

REPUBLIC OF KENYA



**REPORT**

**OF**

**THE AUDITOR-GENERAL**

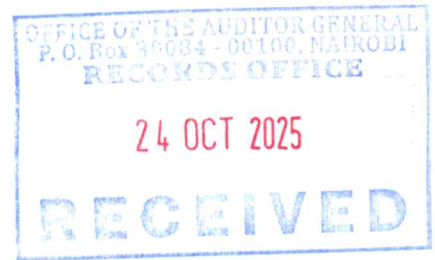
**ON**

**EAST AFRICA PORTLAND CEMENT PLC**

**FOR THE YEAR ENDED  
30 JUNE, 2025**

THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 05 NOV 2025	DAY: WED
TABLED BY:	DEPUTY MAJORITY PARTY WITIP
CLERK-AT-THE-TABLE:	WILLYS OBIERO





**East African Portland Cement PLC**  
Annual Report and Financial Statements  
For the year ended 30 June 2025

**East African Portland Cement PLC**  
Annual Report and Financial Statements  
For the year ended 30 June 2025

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**East African Portland Cement PLC**

Annual Report and Financial Statements for the Year ended 30 June 2025

Corporate information

<b>DIRECTORS</b>	Brig (rtd) Richard K. Mbithi CPA Mohamed Adan Kungu Gatabaki Patrick Koinari Ole Tunui Prof. Sarone Ole Sena Hon. John Mbadia, EGH  David Koross  Dr. Eusebis Juma Mukhwana	Chairman Managing Director Board Member Board Member Board Member Cabinet Secretary, National Treasury (Alternate Director – Edward Wamweya) Representative of National Social Security Fund (NSSF) (Alternative Director – Ronald Nyamosi) Principal Secretary, Ministry of Investments, Trade and Industry (Alternate Director – Martin Masibo)
<b>SECRETARY</b>	Ms. Roselyne Ominde Certified Public Secretary (Kenya) P. O. Box 40101 – 00100, Nairobi	
<b>REGISTERED OFFICE</b>	L.R. 337/113/1 Namanga Road, off Mombasa Road P.O. Box 40101 – 00100, Nairobi	
<b>REGISTRARS</b>	Haki Registrars P.O. Box 40868 – 00100, Nairobi	
<b>BANKERS</b>	KCB Bank Kenya Limited Moi Avenue Branch P.O. Box 30081 – 00100, Nairobi  Citibank, N.A P.O. Box 30711 - 00100, Nairobi  Stanbic Bank Limited Kimathi Street P.O. Box 30550 - 00100, Nairobi  Equity Bank Limited Kenyatta Avenue P.O. Box 104860 – 00100, Nairobi	Standard Chartered Bank Kenya Kenyatta Avenue P.O. Box 30003 – 00100, Nairobi  Co-operative Bank of Kenya Limited P.O. Box 321 – 00204, Athi River  Housing Finance Company Limited Rehani House P.O. Box 40101-00100, Nairobi

**East African Portland Cement PLC**  
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Corporate information

**PRINCIPAL  
AUDITOR**

The Auditor General  
Anniversary Towers  
P.O. Box 30084 – 00100,  
Nairobi .

**DELEGATED  
AUDITOR**

Ronalds LLP  
136 Manyani East Road  
P.O. Box 41331 – 00100,  
Nairobi

## **East African Portland Cement PLC**

Annual Report and Financial Statements for the Year ended 30 June 2025

### **Chairman's statement**

#### **Dear Stakeholders,**

On behalf of the board of directors, it is with great pride and a profound sense of responsibility that I present to you the annual report and financial statements of the company for the year ended 30<sup>th</sup> June 2025. The past year has been one of formidable challenges and meaningful progress. It tested our resilience, sharpened our strategic focus, and reaffirmed the strength of our collective efforts. Your trust, dedication, and involvement have been indispensable in fueling our progress, and we remain deeply committed to building a brighter future together. It is my privilege and honor to welcome you all to the 93<sup>rd</sup> Annual General Meeting of the East African Portland Cement Plc.

#### **Overview**

Despite operating in a highly volatile macroeconomic environment, I am pleased to report that we delivered exceptional growth, underpinned by our disciplined execution, resilient business model, robust risk management and governance practices. The global economy began with cautious optimism but was faced with persistent headwinds as the year progressed. Inflation, though easing in some developed markets, remained elevated in many emerging economies, driven by supply chain constraints, geopolitical tensions, and energy market volatility. Central banks responded with sustained monetary tightening, resulting in elevated interest rates that impacted capital flow and raised borrowing costs; especially for capital-intensive industries such as cement manufacturing.

Domestically, Kenya registered a 7.94% year-on-year drop in cement consumption in the calendar year 2024 at the backdrop of budgetary cuts for infrastructural projects, and elevated interest rates which constrained expansion in credit flow to the buildings and construction sector. However, there was recovery in the second half of the fiscal year, with the 3<sup>rd</sup> quarter (January to March 2025) recording a 20.69% year-on-year growth in cement consumption, buoyed by easing cost of credit and resumption of stalled public projects.

Despite the challenges experienced in the first half of the fiscal year, we remained steadfast, agile, and adaptive, demonstrating the resilience that has become synonymous with our brand.

#### **Performance Highlights**

I am delighted to report that East African Portland Cement achieved strong results in the financial year ended 30<sup>th</sup> June 2025. We achieved a revenue growth of 116% year-on-year driven by improved production, effective pricing strategies, and strong demand recovery in our market segments. Our gross profits grew by 234% year-on-year reflecting our relentless focus on cost optimization, operational efficiency, and value creation. Consequently, profit after tax rose by 377% year-on-year to close at Kshs 5.525 billion. In light of this performance, the Board of Directors is pleased to recommend a dividend of Kshs 1.25 per ordinary for shareholders' approval.

#### **Looking Ahead**

As we look to the future, I remain confident in the strength of our business, the resilience of our people, and the abundant opportunities across the larger East African Market. We will remain committed to driving innovation, fostering sustainability and delivering value to all our stakeholders. With a resilient spirit, I am confident we will continue to chart a course toward a sustainable and prosperous future.

**East African Portland Cement PLC**  
**Annual Report and Financial Statements for the Year ended 30 June 2025**  
**Chairman's statement**

**Acknowledgments and Closing Remarks**

I extend my sincere appreciation to my colleagues at the Board, for their strategic guidance and steadfast commitment, and to our exceptional employees, whose dedication and professionalism continue to power our success. To our esteemed shareholders, thank you for your unwavering support.

As we move forward, we remain committed to upholding the highest standards of governance, transparency, value creation and shared prosperity. Together, we are not just building a company - we are building East Africa's future, one block at a time.

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

## **East African Portland Cement PLC**

Annual Report and Financial Statements for the Year ended 30 June 2025

Managing Director's statement

**Dear Stakeholders,**

On behalf of the Management, it is my privilege and honor to present to you the East African Portland Cement Plc annual report and financial statements for the financial year ended 30<sup>th</sup> June 2025. Though the year was marked by significant macro - economic challenges, we demonstrated resilience and adaptability. Both our financial and non-financial performance metrics closed on a strong note, underscoring the robustness of our business model.

### **Operational Performance**

The financial year ended 30<sup>th</sup> June 2025 marked a significant production milestone in our recent history, recording a year-on-year clinker and cement production growth of 121% and 96% respectively, buoyed by operational discipline across our production and engineering units, improved plant availability due to proactive maintenance and plant improvements, enhanced capacity utilization of our key plant installations, and optimal stakeholder management ensuring support across the value chain.

This production achievement underscores our capacity to scale while maintaining consistency and quality cornerstones of our brand.

### **Commercial & Market Performance**

We take immense pride to see that our brand continues to be a trusted partner in building the future of our nation, from infrastructure megaprojects to individual homes. Our dispatch volumes grew by 101% year-on-year at the backdrop of improved and consistent production, coupled by successful route to market initiatives and effective pricing strategy.

Our distribution networks remained agile and highly responsive to shifting market dynamics. By leveraging technology, real-time data, and strong partnerships across the value chain, we ensured product availability, timely deliveries, and customer satisfaction across the markets that we serve. Cross-functional collaboration across all units of our operations has allowed us to uphold our promise as a reliable and dependable cement supplier.

### **Financial Performance**

The company revenue surged by 116% year-on-year to Kshs 7.084 billion buoyed by improved and consistent cement production, successful route to market initiatives, effective pricing strategy and strong demand recovery in our key market segments. Our focus on increasing margins through cost optimization initiative bore fruits in the period with the gross profits and profits after tax registering a record-high year-on-year growth of 234% and 371% respectively. Initiatives to further improve the profit margins are under-way including optimization of energy efficiency, exhausting utilization of the design capacity of our plant, reducing clinker factor through innovative and disruptive green products, investment in circular economy among other initiatives.

### **Sustainability & ESG**

Sustainability has become a key differentiator in the cement industry globally and East African Portland Cement Plc is committed to being a responsible global citizen, not only to address the compliance aspect, but to leverage opportunities in this space to grow the performance of our topline and bottom-line. To this end, we have engaged a consultant to work with our team in developing a sustainability and ESG strategy which will provide a roadmap for structured and impactful execution of sustainability and ESG related initiatives.

## **East African Portland Cement PLC**

Annual Report and Financial Statements for the Year ended 30 June 2025

Managing Director's statement

### **Sustainability & ESG (Continued)**

Our key areas of focus include among others; climate and energy, circular economy, biodiversity, and sustainable procurement. We intend to roll- out our first structured sustainability report that is compliant with global sustainability reporting frameworks at the end of the current financial year.

### **Forward Looking**

As we look ahead, the outlook for EAPC remains positive, and reflects our strategic priorities. The East African regional cement demand is expected to grow at a compounded annual rate of 1.3% from \$2.66 billion in 2024 to

\$2.98 billion in 2033. This growth will be driven by the accelerating infrastructure projects, surging housing demand due to urban migration, and a broadening industrial base. Roads, bridges, ports, airports and railways all demand vast quantities of cement, making it the cornerstone of the region's growth. With our strong brand equity, and rich asset base, we are well positioned to capitalise on these opportunities through growth and expansion.

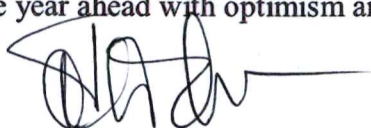
Our commitment to sustainable growth is reflected in our ongoing expansion of production capacity. As we optimize our clinker production and ramp up cement output, we aim to increase our market share to a significant double-digit percentage by the end of the current financial year. This expansion is 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 the near term, we aim to optimize our operations by leveraging innovative technologies, improving supply chain efficiencies, and expanding our use of supplementary cementitious materials, alternative fuels and renewable energy sources. This will help reduce production costs and support our sustainability targets.

### **Acknowledgments and Closing Remarks**

No success is achieved in isolation. Any accomplishment we have made is the result of a collective effort. I would like to express my deepest gratitude to the Board of Directors for their invaluable guidance, to our dedicated employees whose hard work and commitment remain the foundation of our achievements, and to our shareholders, customers, host communities, governments, and other stakeholders for their unwavering trust and partnership. As we look ahead, I am filled with excitement and confidence about what the future holds for East African Portland Cement Plc. Together, we will continue to deliver impactful results and drive sustainable growth across Kenya and the larger East African Region.

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.



**CPA Mohamed Osman Adan**  
Managing Director

## **East African Portland Cement PLC**

Annual Report and Financial Statements for the Year ended 30 June 2025

### **Corporate Governance statement**

#### **Introduction**

The Company 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.

## East African Portland Cement PLC

Annual Report and Financial Statements for the Year ended 30 June 2025

### Corporate Governance statement

#### The Composition of the Board is set out on page 1 (continued)

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 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 endeavors 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 (92 <sup>nd</sup> )
Chairman – Brig. (Rtd) Richard K. Mbithi	4	8	1
Managing Director – CPA Mohamed Adan	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.

## East African Portland Cement PLC

Annual Report and Financial Statements for the Year ended 30 June 2025

Corporate Governance statement

### Delegation of Authority

#### Board Sub Committees

The Board has established three distinct Sub-Committees, each endowed with specific delegated authorities and focused responsibilities. These Committees include the Audit Committee, Finance, Strategy & 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.

The members of the Committee are:

Director	
David Koross (representing NSSF)	Chairman
Kungu Gatabaki	
CS, Treasury	
Prof. Sarone Ole Sena	
The Head of Internal Audit	Secretary

The committee held three 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.

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**Corporate Governance statement**

**Details of these committees and membership are shown below (continued):**

**Finance & Strategy Committee (continued)**

The members of the Committee are:

<b>Director</b>	
Kungu Gatabaki	Chairman
CS, Treasury	
PS Ministry of Investments, Trade and Industry	
Patrick Koinari ole Tutui	Representing NSSF
David Koross	
Managing Director	
Company Secretary	Secretary

The committee held three 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:

<b>Director</b>	
Patrick Koinari ole Tutui	Chairman
CS, Treasury	
PS Ministry of Investments, Trade and Industry	
Kungu Gatabaki	Representing NSSF
Managing Director	
Roselyn Ominde	Secretary

The committee held three 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.

## East African Portland Cement PLC

Annual Report and Financial Statements for the Year ended 30 June 2025

Corporate Governance statement

### Human Resources & Remuneration Committee (Continued)

The Members of the Committee are:

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

The committee held three meetings during the year.

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

Director	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	-	8	6	8
Head of Internal Audit	4	-	-	-

### 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 30(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. Proceeds invested in operational excellence has shown remarkable improvement in our clinker and cement production at the backdrop of improved operational efficiency and capacity utilization of our plant. This has enabled the business to record a 187% year on year growth in profits from operations from an operational loss of 1.872 billion in prior year to an operational profit of Kshs 1.635 billion in the reporting 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.

## **East African Portland Cement PLC**

Annual Report and Financial Statements for the Year ended 30 June 2025

Corporate Governance statement

### **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.

## **East African Portland Cement PLC**

Annual Report and Financial Statements for the Year ended 30 June 2025

Corporate Governance statement

### **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 2024/2025. 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 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.

**East African Portland Cement PLC**  
Annual Report and Financial Statements for the Year ended 30 June 2025  
Corporate Governance statement

**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.

## **East African Portland Cement PLC**

Annual Report and Financial Statements for the year ended 30 June 2025

### **Director's report**

The Directors submit their report together with the audited financial statements which disclose the state of affairs of East African Portland Cement PLC for the year ended 30 June 2025.

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.

### **Principal Activities**

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. 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.

### **Business Review of Financial Results and Activities**

The financial year marked a pivotal phase in our transformation, as we returned to operational profitability recording a 187% year-on-year growth profits from operations at the backdrop of improved operational efficiencies and cost discipline. The investments we made in operational excellence generated returns in the reporting year with a 116% and 96% growth in clinker and cement production respectively. This level of production ensured consistent cement availability, supporting the commercial function in meeting the market demand for our product. As a result, the topline grew by a triple digit (116%) to close at Kshs 7.083 billion.

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.

**East African Portland Cement PLC**  
Annual Report and Financial Statements for the year ended 30 June 2025  
Director's report

### **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. In the year, our efforts focused on environmental stewardship through extensive afforestation initiatives, partnering with local communities and SAGAs under the Ministry of Investment, Trade & Industry, to increase green cover and enhance biodiversity.

To ensure a more structured and impactful approach to our sustainability initiatives, we have engaged a consultant to work with our team and develop a sustainability and ESG strategy which will provide road map for our sustainability & ESG related interventions. Our focus is to reduce our carbon footprint through creative, innovative, and disruptive solutions that will act as growth enablers for both our topline and bottom-line.

### **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:

<b>Category</b>	<b>2025</b>	<b>2024</b>
Permanent	2	59
Contract	511	406
<b>Total</b>	<b>513</b>	<b>465</b>

### **Future 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.

## East African Portland Cement PLC

Annual Report and Financial Statements for the year ended 30 June 2025

Director's report

### Future Outlook (Continued)

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 indicators	2025 Shs'000	2024 Shs' 000
Gross Profit / Loss margin	15%	(24%)
Operating Profit / Loss margin	23%	(57%)
Net profit margin	78%	35%
Return of assets	11%	3%
Return of equity	16%	5%

### Dividends

The Company's profit after tax for the year of Kshs 5,525,310,000 (2024: KES 1,156,554,000 has been added to retained earnings. The directors recommend the payment of dividend of Kshs. 1.25 in respect of the current year (2024: Kshs. 1.00 per ordinary share).

### Directors

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

### Statement of 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 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.

**East African Portland Cement PLC**

Annual Report and Financial Statements for the year ended 30 June 2025

Director's report

**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 2025.

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



**Kungu Gatabaki**

Director

..... 24<sup>th</sup> October 2025

**East African Portland Cement PLC**  
**Annual Report and Financial Statements for the year ended 30 June 2025**  
**Directors' Remuneration Report**

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 company. These endeavors, 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 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 Company.

**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 Company 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 company. However, the composition of the directorships reflects the representation of key shareholders of the company. 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.

## East African Portland Cement PLC

Annual Report and Financial Statements for the year ended 30 June 2025

### Directors' Remuneration Report

#### Directors' shareholding (Continued)

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:

<b>DIRECTORS CONTRACT OF SERVICE</b>		
<b>Director</b>	<b>Start of contract</b>	<b>End of Contract</b>
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
Hon. FCPA John Mbadi Ng'ongo	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 2025 together with the comparative figures for 2024. The aggregate directors' emoluments for the Company are shown on below:

**East African Portland Cement PLC**

Annual Report and Financial Statements for the year ended 30 June 2025

Directors' Remuneration Report

**Information subject to audit (continued)**

**Year ended 30 June 2024**

S/N	Name	Salary	Fees	Expenses Allowances	Post Employment Benefits	Total
		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>

**Year ended 30 June 2025**

S/N	Name	Salary	Fees	Expenses Allowances	Post Employment Benefits	Total
		Shs '000'	Shs '000'	Shs '000'	Shs '000'	Shs '000'
1	Brig. (Rtd) Richard Mbithi	-	300	5,357	-	5,657
2	CPA Mohamed Adan	5,759	-	-	1,785	7,544
3	Kungu Gatabaki	-	160	3,159	-	3,319
4	Patrick Koinari ole Tutui	-	160	4,681	-	4,841
5	Prof. Sarone Ole Sena	-	160	4,333	-	4,493
6	Edward Wamweya	-	160	5,703	-	5,863
7	Ronald Nyamosi	-	-	2,597	-	2,597
8	Martin Wanyonyi	-	160	4,287	-	4,447
9	David Koros	-	-	129	-	129
<b>Totals</b>		<b>5,759</b>	<b>1,100</b>	<b>30,246</b>	<b>1,785</b>	<b>38,890</b>

**East African Portland Cement PLC**

Annual Report and Financial Statements for the year ended 30 June 2025

**Directors' Remuneration Report**

The remuneration of all directors is subject to regular review to ensure that levels of remuneration and compensation are appropriate. Neither at the end of the financial year, nor at any time during the year did there exist any arrangement to which the Company is a party, whereby directors might get benefits by means of acquisition of the Company's shares. Information on aggregate of emoluments and fees paid to directors are disclosed in Note 30(vi) of the financial statements.

On behalf of the Board



**Roseline Ominde**

Company Secretary

..... 24<sup>th</sup> October ..... 2025

**East African Portland Cement PLC**

Annual Report and Financial Statements for the year ended 30 June 2025

Statement of Directors' Responsibilities

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 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 Company keep proper accounting records that are sufficient to show and explain the transactions of the Company, disclose with reasonable accuracy at any time the financial position of the Company; and that enables them to prepare financial statements of the 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 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 3(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 24th October 2025 and signed on its behalf by:

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

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**CPA Mohamed Osman Adan**  
Managing Director

# REPUBLIC OF KENYA

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## **REPORT OF THE AUDITOR-GENERAL ON EAST AFRICAN PORTLAND CEMENT PLC FOR THE YEAR ENDED 30 JUNE, 2025**

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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 financial statements of East African Portland Cement PLC set out on pages 27 to 80, which comprise the statement of financial position as at 30 June, 2025

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*Report of the Auditor-General on East African Portland Cement Plc for the year ended 30 June, 2025*

and 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, 2025 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**

I draw attention to Note 3(a) to the financial statements, which indicates that the Company recorded a net profit for the year of Kshs.5,525,310,000 (2024: Kshs.1,156,554,000) for the year ended 30 June, 2025. The Company's current liabilities exceeded the current assets by Kshs. Kshs.3,781,572,000 (2024: Kshs.5,990,879,000) an indication of negative working capital for the Company. While the position reflects an improvement compared to the prior year, it still signifies that the entity's short-term obligations exceed its readily available resources. This recurring position raises concerns over the company's ability to settle its obligations as and when they fall due.

Further, the Company has been unable to settle its obligations in respect of statutory deductions which include Pay As You Earn (PAYE) balance of Kshs.2,446,389,041, Value Added Tax (VAT) balances of Kshs.1,471,531,165 and Income Tax-Company balance of Kshs.81,510,917 being principal, penalties and interest.

The above events or conditions, along with other matters set forth in Note 3 (a) to the financial statements, indicate that a material uncertainty exists that cast significant doubt on the 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**

### **1. The Discontinuation of Operations and Voluntary Liquidation of the Company's Ugandan Subsidiary**

I draw attention to Note 33(a) of the financial statements, which describes the discontinuation of operations and voluntary liquidation of East African Portland Cement Uganda Limited valued at Kshs.2,500,000; a subsidiary of East African Portland Cement Plc. On 28 April, 2025, the Board resolved to initiate a voluntary winding up of the subsidiary due to operational constraints, competitive market pressures, and high logistics costs that had rendered the subsidiary's long-term viability unsustainable.

Following the Board's resolution, a liquidator was appointed to oversee the process. The liquidation was finalized on 31 July, 2025, with the final accounts, return, and minutes of the final meeting duly registered with the relevant authorities in Uganda. The subsidiary will be struck from the Register of Companies three months thereafter, upon which a Certificate of Dissolution will be issued, formally concluding its legal existence.

The statements have not consolidated with the financial statements of East African Portland Cement Uganda Limited, a fully owned subsidiary based in Uganda. The non-consolidation was due to liquidation process that was in progress as at year end. The events are fundamental to the sustainability of the Company financial position and future operational structure and should have been disclosed in the financial statements as they happened subsequent to the balance sheet date.

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

The statement of financial position reflects assets held for sale balance of Kshs.5,011,050,000 as disclosed in Note 16 (b) to the financial statements which 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. At the time of the audit some informal settlers had applied for allocation and paid deposits towards the acquisition of the occupied property which the ownership regularization by the Company was still ongoing.

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

### **3. Government Loan**

I draw attention to Note 33 (c) to the financial statements which discloses that the Company had an outstanding Government loan amounting to Kshs.1,942,945,497 comprising principal balance of Kshs.1,483,077,004 and accumulated interest of Kshs.459,868,493 as at 30 June, 2025. Subsequent to year-end, The National Treasury and Economic Planning, through an agreement executed on 24 July, 2025, granted the Company a four-year moratorium, with the first repayment due on 30 September, 2029.

#### 4. Change in Company's Ownership Structure - Notice of Intent to Acquire Shares in the Company

I draw attention to Note 33 (d) to the financial statements which discloses that Kalahari Cement Limited, a special purpose vehicle backed by Tanzania's Amsons Group who are the sole owners of Bamburi Cement PLC has issued a formal notice of intention to acquire a combined 29.2% stake in East African Portland Cement PLC. The proposed transaction, which involves the purchase of 26.3 million shares at a price of Kshs.27.30 per share is way below the market value of Kshs.60 of the share price and will significantly change the ownership and control of the Company which will result into Amsons Group controlling 41.70% of the share.

Further, the reported earnings per share during the year under review amounts to Kshs.61.39 per share which is way above the offer price. The transaction for sale of 26.3 million shares had not been completed at the date of approval of these financial statements.

The conclusion of the transaction is subject to the fulfilment of various regulatory and statutory approvals, including those from the Competition Authority of Kenya, the Capital Markets Authority, the Nairobi Securities Exchange, and the Ministry of Mining, Blue Economy and Maritime Affairs. The trading of the shares outside the stock exchange will occasion reduced commissions payable if the transactions dealt at market price.

My opinion is not modified in respect of these matters.

#### 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
<b>a) Valuation of Investment Properties</b> As disclosed in Note 16 to the financial statements, 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, 2025. The valuer determined the current value using the open market value approach, i.e. applying current	I performed the following audit procedures; <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</li></ul>

*Report of the Auditor-General on East African Portland Cement Plc for the year ended 30 June, 2025*

Key Audit Matter	How the Audit Addressed the Key Audit Matter
<p>property transaction prices within the area of the properties.</p> <p>The investment properties have been recognized in the financial statements using IAS 40 'Investment Property'. Further, Management has exercised judgement in applying valuation amounts based on the recent comparable sales made by the Company.</p> <p>The carrying value of the investment property as at 30 June, 2025 amounted to Kshs.24,580,200,000 (2024: Kshs 21,238,614,000)</p> <p><b>b) Valuation of Leasehold Land (Property, Plant and Equipment)</b></p> <p>As disclosed in Note 14 to the financial statements, the Company's property, plant and equipment ("PPE") include leasehold land whose valuation was updated during the year ended 30 June, 2025. As a result of the revaluation, the carrying value of PPE increased significantly to Kshs.15,453,795,000 (2024: Kshs.4,920,670,000).</p> <p>The valuation was performed by an external professional valuer engaged by Management. The determination of fair value involves the application of significant judgment and the use of assumptions such as market comparables, location attributes, land use, and prevailing economic conditions. Given the magnitude of the revaluation adjustment and the judgment involved, we considered the valuation of leasehold land to be a key audit matter.</p>	<p>Financial Reporting Standards (IFRS).</p> <ul style="list-style-type: none"> <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 disclosures in the financial statements.</li> </ul> <p>I performed the following audit procedures;</p> <ul style="list-style-type: none"> <li>• Assessing the competence, capabilities, and objectivity of the external valuer engaged by Management.</li> <li>• Evaluated the valuation methodology used by the valuer and comparing it to industry practice and the requirements of IFRS.</li> <li>• Tested, on a sample basis, the input data used in the valuation against supporting documentation, such as title deeds, lease terms, and land size.</li> <li>• Compared key valuation assumptions, such as market prices per acre and adjustments for location, to observable market data and recent comparable transactions.</li> <li>• Assessed whether the revaluation surplus and related disclosures to the financial statements are</li> </ul>

Key Audit Matter	How the Audit Addressed the Key Audit Matter
<p><b>c) Estimation of Expected Credit Loss Model on Financial Assets</b></p> <p>The Company applies IFRS 9 Financial Instruments in estimation of expected credit losses.</p> <p>The financial assets subjected to expected credit loss model are cash and cash equivalents, receivables, staff loans and advances, and other qualifying receivables as disclosed in Note 19 and 21 to the financial statements.</p> <p>The determination of the values in the expected credit loss model requires significant judgements which has been highlighted in the following areas;</p> <ul style="list-style-type: none"> <li>• Assessment criteria of the risk of default occurring in the financial statements and the determination criteria for significant increase in credit risk. The segmentation of the financial assets into a 12 month or a lifetime Probability of Default relies on the above assessment and determination criteria.</li> <li>• The assumptions and parameters used in determining the Probability of Default, Loss Given Default and Exposures at Default for the categories of financial assets in the financial statements.</li> <li>• The reasonableness and the supportability of the forward-looking information used in the model.</li> </ul>	<p>adequate and comply with IFRS requirements.</p> <p>The following audit procedures were conducted;</p> <ul style="list-style-type: none"> <li>• I obtained an understanding of the basis and parameters used to determine the expected credit losses and evaluated if it is in accordance with IFRS 9 'Financial Instruments' requirements.</li> <li>• On a sample basis, I assessed the segmentation of the financial assets by reviewing the credit performance and the aging analysis to determine compliance with model requirements.</li> <li>• I performed subsequent tests on significant account balances' receipt after the year-end.</li> <li>• I assessed the appropriateness of the assumptions used in the model by recalculating the Probability of Default, Loss Given Default and Exposure at Default.</li> <li>• Reviewed the appropriateness of the assumptions used in determining forward-looking information by assessing the internal and publicly available information.</li> </ul>

Key Audit Matter	How the Audit Addressed the Key Audit Matter
Therefore, there is complexity in determining the level of accuracy and reasonableness of the management estimates with regards to expected credit loss.	

I have fulfilled the responsibilities described in the Auditor-General's Responsibilities for the Audit section of my 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 Information

The Directors are responsible for the other information set out on page 1 to 25 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 THE USE OF PUBLIC RESOURCES

#### Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in the 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. Non-Remittance of Tax Deductions**

As previously reported, the Company had not remitted PAYE dues amounting to Kshs.2,446,389,041 (2024: 2,986,000,000) in principal, penalties and interests as at 30 June, 2025. 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 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 Kshs.1,471,531,165 (2024: 893,000,000) in principal, penalties and interests as at 30 June, 2025. 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 20<sup>th</sup> of the subsequent month of collection.

In the circumstances, Management was in breach of law.

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

As previously reported, the Company had outstanding remittances of Mining Levy amounting to Kshs.311,293,015 as at 30 June, 2025. This was contrary to Legal Notice No. 222 of the Mining Act (Cap.366) dated 18 December, 2013 which requires cement producers to pay mineral levy at a 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.

### **3. Non-Compliance with Unclaimed Financial Assets Act, 2011**

As previously reported, the statement of financial position reflects unclaimed dividends payable amounting to Kshs.101,680,120 as at 30 June, 2025. 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, including but not limiting to ownership interests (shares and dividends), with a period of abandonment of three (3) years.

In the circumstances, Management was in breach of law.

### **4. Absence of a Valid Mining License**

As previously reported, the Company is currently operating without a valid mining license as at 30 June, 2025. Review of correspondences with the Ministry of Mining confirms that applications for key quarrying licenses are still pending and remain in the processing stages. This contravenes the Mining Act, 2016, which requires that no person or entity may undertake prospecting, exploration, or mining operations without first obtaining the requisite licenses and permits from the Cabinet Secretary.

In the circumstances, Management was in breach of law.

## 5. Unresolved Prelisting with Credit Reference Bureau Due to Foreign Currency Swap

On 30 March, 1990, East African Portland Cement PLC (EAPCC) entered into a Loan Agreement (Loan No. KE-P17) with the Overseas Economic Cooperation Fund (JICA) for JPY 7,674,000,000 to finance the Cement Plant Rehabilitation Project. The Government of Kenya guaranteed the loan in the event of default by EAPCC through an agreement dated 25 July, 1990.

The Company's revenues were denominated in Kenya Shillings (KES), while the loan repayments were in Japanese Yen (JPY). The company incurred exchange losses on principal and interest payments thereby negatively impacting on the company performance as a result of these foreign exchange losses.

To mitigate the exchange rate risk, the company entered into a cross-currency swap with Stanbic Bank in 2011, which was governed by an ISDA Master Agreement. The swap converted the JPY loan in an United States Dollar (USD) obligation, allowing the Company to make payments in USD to the bank, while the Bank settled the Company's JPY obligation with JICA.

The swap was executed in two phases as detailed below:

No	Trade Date	Effective Date	JPY	USD	JPY Fixed Interest Rate	USD Fixed Interest Rate
1	3-Nov-2011	7-Nov-2011	776,305,000	9,952,628	2.50%	5.24%
2	28-Jun-2011	20-Mar-2011	821,970,000	10,172,896	2.50%	5.32%

Between 2011 and 2016, the Company met its swap obligations to Stanbic Bank. However, later in 2016 the Company defaulted its repayments and the Government of Kenya who were the loan guarantor, took over the JICA loan repayments until its full settlement in March, 2020. Management ceased repayments to Stanbic Bank when the Government took over the loan repayment.

As a result, the Company terminated the currency swap agreement with Stanbic Bank in 2016 when the Government took over the loan repayment at which point the Bank presented the swap valuation cost for settlement by the Company as below

	Currency	Trade 1	Trade 2	Total
Swap Notional	USD	2,260,644	2,341,795	4,602,439
Market to Market	USD	905,479	985,264	1,890,743
<b>Marked to Market</b>	<b>KES</b>	<b>92,358,866</b>	<b>100,496,936</b>	<b>1,928,555,802</b>

The Company considered the price valuation given by the bank as inadequate as it was not justified with parameters and therefore referred the matter to CBK/CMA for investigation and /or arbitration. On 15 May, 2018, the bank notified the Company of pre-listing with Credit Reference Bureau pursuant to Regulation 50(1) (a)- the Credit Reference Bureau Regulations, 2013 unless the Company settles the amount of Kshs.192,855,802.The Management explained that the pricing for termination of the foreign currency swap was disputed and the matter is under litigation.

In the circumstances, the Management was in breach of contractual obligations.

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 effects of the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

### **Basis for Conclusion**

#### **Inadequacy of the IFRS 9 Model Documentation**

Review of the Company's IFRS 9 impairment model revealed inadequacies in the underlying documentation. In particular, the model does not outline the governance framework applied in its development and oversight. Further, certain financial instruments including staff receivables of Kshs.71 million, other receivables amounting to Kshs.1.12 billion, and related party balances of Kshs.356.4 million were excluded from the model.

In the circumstances, the Company's documentation of its IFRS 9 impairment model was incomplete, and the adequacy of the model could not be considered fully in place.

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 17 to 20 is consistent with the financial statements; and
- iii. The auditable part of the Directors' remuneration report on pages 21 to 24 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 financial statements, Management is responsible for assessing 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 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.

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*Report of the Auditor-General on East African Portland Cement Plc for the year ended 30 June, 2025*

## **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**

**24 October, 2025**

## East African Portland Cement PLC

Annual Report and Financial Statements for the Year ended 30 June 2025

### Statement of Profit or Loss and Other Comprehensive Income

	Notes	Year ended 30 June	
		2025	2024
		Shs '000	Shs '000
Revenue	6	7,083,567	3,279,053
Cost of sales	7	(6,040,216)	(4,056,504)
<b>Gross profit / (loss)</b>		<b>1,043,351</b>	<b>(777,451)</b>
Other operating income	8	1,414,578	87,878
Provision Writeback	7	235,522	-
Selling and distribution expenses	7	(26,055)	(22,429)
Administration and establishment expenses	7	(1,109,616)	(804,788)
Other operating expenses	7	(256,789)	(346,171)
Expected credit loss allowance	9	334,280	(9,049)
<b>Profit / (Loss) from operations</b>		<b>1,635,271</b>	<b>(1,872,010)</b>
Finance income	10 (a)	893	
Finance cost	10 (b)	(782)	(427)
Fair value gain – Investment property	16	3,896,215	3,033,462
<b>Profit / (Loss) before tax</b>		<b>5,531,597</b>	<b>1,161,025</b>
Income tax (expense) / credit	12 (a)	(6,287)	(4,471)
<b>Profit / (Loss) for the year</b>		<b>5,525,310</b>	<b>1,156,554</b>
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Remeasurement of post-employment benefit obligations, net of tax	23 (iii)	-	93,598
Asset revaluation surplus	14	10,999,201	
Deferred tax on asset revaluation surplus	27 (c)	(3,299,760)	-
<b>Total comprehensive income / (loss) for the year</b>		<b>13,224,751</b>	<b>1,250,152</b>
Earnings per share	13	<b>61.39</b>	<b>12.85</b>

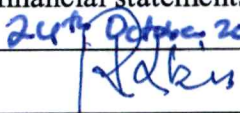
## East African Portland Cement PLC

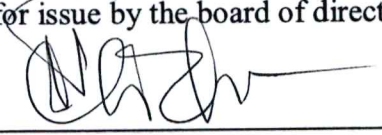
Annual Report and Financial Statements for the Year ended 30 June 2025

Statement of Financial Position as at 30 June 2025

	Notes	Year ended	
		30 June 2025	30 June 2024
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment properties	16	24,580,200	21,238,614
Property, plant and equipment	14	15,453,795	4,920,670
Assets Held for Sale	16 (b)	2,624,730	2,269,592
Right-of-use assets	29 (b)	2,049	10,607
Intangible assets	18	1,489	3,629
Investment in subsidiary	17	-	2,500
		<b>42,662,263</b>	<b>28,445,612</b>
<b>Current assets</b>			
Assets Held for Sale	16 (b)	2,386,320	2,386,320
Trade and other receivables	21	2,097,736	2,782,540
Due from related parties	30	354,274	356,433
Inventories	20	2,109,092	1,171,049
Cash and cash equivalents	19	683,823	20,758
Current income tax	12 (b)	19,784	25,938
		<b>7,651,029</b>	<b>6,743,038</b>
<b>TOTAL ASSETS</b>		<b>50,313,292</b>	<b>35,188,650</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	22 (a)	450,000	450,000
Share premium	22 (b)	648,000	648,000
Asset revaluation reserves	22 (c)	7,803,376	103,935
Retained earnings		24,352,354	18,917,047
Other reserves	22 (d)	384,256	384,256
<b>TOTAL EQUITY</b>		<b>33,637,986</b>	<b>20,503,238</b>
<b>Non-current liabilities</b>			
Borrowings	24	1,942,945	1,942,945
Deferred tax liability	27 (c)	3,299,760	-
Lease liabilities	29 (a)	-	8,550
		<b>5,242,705</b>	<b>1,951,495</b>
<b>Current liabilities</b>			
Trade and other payables	25	11,092,534	12,006,500
Post-employment benefits obligations	23	235,421	607,404
Dividends payable	26	101,680	101,680
Lease liabilities	29 (a)	2,966	18,333
		<b>11,432,601</b>	<b>12,733,917</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>50,313,292</b>	<b>35,188,650</b>

The financial statements on pages 27 to 80 were approved for issue by the board of directors on 24th October 2025 and signed on its behalf by:

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

  
**CPA Mohamed Osman Adan**  
 Managing Director

## East African Portland Cement PLC

Annual Report and Financial Statements for the Year ended 30 June 2025

### Statement of Changes in Equity

	Share capital Shs' 000	Share premium Shs' 000	Asset revaluation reserves Shs' 000	Retained earnings Shs' 000	Other reserves Shs' 000	Total Equity Shs' 000
<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
<b>Total comprehensive income for the year</b>	-	-	-	<b>1,156,554</b>	<b>93,598</b>	<b>1,250,152</b>
At end of the year	450,000	648,000	103,935	18,917,047	384,256	20,503,238
<b>Year ended 30 June 2025</b>						
At start of year	450,000	648,000	103,935	18,917,047	384,256	20,503,238
Dividend	-	-	-	(90,003)	-	(90,003)
Profit for the year	-	-	-	5,525,310	-	5,525,310
Deferred Tax Asset on revaluation surplus	-	-	(3,299,760)	-	-	(3,299,760)
Other comprehensive income	-	-	10,999,201	-	-	10,999,201
<b>Total comprehensive income for the year</b>	-	-	<b>7,699,441</b>	<b>5,525,310</b>	-	<b>13,224,751</b>
At end of the year	450,000	648,000	7,803,376	24,352,354	384,256	33,637,986

## East African Portland Cement PLC

Annual Report and Financial Statements for the Year ended 30 June 2025

### Statement of Cash flows

	Notes	Year ended 30 June	
		2025 Shs' 000	2024 Shs' 000
<b>Cash flows form operating activities</b>			
Net cash used in operations	28	242,657	(2,966,462)
Interest paid	10	(782)	(427)
<b>Net cash used in operating activities</b>		<b>241,875</b>	<b>(2,966,889)</b>
<b>Cashflows from investing activities</b>			
Purchase of property, plant and equipment	14	(58,128)	(160,136)
Proceeds from disposal of investment properties	16	273,723	3,089,646
Proceeds from disposal of assets held for sale	16(b)	317,504	-
Proceeds on sale of property, plant and equipment	14	2,010	-
<b>Net cash generated from investing activities</b>		<b>535,109</b>	<b>2,929,510</b>
<b>Cashflow from financing activities</b>			
Dividends paid	26	(90,003)	-
Repayment of principal portion of lease liability	29	(23,916)	(8,276)
<b>Net cash (used in) / generated from financing activities</b>		<b>(113,918)</b>	<b>(8,276)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>663,065</b>	<b>(45,655)</b>
<b>Movements in cash and cash equivalents</b>			
At start of year		20,758	66,413
Increase / (Decrease)		663,065	(45,655)
<b>At end of year</b>	19	<b>683,823</b>	<b>20,758</b>

**East African Portland Cement PLC**  
Notes to the Financial Statements  
For the year ended 30 June 2025

**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 shares of the company are listed at 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. Functional and presentation currency**

These financial statements are presented in Kenya Shillings (Kes/Kshs) which is the Company's functional currency. All amounts have rounded to the nearest thousands, except when otherwise indicated.

**3. Basis of accounting**

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by International Accounting Standards Board (IASB).

Details of the Company's material accounting policies, including changes thereto, are included in Note 3(e).

**a. Going concern**

Having assessed the company's ability to continue as a going concern, the directors are not aware of any material uncertainties related to events or conditions that may cast doubt upon the Company's ability to continue as a going concern.

The Company profit after tax for the year closed at Kshs 5.525 billion compared to Kshs 1.156 billion in the prior year. Though the current liabilities exceeded the current assets by Kshs 3.782 billion (2024: Kshs 5.991 billion), the total net assets closed at Kshs 33.637 billion compared to Kshs 20.4 billion in the prior year. This growth in total net assets was driven by investment property carried at fair value.

To normalize the working capital position, the board of directors resolved to realize value through the disposal of a portion of the investment property. This involved:

- (i) The regularization program for 909 acres (specifically LR 8784/144, 8784/145, and 8784/653).
  - The land was previously heavily populated by informal settlers. This initiative grants the local community the first right of purchase. To date, the program has generated over Kshs 1.012 billion in sales proceeds.
  - As part of the ongoing regularization program, management has implemented a staff liability reduction initiative through a land swap arrangement. This strategy primarily addresses obligations related to "Eurobond" and deed of settlement staff.

**3. Basis of accounting (continued)**

**a. Going concern (continued)**

Eligible claimants have agreed to accept land allocations as an alternative to cash settlements, effectively reducing the company's immediate cash outflows and addressing long-standing staff-related liabilities. Through this arrangement, the company has settled staff liabilities totalling Kshs 672 million.

- Additionally, the remaining land parcels within the regularization program are anticipated to generate an additional Kshs 3.716 billion in sales proceeds.

(ii) Subdivision of 1,000 acres of LR 10424 into 50-acre land parcels.

- Out of these, twelve parcels have already been sold.
- The remaining eight parcels, valued at Kshs 2.941 billion are currently actively marketed for sale, with ongoing engagements aimed at concluding the sale transactions. Notably, there is an ongoing undertaking by the Rural Electrification and Renewable Energy Corporation (REREC) to acquire two parcels, L.R. No. 10424/17 and 10424/18, for a tentative sum of KES 820 million. It is important to note that these figures represent indicative values, subject to final agreement between the two institutions. This development represents a positive milestone in the company's asset disposal strategy. The company is aggressively accelerating the disposal process to ensure the timely sales conclusion of all remaining parcels.

(iii) To expedite the sale of LR 10424/25 (1948 acres), the Company is considering subdividing the land into smaller land parcels. The company anticipates that upon liquidation, these subdivided parcels could generate approximately Kshs 12 billion in sales proceeds.

The strategic value extraction from these investment properties ensures the Company's ability to fulfil its financial obligations effectively.

**b. Use of judgement and estimates**

In preparing these financial statements, management has made judgements and estimates about the future that affect the application of the Company's accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

**i. Judgements**

Information about judgements made in applying accounting policies have the most significant effects on the amounts recognised in the financial statements is including in the following notes:

**3. Basis of accounting (continued)**

**b. Use of judgement and estimates (continued)**

**i. Judgements (continued)**

Note 3(a): going concern – whether there are material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern.

Note 7: Establishing the criteria for determining whether credit risk on trade receivables has increased significantly since initial recognition, selection and approval of models used to measure ECL.

**c. Assumptions and estimation uncertainties**

Information about assumptions and estimation uncertainties at the reporting date that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is included in the following notes:

Note 3(d) (i): Revenue recognition – estimate of expected returns

Note 3(d) (viii): Lease term – whether the Company is reasonably certain to exercise extension options.

Note 3(d) (vi): Recognition of deferred tax assets – availability of future taxable profits against which deductible temporary differences and tax losses carried forward can be utilised.

Note 3(d) (xvi): Recognition and measurement of provisions and contingencies – key assumptions about the likelihood and magnitude of an outflow of resources

Note 3(e) (xiii): Measurement of ECL allowance for trade receivables – key assumptions in determining the weighted average loss rate.

***Measurement of fair values***

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets.

The Company has an established control framework with respect to the measurement of fair values. This includes engaging the services of a qualified valuer that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the chief financial officer.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of the Accounting Standards, including the level in the fair value hierarchy in which the valuations should be classified.

**East African Portland Cement PLC**  
Notes to the Financial Statements  
For the year ended 30 June 2025

**3. Basis of accounting (continued)**

**c. Assumptions and estimation uncertainties (continued)**

Significant valuation issues are reported to the Company's Board Audit Committee.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation technique as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included in 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: Inputs for the assets or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire management.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumption made in measuring fair values is included in the following notes:

Note 3 (d) (xi): Investment property

Note 3 (d) (vii): Property, Plant and Equipment

Note 3 (d) (xiii): Financial instruments

**d. Summary of material accounting policies**

The Company has consistently applied the following accounting policies to all periods presented in these financial statements, except if mentioned otherwise.

**i) Revenue from contracts with customers**

The Company generates revenue from sales of cement and paving blocks. Revenue is recognised as and when it satisfies a performance obligation by transferring control over a product to a customer. The amount of revenue recognised is the amount the Company 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.

Below provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

**East African Portland Cement PLC**  
Notes to the Financial Statements  
For the year ended 30 June 2025

**3. Basis of accounting (continued)**

**d. Summary of material accounting policies (continued)**

**i) Revenue from contracts with customers (continued)**

*Sale of cement and paving blocks*

Revenue from sale of cement and paving blocks is recognised as and when the Company satisfies its performance obligation by transferring control over 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.

**ii) Interest income**

Interest income is recognised on a time proportion basis using the effective interest method.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset.

In calculating interest income, the effective interest rate is applied to the gross carrying amount of the financial asset (when the asset is not credit-impaired). However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

**iii) 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.

**iv) Income tax**

Income tax expense comprises current and deferred income tax. It 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.

The Company has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

*(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.

**3. Basis of accounting (continued)**

**d. Summary of material accounting policies (continued)**

**iv) Income tax (continued)**

*(ii) Current income tax (continued)*

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.

*(iii) Deferred income tax*

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that:

- is not a business combination; and
- at the time of the transaction
  - (i) affects neither accounting nor taxable profit or loss and
  - (ii) does not give rise to equal taxable and deductible temporary differences 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.

**v) Functional currency and translation of foreign currencies**

*(i) Functional and presentation currency*

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. These financial statements are presented in Kenya Shillings, which is the Company's functional currency.

**East African Portland Cement PLC**  
Notes to the Financial Statements  
For the year ended 30 June 2025

**3. Basis of accounting (continued)**

**d. Summary of material accounting policies (continued)**

**vi) Income tax (continued)**

*(ii) Transactions and balances*

Transactions in foreign currencies are translated into the Company's functional currencies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined.

Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss and presented within finance costs.

**vii) Property, plant and equipment**

*(i) Recognition and measurement*

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 Company policy is to professionally revalue property, plant and equipment at least once every three to five years. 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 and the net amount is restated to the revalued amount of the asset.

*(i) Subsequent expenditure*

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

**3. Basis of accounting (continued)**

**d. Summary of material accounting policies (continued)**

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

*(ii) 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 Company's accounting policy. Such assets are reclassified 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.

*(iii) Depreciation*

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values under the straight-line method over their estimated useful life and is generally recognised in profit or loss. 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. Land is not depreciated.

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 estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

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 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.

*(v) Impairment*

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.

**3. Basis of accounting (continued)**

**d. Summary of material accounting policies (continued)**

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

*(vi) Reclassification to investment property*

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified accordingly. Any gain arising on this remeasurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in OCI and presented in the revaluation reserve. Any loss is recognised in profit or loss. However, to the extent that an amount is included in the revaluation surplus for that property, the loss is recognised in OCI and reduces the revaluation surplus within equity.

**viii) Leases**

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

*(i) As a lessee*

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. The useful lives of the current lease arrangements are between 3-5 years with the option to renew for some of the leases. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. According to IFRS 16, the company has made a judgement of excluding VAT from the lease payment computations.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Subsequently, the lease liability is measured at amortised cost under the effective interest method. subject to remeasurement to reflect any reassessment, lease modifications, or revised fixed lease payments.

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.

**3. Basis of accounting (continued)**

**d. Summary of material accounting policies (continued)**

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

*Short-term leases and leases of low-value assets as a lessee*

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, The total lease payments associated with these leases are recognised in profit or loss as an expense on a straight-line basis over the lease term.

*(ii) As a 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 Company has not entered any finance leases.

**ix) 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.

When inventories are sold, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. Any write-down of inventories to net realisable value and all losses of inventories is recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

**x) 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.

**3. Basis of accounting (continued)**

**d. Summary of material accounting policies (continued)**

**x) Intangible assets (continued)**

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.

**xi) 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.

Rental income from investment property is recognised as other revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

**xii) Assets held for sale**

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Company's other accounting policies.

Impairment losses on initial classification as held-for-sale or held-for-distribution and subsequent gains and losses on remeasurement are recognised in profit or loss.

### 3. Basis of accounting (continued)

#### d. Summary of material accounting policies (continued)

##### xii) Assets held for sale (continued)

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

##### xiii) Financial instruments

###### i) *Recognition and initial measurement*

Financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus or minus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price. However, if the Company has an unconditional right to an amount that differs from the transaction price (e.g. due to the Company's refund policy), the trade receivable will be initially measured at the amount of that unconditional right.

###### ii) *Classification and subsequent measurement*

###### *Financial assets – classification and subsequent measurement*

On initial recognition, a financial asset is classified as subsequently measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

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

These assets are initially measured at the transaction price and subsequently measured at amortised cost under the effective interest method. The gross carrying amount is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

**3. Basis of accounting (continued)**

**d. Summary of material accounting policies (continued)**

**xiii) Financial instruments (continued)**

*ii) Classification and subsequent measurement*

*Financial assets – classification and subsequent measurement*

All other categories of financial assets are measured at the fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of the instrument.

*Financial assets – impairment*

The Company 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.

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.

*Financial liabilities – Classification, subsequent measurement and gains and losses*

Financial liabilities are measured at amortised cost. Financial liabilities are subsequently measured at amortised cost under the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Borrowings and trade and other liabilities are classified as at amortised cost.

All other categories of 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.

*iii) Derecognition*

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

**3. Basis of accounting (continued)**

**d. Summary of material accounting policies (continued)**

**xiii) Financial instruments (continued)**

*iv) Presentation*

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

**xiv) Non-financial assets**

The carrying amounts of the Company'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 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

**xv) 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.

**xvi) Provisions**

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

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**3. Basis of accounting (continued)**

**d. Summary of material accounting policies (continued)**

**xvi) Provisions (continued)**

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.

**xvii) 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 Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

**xviii) Cash and cash equivalents**

In the 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.

**xix) 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 Company has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee and if the obligation can be measured reliably.

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.

*(ii) Retirement benefit costs*

The Company operates an unfunded service gratuity benefit scheme for unionisable employees based on basic salary and years of service. The Company's unionisable staff who resign or whose services are terminated either due to illness or other reasons after completion of ten years of continuous and meritorious service are entitled to twenty-one days' pay for each completed year of service by way of gratuity, based on the wages or salary at the time of such resignation or termination of services, as provided for in the trade union agreement.

**3. Basis of accounting (continued)**

**d. Summary of material accounting policies (continued)**

**xix) Employee benefits (continued)**

*(ii) Retirement benefit costs*

The Company's employees under contract terms are also entitled to gratuity at the rate of 31% 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 financial statements at the present value of benefits payable as it accrues to each employee.

There was no post-employment benefit obligation computed in the year ended 30 June 2025 as all of the Company's employees are on contractual basis.

**xx) 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).

**xxi) Comparatives**

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

**xxii) Accounting standards issued but not yet effective**

A number of new accounting standards are effective for annual reporting periods beginning after 1 July 2024 and earlier application is permitted. However, the Company has not early adopted the following new or amended accounting standards in preparing these financial statements.

***IFRS 18 Presentation and Disclosure in Financial Statements***

IFRS 18 will replace IAS 1 *Presentation of Financial Statements* and applies for annual reporting periods beginning on or after 1 January 2027. The new standard introduces the following key new requirements.

- Entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to present a newly defined operating profit subtotal. Entities' net profit will not change.
- Management-defined performance measures (MPMs) are disclosed in a single note in the financial statements.
- Enhanced guidance is provided on how to group information in the financial statements.

In addition, all entities are required to use the operating profit subtotal as the starting point for the statement of cash flows when presenting operating cash flows under the indirect method.

**3. Basis of accounting (continued)**

**d. Summary of material accounting policies (continued)**

**xxii) Accounting standards issued but not yet effective (continued)**

***IFRS 18 Presentation and Disclosure in Financial Statements***

The Company is still in the process of assessing the impact of the new standard, particularly with respect to the structure of the Company’s statement of profit or loss, the statement of cash flows and the additional disclosures required for Management-defined performance measures (MPMs). The Company is also assessing the impact on how information is grouped in the financial statements, including for items currently labelled as ‘other’.

**Other accounting standards**

The Company has not applied the following new or amended 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.

**xxi.) Accounting standards issued but not yet effective (continued)**

<b>New accounting standards or amendments</b>	<b>Summary</b>	<b>Effective date</b>
Lack of Exchangeability – Amendments to IAS 21	In August 2023, the International Accounting Standards Board (IASB) amended IAS 21 to clarify: <ul style="list-style-type: none"> <li>– when a currency is exchangeable into another currency; and</li> <li>– how a company estimates a spot rate when a currency lacks exchangeability.</li> </ul> The amendments requires the disclosure of the nature of restrictions, rates, estimation process and risks Restatement is not required, rather only an adjustment of the opening balances.	1 January 2025
Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7	The amendments, which were published by the International Accounting Standards Board (IASB) on 30 May 2024, concern, among other things, a clarification of the classification of financial assets that are linked to environmental, social and governance (ESG) and similar characteristics. These amendments result from the review of the corresponding part of IFRS 9 Financial Instruments (Post-Implementation Review) carried out in 2022 (see Express Accounting News 24/2024).	1 January 2026
Annual Improvements to IFRS Accounting Standards – Volume 11	IFRS 1 - “Conditions” → “qualifying criteria” for hedge accounting; linkage to IFRS 9. IFRS 7 - Gain/loss on derecognition—highlight when fair value inputs are unobservable.	1 January 2026

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New accounting standards or amendments	Summary	Effective date
	<p>IFRS 9 - Trade receivables measured per IFRS 15 when no financing component AND Lease liabilities extinguished per IFRS 9 derecognition rules.</p> <p>IFRS 10 - Clearer criteria for identifying de facto agents.</p> <p>IAS 7 - Updated "cost method" terminology to "at cost".</p>	
<p>IFRS 19 Subsidiaries without Public Accountability: Disclosures</p>	<p>IFRS 19 allows eligible subsidiaries to apply IFRS Accounting Standards with the reduced disclosure requirements of IFRS 19.</p> <p>A subsidiary may choose to apply the new standard in its consolidated, separate or individual financial statements provided that, at the reporting date:</p> <ul style="list-style-type: none"> <li>- it does not have public accountability; and</li> <li>- its parent produces consolidated financial statements under IFRS Accounting Standards.</li> </ul> <p>A subsidiary applying IFRS 19 is required to clearly state in its explicit and unreserved statement of compliance with IFRS Accounting Standards that IFRS 19 has been adopted.</p>	<p>1 January 2027</p>
<p>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28</p>	<p>Address inconsistency between IFRS 10 and IAS 28 on gain/loss recognition.</p>	<p>Available for optional adoption/ effective date deferred indefinitely</p>

**4. Financial risk management objectives and policies**

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

Risk management is carried out by the Internal Audit and Risk Management 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 Company has policies in place to ensure that sales are made to customers with an appropriate credit history.

#### **4. Financial risk management objectives and policies (continued)**

##### *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 Company management on a monthly basis.

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

For determination of expected credit losses on related parties, the Company 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 Company 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 a 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 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

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**4. Financial risk management objectives and policies (continued)**

The Company 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:

	Note	Gross carrying amount	Loss allowance	Net carrying amount
		Shs' 000	Shs' 000	Shs' 000
<b>As 30 June 2025</b>				
Trade receivables	21	828,128	(820,378)	7,750
Other receivables	21	1,206,336	(15,928)	1,190,408
Amounts due from related parties	30	510,282	(2,169)	508,113
Staff loans		128,608	(75,280)	53,328
Cash at bank balances	19	686,396	(3,542)	682,854
<b>Exposure at risk</b>		<b>3,359,750</b>	<b>(917,297)</b>	<b>2,442,453</b>
<b>As 30 June 2024</b>				
Trade receivables	21	831,609	(821,006)	10,603
Other receivables	21	2,729,600	(430,571)	2,299,029
Amounts due from related parties	30	427,127	(70,694)	356,433
Cash at bank balances	19	19,129	-	19,129
<b>Exposure at risk</b>		<b>4,007,465</b>	<b>(1,322,271)</b>	<b>2,685,194</b>

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.

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:

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**4. Financial risk management objectives and policies (continued)**

	<b>Gross carrying amount</b>	<b>Loss rates</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 2025</b>				
<i>Aged debtor balances</i>				
Current	4,255	16%	(695)	3,560
16 to 30 days	3,843	40%	(1,547)	2,296
31 to 60 days	3,976	53%	(2,105)	1,871
61 to 90 days	83	71%	(59)	24
Over 90 days	827,163	100%	(815,972)	11,192
	<b>839,320</b>		<b>820,378</b>	<b>18,943</b>
<b>At 30 June 2024</b>				
<i>Aged debtor balances</i>				
Current	8,956	0%	(1,317)	7,639
16 to 30 days	4,478	0%	(3,466)	1,012
31 to 60 days	32,151	4%	(31,150)	1,001
61 to 90 days	46,224	6%	(45,274)	950
Over 90 days	739,799	90%	(739,799)	0
	<b>831,609</b>		<b>(821,006)</b>	<b>10,603</b>

**Liquidity risk**

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

The following tables analyse the 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.

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**4. Financial risk management objectives and policies (continued)**

<b>30 June 2025</b>	<b>Note</b>	<b>&lt;3 months</b>	<b>3 – 6 months</b>	<b>6 – 12 months</b>	<b>1 – 5 years</b>	<b>Total</b>
		<b>Shs' 000</b>	<b>Shs' 000</b>	<b>Shs' 000</b>	<b>Shs' 000</b>	<b>Shs' 000</b>
<b>Financial assets</b>						
Cash and cash equivalent	19	683,823	-	-	-	683,823
Trade and other receivables less prepayments	21	698,763	-	-	-	698,763
<b>Financial liabilities</b>						
Trade and other payables less government related	25	(511,947)	(21,568)	(28,387)	(3,417,372)	(3,979,274)
Lease liabilities (undiscounted)	29	(2,966)	-	-	-	(2,966)
Borrowings (undiscounted)		(1,942,945)	-	-	-	(1,942,945)
Dividend payable	26	-	-	-	(101,680)	(101,680)
Bank overdraft		-	-	-	-	-
<b>Net financial assets / liabilities</b>		<b>(1,075,272)</b>	<b>(21,568)</b>	<b>(28,387)</b>	<b>(3,519,052)</b>	<b>(4,644,279)</b>
<b>30 June 2024</b>						
	<b>Note</b>	<b>&lt;3 months</b>	<b>3 – 6 months</b>	<b>6 – 12 months</b>	<b>1 – 5 years</b>	<b>Total</b>
		<b>Shs' 000</b>	<b>Shs' 000</b>	<b>Shs' 000</b>	<b>Shs' 000</b>	<b>Shs' 000</b>
<b>Financial assets</b>						
Cash and cash equivalent	19	20,758	-	-	-	20,758
Trade and other receivables less prepayments	21	373,249	719,838	1,572,978	-	2,666,065
<b>Financial liabilities</b>						
Trade and other payables less government related	25	(1,462,953)	(3,007,181)	(3,251,006)	(406,376)	(8,127,516)
Lease liabilities (undiscounted)	29	(7,817)	(7,817)	(7,816)	(10,914)	(34,363)
Borrowings (undiscounted)		-	-	-	(1,942,945)	(1,942,945)
Dividend payable	26	-	-	(101,680)	-	(101,680)
Bank overdraft		-	-	-	-	-
<b>Net financial assets / liabilities</b>		<b>(1,076,763)</b>	<b>(2,295,160)</b>	<b>(1,787,524)</b>	<b>(2,360,235)</b>	<b>(7,519,681)</b>

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**4. Financial risk management objectives and policies (continued)**

*Market risk*

*(i) Foreign exchange risk*

The Company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and Euros denominated transactions and the related recognized assets and liabilities.

	US Dollars	Uganda Shillings	Totals
At 30 June 2025	Shs' 000	Shs' 000	Shs' 000
<b>Assets</b>			
Cash and bank balances	-	-	-
Receivables	-	-	-
	-	-	-
<b>Total assets</b>			
<b>Liabilities</b>			
Trade payables	139,403	-	139,403
Other liabilities	298,820	-	298,820
	438,223	-	438,223
<b>Total Liabilities</b>		-	
<b>Net exposure</b>	<b>438,223</b>	<b>-</b>	<b>438,223</b>

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

**East African Portland Cement PLC**  
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**4. Financial risk management objectives and policies (continued)**

*Market risk (continued)*

*(i) Foreign exchange risk (continued)*

At 30 June 2025 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 Kes 74,059,687 higher/lower (2024: 92,308,200), mainly as a result of US Dollar denominated trade payables.

*(ii) Price risk*

The Company 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 Company 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 2025, if the interest rate had increased /decreased by 100 basis points with all other variables held constant, loss for the year would have been Kes nil (2024: Kes Nil) higher /lower.

*Capital management*

The Company 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 Company 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 Company 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 Company does not have a gearing ratio target, and it is not subject to any imposed capital requirements.

The gearing ratios at 30 June 2025 and 2024 are as follows:

	Note	2025 Shs' 000	2024 Shs' 000
Equity <sup>1</sup>		<u>36,508,703</u>	<u>20,395,138</u>
Debt <sup>2</sup>	24	1,942,945	1,942,945
Lease liabilities	29	2,966	26,883
Less cash and cash equivalents	19	<u>(683,823)</u>	<u>(20,758)</u>
<b>Net debt</b>		<u><b>1,262,088</b></u>	<u><b>1,949,070</b></u>
<b>Gearing ratio</b>		<u><b>3%</b></u>	<u><b>9.5%</b></u>

**East African Portland Cement PLC**  
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**4. Financial risk management objectives and policies (continued)**

***Capital management (continued)***

<sup>1</sup>Equity includes all capital and reserves of the Company that are managed as capital.

<sup>2</sup>Debt is defined as long term, short-term borrowings and overdraft.

**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 purposes of allocating resources, assessing performance and proposing strategic direction.

The Company revenues are derived from sales from the following markets:

	<b>2025</b>	<b>2024</b>
	<b>Shs' 000</b>	<b>Shs' 000</b>
Company distributors	4,675,154	2,295,337
Retail market	2,408,413	983,716
	<b>7,083,567</b>	<b>3,279,053</b>

**6. Revenue**

The Company generates revenue primarily from the sale of cement to its customers. The Company has determined that its contracts with customers do not contain a significant financing component.

	<b>2025</b>	<b>2024</b>
	<b>Shs' 000</b>	<b>Shs' 000</b>
<i>Recognised at a point in time</i>		
Bagged cement – local	7,061,570	3,251,117
Bagged cement – export	-	876
Bulk cement – local	22,352	26,680
Paving blocks – local	(355)	380
	<b>7,083,567</b>	<b>3,279,053</b>

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**7. Expenses by nature**

The following items have been charged in arriving at the operating profit from operations:

	<b>2025</b>	<b>2024</b>
	<b>Shs' 000</b>	<b>Shs' 000</b>
Employee benefits expenses (Note 11)	1,135,157	1,101,297
Cost of inventories consumed	1,003,030	385,136
Energy expenses	2,279,887	1,831,103
Repair and maintenance costs	459,048	386,288
Depreciation of property, plant and equipment (Note 14)	523,401	343,192
Fines and penalties	223,451	245,719
Transport expenses	537,140	325,347
Other expenses	831,075	360,066
Other general expenses	388,263	132,176
Bank charges	7,430	4,933
Net forex loss	-	66,746
Professional fees	35,285	14,370
Depot rent	2,435	3,269
Advertising and public relations	18,120	9,826
Adjustment for leases	(30,458)	-
Auditors' remuneration	7,554	9,699
Provisions write-back	(235,522)	-
Amortisation of prepaid lease rentals	11,858	10,724
	<b><u>7,197,154</u></b>	<b><u>5,229,892</u></b>

The expenses by nature as tabulated above represents the following expenses as presented in the statement of profit or loss and other comprehensive income:

	<b>2025</b>	<b>2024</b>
	<b>Shs' 000</b>	<b>Shs' 000</b>
Cost of sales	6,040,216	4,056,504
Selling and distribution expenses	26,055	22,429
Administration and establishment expenses	1,109,616	804,788
Other operating expenses	256,789	346,171
Provisions writeback	(235,522)	-
	<b><u>7,197,154</u></b>	<b><u>5,229,892</u></b>

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**8. Other operating income**

	<b>2025</b>	<b>2024</b>
	<b>Shs' 000</b>	<b>Shs' 000</b>
Sundry income	2,838	6,179
Rental income	20,063	14,905
Cement transport recoveries	1,104	3,183
Exchange gain on other foreign currency transactions	48,813	-
Gain on sale of investment property	1,341,760	63,611
	<b>1,414,578</b>	<b>87,878</b>

**9. Expected credit losses**

	<b>2025</b>	<b>2024</b>
	<b>Shs' 000</b>	<b>Shs' 000</b>
Loss Allowance on trade and other receivables (note 21)	(339,991)	9,049
Loss allowance on due from related parties (Note 30)	2,169	-
Loss allowance on bank balances (Note 19)	3,542	-
<b>Total expected credit loss allowance</b>	<b>(334,280)</b>	<b>9,049</b>

**10. a.) Finance income**

	<b>2025</b>	<b>2024</b>
	<b>Shs' 000</b>	<b>Shs' 000</b>
Interest on fixed deposits	893	-
<b>Total finance income</b>	<b>893</b>	<b>-</b>

**b.) Finance cost**

	<b>2025</b>	<b>2024</b>
	<b>Shs' 000</b>	<b>Shs' 000</b>
Interest on lease liabilities	(782)	(427)
<b>Total finance cost</b>	<b>(782)</b>	<b>(427)</b>

**11. Employee benefits expenses**

	<b>2025</b>	<b>2024</b>
	<b>Shs' 000</b>	<b>Shs' 000</b>
Salaries and wages	899,896	720,839
Retirement benefits costs:		
Defined benefit scheme	199,395	363,058
Social security costs (NSSF)	35,866	17,400
	<b>1,135,157</b>	<b>1,101,297</b>

**East African Portland Cement PLC**  
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**11. Employee benefits expenses (continued)**

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

	<b>2025</b>	<b>2024</b>
Production	285	275
Sales and distribution	37	29
Management and administration	191	161
	<b>513</b>	<b>465</b>

**12. Income tax**

**a) Income tax expense/(credit)**

	<b>2025</b>	<b>2024</b>
	<b>Shs' 000</b>	<b>Shs' 000</b>
Current income tax	6,287	4,471
<b>Income tax expense / (credit)</b>	<b>6,287</b>	<b>4,471</b>

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

	<b>2025</b>	<b>2024</b>
	<b>Shs' 000</b>	<b>Shs' 000</b>
Profit/(Loss) before income tax	5,167,092	1,161,025
Tax calculated at the statutory income tax rate of 20% (2024: 30%)	1,550,128	348,308
Tax effect of:		
Fair value gains on investments	(1,168,864)	(910,039)
Income not subject to tax	(402,528)	(4,479)
Expenses not deductible for tax purposes	(481,804)	213,822
Deferred tax asset not recognised	509,355	356,859
<b>Income tax expense/(credit)</b>	<b>6,287</b>	<b>4,471</b>

**b) Current income tax**

	<b>2025</b>	<b>2024</b>
	<b>Shs' 000</b>	<b>Shs' 000</b>
At start of year	(25,938)	(30,261)
Tax charge for the year	6,287	4,471
Tax adjustment	(133)	-
	<b>(19,784)</b>	<b>(25,938)</b>

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**13. Earnings per share**

The calculation of basic earnings per share has been based on the following profit attributable to ordinary shareholders and weighted average number of ordinary shares outstanding.

	<u>2025</u>	<u>2024</u>
Earnings for purposes of basic and diluted earnings per share	5,525,310	1,156,554
Number of ordinary shares (thousands)	90,000	90,000
Earnings per share basic and diluted (Kes)	<u>61.39</u>	<u>12.85</u>

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 2025 or 30 June 2024. Therefore, diluted earnings per share is the same as the basic earnings per share.

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**14. Property, plant and equipment**

	<b>Freehold land</b>	<b>Buildings</b>	<b>Plant and machinery</b>	<b>Motor vehicles</b>	<b>Computers office equipment furniture and fittings</b>	<b>Capital work in progress</b>	<b>Total</b>
	<b>Shs' 000</b>	<b>Shs' 000</b>	<b>Shs' 000</b>	<b>Shs' 000</b>	<b>Shs' 000</b>	<b>Shs' 000</b>	<b>Shs' 000</b>
<b>As at 1 July 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)
<b>Closing net book value</b>	<b>363,000</b>	<b>910,370</b>	<b>3,630,945</b>	<b>25,627</b>	<b>24,123</b>	<b>157,021</b>	<b>5,111,086</b>
<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
<b>Closing net book value</b>	<b>363,000</b>	<b>886,555</b>	<b>3,455,057</b>	<b>18,813</b>	<b>40,224</b>	<b>157,021</b>	<b>4,920,670</b>
<b>As 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)	(31,119)	-	(1,139,225)
<b>Net book value</b>	<b>363,000</b>	<b>886,555</b>	<b>3,455,057</b>	<b>18,813</b>	<b>40,224</b>	<b>157,021</b>	<b>4,920,670</b>

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**14. Property, plant and equipment (continued)**

	Freehold land	Leasehold 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	Shs' 000	Shs' 000
<b>As at 1 July 2024</b>								
Cost or fair value	363,000	-	958,000	4,420,078	87,131	74,665	157,021	<b>6,059,895</b>
Additions	-	4,010	-	19,965	-	34,153	-	<b>58,128</b>
Disposals	-	-	-	-	(7,428)	(50)	-	<b>(7,478)</b>
Depreciation Writeback on revaluation	-	-	95,259	1,270,444	71,818	61,412	-	<b>1,498,932</b>
Revaluation Surplus / Deficit	496,500	9,219,390	(111,300)	(10,956)	(39,137)	(54,228)	-	<b>9,500,269</b>
<b>Closing balance</b>	<b>859,500</b>	<b>9,223,400</b>	<b>941,958</b>	<b>5,699,532</b>	<b>112,384</b>	<b>115,952</b>	<b>157,021</b>	<b>17,109,748</b>
<b>Depreciation</b>								
Opening balance	-	-	(71,444)	(965,021)	(68,318)	(34,441)	-	<b>(1,139,224)</b>
Additions	-	-	(23,815)	(305,423)	(10,172)	(26,971)	(157,021)	<b>(523,402)</b>
Depreciation writeback	-	-	-	(52,813)	59,746	(261)	-	<b>6,672</b>
Disposals	-	-	-	-	-	-	-	<b>-</b>
<b>Closing balance as at 30 June 2025</b>	<b>-</b>	<b>-</b>	<b>(95,260)</b>	<b>(1,323,257)</b>	<b>(18,744)</b>	<b>(61,673)</b>	<b>(157,021)</b>	<b>(1,655,954)</b>
<b>Net book value</b>	<b>859,500</b>	<b>9,223,400</b>	<b>846,700</b>	<b>4,376,275</b>	<b>93,641</b>	<b>54,278</b>	<b>-</b>	<b>15,453,795</b>

In line with EAPC PLC accounting policy and IAS 16, the capital work in progress was fully impaired as the carrying amount exceeded its recoverable amount and expected economic benefit. The revaluation surplus in the statement of profit or loss and other comprehensive income includes the depreciation writeback on revaluation of the property, plant and equipment.

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**15. Prepaid operating leases**

	<b>2025</b>	<b>2024</b>
	<b>Shs' 000</b>	<b>Shs' 000</b>
<b>Cost</b>		
At the beginning of the year	-	8,792
<b>Amortisation</b>		
At the beginning of the year	-	3,917
Charge for the year	-	-
At end of the year	-	3,917
<b>Net carrying amount</b>	<b>-</b>	<b>4,875</b>

The prepaid operating leases relates to parcels of land held by the Company for mining and exploration purposes. In line with IAS 38 guidelines, the parcels have been classified under intangible assets (refer to note 18).

**16. Investment property**

	<b>2025</b>	<b>2024</b>
	<b>Shs' 000</b>	<b>Shs' 000</b>
At start of the year	21,238,614	25,909,698
Gross value gain in the year	3,896,215	3,033,462
Net fair value gain in the year	3,896,215	3,033,462
Transfer to Assets Held for Sale	(280,906)	(4,998,526)
Disposals	(273,723)	(2,532,546)
Gain on Disposal	-	(173,474)
<b>Net carrying amount</b>	<b>24,580,200</b>	<b>21,238,614</b>

Investment properties relate to leasehold land held by the Company under long-term arrangements. The fair value of the investment property is based on the valuation carried out by Proland Realtors 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.

Company Investment properties were measured based on Level 3 inputs as at 30 June 2025 and 30 June 2024. The land was valued on an open market value basis. There were no transfers between Levels 1, 2 and 3 in the period.

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**16. Investment property (continued)**

**b.) Assets Held for Sale**

	<b>2025</b>	<b>2024</b>
	<b>Shs' 000</b>	<b>Shs' 000</b>
At start of the year	4,655,911	-
Transfer from investment properties	280,905	4,998,526
Gain on transfer from investment properties	391,738	173,474
Disposal	(317,504)	(516,088)
<b>Net carrying amount</b>	<b><u>5,011,050</u></b>	<b><u>4,655,912</u></b>

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, previously held as investment property, have been reclassified to Assets Held for Sale due to ongoing active sale efforts. Under the regularisation program, a total of 7,190 plots were identified for disposal. Of these:

- i.) 3,492 parcels have been allocated to squatters who successfully met the required criteria.
- ii.) 1,507 plots were ring fenced for staff debt repayment purposes. Out of these, 901 have already been offered to eligible staff members.
- iii.) 1,215 plots were found to be hosting existing structures. While many of the occupants were initially hesitant to regularise, a growing number has now agreed to participate and are currently undergoing a regularisation process.
- iv.) The remaining plots, approximately 1,500, are in the process of validation and will be made available to the public upon completion.

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

	<b>2025</b>	<b>2024</b>
	<b>Shs' 000</b>	<b>Shs' 000</b>
Non-current Asset	2,624,730	2,269,592
Current Asset	2,386,320	2,386,320
<b>Total Assets Held for Sale</b>	<b><u>5,011,050</u></b>	<b><u>4,655,912</u></b>

**17. Investment in subsidiary**

East African Portland cement disposed of the investment it had in its subsidiary, East African Portland Cement Company Uganda Limited. The operations of the subsidiary were closed.

	<b>2025</b>	<b>2024</b>
At the beginning of the year	2,500	2,500
Disposal	(2,500)	0
<b>At the end of the year</b>	<b><u>0</u></b>	<b><u>2,500</u></b>

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**18. Intangible assets**

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

	<b>2025</b>	<b>2024</b>
	<b>Shs' 000</b>	<b>Shs' 000</b>
<b>Cost</b>		
At the beginning of year	11,900	11,900
Reclassification from Prepaid operating lease	365	-
At end of year	<u>12,265</u>	<u>11,900</u>
<b>Amortisation</b>		
At the beginning of the year	(8,271)	(7,132)
Charge for the year	(2,505)	(1,139)
At the end of year	<u>(10,776)</u>	<u>(8,271)</u>
<b>Net carrying amount</b>	<u>1,489</u>	<u>3,629</u>

**19. Cash and cash equivalents**

	<b>2025</b>	<b>2024</b>
	<b>Shs' 000</b>	<b>Shs' 000</b>
Bank balances	683,149	19,129
Cash on hand	4,216	1,629
Impairment	(3,542)	-
<b>Net carrying amount</b>	<u>683,823</u>	<u>20,758</u>

**20. Inventories**

	<b>2025</b>	<b>2024</b>
	<b>Shs' 000</b>	<b>Shs' 000</b>
Consumables	992,458	978,690
Raw materials	1,187,073	394,386
Work-in-progress	10,857	4,275
Finished products	20,326	49,827
	<u>2,210,714</u>	<u>1,427,178</u>
Provision for obsolete inventories	(101,622)	(256,129)
<b>Total Inventories</b>	<u>2,109,092</u>	<u>1,171,049</u>

No inventory was written off in the current year.

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**21. Trade and other receivables**

	<b>2025</b>	<b>2024</b>
	<b>Shs' 000</b>	<b>Shs' 000</b>
Gross Trade receivables	839,320	831,609
Impaired Trade receivables	(820,378)	(821,006)
<b>Net trade receivables</b>	<b>18,942</b>	<b>10,603</b>
Prepayments and deposits	619,369	472,908
Other receivables	1,459,425	2,299,029
	<b><u>2,097,736</u></b>	<b><u>2,782,540</u></b>

	<b>2025</b>	<b>2024</b>
	<b>Shs' 000</b>	<b>Shs' 000</b>
Gross amount due from related parties	356,443	356,433
Impairment	(2,169)	(238,819)
Reversal of impairment on Kenya Railways receivable	-	168,125
<b>Net due from related parties (Note 30)</b>	<b><u>354,274</u></b>	<b><u>356,433</u></b>
<b>Other receivables</b>		
Gross – other receivables	1,550,633	2,729,600
Impairment	(91,208)	(430,571)
<b>Net other receivables</b>	<b><u>1,459,425</u></b>	<b><u>2,299,029</u></b>

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 2025 reconcile to the opening loss allowances as set out below:

	<b>2025</b>	<b>2024</b>
	<b>Shs' 000</b>	<b>Shs' 000</b>
Opening loss allowance	821,006	811,957
Decrease in loss allowance (Note 9)	(628)	9,049
<b>Closing loss allowance</b>	<b><u>820,378</u></b>	<b><u>821,006</u></b>

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**22. Share capital and reserves**

**a) Share capital**

	<b>2025</b>	<b>2024</b>
	<b>Shs' 000</b>	<b>Shs' 000</b>
<b>Authorised:</b>		
126,000,000 shares of Kes 5 each	630,000	630,000
<b>Authorised, issued and fully paid:</b>		
90,000,000 shares of Kes 5 each	450,000	450,000

**b) Share premium**

	<b>2025</b>	<b>2024</b>
	<b>Shs' 000</b>	<b>Shs' 000</b>
Share premium	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**

	<b>2025</b>	<b>2024</b>
	<b>Shs' 000</b>	<b>Shs' 000</b>
Asset revaluation reserve	7,803,376	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.

**d) Other reserves**

	<b>2025</b>	<b>2024</b>
	<b>Shs' 000</b>	<b>Shs' 000</b>
Post-employment benefits reserve	384,256	384,256
	<b>384,256</b>	<b>384,256</b>

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.

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**23. Post-employment benefit obligations**

The Company operates a gratuity benefit plan for its contract employees who comprise 99.4% of the total workforce. The relevant benefits provisions are derived from the HR policy and the signed contract between the staff and the company.

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

	<b>2025</b>	<b>2024</b>
	<b>Shs' 000</b>	<b>Shs' 000</b>
Staff gratuity – current	235,421	607,404
Staff gratuity – non-current	-	-
	<b>235,421</b>	<b>607,404</b>

The current liability portion relates to accrued employees' gratuity as at 30<sup>th</sup> June 2025.

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

	<b>2025</b>	<b>2024</b>
	<b>Shs' 000</b>	<b>Shs' 000</b>
Current service cost	-	113,056
Net interest expense	-	94,418
<b>Component of defined benefit costs recognised in profit or loss</b>	<b>-</b>	<b>207,474</b>
Actuarial losses arising from changes in demographic and financial assumptions recognised in other comprehensive income	-	(133,711)
	<b>-</b>	<b>73,763</b>

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

	<b>Before tax</b>	<b>Tax charge</b>	<b>After tax</b>
	<b>Shs' 000</b>		<b>Shs' 000</b>
<b>Year ended 30 June 2025</b>	<b>-</b>	<b>-</b>	<b>-</b>
Actuarial gain – expert valuations	-	-	-
	<b>-</b>	<b>-</b>	<b>-</b>
<b>Year ended 30 June 2024</b>	<b>-</b>	<b>-</b>	<b>-</b>
Actuarial gain – expert valuations	(133,711)	40,113	(93,598)
	<b>(133,711)</b>	<b>40,113</b>	<b>(93,598)</b>

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**23. Post-employment benefit obligations (continued)**

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

	<b>2025</b>	<b>2024</b>
	<b>Shs' 000</b>	<b>Shs' 000</b>
At start of year	607,404	533,641
Movement in the year	(371,983)	73,763
<b>At end of year</b>	<b>235,421</b>	<b>607,404</b>

**24. Borrowings**

The borrowings are analysed as follows:

	<b>2025</b>	<b>2024</b>
	<b>Shs' 000</b>	<b>Shs' 000</b>
Government debt (Note 31)	1,942,945	1,942,945
Total borrowings	1,942,945	1,942,945
<b>Current portion of borrowings</b>	<b>-</b>	<b>-</b>

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

	<b>2025</b>	<b>2024</b>
	<b>Shs' 000</b>	<b>Shs' 000</b>
At start of year	1,942,945	1,942,945
	<b>1,942,945</b>	<b>1,942,945</b>

**Government loan**

East African Portland Cement Plc entered into a Loan Agreement on 30<sup>th</sup> March 1990 with the Overseas Economic Cooperation Fund for the amount of Japanese Yen Seven Billion, Six Hundred and Seventy-Four Million (JPY 7,674,000), for the implementation of the Cement Plant Rehabilitation Project.

By the terms of the Loan agreement, the Government agreed to guarantee the loan in the event of default by the Company. The Guaranteed agreement was made and signed on 25<sup>th</sup> July 1990 by Vice President and Minister of Finance who was authorised to make and sign it on behalf of the Guarantor under the Guarantee (Loans) Acts Chapter 461 Laws of Kenya.

The Company services the loan appropriately until 2016 when it faced financial challenges and defaulted the outstanding balance of Kenya Shillings One Billion, Four Hundred and Eighty-Three Million, Seventy-Seven Thousand and Four (Kshs, 1,483,077,004).

This relates to the Japanese loan that was taken over by the government on behalf of the company.

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**24. Borrowings (continued)**

***Government loan (continued)***

The total loan from Overseas Economic Co-operation Fund of Japan was JPY 7.67 billion. The interest charged on the loan was 2.5 % per annum. The loan was guaranteed by the Kenyan Government.

The Government as a guarantor took over servicing of the outstanding loan balance up to March 2020 when the loan was fully repaid.

As at 30th June 2025, the Government loan due from EAPC PLC was Kenya Shillings One Billion, Nine Hundred and Forty-Two Million, Nine Hundred and Forty-Five Thousand, Four Hundred and Ninety-Seven (Kshs. 1,942,945,497), being principal amount of Kenya Shillings one billion, four hundred and eighty-three million, seventy-seven thousand and four (Kshs. 1,483,077,004), and accumulated interest of Kenya shillings four hundred and fifty-nine million, eight hundred and sixty-eight thousand, four hundred and ninety-three (Kshs. 459,868,493).

The government, through the national treasury has since entered into an agreement with the company setting out the terms and conditions for the loan repayment. The agreement was executed on behalf of the Government of the Republic of Kenya by the Cabinet Secretary, The National Treasury and Economic Planning, Hon. FCPA John Mbadi Ng'ongo, EGH, on 24th July 2025.

The agreement gives a moratorium of four years with the first loan repayment scheduled for 30th September 2029.

**25. Trade and other payables**

	<b>2025</b>	<b>2024</b>
	<b>Shs' 000</b>	<b>Shs' 000</b>
Trade payables	2,417,445	3,089,037
Other payables and accruals	2,132,629	1,557,145
Staff payables	1,730,260	2,512,717
Due to related parties (Note 30)	3,688,551	3,878,984
Advance receipts from customers	828,337	669,798
Other liabilities	295,312	298,819
	<b>11,092,534</b>	<b>12,006,500</b>

Trade and other payables are non-interest bearing. The Company 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.

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**25. Trade and other payables (continued)**

***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 favour 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 Company terminated the arrangement with Stanbic Bank and initiated a mark to market settlement of the swap arrangement resulting in a payable position of Kes 186,220,000 as at 30 June 2018. The liability amounted to Kes Kes 298,819,000 as at 30 June 2025 (2024: Kes 298,819,000).

The table below shows the movement of the liability

	<b>2025</b>	<b>2024</b>
	<b>Shs' 000</b>	<b>Shs' 000</b>
At start of year	298,819	304,412
Foreign exchange (gain) / loss	(3,507)	(5,593)
<b>At end of year</b>	<b>295,312</b>	<b>298,819</b>

**26. Dividend payable**

	<b>2025</b>	<b>2024</b>
	<b>Shs' 000</b>	<b>Shs' 000</b>
Dividend payable	101,680	101,680
Dividends declared	90,003	
Dividends paid	(90,003)	-
<b>At the end of the year</b>	<b>101,680</b>	<b>101,680</b>

The dividend payable amount relates to dividends declared for the year ended 30<sup>th</sup> June 2012 and 30<sup>th</sup> June 2015.

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**27. Deferred income tax**

**a.) Deferred tax movement**

Deferred income tax is calculated using the enacted income tax rate of 30% (2024: 30%). The movement on the deferred income tax account is as follows:

	Notes	1 July 2023 Shs' 000	Charge / (credited) to Profit and loss Shs' 000	Charge to OCI Shs' 000	At 30 June 2024 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
		<b>4,910,282</b>	<b>(406,807)</b>	<b>-</b>	<b>4,503,475</b>
<b>Deferred tax assets</b>					
Tax losses carried forward		(5,748,164)	(385,403)	-	(6,133,567)
Provisions		(1,091,276)	(40,279)	40,113	(1,091,892)
Leases		(3,501)	(2,483)	-	(5,984)
Other temporary difference		(442,098)	1,989,981	-	1,548,333
		<b>(7,285,039)</b>	<b>1,561,816</b>	<b>40,113</b>	<b>(5,683,110)</b>
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
<b>Net deferred income tax liability (asset)</b>		<b>-</b>	<b>(40,113)</b>	<b>40,113</b>	<b>-</b>

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**27. Deferred income tax (continued)**

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

	<b>1 July 2024</b>	<b>Charge / (credited) to Profit and loss</b>	<b>Charge to OCI</b>	<b>At 30 June 2025</b>
<b>Notes</b>	<b>Shs' 000</b>	<b>Shs' 000</b>	<b>Shs' 000</b>	<b>Shs' 000</b>
<b>Year ended 30 June 2025</b>				
<b>Deferred tax liabilities</b>				
Property, plant and equipment	1,317,683	308,105	-	1,625,788
Investment properties	3,185,792	501,238	-	3,687,030
	<b>4,503,475</b>	<b>809,343</b>	<b>-</b>	<b>5,312,818</b>
<b>Deferred tax assets</b>				
Tax losses carried forward	(6,133,567)	(509,356)	-	(6,642,923)
Provisions	(1,091,892)	615,189	-	(476,703)
Leases	(5,984)	8,576	-	2,592
Other temporary difference	1,548,333	10,512	-	1,558,845
	<b>(5,683,110)</b>	<b>124,921</b>	<b>-</b>	<b>(5,558,189)</b>
Net deferred income tax asset	(1,179,635)	934,264	-	(245,371)
Deferred tax not recognised	1,179,635	(934,264)	-	245,371
<b>Net deferred income tax liability (asset)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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**27. Deferred income tax (continued)**

**b.) Ageing of recoverable tax losses**

	<b>Tax asset</b> <b>Shs' 000</b>
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
2024/25	509,356
<b>Total</b>	<b>6,642,923</b>

**c.) Deferred tax liability**

	<b>2025</b> <b>Shs' 000</b>	<b>2024</b> <b>Shs' 000</b>
Deferred tax liability on asset revaluation	3,299,760	-
	<b>3,299,760</b>	-

**d.) Current income tax**

	<b>2025</b> <b>Shs' 000</b>	<b>2024</b> <b>Shs' 000</b>
At start of year	(25,938)	(30,261)
Tax charge for the year	6,287	4,471
Tax adjustment	(133)	-
	<b>(19,784)</b>	<b>(25,938)</b>

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**28. Cash generated from operations**

Reconciliation of profit before income tax to cash generated from operations

	Note	2025 Shs' 000	2024 Shs' 000
Profit / (Loss) before taxation		5,531,597	1,161,025
<b>Adjustments for:</b>			
Depreciation of PPE	14	(975,478)	343,192
Depreciation of right of use assets	29	11,858	12,879
Revaluation adjustment for right of use assets	29	(13,907)	-
Loss on disposal of right of use assets	29	10,242	-
Amortisation of intangible assets	18	2,505	1,139
Fair value gain on investment property	16	(3,896,214)	(3,033,462)
Gain on transfer from investment property	16	(391,738)	-
Revaluation surplus		(1,800,831)	-
Inventory write-off	20	154,507	-
Post-employment benefits service cost	23	-	207,474
Gain on disposal of PPE	14	(1,257)	-
Loss on sale of investment in subsidiary	17	2,500	-
Trade receivables provisions	21	822,547	-
Tax liability adjustments		3,299,627	-
Interest on lease liabilities	10	782	427
<b>Net cash before working capital changes</b>		<b>2,756,740</b>	<b>(1,307,326)</b>
<b>Changes in working capital:</b>			
Inventories	20	(1,092,550)	(294,412)
Trade and other receivables	25	(135,584)	(2,347,613)
Gratuity payment	22	(371,983)	-
Trade and other payables	25	(913,966)	982,889
<b>Cash used in operations</b>		<b>242,657</b>	<b>2,966,462</b>

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**29. 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.

	Note	2025 Shs' 000	2024 Shs' 000
<b>Movement of lease liabilities:</b>			
At start of year		26,883	35,159
Interest expense on lease liability	10	782	427
Interest paid	10	(782)	(427)
Payments of the lease liability		15,193	(8,276)
Adjusting for overstated lease liability		(39,110)	-
<b>At end of year</b>		<b>2,966</b>	<b>26,883</b>
<b>Maturity analysis of the lease liabilities:</b>			
Current lease liabilities		2,966	18,333
Non-current lease liabilities		-	8,550
		<b>2,966</b>	<b>26,883</b>

**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.

	Note	2025 Shs' 000	2024 Shs' 000
<b>Movement of lease assets:</b>			
At start of year		10,607	23,486
Disposals		(10,242)	-
Reclassifications		(365)	-
Additions		13,907	-
Depreciation charge		(11,858)	(12,879)
<b>At end of year</b>		<b>2,049</b>	<b>10,607</b>

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**30. Related party transactions**

The Company is listed on the Nairobi Securities Exchange. The main shareholders were as follows:

	<b>2025</b>	<b>2024</b>
<b>Shareholder</b>		
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%
<b>Total</b>	<b>100%</b>	<b>100%</b>

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 (2024: Nil).

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

	<b>2025</b>	<b>2024</b>
	<b>Shs' 000</b>	<b>Shs' 000</b>
National Social Security Fund	39,490	6,669
Social Health Fund	17,679	8,574
Kenya Revenue Authority	165,378	162,986
The National Treasury	21,883	-
	<b>244,430</b>	<b>178,229</b>

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 30.

**iii.) Due from related parties**

	<b>2025</b>	<b>2024</b>
	<b>Shs' 000</b>	<b>Shs' 000</b>
<b>Current</b>		
Kenya Railways Corporation	231,611	231,611
Kenya National Highway Authority	124,822	124,822
	<b>356,433</b>	<b>356,433</b>
<b>Impairment</b>	<b>(2,169)</b>	<b>-</b>
<b>Net due from related parties</b>	<b>354,274</b>	<b>356,433</b>

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**30. Related party transactions (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**

	Notes	2025 Shs' 000	2024 Shs' 000
Kenya Revenue Authority	25	3,688,551	3,878,984
The National Treasury	24	1,942,945	1,942,945
		<b>5,631,496</b>	<b>5,821,929</b>

**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:

	2025 Shs' 000	2024 Shs' 000
Salaries and other short-term employee benefits	58,147	52,320
Post-employment benefits	18,630	16,219
	<b>76,777</b>	<b>68,539</b>

**vi.) Directors' remuneration**

	2025 Shs' 000	2024 Shs' 000
Fees for services as directors	1,100	1,100
Other emoluments	30,246	18,137
	<b>31,346</b>	<b>19,237</b>

**31. 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 Kes 2.5 billion on the tax heads mentioned above. Out of this assessment, Kes 1.7 billion has been resolved with the tax authorities. The company has paid Kes 122 million and appealed against a further Kes 473 million through the local committee, which subsequently ruled in favour of the company, KRA however filled a notice to appeal in the High Court against the Local Committee ruling.

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**31. Contingent liabilities (continued)**

*(i) Tax assessment (continued)*

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 Company 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.

**32. Capital commitments**

	<u>2025</u> <u>Shs' 000</u>	<u>2024</u> <u>Shs' 000</u>
Authorised by the directors but not contracted for	666,834	666,834

**33. Events after the reporting date**

*(i) Discontinuation of Operations and Voluntary Liquidation of Ugandan Subsidiary*

Subsequent to the reporting date and prior to the authorization of these financial statements, the voluntary liquidation of the Company's Ugandan subsidiary was completed on July 31, 2025. As a result of its dissolution, the subsidiary is no longer under the Company's control and has not been consolidated in these financial statements.

**Background**

In line with a strategic initiative to expand its market presence within East Africa, the Company established a subsidiary in Uganda in 2010 to operate a cement depot.

**a.) Operational Review and Decision to Wind Up**

Commencing late 2018, operational constraints at the Company's Athi River production facility resulted in a diminished and inconsistent output of Blue Triangle cement. This shortfall impacted the Company's ability to fulfil market demand across both its Kenyan and Ugandan operations.

Consequently, management undertook a strategic review to optimize resource allocation, resulting in the prioritization of the domestic Kenyan market. This led to the suspension of active trading by the Ugandan subsidiary.

Following a comprehensive assessment, the Board determined that the subsidiary's long-term viability was unsustainable.

This conclusion was based on intensified competitive pressures from new market entrants and the persistently high logistics costs associated with road transport to Uganda. In response, the Board passed a resolution to initiate a voluntary winding-up of the subsidiary.

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**33. Events after the reporting date (continued)**

**b.) Liquidation Process**

Pursuant to the Board's resolution dated April 28, 2025, Mr. Bernard Mukasa was appointed as the Liquidator to oversee the process.

The Liquidator conducted an independent analysis of the subsidiary's affairs, which corroborated the statements presented by the directors in their Statutory Declaration of Solvency.

The requisite preliminary report was filed with the Uganda Registration Services Bureau (URSB) and was officially registered on May 20, 2025. In compliance with statutory requirements, a notice of the preliminary report was published in the Uganda Gazette on June 5, 2025 (Volume CXVIII No. 47).

A final meeting of the subsidiary's members was convened by the Liquidator on July 20, 2025. During this meeting, the Liquidator's final report was presented and formally adopted by the members, who passed a resolution to conclude the liquidation.

The final accounts, return, and minutes of the final meeting were submitted to the Office of the Official Receiver and were duly registered on July 31, 2025. The liquidation is therefore deemed complete.

**Conclusion**

The subsidiary will be struck from the Register of Companies three months from July 31, 2025, upon which a Certificate of Dissolution will be issued, formally concluding its legal existence. Subsequently, these financial statements have not been consolidated

**c.) Government loan**

As at 30th June 2025, the Government loan due from EAPC PLC was Kenya Shillings One Billion, Nine Hundred and Forty-Two Million, Nine Hundred and Forty-Five Thousand, Four Hundred and Ninety-Seven (Kshs. 1,942,945,497), being principal amount of Kenya Shillings one billion, four hundred and eighty-three million, seventy-seven thousand and four (Kshs. 1,483,077,004), and accumulated interest of Kenya shillings four hundred and fifty-nine million, eight hundred and sixty-eight thousand, four hundred and ninety-three (Kshs. 459,868,493).

The government, through the national treasury has since entered into an agreement with the company setting out the terms and conditions for the loan repayment. The agreement was executed on behalf of the Government of the Republic of Kenya by the Cabinet Secretary.

The National Treasury and Economic Planning, Hon. FCPA John Mbadi Ng'ongo, EGH, on 24<sup>th</sup> July 2025.

The agreement gives a moratorium of four years with the first loan repayment scheduled for 30<sup>th</sup> September 2029.

**33. Events after the reporting date (continued)**

**d.) Notice of intent**

Kalahari Cement Limited, a special purpose vehicle backed by Tanzania's Amsons Group, has issued a formal notice of intention to acquire a combined 29.2% stake in East African Portland Cement (EAPC). The proposed deal involves purchasing 13.14 million shares from Associated International Cement Ltd and 13.18 million shares from Cementia Holding AG, each representing a 14.6% stake for a total of 26.3 million shares. The offer price is KES 27.30 per share.

Completion of the Proposed Transaction will be subject to the fulfilment (or waiver to the extent legally capable of waiver by the written agreement of the Sellers and Kalahari) of the conditions precedent listed below:

- i) obtaining competition approval from the relevant competition authority provided that if such approval is given with any conditions, then such conditions are acceptable to Kalahari in accordance with the terms of the SPA;
- ii) the granting of an exemption by the Capital Markets Authority to Kalahari under Regulation 5 of the Take Over Regulations from the obligation to make a mandatory takeover offer for EAPC;
- iii) in respect of the mining Licence held by EAPC, notification to and the granting, by the Cabinet Secretary for the Ministry of Mining, Blue Economy and Maritime Affairs of its written approval to the change of control of EAPC in accordance with Section 51 (6) and (7) of the Mining Act (Chapter 306 of the Laws of Kenya) (the Mining Licence Approval), provided that if such approval is given with any conditions, then such conditions are acceptable to Kalahari in accordance with the terms of the SPA;
- iv) if the Proposed Transaction is capable of being executed as a block trade, approval having been obtained from the NSE and CMA (the Block Trade Approval), or if the Block Trade Approval is not granted by the NSE or CMA, the granting of an approval from the CMA to implement the sale of the Sale Shares as a private transfer in accordance with section 31(1A) of the Capital Markets Act and regulation 57(d) of the Licensing Regulations (the Private Transfer Approval);
- v) if required by the CMA, Kalahari procuring the publication by EAPC of the circular to the shareholders of EAPC in relation to the Private Transfer Approval application pursuant to the Capital Markets Act; and if Kalahari elects for the balance of the Consideration to be to be financed rather than paid in cash, Kalahari shall provide the Sellers with an unconditional, irrevocable on demand guarantee from a licensed and reputable bank, in a form and substance acceptable to the Sellers, to secure the payment of the balance.