a financial asset is identified as credit-impaired, the effective interest rate is applied to the amortised cost (net of impairment losses) in subsequent reporting periods.

## Notes (continued)

### 2 Summary of significant accounting policies(continued)

#### (e) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

#### (f) Current and deferred income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

##### *(i) Current income tax*

Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the relevant tax legislation. The current income tax charge is calculated based on the tax enacted or substantively enacted at the statement of financial position date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate based on amounts expected to be paid to the tax authorities.

##### *(ii) Deferred income tax*

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the date of the statement of financial position and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

## Notes (continued)

### 2 Summary of significant accounting policies(continued)

#### (g) Functional currency and translation of foreign currencies

##### (i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates.

The consolidated financial statements are presented in Kenya Shillings, which is the Company's functional currency.

##### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency of the respective entity using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss are reported as part of the fair value profit or loss in profit or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets are included in the fair value reserve in equity.

##### (iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to statement of other comprehensive income. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

#### (h) Property, plant and equipment

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

Critical spare parts and standby equipment which are expected to be in use during more than one period are accounted for as property, plant and equipment.

The Group policy is to professionally revalue property, plant and equipment at least once every three to five years. The plant was revalued on 30 June 2024 to assess impairment.

## Notes (continued)

### 2 Summary of significant accounting policies(continued)

#### (h) Property, plant and equipment(continued)

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

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

##### (i) Capital work in progress

Assets in the course of construction for production or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such assets are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use.

##### (ii) Depreciation

No depreciation is provided on freehold land as the useful life is indefinite. Depreciation on other items of property, plant and equipment is charged on the straight-line basis over the estimated useful lives of the assets.

Critical spares are depreciated over the period starting when the item is brought into service and continuing over the shorter of its useful life and the remaining expected useful life of the asset to which it relates.

The rates of depreciation used are based on the following estimated useful lives:

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

The residual values and useful lives are reassessed annually and adjusted prospectively if appropriate.

Where the residual value exceeds the carrying value, no depreciation is charged in the next year. The excess annual depreciation attributable to revaluation surplus on property, plant and equipment is transferred annually from the asset revaluation reserve to the retained earnings.

Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

## Notes (continued)

### 2 Summary of significant accounting policies(continued)

#### (i) Leases

##### Leases under which the Group is the lessee

On the commencement date of each lease (excluding leases with a term, on commencement, of 12 months or less and leases for which the underlying asset is of low value) the Group recognises a right-of-use asset and a lease liability.

The lease liability is measured at the present value of the lease payments that are not paid on that date. The lease payments include fixed payments, variable payments that depend on an index or a rate, amounts expected to be payable under residual value guarantees, and the exercise price of a purchase option if the Company is reasonably certain to exercise that option. The lease payments are discounted at the interest rate implicit in the lease. If that rate cannot be readily determined, the Group's incremental borrowing rate is used.

For leases that contain non-lease components, the Company allocates the consideration payable to the lease and non-lease components based on their relative stand-alone components. Subsequently, the lease liability is measured at amortised cost, subject to remeasurement to reflect any reassessment, lease modifications, or revised fixed lease payments.

The right-of-use asset is initially measured at cost comprising the initial measurement of the lease liability, any lease payments made on or before the commencement date, any initial direct costs incurred, and an estimate of the costs of restoring the underlying asset to the condition required under the terms of the lease. Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. The useful lives of the current lease arrangements are between 3-5 years with the option to renew for some of the leases.

For leases with a term, on commencement, of 12 months or less and leases for which the underlying asset is of low value, the total lease payments are recognised in profit or loss on a straight-line basis over the lease period.

##### Leases under which the Group is the lessor

Leases that transfer substantially all the risks and rewards of ownership of the underlying asset to the lessee are classified as finance leases. All other leases are classified as operating leases.

Payments received under operating leases are recognised as income in profit or loss on a straight-line basis over the lease term. The Group has not entered any finance leases.

#### (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-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. Inventories could become impaired if their cost is not recoverable and entities must write down such inventories to their net realisable value.

## Notes (continued)

### 2 Summary of significant accounting policies(continued)

#### (k) Intangible assets

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

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

The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end.

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

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

#### (l) Investment properties

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

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

## Notes (continued)

### 2 Summary of significant accounting policies(continued)

#### (m) Financial instruments

##### Initial recognition

Financial instruments are recognised when, and only when, the Group becomes party to the contractual provisions of the instrument. All financial assets are recognised initially using the trade date accounting which is the date the Group commits itself to the purchase or sale.

##### Classification

The Company classifies its financial instruments into the following categories:

Financial assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows, and for which the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are classified and measured at amortised cost.

All financial liabilities are classified and measured at amortised cost.

Financial instruments held during the year were classified as follows:

- Demand and term deposits with banking institutions, trade and other receivables, and amounts due from related parties were classified as at amortised cost.
- Borrowings and trade and other liabilities were classified as at amortised cost.

##### Initial measurement:

- (i) Trade receivables and demand and term deposits are measured at their transaction price.
- (ii) All other categories of financial assets and financial liabilities are measured at the fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of the instrument.

##### Subsequent measurement

Financial assets and financial liabilities after initial recognition are measured at amortised cost. Interest income and exchange gains and losses on monetary items are recognised in profit or loss.

##### Impairment

The Group recognises a loss allowance for expected credit losses on receivables that are measured at amortised cost. The loss allowance is measured at an amount equal to the lifetime expected credit losses for trade receivables and for financial instruments for which: (a) the credit risk has increased significantly since initial recognition; or (b) there is observable evidence of impairment (a credit-impaired financial asset). If, at the reporting date, the credit risk on a financial asset other than a trade receivable has not increased significantly since initial recognition, the loss allowance is measured for that financial instrument at an amount equal to 12-month expected credit losses. All changes in the loss allowance are recognised in profit or loss as impairment gains or losses.

Lifetime expected credit losses represent the expected credit losses that result from all possible default events over the expected life of a financial instrument. 12-month expected credit losses represent the portion of lifetime expected credit losses that result from default events on a financial asset that are possible within 12 months after the reporting date.

## Notes (continued)

### 2 Summary of significant accounting policies(continued)

#### (m) Financial instruments (continued)

##### Impairment (continued)

Expected credit losses are measured in a way that reflects an unbiased and probability-weighted amount determined by evaluating a range of possible outcomes, the time value of money, and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

##### Presentation

All financial assets are classified as non-current except those with maturities of less than 12 months from the balance sheet date, those which management has the express intention of holding for less than 12 months from the balance sheet date or those that are required to be sold to raise operating capital, in which case they are classified as current assets.

All financial liabilities are classified as non-current except, those expected to be settled in the Group's normal operating cycle, those payable or expected to be paid within 12 months of the balance sheet date and those which the Group does not have an unconditional right to defer settlement for at least 12 months after the financial reporting date.

##### Derecognition/write off

Financial assets are derecognised when the rights to receive cash flows from the financial asset have expired, when the Company has transferred substantially all risks and rewards of ownership, or when the Group has no reasonable expectations of recovering the asset.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged or cancelled or expires.

#### (n) Non-financial assets

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

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

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

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

#### (o) Share capital

Ordinary shares are classified as 'share capital' in equity. Any premium received over and above the par value of the shares is classified as 'share premium' in equity.

## Notes (continued)

### 2 Summary of significant accounting policies(continued)

#### (p) Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (Board of Directors). Management allocates resources to and assess the performance of the operating segments of the Group. The operating segments are based on the Group's management and internal reporting structure. In accordance with IFRS 8 the Group has the following geographical segments; Kenya and Regional market segments (see note 5)

#### (q) Provisions

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

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

#### (r) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method; any differences between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

#### (s) Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

#### (t) Provision for employee entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave accrued at the reporting date. The Group's unionisable staff who resign or whose services are terminated either due to illness or other reasons after completion of ten years of continuous and meritorious service are entitled to twenty one days' pay for each completed year of service by way of gratuity, based on the wages or salary at the time of such resignation or termination of services, as provided for in the trade union agreement. The Group's employees under contract terms are also entitled to gratuity at the rate of 25% of their annual basic salary for each completed year of service. An employee who is dismissed or terminated for gross misconduct is not entitled to gratuity. The service gratuity is provided for in the consolidated financial statements at the present value of benefits payable as it accrues to each employee.

#### (u) Employee benefits

##### *i) Short-term benefits*

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

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

## Notes (continued)

### 2 Summary of significant accounting policies(continued)

#### (u) Employee benefits (continued)

##### ii) Retirement benefit costs

The Group operates an unfunded service gratuity benefit scheme for unionisable employees based on basic salary and years of service. The obligation under the scheme is recognised based on actuarial valuation. A provision is made for the estimated liability for such entitlements as a result of services rendered by employees up to the reporting date.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognised immediately in income

#### (v) Dividend distribution

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 (AGM).

#### (w) Comparatives

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

### 3 Financial risk management objectives and policies

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

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

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

#### Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk mainly arises from financial assets.

Credit risk on cash and term deposits with banking institutions is managed by dealing with institutions with good credit ratings and placing limits on deposits that can be held with each institution. The Company carries out its own assessment of credit risk before investing in term deposit and updates such assessments at each reporting date.

Credit risk on trade receivables is managed by ensuring that credit is extended to customers with an established credit history. The credit history is determined by considering the financial position, experience and other relevant factors. Credit is managed by setting a credit limit and credit period for each customer in accordance with limits set by the Board of Directors. The utilisation of the credit limits and the credit period is monitored by Group management on a monthly basis.

**Notes (continued)**

**3 Financial risk management objectives and policies (continued)**

*Credit risk (continued)*

For this purpose, default is defined as having occurred if the debtor is in breach of contractual obligations, or if information is available internally or externally that suggests that the debtor is unlikely to be able to meet its obligations. Full provisions are made for debts that are over 120 days.

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

For determination of expected credit losses on related parties, the Group uses historical patterns to determine the future payment patterns. The expected future payments are then discounted to take into account the time value of money.

Specific provisions are made for other receivable amounts.

If the Group does not have reasonable and supportable information to identify significant increases in the credit risk and/or to measure lifetime credit losses when there has been as significant increase in credit risk on an individual instrument basis, lifetime expected credit losses are recognised on a collective basis. For such purposes, the Company groups financial assets on the basis of shared credit risk characteristics, such as:

- type of instrument
- industry in which the debtor operates
- nature of collateral.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit impaired include observable data about the following events:

- significant financial difficulty of the debtor
- a breach of contract
- it is probable that the debtor will enter bankruptcy
- the disappearance of an active market for the financial asset because of financial difficulties

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, that is, when the debtor has been placed under liquidation, or in the case of trade receivables, when the amounts that are overdue are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit and loss.

The gross carrying amount of financial assets with exposure to credit risk at the balance sheet date was as follows:

	<b>Gross carrying amount</b>	<b>Loss allowance</b>	<b>Net carrying amount</b>
	<b>Shs '000</b>	<b>Shs '000</b>	<b>Shs '000</b>
<b>At 30 June 2024 – Group</b>			
Trade receivables (Note 23)	467,066	(429,553)	37,513
Other receivables. (Note 23)	2,702,689	(430,571)	2,272,118
Amount due from related parties (Note 23 &34(iii))	427,127	(70,694)	356,433
Cash at bank balances (Note 21)	18,104	-	80,281
	<hr/>	<hr/>	<hr/>
Exposure to credit risk	3,614,986	(930,818)	2,684,169
	<hr/>	<hr/>	<hr/>

**Notes (continued)**

**3 Financial risk management objectives and policies(continued)**

*Credit risk (continued)*

**At 30 June 2023 – Group**

Trade receivables (Note 23)	441,462	(428,252)	13,210
Other receivables (Note 23)	505,092	(430,571)	74,521
Amount due from related parties (Note 23 & 34(iii))	427,127	(70,694)	356,433
Cash at bank balances (Note 21)	80,281	-	80,281

Exposure to credit risk	1,453,962	(929,517)	524,445
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	<b>Gross carrying amount Shs '000</b>	<b>Loss allowance Shs '000</b>	<b>Net carrying amount Shs '000</b>
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**At 30 June 2024 - Company**

Trade receivables (Note 23)	831,609	(821,006)	10,603
Other receivables (Note 23)	2,639,298	(430,571)	2,208,727
Due from related parties (Note 23 & 34(iii))	427,127	(70,694)	356,433
Cash at bank balances (Note 21)	19,129	-	19,129

Exposure to credit risk	3,917,162	(1,322,271)	2,594,892
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**At 30 June 2023 – Company**

Trade receivables (Note 23)	869,994	(811,957)	58,037
Other receivables (Note 23)	503,868	(430,571)	73,297
Due from related parties (Note 23 & 34(iii))	427,127	(70,694)	356,433
Cash at bank balances (Note 21)	66,413	-	66,413

Exposure to credit risk	1,867,402	(1,313,222)	554,180
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Other receivable balances disclosed above excludes prepayments.

No collateral is held in respect of the above assets. All receivables that are neither past due nor impaired are within their approved credit limits, and no receivables have had their terms renegotiated.

The resultant loss allowance for cash and bank balances was immaterial.

At 30 June 2024, the Company has used the simplified approach under IFRS 9 for measuring the expected credit loss for trade receivables.

The Company's historical credit loss experience does not show significantly different loss patterns for different customer segments. The provision for credit losses is therefore based on past due status without disaggregating into further risk profiles. The impact of forward looking information is immaterial as the debtors are current. The loss allowance provision for trade receivables is determined as follows:

**Notes (continued)**

**3 Financial risk management objectives and policies(continued)**

*Credit risk (continued)*

	Gross carrying amount Shs'000	Loss Rates	Loss allowance Shs'000	Net carrying amount Shs'000
<b>At 30 June 2024- Group</b>				
<i>Aged debtor balances</i>				
Current	4,581	3%	(132)	4,449
16 to 30 days	3,873	5%	(205)	3,668
31 to 60 days	5,170	63%	(3,257)	1,913
61 to 90 days	25,965	79%	(20,431)	5,534
Over 90 days	430,477	100%	(405,528)	24,949
	467,066		(429,553)	37,513
	467,066		(429,553)	37,513
<b>At 30 June 2023- Group</b>				
<i>Aged debtor balances</i>				
Current	4,566	3%	(132)	4,434
16 to 30 days	3,868	5%	(205)	3,663
31 to 60 days	5,165	63%	(3,257)	1,908
61 to 90 days	25,946	88%	(22,741)	3,205
Over 90 days	401,917	100%	(401,917)	-
	441,462		(428,252)	13,210
	441,462		(428,252)	13,210
<b>At 30 June 2024- Company</b>				
<i>Aged debtor balances</i>				
Current	21,622	4%	(894)	20,728
16 to 30 days	9,181	26%	(2,495)	6,687
31 to 60 days	9,559	86%	(8,638)	921
61 to 90 days	9,742	91%	(9,300)	442
Over 90 days	781,505	97%	(800,079)	18,575
	831,609		(821,006)	10,603
	831,609		(821,006)	10,603
<b>At 30 June 2023- Company</b>				
<i>Aged debtor balances</i>				
Current	22,620	4%	(884)	21,736
16 to 30 days	9,605	26%	(2,467)	7,138
31 to 60 days	10,001	86%	(8,553)	1,448
61 to 90 days	10,191	91%	(9,225)	966
Over 90 days	817,577	97%	(790,828)	26,749
	869,994		(811,957)	58,037
	869,994		(811,957)	58,037

**Notes (continued)**

**3 Financial risk management objectives and policies(continued)**

Liquidity risk

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

The following tables analyse the Group's and company's financial assets and liabilities that will be settled on a net basis into relevant maturity Groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows.

**Group**

**30 June 2024**

	<b>&lt;3 months Shs'000</b>	<b>3 - 6 months Shs'000</b>	<b>6 – 12 months Shs'000</b>	<b>1 - 5 years Shs'000</b>	<b>Total Shs'000</b>
<b>Financial assets</b>					
Cash and cash equivalents (Note 21)	80,281	-	-	-	80,281
Trade and other receivables less prepayments (Note 23)	224,265	177,248	42,651	-	444,164
<b>Financial liabilities</b>					
Trade and other payables less government related (Note 28)	(1,371,635)	(2,970,233)	(3,732,996)	(514,651)	(8,589,515)
Lease liabilities (undiscounted)	(10,223)	(10,223)	(10,222)	(14,274)	(44,942)
Borrowings (undiscounted)	-	-	-	(1,942,945)	(1,942,945)
Dividend payable (Note 29)	-	-	(101,680)	-	(101,680)
Bank overdraft (Note 26)	-	-	-	-	-
<b>Net financial liabilities</b>	<b>(1,077,312)</b>	<b>(2,803,208)</b>	<b>(3,802,247)</b>	<b>(2,471,870)</b>	<b>(10,154,637)</b>

**30 June 2023**

	<b>&lt;3 months Shs'000</b>	<b>3 - 6 months Shs'000</b>	<b>6 – 12 months Shs'000</b>	<b>1 - 5 years Shs'000</b>	<b>Total Shs'000</b>
<b>Financial assets</b>					
Cash and cash equivalents (Note 21)	80,281	-	-	-	80,281
Trade and other receivables less prepayments (Note 23)	224,265	177,248	42,651	-	444,164
<b>Financial liabilities</b>					
Trade and other payables less government related (Note 28)	(1,371,635)	(2,970,233)	(3,732,996)	(514,651)	(8,589,515)
Lease liabilities (undiscounted)	(10,223)	(10,223)	(10,222)	(14,274)	(44,942)
Borrowings (undiscounted)	-	-	-	(1,942,945)	(1,942,945)
Dividend payable (Note 29)	-	-	(101,680)	-	(101,680)
Bank overdraft (Note 26)	-	-	-	-	-
<b>Net financial assets liabilities</b>	<b>(1,077,312)</b>	<b>(2,803,208)</b>	<b>(3,802,247)</b>	<b>(2,471,870)</b>	<b>(10,154,637)</b>

**Notes (continued)**

**3 Financial risk management objectives and policies(continued)**

*Liquidity risk (continued)*

**Company**

**30 June 2024**

	<b>&lt;3 months Shs'000</b>	<b>3 - 6 months Shs'000</b>	<b>6 – 12 months Shs'000</b>	<b>1 - 5 years Shs'000</b>	<b>Total Shs'000</b>
<b>Financial assets</b>					
Cash and cash equivalents (Note 21)	66,413	-	-	-	66,413
Trade and other receivables less prepayments (Note 23)	228,665	177,248	81,854	-	487,767
<b>Financial liabilities</b>					
Trade and other payables less government related (Note 28)	(1,371,635)	(2,970,233)	(3,732,996)	(514,651)	(8,589,515)
Lease liabilities (undiscounted)	(10,223)	(10,223)	(10,222)	(14,274)	(44,942)
Borrowings (undiscounted)	-	-	-	(1,942,945)	(1,942,945)
Dividend payable (Note 29)	-	-	(101,680)	-	(101,680)
Bank overdraft (Note 26)	-	-	-	-	-
<b>Net financial assets liabilities</b>	<b>(1,086,780)</b>	<b>(2,803,208)</b>	<b>(3,763,044)</b>	<b>(2,471,870)</b>	<b>(10,124,902)</b>

**30 June 2023**

	<b>&lt;3 months</b>	<b>3 - 6 months</b>	<b>6 – 12 months</b>	<b>1 - 5 years</b>	<b>Total</b>
<b>Financial assets</b>					
Cash and cash equivalents (Note 21)	66,413	-	-	-	66,413
Trade and other receivables less prepayments (Note 23)	228,665	177,248	81,854	-	487,767
<b>Financial liabilities</b>					
Trade and other payables less government related (Note 28)	(1,371,635)	(2,970,233)	(3,732,996)	(514,651)	(8,589,515)
Lease liabilities (undiscounted)	(10,223)	(10,223)	(10,222)	(14,274)	(44,942)
Borrowings (undiscounted)	-	-	-	(1,942,945)	(1,942,945)
Dividend payable (Note 29)	-	-	(101,680)	-	(101,680)
Bank overdraft (Note 26)	-	-	-	-	-
<b>Net financial assets liabilities</b>	<b>(1,086,780)</b>	<b>(2,803,208)</b>	<b>(3,763,044)</b>	<b>(2,471,870)</b>	<b>(10,124,902)</b>

**Notes (continued)**

**3 Financial risk management objectives and policies(continued)**

**Market risk**

*(i) Foreign exchange risk*

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, Japanese Yen and Uganda Shilling denominated transactions and the related recognized assets and liabilities

The forex exposure is as detailed below:

	Euros Shs'000	US Dollars Shs'000	Uganda Shillings Shs'000	Total Shs'000
<b>Assets</b>				
Cash and bank balance	-	-	-	-
Receivables	-	667,308	83,339	750,647
<b>Total assets</b>	-	667,308	83,339	750,647
<b>Liabilities</b>				
Trade payables	-	106,573	-	106,573
Other liabilities	-	304,412	3,399	307,811
<b>Total liabilities</b>	-	410,985	3,399	414,384
<b>Net exposure</b>	-	256,323	79,940	336,263
At 30 June 2023	-	-	-	-
<b>Assets</b>				
Cash and bank balance	-	-	-	-
Receivables	-	667,308	83,339	750,647
<b>Total assets</b>	-	667,308	83,339	750,647
<b>Liabilities</b>				
Trade payables	-	106,573	-	106,573
Other liabilities	-	304,412	3,399	307,811
<b>Total liabilities</b>	-	410,985	3,399	414,384
<b>Net exposure</b>	-	256,323	79,940	336,263
At 30 June 2024	-	256,323	79,940	336,263

At 30 June 2024 if the Shilling had weakened/strengthened by 30% against the US dollar with all other variables held constant, post-tax profit for the year would have been Shs 76,896,900 higher/lower (2023:77,628,900), mainly as a result of US Dollar denominated trade payables and cash balances.

At 30 June 2024, if the Shilling had weakened/strengthened by 10% against the Ugandan Shilling with all other variables held constant, post-tax profit for the year would have been Shs 7,994,000 higher/lower (2023: Shs 28,000), mainly as a result of Ugandan Shilling denominated trade payables and bank balances.

**Notes (continued)**

**3 Financial risk management objectives and policies(continued)**

**Market risk (continued)**

*(ii) Price risk*

The Group does not hold any financial instruments subject to price risk.

*(iii) Interest rate risk*

Interest rate risk is the risk that the cash flows of a financial instrument will fluctuate due to changes in interest rates. The Group is exposed to this risk in respect of its interest-bearing borrowings from the bank and other external parties. The exposure to interest rate risk is managed primarily by an agreement signed by the parties which sets the applicable rate.

At 30 June 2024, if the interest rate had increased /decreased by 100 basis points with all other variables held constant, loss for the year would have been Shs nil (2023: Shs 7,757,890) higher /lower.

**Capital management**

The Group manages its capital to ensure that it will be able to continue as a going concern while optimising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes borrowings, cash and cash equivalents and equity attributable to equity holders, comprising issued capital and retained earnings. Consistent with others in the industry, the Group monitors capital based on the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity plus net debt. The Group does not have a gearing ratio target and it is not subject to any imposed capital requirements.

The gearing ratios at 30 June 2024 and 2023 are as follows:

	Group		Company	
	2024 Shs'000	2023 Shs'000	2024 Shs'000	2023 Shs'000
Equity(i)	20,395,138	19,214,263	20,497,645	19,253,086
Debt (ii) (Note 26)	1,942,945	1,942,945	1,942,945	1,942,945
Lease liabilities (Note 33)	26,883	35,159	26,883	35,159
Less cash and cash equivalents (Note 21)	(20,758)	(80,281)	(20,758)	(66,413)
Net debt	1,936,467	1,897,823	1,949,070	1,911,691
Gearing ratio	9.5%	10%	9.5%	10%

- Equity includes all capital and reserves of the Group that are managed as capital.
- Debt is defined as long term, short-term borrowings and overdraft.

## Notes (continued)

### 4 Critical accounting estimates and judgements

In the application of the Group's accounting policies, which are described in Note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below;

#### *(i) Impairment allowance on financial assets*

The measurement of the expected credit loss allowance for trade receivables measured at amortised cost is an area that requires the use of models and significant assumptions about future economic conditions and credit behaviour (e.g., the likelihood of customers defaulting and the resulting losses).

The company has made use of a simplified model for the determination of expected credit loss allowance which analyses historical loss rates per ageing brackets. The impact of forward looking information is then assessed on resulting historical loss rates.

If the expected credit loss rates on the financial assets had increased /decreased by 100 basis points with all other variables held constant, profit for the year would have been Shs 1,200,570 (2023: Shs 545,500) higher /lower.

#### *(ii) Recoverability of deferred income tax asset*

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

At 30 June 2024, if the deferred tax asset had been recognised with all other variables held constant, net profit for the year would have been Shs 133,408,800 (2023: Shs 273,276,000) higher.

#### *(iii) Fair valuation of Investment properties*

Estimates are used in adjusting inputs with the most significant impact on valuations of investment properties and include assumptions made in adjusting values of recent sales of neighbouring properties to consider the size of the Group's land as well as the topography.

Management has made significant judgement in determining the fair value of the investment property and in recognition of parcels that are occupied by informal settlers. The sensitivity disclosures have been disclosed under note 18.

**Notes (continued)**

**4 Critical accounting estimates and judgements(continued)**

*(iv) Fair value of property, plant and equipment*

Property, plant and equipment are initially recognised at cost and subsequently stated at professionally revalued amounts less accumulated depreciation and impairment losses. Estimates are used in adjusting inputs with the most significant impact on valuations of property, plant and equipment and include assumptions made in determination depreciated replacement costs and in adjusting values of recent sales of neighbouring properties to consider the size of the Group's land.

Management has made significant judgement in determining the determining the fair value of the investment property. The sensitivity disclosures have been disclosed under note 16.

*(v) Impairment of non-financial assets*

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. The non-financial assets include, investment properties, investments in subsidiary and property, plant and equipment.

In assessing whether there is any indication that the tangible and intangible assets may be impaired, the company considers the following indications:

- there are observable indications that the asset's value has declined during the period significantly more than would be expected as a result of the passage of time or normal use
- significant changes with an adverse effect on the entity have taken place during the period, or will take place soon, in the technological market, economic or legal environment in which the entity operates or in the market to which an asset is dedicated.
- market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.
- the carrying amount of the net assets of the entity is more than its market capitalization.
- evidence is available of obsolescence or physical damage of an asset.
- significant changes with an adverse effect on the entity have taken place during the period or are expected to take place soon, in the extent to which, or way, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.
- evidence is available from internal reporting that indicates that the economic performance of an asset is or will be worse than expected.

**5 Segment information**

The chief operating decision maker is the Board of Directors. Directors have determined the operating segments based on the reports reviewed by management for the purposes of allocating resources, assessing performance and proposing strategic direction.

The Group revenues are derived from sales in the following markets:

	<b>Group and Company</b>	
	<b>2024</b>	<b>2023</b>
	<b>Shs'000</b>	<b>Shs'000</b>
The Group revenues are derived from sales in the following markets:		
Local market – Kenya	3,279,053	2,953,573
Regional market (East Africa)	-	-
	<hr/>	<hr/>
	3,279,053	2,953,573
	<hr/>	<hr/>

**Notes (continued)**

**5 Segment information (continued)**

Sales to the regional market are done directly to selected export customers or through the wholly owned subsidiary, the East African Portland Cement Uganda Limited, whose net assets constitute less than 5% of the Group's total net assets. Segment reporting with respect to net assets is, therefore, not considered of any real value. In addition, sales to regional market are 0% (2023: 1%) of the total revenue hence there is only one reportable segment. There is no single customer who contributes more than 10% of the total revenues.

**6 Revenue**

	Group		Company	
	2024	2023	2024	2023
	Shs'000	Shs'000	Shs'000	Shs'000
<i>Recognised at a point in time:</i>				
Bagged cement – local	3,251,117	2,940,789	3,251,117	2,940,789
Bagged cement – export	876	-	876	-
Bulk cement – local	26,680	12,488	26,680	12,488
Paving blocks- local	380	296	380	296
	<u>3,279,053</u>	<u>2,953,573</u>	<u>3,279,053</u>	<u>2,953,573</u>

**7 Cost of sales**

Coal	969,509	855,484	969,509	855,484
Power	807,540	536,757	807,540	536,757
Raw materials used	385,138	555,743	385,138	555,743
Staff costs	503,553	487,287	503,553	487,287
Factory depreciation	291,685	363,282	291,685	363,282
Maintenance costs	386,288	234,010	386,288	234,010
Raw materials transport	312,522	234,858	312,522	234,858
Hired equipment	214,889	326,039	214,889	326,039
Cement levy	49,645	54,250	49,645	54,250
Fuel and repairs	67,395	19,346	67,395	19,346
Furnace oil	54,054	31,361	54,054	31,361
Factory direct supplies	749	45,318	749	45,318
Factory insurance	26	5,244	26	5,244
Inventory provision	-	154,507	-	154,507
Explosives	7,146	1,022	7,146	1,022
Factory land rates and rent	4,569	4,932	4,569	4,932
Other production overheads	1,789	108	1,789	108
Factory water	9	309	9	309
	<u>4,056,504</u>	<u>3,909,857</u>	<u>4,056,504</u>	<u>3,909,857</u>

**8 Other operating income**

Sundry income	6,179	3,168	6,179	3,168
Rental income	14,905	14,505	14,905	14,505
Cement transport recoveries	3,183	5,961	3,183	5,961
Exchange gain on other foreign currency transactions	-	55,302	-	55,302
Gain on sale of investment property	63,611	-	63,611	-
	<u>87,878</u>	<u>78,936</u>	<u>87,878</u>	<u>78,936</u>

**Notes (continued)**

9	Selling and distribution expenses	Group		Company	
		2024 Shs'000	2023 Shs'000	2024 Shs'000	2023 Shs'000
	Cement transport	-	9,472	-	9,472
	Advertising and sales commissions	2,231	37,021	2,231	37,021
	Fuel and repairs	9,333	14,049	9,333	14,049
	Public relations costs	7,596	16,722	7,596	16,722
	Depot rent	3,269	9,736	3,269	9,736
		<u>22,429</u>	<u>87,000</u>	<u>22,429</u>	<u>87,000</u>
10	Administration and establishment expenses				
	Staff costs	597,744	546,752	597,744	546,752
	Depreciation of property, plant and equipment	51,507	43,882	51,507	43,882
	Hired services	57,783	71,599	57,783	71,599
	Computer expenses	2,001	30,716	2,001	30,716
	Amortization of right of use assets (Note 33)	10,724	17,257	10,724	17,257
	Amortization of intangible assets (Note 20)	1,139	5,676	1,139	5,676
	Office general expenses	91,978	54,625	2,498	54,625
	Board expenses	24,726	19,864	24,726	19,864
	Office supplies	8,075	3,696	8,075	3,696
	Telephone and postage	15,917	17,460	15,917	17,460
	Travelling expenses	12,824	10,656	12,824	10,656
	Printing and stationery	3,301	3,065	3,301	3,065
	Motor vehicle expenses	4,640	15,429	4,640	15,429
	Electricity	2,297	751	2,297	751
	Company functions	9,612	3,237	9,612	3,237
		<u>894,267</u>	<u>844,665</u>	<u>804,788</u>	<u>844,665</u>
11 (a)	Other operating expenses				
	Loss on disposal of property, plant & equipment	2,081	91,690	2,081	91,690
	Legal fees	1,966	74,612	1,966	74,612
	Provision for staff dues and tax liabilities*	236,567	7,551	236,567	7,551
	Auditors' remuneration	9,699	9,720	9,699	9,720
	Professional fees	14,370	25,476	14,370	25,476
	Exchange loss on foreign currency transactions	66,746	-	66,746	-
	Fines and penalties	9,152	24,968	9,152	24,968
	Bank charges	4,933	1,605	4,933	1,605
	Subscriptions	158	1,448	158	1,448
	Donation	500	-	500	-
		<u>346,171</u>	<u>237,070</u>	<u>346,171</u>	<u>237,070</u>

\*The provision for staff dues and tax liabilities comprises of penalties and late interest charged for late remittance of statutory deductions such as Pay as you earn (PAYE) and pension contributions.

**Notes (continued)**

**11 (b) Expected credit loss allowance movement**

	Group		Company	
	2024 Shs'000	2023 Shs'000	2024 Shs'000	2023 Shs'000
Loss allowance on trade receivables (Note 23)	9,049	48,069	9,049	48,069
Unwinding of discount of Kenya Railways receivable (Note 23)	-	(168,125)	-	(168,125)
	9,049	(120,056)	9,049	(120,056)

**12 Finance costs**

	Group		Company	
	2024 Shs'000	2023 Shs'000	2024 Shs'000	2023 Shs'000
Exchange loss on other liabilities (Note 28)	-	64,204	-	64,204
Interest on lease liabilities (Note 33(a))	427	3,315	427	3,315
Interest charged on overdraft and letter of credit	-	3,075	-	3,075
	427	70,594	427	70,594

**13 Employee benefits expense**

Salaries and wages	720,839	742,882	720,839	742,882
Retirement benefits costs:				
Defined benefit scheme	363,058	271,332	363,058	271,332
Social security costs (NSSF)	17,400	19,825	17,400	19,825
	1,101,297	1,034,039	1,101,297	1,034,039

The average number of persons employed during the year, by category, were:

	Group		Company	
	2024 Shs'000	2023 Shs'000	2024 Shs'000	2023 Shs'000
Production	275	287	275	287
Sales and distribution	29	51	29	51
Management and administration	161	150	161	150
	465	488	465	488

**Notes (continued)**

14 (a) Income tax expense / (credit)	Group and Company	
	2024 Shs'000	2023 Shs'000
Current income tax	4,471	4,352
Deferred income tax (Note 27)	-	-
	<hr/>	<hr/>
Income tax expense /(credit)	4,471	4,352
	<hr/>	<hr/>

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:

	Group		Company	
	2024 Shs'000	2023 Shs'000	2024 Shs'000	2023 Shs'000
Profit/(Loss) before income tax	1,071,546	(1,352,115)	1,161,025	(1,352,115)
Tax calculated at the statutory income tax rate of 30% (2023: 30%)	321,464	(405,635)	348,308	(405,635)
Tax effect of:				
Fair value gains on investment property	(910,039)	(193,352)	(910,039)	(193,352)
Income not subject to tax	(4,479)	(30,152)	(4,479)	(30,152)
Expenses not deductible for tax purposes	240,666	107,032	213,822	107,032
Deferred tax asset not recognised	358,537	526,459	358,537	526,459
	<hr/>	<hr/>	<hr/>	<hr/>
Income tax expense /(credit)	4,471	4,352	4,471	4,352
	<hr/>	<hr/>	<hr/>	<hr/>

**(b) Current Income tax**

At start of year	(30,261)	(34,613)	(30,409)	(34,761)
Tax charge for the year	4,471	4,352	4,471	4,352
Tax adjustment	(148)	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	(25,938)	(30,261)	(25,938)	(30,409)
	<hr/>	<hr/>	<hr/>	<hr/>

**15 Earnings per share**

Earnings for purposes of basic and diluted earnings per share	1,061,482	(1,356,467)	1,150,961	(1,356,467)
Number of ordinary shares (thousands)	90,000	90,000	90,000	90,000
Earnings per share basic and diluted (Shs)	11.79	(15.07)	12.79	(15.07)
	<hr/>	<hr/>	<hr/>	<hr/>

Basic earnings per share has been calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

There were no potentially dilutive ordinary shares outstanding at 30 June 2024 or 30 June 2023. Therefore, a diluted earnings per share is the same as the basic earnings per share.

**Notes (continued)**

**16 Property, plant and equipment- Group**

	Freehold land	Buildings	Plant and machinery	Motor Vehicles	Computers office equipment furniture and fittings	Capital Work in progress	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000		Shs'000
<b>At 1 July 2022</b>							
Cost or fair value	363,000	958,000	5,175,124	94,811	48,721	157,021	6,796,677
Accumulated depreciation		(23,815)	(301,534)	(65,192)	(8,729)	-	(399,270)
Closing net book value	363,000	934,185	4,873,590	29,619	39,992	157,021	6,397,407
<b>Year ended 30 June 2023</b>							
Opening carrying amount	363,000	934,185	4,873,590	29,619	39,992	157,021	6,397,407
Additions	-	-	101,677	-	8,196	-	109,873
Cost elimination on disposal	-	-	(18,453)	-	(15,755)	-	(34,208)
Depreciation charge	-	(23,815)	(367,135)	(3,992)	(12,221)	-	(407,163)
Depreciation eliminated on disposal	-	-	2,050	-	3,911	-	5,961
Impairment loss	-	-	(960,784)	-	-	-	(960,784)
Closing net book value	363,000	910,370	3,630,945	25,627	24,123	157,021	5,111,086
<b>At 30 June 2023</b>							
Cost or fair value	363,000	958,000	5,258,348	94,811	41,162	157,021	6,872,342
Accumulated depreciation	-	(47,630)	(666,619)	(69,184)	(17,039)	-	(800,472)
Impairment loss	-	-	(960,784)	-	-	-	(960,784)
Net book value	363,000	910,370	3,630,945	25,627	24,123	157,021	5,111,086
<b>Year ended 30 June 2024</b>							
Opening carrying amount	363,000	910,370	3,630,945	25,627	24,123	157,021	5,111,086
Additions	-	-	122,514	-	37,622	-	160,136
Transfer to intangible assets	-	-	-	-	(3,649)	-	(3,649)
Cost elimination on disposal	-	-	-	(7,680)	(470)	-	(8,150)
Depreciation charge	-	(23,815)	(298,402)	(3,454)	(17,521)	-	(343,192)
Depreciation eliminated on disposal	-	-	-	4,320	119	-	4,439
Closing net book value	363,000	886,555	3,455,057	18,813	40,224	157,021	4,920,670
<b>At 30 June 2024</b>							
Cost or fair value	363,000	958,000	4,420,078	87,131	74,784	157,021	6,059,895
Accumulated depreciation	-	(71,445)	(965,021)	(68,318)	(34,441)	-	(1,139,225)
Net book value	363,000	886,555	3,455,057	18,813	40,224	157,021	4,920,670

**Notes (continued)**

**16 Property, plant and equipment- Company**

	Freehold land	Buildings	Plant and machinery	Motor Vehicles	Computers office equipment furniture and fittings	Capital Work in progress	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000		Shs'000
<b>At 1 July 2022</b>							
Cost or fair value	363,000	958,000	5,175,124	94,811	48,721	157,021	6,796,677
Accumulated depreciation		(23,815)	(301,534)	(65,192)	(8,729)	-	(399,270)
Closing net book value	363,000	934,185	4,873,590	29,619	39,992	157,021	6,397,407
<b>Year ended 30 June 2023</b>							
Opening carrying amount	363,000	934,185	4,873,590	29,619	39,992	157,021	6,397,407
Additions	-	-	101,677	-	8,196	-	109,873
Cost elimination on disposal	-	-	(18,453)	-	(15,755)	-	(34,208)
Depreciation charge	-	(23,815)	(367,135)	(3,992)	(12,221)	-	(407,163)
Depreciation eliminated on disposal	-	-	2,050	-	3,911	-	5,961
Impairment loss	-	-	(960,784)	-	-	-	(960,784)
Closing net book value	363,000	910,370	3,630,945	25,627	24,123	157,021	5,111,086
<b>At 30 June 2023</b>							
Cost or fair value	363,000	958,000	5,258,348	94,811	41,162	157,021	6,872,342
Accumulated depreciation	-	(47,630)	(666,619)	(69,184)	(17,039)	-	(800,472)
Impairment loss	-	-	(960,784)	-	-	-	(960,784)
Net book value	363,000	910,370	3,630,945	25,627	24,123	157,021	5,111,086
<b>Year ended 30 June 2024</b>							
Opening carrying amount	363,000	910,370	3,630,945	25,627	24,123	157,021	5,111,086
Additions	-	-	122,514	-	37,622	-	160,136
Transfer to intangible assets	-	-	-	-	(3,649)	-	(3,649)
Cost elimination on disposal	-	-	-	(7,680)	(470)	-	(8,150)
Depreciation charge	-	(23,815)	(298,402)	(3,454)	(17,521)	-	(343,192)
Depreciation eliminated on disposal	-	-	-	4,320	119	-	4,439
Closing net book value	363,000	886,555	3,455,057	18,813	40,224	157,021	4,920,670
<b>At 30 June 2024</b>							
Cost or fair value	363,000	958,000	4,420,078	87,131	74,784	157,021	6,059,895
Accumulated depreciation	-	(71,445)	(965,021)	(68,318)	(34,441)	-	(1,139,225)
Net book value	363,000	886,555	3,455,057	18,813	40,224	157,021	4,920,670

## Notes (continued)

### 16 Property, plant and equipment (continued)

#### Group and Company

The property, plant and equipment were revalued by Knight Frank Valuers Limited, registered valuers, as at 30 June 2021. The land was valued on an Open Market Value basis while the other assets were valued on a Depreciated Replacement Cost basis. The Group's policy is to revalue property, plant and equipment at least once every three to five years. Properties owned by the Group, Land Reference numbers 337/639, 8649 and 9767, and plant and machinery have been charged to secure loan facilities as disclosed under Note 26.

Critical spares included in plant and machinery amounted to Shs 68,487,009 (2023: 76,561,452) for the Group and Company.

Work in progress mainly relates to costs incurred towards assembling a grate cooler for the kiln. Target capitalization date for the grate cooler is expected by end of the third quarter for the year ending 30 June 2025.

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:

	Freehold land	Buildings	Plant and machinery	Motor Vehicles	Computers, office equipment and Fittings	Work in progress	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000		Shs'000
<b>30 June 2024</b>							
Cost	120,637	139,965	5,426,768	318,329	123,149	157,021	6,285,869
Accumulated depreciation	-	(107,295)	(2,530,264)	(316,754)	(78,438)	-	(3,032,751)
Net book value	120,637	32,670	2,896,504	1,575	44,711	157,021	3,253,118
<b>30 June 2023</b>							
Cost	120,637	139,965	5,304,254	326,009	85,997	157,021	6,133,883
Accumulated depreciation	-	(83,480)	(2,231,862)	(321,078)	(61,036)	-	(2,697,456)
Net book value	120,637	56,485	3,072,392	4,931	24,961	157,021	3,436,427

#### Fair value hierarchy:

Fair values are categorised into three levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets or identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Group and Company property, plant and equipment were measured based on Level 3 inputs as at 30 June 2024 and 30 June 2023. The land was valued on an open market value basis while the other assets were valued on a depreciated replacement cost basis. There were no transfers between Levels 1, 2 and 3 in the period

## Notes (continued)

### 16 Property, plant and equipment (continued)

#### Fair value hierarchy (continued)

Details of the Group's and Company's Property, Plant and equipment and information about fair value hierarchy as at 30 June 2024 are as follows:

Group and Company	Level 1	Level 2	Level 3	Fair value as at 30 June 2024	Fair value as at 30 June 2023
	Shs'000	Shs'000	Shs'000	Shs'000	
Freehold land	-	-	363,000	363,000	363,000
Buildings	-	-	886,555	886,555	910,370
Plant and Machinery	-	-	3,455,057	3,455,057	3,630,945
Motor vehicles	-	-	18,813	18,813	25,627
Computers, office equipment and Fittings	-	-	43,873	43,873	24,123
	-	-	4,767,298	4,767,298	4,954,065

The following table summarises the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements:

Instrument	Level	Valuation basis	Significant unobservable Inputs	Sensitivity of input to the fair value
Freehold land	3	Market approach	Average value per acre	Increase/ (decrease) in the average value per acre by 10% would decrease/ (increase) fair value by Shs 36,300,000
Buildings	3	Depreciated replacement method	Estimated Economic Lifespan	Increase/ (decrease) in estimated economic lifespan by 1 year would decrease/ (increase) fair value by Shs 584,000.
Property, plant and equipment	3	Depreciated replacement method	Estimated Economic Lifespan	Increase/ (decrease) in estimated economic lifespan by 1 year would decrease/ (increase) fair value by Shs 33,008,000.
Motor vehicles	3	Depreciated replacement method	Estimated Economic Lifespan	Increase/ (decrease) in estimated economic lifespan by 1 year would decrease/ (increase) fair value by Shs 565,000.
Computers, office equipment and Fittings	3	Depreciated replacement method	Estimated Economic Lifespan	Increase/ (decrease) in estimated economic lifespan by 1 year would decrease/ (increase) fair value by Shs 2,132,000.

**Notes (continued)**

**16 Property, plant and equipment (continued)**

**Fair value hierarchy (continued)**

**Basis of Valuation**

In valuing the foregoing plant and machinery assets, Depreciated Replacement Cost (DRC) approach/basis in line with International Valuation Standards (IVS) 105 and 300 has been adopted. In this approach, gross current Replacement Costs (RCs) for respective machines have been computed while making appropriate adjustment for freight, taxes, delivery, installation and subsequent commissioning as appropriate as well as any upgrade works that may result in extended economic lifespan and appreciation of the items. The accumulated depreciation was then deducted from its corresponding RC before factoring a condition rating to take cognizance of functional, technical and economical obsolescence and prevailing conditions. The resulting value (Depreciated Replacement Cost) so obtained represents a fair estimate of the market value that the concerned machine or equipment shall trade between a willing buyer and willing seller in an arm's length transaction after proper marketing wherein both parties have each acted knowledgeably, prudently and without compulsion.

**Estimated Economic Lifespan**

Estimated economic life/life expectancy assigned to the machines have been obtained through empirical observation, consultant's own professional experience with cement and related products manufacturing plant and machinery, field survey and more importantly a readjustment on the published guidelines in light of the periodical repairs and maintenance work schedules in place. A good number plant and machinery assets installed and commissioned in 1960 had served well beyond the conventional economic lifespan of 30 years. Nonetheless, these categories of assets were still in fair operational condition attributable to continuous refurbishment and repairs works carried from time to time.

**Impairment loss**

The Company enlisted the expertise of a consultant to conduct a desktop study regarding the potential impairment of Property, Plant, and Equipment (PPE), with focus on plant and machinery. The outcomes of this evaluation have been integrated into the financial statements in accordance with IAS 36 and IAS 16. A comprehensive valuation of PPE will be concluded within the next financial year, in adherence to our accounting policy, ensuring accurate and transparent reporting of the company's assets

**17 Prepaid operating leases**

	<b>Group and Company</b>	
	<b>2024</b>	<b>2023</b>
	<b>Shs'000</b>	<b>Shs'000</b>
<b>Cost</b>		
At the beginning of the year	8,792	8,792
<b>Amortisation</b>		
At the beginning of the year	3,917	3,917
Charge for the year	-	-
	3,917	3,917
<b>Net carrying amount</b>	4,875	4,875

The Group and Company have entered into operating lease agreements for leasing of most of its land where it extracts limestone. These leases have an average life of 952 years with a renewal option on expiry of the contract. On adoption of IFRS 16, the lease prepayment was re-classified to right of use assets to be amortised on straight line basis over the lease term as disclosed on Note 33(b). The Group assets have been charged to secure loan facilities as disclosed in Note 26.

**Notes (continued)**

**18 Investment properties**

	<b>Group and Company</b>	
	<b>2024</b>	<b>2023</b>
	<b>Shs'000</b>	<b>Shs'000</b>
At start of year	25,909,698	27,372,448
Gross value gain in the year	2,859,988	1,070,376
Less eviction costs	-	(425,870)
Net fair value gain in the year	2,859,988	644,506
Transfer to Assets Held for Sale	(4,998,526)	
Disposals	(2,532,546)	(2,107,256)
	21,238,614	25,909,698

Investment properties relate to fourteen pieces of leasehold land (4,626 acres) held by the Group under long-term lease arrangements. The fair value of the investment property is based on the valuation carried out by Ark Valuers Limited, independent valuers, on the basis of open market value (Level 3).

The valuers are registered valuers and have recent experience in the location and the category of the investment property being valued.

Group and Company Investment properties were measured based on Level 3 inputs as at 30 June 2024 and 30 June 2023. The land was valued on an open market value basis. There were no transfers between Levels 1, 2 and 3 in the period

The following table summarises the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements:

Asset	Level	Valuation basis	Significant unobservable Inputs	Assumption value per valuation	Sensitivity of input to the fair value
Investment property	3	Market approach	Average value per acre	Average of Shs 5,329,000 per acre	At 30 June 2024, if the average value per acre of investment properties had increased by 10% with all other variables held constant, loss for the year would have been Shs 3,164,521,000 (2023: Shs 3,236,960,000) higher /lower.
	3	Market approach	Haircut to adjustment for illiquidity	Between 18% and 30%	At 30 June 2024, if the haircut had had increased by 10% with all other variables held constant, loss for the year would have been Shs 573,551,000 (2023: Shs 181,176,000) higher /lower

**18 (b) Assets Held for Sale**

	<b>Group and Company</b>	
	<b>2024</b>	<b>2023</b>
	<b>Shs'000</b>	<b>Shs'000</b>
At start of year	-	-
Transfer from Investment Properties	4,998,526	-
Gain on transfer from Investment Properties	173,474	-
Disposals	(516,089)	-
	4,655,912	-

The Company has embarked on a regularization plan of LR 8784/144, 8784/145 & 8784/653 totalling 909 acres which had been heavily populated with informal settlers. These parcels of land had been held as investment property and given the active sales ongoing, have been reclassified to assets held for sale

**Notes (continued)**

**18 (b) Assets held for sale (continued)**

A total of 7,136 landholdings have been identified for disposal. Out of these, 3,492 parcels have been allocated to squatters who successfully met registration and deposit conditions. In addition, another 1,507 parcels have been set aside for staff debt repayment, of which 251 parcels have already been offered to eligible staff members for this purpose.

Meanwhile, 2,127 parcels remain available for disposal through public bidding. Evaluation of the bids received from public advertisements is ongoing, with a view toward further disposal of unclaimed parcels.

Classification into current assets is based on the value of plots with active applications

Details	Amount (Shs '000)
Non-Current Asset	2,269,592
Current Asset	2,386,320
<b>Total Assets Held for sale</b>	<b>4,655,912</b>

**19 Investment in subsidiary**

Company	Beneficial ownership	Country of incorporation	2024 Shs'000	2023 KShs'000
East African Portland Cement Company Uganda Limited	100%	Uganda	2,500	2,500

The principal activity of the subsidiary is the sale of cement purchased from the parent company. All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company do not differ from the proportion of ordinary shares held. The subsidiary has not issued any preference shares. There were no restrictions (statutory, contractual and regulatory restrictions) on the Group's ability to access or use the assets and settle liabilities of the Group.

**20 Intangible Assets**

Intangible assets relate to computer software in use by the group. The table below shows the movement of the liability.

	Group and Company	
	2024 Shs'000	2023 Shs'000
<b>Cost</b>		
At the beginning of year	11,900	6,726
Additions	-	5,174
At end of year	11,900	11,900
<b>Amortization</b>		
At the beginning of the year	(7,132)	(1,456)
Charge for the year	(1,139)	(5,676)
At end of year	(8,271)	(7,132)
<b>Net carrying amount</b>	<b>3,629</b>	<b>4,768</b>

**Notes (continued)**

**21 Cash and cash equivalents**

	Group		Company	
	2024 Shs'000	2023 Shs'000	2024 Shs'000	2023 Shs'000
Bank balances	18,104	77,966	19,129	65,408
Cash on hand	2,654	2,315	1,629	1,005
	<u>20,758</u>	<u>80,281</u>	<u>20,758</u>	<u>66,413</u>

**22 Inventories**

	Group		Company	
	2024 Shs'000	2023 Shs'000	2024 Shs'000	2023 Shs'000
Consumables	978,690	844,218	978,690	844,218
Raw materials	394,386	257,064	394,386	257,064
Work-in-progress	4,275	9,502	4,275	9,502
Finished products	49,828	18,940	49,828	21,982
	<u>1,427,179</u>	<u>1,129,724</u>	<u>1,427,179</u>	<u>1,132,766</u>
Provision for obsolete inventories	(256,129)	(256,129)	(256,129)	(256,129)
	<u>1,171,049</u>	<u>873,595</u>	<u>1,171,049</u>	<u>876,637</u>

The cost of inventories recognised as an expense and included in cost of sales amounted to Shs 1,240,337,000 (2023: Shs 1,384,589,000) for the Group and Company.

No inventory was written off in the current year.

**23 Trade and other receivables**

	Group		Company	
	2024 Shs'000	2023 Shs'000	2024 Shs'000	2023 Shs'000
Gross trade receivables	469,828	441,462	831,609	869,994
Impaired trade receivables	(432,315)	(428,252)	(821,006)	(811,957)
	<u>37,513</u>	<u>13,210</u>	<u>10,603</u>	<u>58,037</u>
Prepayments and deposits	472,908	303,592	472,908	303,592
Other receivables	2,272,118	74,521	2,299,029	73,297
Amount due from related parties (Note 34(iii))	356,433	356,433	356,433	356,433
	<u>3,138,973</u>	<u>747,756</u>	<u>3,138,973</u>	<u>791,359</u>
<b>Amount due from related parties</b>				
Gross amount due from related parties	427,127	427,127	427,127	427,127
Impairment	(70,694)	(238,819)	(70,694)	(238,819)
Reversal of impairment on Kenya Railways receivable	-	168,125	-	168,125
	<u>(70,694)</u>	<u>(70,694)</u>	<u>(70,694)</u>	<u>(70,694)</u>
Net impairment	(70,694)	(70,694)	(70,694)	(70,694)

**Notes (continued)**

23 Trade and other receivables(continued)	Group		Company	
	2024 Shs'000	2023 Shs'000	2024 Shs'000	2023 Shs'000
Net due from related parties (Note 34 (iii))	356,433	356,433	356,433	356,433
<b>Other receivables</b>				
Gross -Other receivables	2,702,689	505,092	2,729,600	503,868
Impairment	(430,571)	(430,571)	(430,571)	(430,571)
Net other receivables	2,272,118	74,521	2,299,029	73,297

In the opinion of the directors, the carrying amounts of the receivables approximate their fair value. The closing loss allowances for trade receivables as at 30 June 2024 reconcile to the opening loss allowances as set out below;

	Group		Company	
	2024 Shs'000	2023 Shs'000	2024 Shs'000	2023 Shs'000
Opening loss allowance	438,582	390,513	811,957	763,888
Increase in loss allowance (Note 11 (b))	9,049	48,069	9,049	48,069
Closing loss allowance (Note 3)	429,533	438,582	821,006	811,957

24 Share capital and reserves	Group		Company	
	2024 Shs'000	2023 Shs'000	2024 Shs'000	2023 Shs'000
<b>(a) Share capital</b>				
Authorised: 126,000,000 shares of Shs 5 each	630,000	630,000	630,000	630,000
Authorised, issued and fully paid: 90,000,000 shares of Shs 5 each	450,000	450,000	450,000	450,000
<b>(b) Share premium</b>	648,000	648,000	648,000	648,000

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	Group		Company	
	2024 Shs'000	2023 Shs'000	2024 Shs'000	2023 Shs'000
Asset revaluation reserve	103,935	103,935	103,935	103,935

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 in value relates to an increase in value on the same asset previously recognised in equity.

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.

**Notes (continued)**

**24 Share capital and reserves (continued)**

(d) Other reserves	Group		Company	
	2024 Shs'000	2023 Shs'000	2024 Shs'000	2023 Shs'000
Foreign currency translation reserve	(12,904)	(38,681)	-	-
Post-employment benefits reserve	384,256	290,639	384,256	290,658
	<u>371,352</u>	<u>251,958</u>	<u>384,256</u>	<u>290,658</u>

The foreign currency translation reserve is used to record exchange differences arising from translation of the financial statements of the foreign subsidiary, East African Portland Cement Uganda Limited and is not distributable. Post-employment benefits reserve is used to record actuarial gains or losses arising from changes in demographic and financial assumptions recognised in other comprehensive income.

**25 Post-employment benefit obligations**

The Group operates an unfunded defined benefit plan for qualifying employees. The relevant benefit provisions are derived from the collective bargaining agreement between EAPC and the Kenya Chemical and Allied Workers' Union. The end-of-service gratuity is payable to union staff on retirement at age 60, redundancy, termination, death in service or disablement. The gratuity is calculated as per the table below.

Mode of exit	Length of service	Benefit per year of service
Termination, death, disablement and retirement	Less than 1 year Between 1 and 10 years More than 10 years	Nil 25 days final basic salary 72 days final basic salary
Redundancy	All periods	One month's final basic salary in addition to benefit payable on termination

The table below outlines where the group's post-employment amounts and activity are included in the financial statements

(i) The amounts recognised in the statement of financial position are as follows:

	Group		Company	
	2024 Shs'000	2023 Shs'000	2024 Shs'000	2023 Shs'000
Staff gratuity – current	607,404	533,641	607,404	533,641
Staff gratuity – non-current	-	-	-	-
	<u>607,404</u>	<u>533,641</u>	<u>607,404</u>	<u>533,641</u>

The current liability portion relates to employees whose contracts are ending between September and December 2024

(ii) The following table analyses the components of defined benefit costs recognised in comprehensive income;

	Group and Company	
	2024 Shs'000	2023 Shs'000
Current service cost	113,056	120,669
Net interest expense	94,418	77,467
Component of defined benefit costs recognised in profit or loss	<u>207,474</u>	<u>198,136</u>

**Notes (continued)**

**25 Post-employment benefit obligations (continued)**

	<b>Group and Company</b>	
	<b>2024</b>	<b>2023</b>
	<b>Shs'000</b>	<b>Shs'000</b>
Actuarial losses arising from changes in demographic and financial assumptions recognised in other comprehensive income	(133,711)	(16,604)
	<u>73,763</u>	<u>181,532</u>

(iii)The tax relating to components of other comprehensive income is as follows:

	<b>Group and Company</b>		
	<b>Before tax</b>	<b>Tax charge</b>	<b>After tax</b>
	<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>
<b>Year ended 30 June 2024</b>			
Actuarial gain –expert valuations	(133,711)	40,113	(93,598)

	<b>Group and Company</b>		
	<b>Before tax</b>	<b>Tax charge</b>	<b>After tax</b>
	<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>
<b>Year ended 30 June 2023</b>			
Actuarial gain –expert valuations	(60,014)	18,004	(42,010)

The movement in the defined benefit obligation over the year is:

	<b>Group</b>		<b>Company</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
	<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>
At start of year	533,641	521,181	533,641	521,181
Current service cost	113,056	120,669	113,056	120,669
Net interest expense	94,418	77,467	94,418	77,467
Actuarial loss/(gain) arising from changes in financial assumptions	(16,052)	10,249	(16,052)	10,249
Actuarial gain arising from changes in demographic assumptions	(117,659)	(26,853)	(117,659)	(26,853)
Benefit paid	-	(169,072)	-	(169,072)
	<u>607,404</u>	<u>533,641</u>	<u>607,404</u>	<u>533,641</u>

The significant actuarial assumptions used were as follows:

	<b>Group and Company</b>	
	<b>2024</b>	<b>2023</b>
	<b>Shs'000</b>	<b>Shs'000</b>
Discount rate (%)	15.0%	14.6%
Average salary escalation rate (%)	10%	10%

For each of the above significant actuarial assumptions, a sensitivity analysis has been determined based on reasonably possible changes of the assumption occurring at the end of the reporting period, while holding all other assumptions constant:

**Notes (continued)**

**25 Post-employment benefit obligations (continued)**

- If the discount rate is 1% higher (lower), the defined benefit obligation would decrease/(increase) by Shs 41,600,000.
- A 1% increase/decrease on the salary escalation rate would not have a material impact on defined benefit obligation as at 30 June 2024.

For the above sensitivity analysis, the present value of the defined benefit obligation has been determined using the Projected Unit Credit Method at the end of the reporting period, which is the same as that applied in the statement of financial position. Such sensitivity analysis might not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another.

**26 Borrowings**

The borrowings are analysed as follows;

	2024 Shs'000	Group and Company 2023 Shs'000
Government debt (Note 34(iv))	1,942,945	1,942,945
Total borrowings	1,942,945	1,942,945
Current portion of borrowings	-	1,942,945

Reconciliation of liabilities arising from financing activities excluding overdrafts is as shown below:

	2024 Shs'000	Group and Company 2023 Shs'000
At start of year	1,942,945	3,805,905
Additions during the year	-	366,261
Principal repayments	-	(2,229,221)
	1,942,945	1,942,945

*i) Government loan*

This relates to the Japanese loan that was taken over by the government on behalf of the Group. The total loan from Overseas Economic Co-operation Fund of Japan (JICA) was JPY 7.67 billion. The interest charged in the loan was 2.5% per annum. The loan was guaranteed by the Kenya government.

There was no Group or Company assets pledged as security, and neither are there any covenants attached to the loan facility. The loan was repayable in instalments which are paid twice a year, on 20 March and 20 September with effect from 20 September 2000. The last repayment was by the government on 20 March 2023.

The loan amount due to the government of Kenya accumulates from the interest and principal repayments made on the Japanese loan by the Government of Kenya on behalf of the Group as the loan guarantor. The Group records the loan repayments as additions to the debt payable to the government.

**Notes (continued)**

**27 Deferred income tax**

**a) Deferred tax movement**

Deferred income tax is calculated using the enacted income tax rate of 30% (2023: 30%). The movement on the deferred income tax account is as follows:

	Group and Company	
	2024 Shs'000	2023 Shs'000
At start of year	-	-
Charge to other comprehensive income	-	-
Deferred tax credited to profit or loss	-	-
At end of year	-	-

Group and Company	1 July 2022	Charge/ (credited) to Profit and loss	Charge to OCI	At 30 June 2023
Year ended 30 June 2023	Shs'000	Shs'000	Shs'00	Shs'000
<b>Deferred tax liabilities</b>				
Property, plant and equipment	1,395,300	(371,473)	-	1,023,827
Investment properties	1,368,622	2,517,833	-	3,886,455
	2,763,922	2,146,360	-	4,910,282
<b>Deferred tax assets</b>				
Tax losses carried forward (Note 27 (b))	(5,301,909)	(446,255)	-	(5,748,164)
Provisions	(1,080,117)	(16,140)	4,981	(1,091,276)
Leases	2,624	(6,125)	-	(3,501)
Other temporary differences	(460,423)	18,325	-	(442,098)
	(6,839,825)	(450,195)	4,981	(7,285,039)
Net deferred income tax asset	(4,075,903)	1,696,165	4,981	(2,374,757)
Deferred tax not recognised	4,075,903	(1,696,165)	(4,981)	2,374,757
Net deferred income tax liability(asset)	-	-	-	-

**Notes (continued)**

**27 Deferred income tax**

**a) Deferred tax movement (continued)**

**Group and Company**

	At 1 July 2023	Charge/ (credited) to Profit and loss	Charge to OCI	At 30 June 2024
	Shs'000	Shs'000	Shs'00	Shs'000
<b>Year ended 30 June 2024</b>				
<b>Deferred tax liabilities</b>				
Property, plant and equipment	1,023,827	293,856	-	1,317,683
Investment properties	3,886,455	(700,663)	-	3,185,792
	4,910,282	(406,807)	-	4,503,475
<b>Deferred tax assets</b>				
Tax losses carried forward (Note 27 (b))	(5,748,164)	(385,403)	-	(6,133,567)
Provisions	(1,091,276)	(40,729)	40,113	(1,091,892)
Leases	(3,501)	(2,483)	-	(5,984)
Other temporary differences	(442,098)	1,990,431	-	1,548,333
	(7,285,039)	1,561,816	40,113	(5,683,110)
Net deferred income tax asset	(2,374,757)	1,155,009	40,113	(1,179,635)
Deferred tax not recognised	2,374,757	(1,195,122)	(40,113)	1,179,635
Net deferred income tax liability(asset)	-	(40,113)	40,113	-

**b) Ageing of tax losses**

The ageing of the deferred tax asset arising from tax losses is shown below:

Financial year incurred	Tax asset (Shs '000)
2008/09	43,296
2009/10	98,134
2010/11	260,600
2011/12	62,180
2014/15	621,896
2015/16	674,989
2016/17	293,823
2017/18	692,031
2018/19	594,266
2019/20	100,286
2020/21	1,450,483
2021/22	409,925
2022/23	446,255
2023/24	385,403
Total	6,133,567

**Notes (continued)**

**28 Trade and other payables**

	Group		Company	
	2024 Shs'000	2023 Shs'000	2024 Shs'000	2023 Shs'000
Trade payables	3,089,037	2,665,661	3,089,037	2,665,661
Other payables and accruals	1,657,151	3,028,631	1,557,145	3,025,223
Staff payables	2,512,717	2,553,481	2,512,717	2,553,481
Due to related parties (Note 34 (iv))	3,878,984	1,993,179	3,878,984	1,993,179
Advance receipts from customers	669,798	407,879	669,798	407,879
Other liabilities	298,819	304,412	298,819	304,412
At end of year	12,106,506	10,953,243	12,006,500	10,949,845

Trade and other payables are non-interest bearing. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe. The carrying amounts of the above trade and other payables approximate their fair values. Other payables and accruals comprise legal fees litigation provisions, unpaid cement levy and accruals for Goods Received Notes.

Staff Payables

Staff payables include provision for various staff related legal cases and unpaid amounts due to employees resulting from previous restructuring done. The Kenya Chemical and Allied Workers Union (KCAAWU) filed a case against the Company regarding the non-implementation of Collective Bargaining Agreement (CBA) terms for contract staff. Historically, contract staff at the Company have not been included under the CBA, and instead, management maintained separate mutual payment arrangements with them. On July 6, 2016, the industrial court ruled in favor of the claimant, determining that the case had merit and ordering the Company to extend CBA coverage to contract staff. The Company is in talks with the affected staff to settle the debt through land debt swap arrangement.

Other Liabilities

During the year ended 30 June 2018, the group terminated the arrangement with Stanbic Bank and initiated a mark to market net settlement of the swap arrangement resulting in a payable position of Shs 186,220,000 as at 30 June 2018. The liability amounted to Shs 298,819,000 as at 30 June 2024 (2023: Shs304,412,000).

The table below shows the movement of the liability

	Group and Company	
	2024 Shs'000	2023 Shs'000
At start of year		
Foreign exchange (gain)/loss	304,412 (5,593)	240,208 64,204
At end of year	298,819	304,412

**29 Dividend payable**

	Group and Company	
	2024 Shs'000	2023 Shs'000
Dividend payable	101,680	101,680

The dividend payable amount relates to dividends declared for the years ended 30 June 2012 and 30 June 2015.

## Notes (continued)

### 30 Contingent liabilities

#### (i) Tax Assessment

The Kenya Revenue Authority (KRA) carried out an audit of the company covering corporate tax, employee taxes, withholding tax and VAT for the period from 2005 to 2008 and raised an assessment on the company of Shs 2.5 billion on the tax heads mentioned above. Out of this assessment, Shs 1.7 billion has been resolved with the tax authorities. The company has paid Shs 122 million and appealed against a further Shs 473 million through the local committee, which subsequently ruled in favour of the company. KRA however filed a notice to appeal in the High Court against the Local Committee ruling. The substantive appeal to the High Court has however not been filed by KRA. The view of directors is that no additional liabilities will arise from these matters.

#### (ii) Litigation and claims

The Group is a defendant in various legal actions and claims made by third parties. In the opinion of the directors, after taking appropriate legal and other advice, no material liabilities are expected to crystallise from these claims. Refer to Note 2 (a) for more details on specific legal claims.

### 31 Capital commitments

	<b>Group and Company</b>	
	<b>2024</b>	<b>2023</b>
	<b>Shs'000</b>	<b>Shs'000</b>
Authorised by the directors but not contracted for	616,864	666,834

### 32 Cash generated from operations

Reconciliation of profit before income tax to cash generated from operations

	<b>Group</b>		<b>Company</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
	<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>
Profit/ (Loss) before taxation	1,071,546	(1,352,115)	1,161,025	(1,352,115)
Adjustments for:				
Depreciation of PP&E (Note 16)	343,192	407,163	343,192	407,163
Depreciation of right-of-use assets (Note 33)	12,879	17,257	12,879	17,257
Amortisation on prepaid operating leases (Note 17)	-	-	-	-
Amortisation on intangible assets (Note 20)	1,139	5,676	1,139	5,676
Fair value gain on investment property (Note 18)	(3,033,462)	(644,506)	(3,033,462)	(644,506)
Interest expense on borrowings (Note 26)	-	-	-	-
Post-employment benefits service cost	207,474	52,310	207,474	52,310
Interest on lease liabilities (Note 33)	427	3,315	427	3,315
Net cash before working capital changes	(1,396,805)	(1,510,900)	(1,307,326)	(1,510,900)
Changes in working capital:				
Inventories	(297,454)	50,489	(294,412)	49,934
Trade and other receivables	(2,391,216)	288,406	(2,347,613)	225,666
Trade and other payables	1,079,351	1,159,278	982,890	1,158,660
Cash used in operations	(3,006,126)	(12,727)	(2,966,462)	(76,640)

**Notes (continued)**

**33 Leases**

**(a) Lease liabilities**

On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases.

	<b>Group and Company</b>	
	<b>2024</b>	<b>2023</b>
	<b>Shs'000</b>	<b>Shs'000</b>
<b>Movement of lease liabilities:</b>		
At start of year	35,159	43,861
Interest expense on lease liability (Note 12)	427	3,315
Interest paid	(427)	(3,315)
Payments of the lease liability	(8,276)	(8,702)
	<hr/>	<hr/>
At end of year	26,883	35,159
<b>Maturity analysis of the lease liabilities:</b>		
Current lease liabilities	18,333	24,875
Non-current lease liabilities	8,550	10,284
	<hr/>	<hr/>
	26,883	35,159
	<hr/>	<hr/>

**(b) Right of use assets**

Upon adoption of IFRS 16, the right-of-use assets were measured at an amount equal to the lease liabilities.

	<b>Group and Company</b>	
	<b>2024</b>	<b>2023</b>
	<b>Shs'000</b>	<b>Shs'000</b>
<b>Movement of lease assets:</b>		
At start of year	23,486	35,868
Additions	-	-
Depreciation charge	(12,879)	(17,257)
	<hr/>	<hr/>
Lease prepayments amortised on a straight-line basis (Note 17)	5,732	18,611
	4,875	4,875
	<hr/>	<hr/>
At end of year	10,607	23,486
	<hr/>	<hr/>

**Notes (continued)**

**34 Related party transactions**

The Group is listed on the Nairobi Securities Exchange. The main shareholders were as follows;

Shareholder	Group and Company	
	2024	2023
Bamburi Cement Limited	12.5%	12.5%
Cementia Holdings	14.6%	14.6%
Associated International Cement	14.6%	14.6%
The National Treasury	25.3%	25.3%
National Social Security Fund	27%	27%
Other investors	6%	6%
	100%	100%

The Government of Kenya, through combined shareholding of National Social Security Fund and The National Treasury, is the controlling party. The Company is related to other companies through common shareholding or common directorships. The following transactions were carried out with related parties. These related parties represent entities with which the Company has common shareholders and directors

**(i) Sale of goods and services**

There were no sale of goods and services made during the year with related parties (2023: Shs 25,470,000).

**(ii) Purchase of goods and services**

	Group		Company	
	2024 Shs'000	2023 Shs'000	2024 Shs'000	2023 Shs'000
National Social Security Fund	6,669	6,669	6,669	6,669
National Health Insurance Fund	8,574	8,574	8,574	8,574
Kenya Revenue Authority	162,986	162,986	162,986	162,986
The National Treasury	-	-	-	-
	178,229	178,229	178,229	178,229

The transactions with National Social Security Fund, National Health Insurance Fund and Kenya Revenue Authority relate to statutory deductions such as pension, health insurance and pay as you earn (PAYE).

The transaction with The National Treasury relates to interest charged on government loan as described under note 26.

**(iii) Due from related parties:**

Current	2024	2023	2024	2023
Kenya Railways Corporation	231,611	231,611	231,611	231,611
Kenya National Highway Authority	124,822	124,822	124,822	124,822
	356,433	356,433	356,433	356,433

## Notes (continued)

### 34 Related party transactions (continued)

#### (iii) Due from related parties (continued)

The balance due from Kenya Railways Corporation relates to sale of 900 Acres of LR 10424 in the year ended 30 June 2019.

The balance due from Kenya National Highway Authority relates to compensation awards on compulsory acquisition during construction of the dual carriage highway along Mombasa Road.

#### (iv) Due to related parties

	Group		Company	
	2024	2023	2024	2023
	Shs'000	Shs'000	Shs'000	Shs'000
Kenya Revenue Authority (Note 28)	3,878,984	1,993,179	3,878,984	1,993,179
The National Treasury (Note 26)	1,942,945	1,942,945	1,942,945	1,942,945
	<u>5,821,929</u>	<u>3,936,124</u>	<u>5,821,929</u>	<u>3,936,124</u>

#### (v) Key management compensation

Key management includes directors (executive and non-executive) and members of senior management. The compensation paid or payable to key management for employee services is shown below:

	Group		Company	
	2024	2023	2024	2023
	Shs'000	Shs'000	Shs'000	Shs'000
Salaries and other short-term employee benefits	52,320	52,320	52,320	52,320
Post-employment benefits	16,219	16,219	16,219	16,219
	<u>68,539</u>	<u>68,539</u>	<u>68,539</u>	<u>68,539</u>

#### (vi) Directors' remuneration

Fees for services as directors	1,100	1,100	1,100	1,100
Other emoluments	18,193	18,137	18,137	18,137
	<u>19,293</u>	<u>19,237</u>	<u>19,293</u>	<u>19,237</u>

### 35 Uganda Subsidiary

In 2011, the company opened a subsidiary (cement depot) in Uganda as part of strategic expansion plan to cover the larger East-African market. Late in 2018, the company started facing operational challenges in its Athiriver plant leading to inconsistent and low cement production. As a result, the company could not meet its Kenyan & Uganda demand for the blue triangle cement. Management decided to prioritize the Kenyan market leading to dormant operations in Uganda. With high competition due to new entrants and the high cost of road transport for cement to Uganda, the Board made a resolution to wind-up the subsidiary operations. Management initiated the process of winding up the subsidiary which led to subsidiary deregistration by the Uganda revenue authority on 31st December 2023. The process of winding up the subsidiary is expected to conclude in the current financial year.

**Notes (continued)**

**36 Subsequent Events**

The Company voluntarily surrendered a parcel of land LR 10425 totalling 4,272 acres to the National Government, in support of the affordable housing agenda, in October 2019 following shareholder approval vide an Extraordinary General Meeting held on 27th September 2019. The Central Organization of Trade Unions filed petition number 46 of 2019 in the Environment and Lands Court objecting the surrender. Later on, 21st July 2023, a deed of settlement was made between the parties (Central Organization of Trade Unions, National Social Security Fund, and East African Portland Cement Plc), the Attorney General and the Ministry of Lands, Public Works, Housing & Urban Development. The parties agreed to an out of court settlement in the terms provided in the Deed of Settlement. The parties entered into a consent on 25th July 2023 which was filed in the court of appeal for adoption. In December 2023, the petition by Central Organization of Trade Union, objecting the surrender of the parcel of land was upheld by the Environment and Lands Court. Consequently, on 28th October 2024, the consent filed in the court of appeal was duly adopted.

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