ANNUAL REPORT AND FINANCIAL STATEMENTS 2020/2021

East African Portland Cement PLC

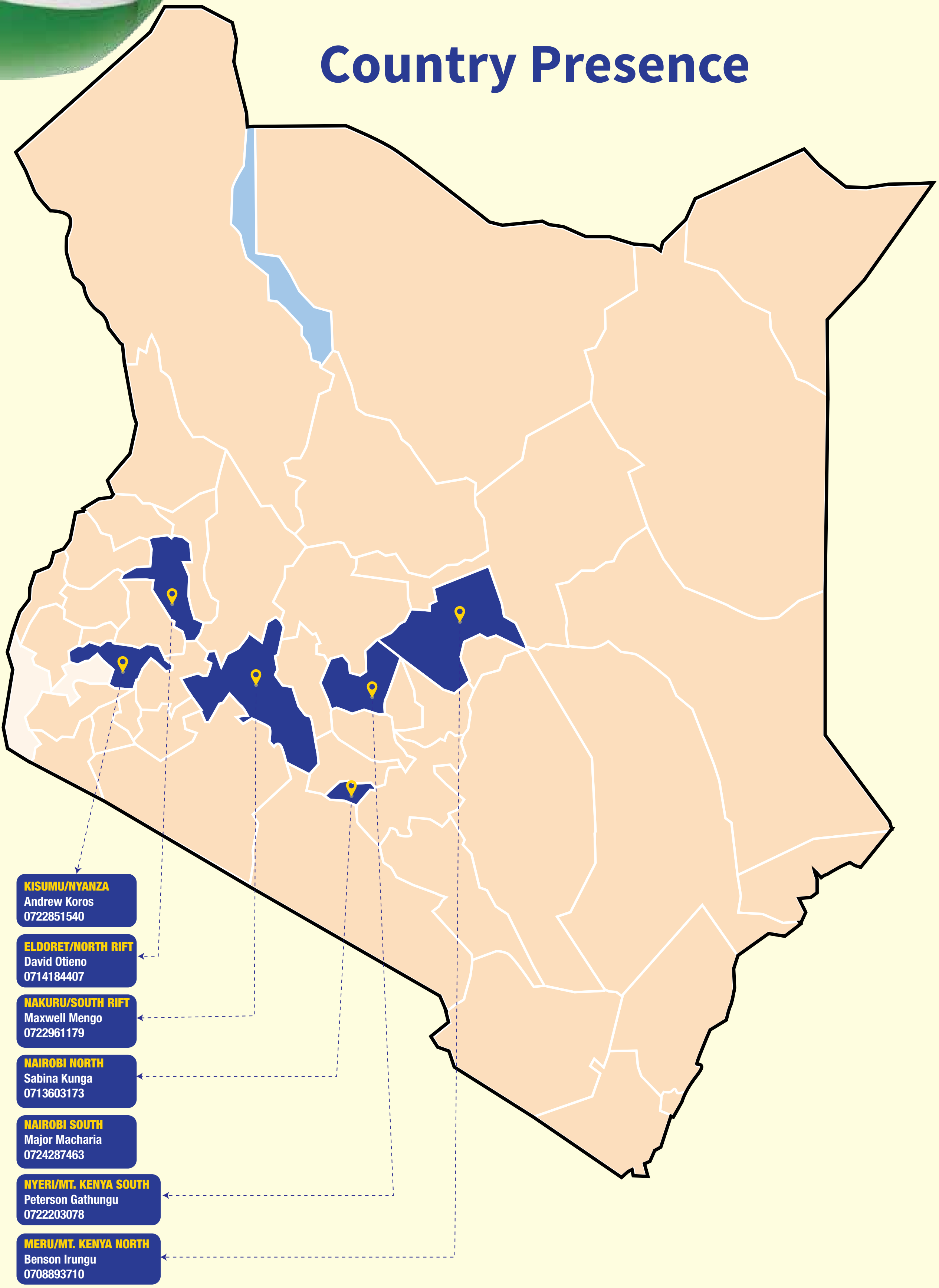
Holding Life Together

DRIVING THE TRANSFORMATIVE AGENDA THROUGH MANUFACTURING

East African Portland Cement PLC

Holding Life Together

Country Presence



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Corporate History and Significant Milestones

The East African Portland Cement Plc started as a trading company importing cement mainly from England for early construction work in East Africa. It was formed by Blue Circle Industries United Kingdom. The name Portland was given due to the resemblance in colour of set cement to the Portland stone that was mined on the Isle of Portland in Dorset, England.

It was not until February 1933 that the Company was incorporated in Kenya with the first factory in Nairobi's Industrial Area. The Company had one cement mill (Mill No. 2) and used to import clinker from India. The production capacity was about 60,000 tonnes of cement.

In December 1956, construction of the Athi River facility started. The factory was commissioned in 1958 and consisted of a Rotary Kiln (Wet), cement mills (Cement Mill 1 & 3) which significantly increased production capacity to 120,000 tonnes per annum.

In the last few years, EAPC Plc has greatly expanded its production capacity. With the introduction of Mill No. 5 and the embrace of Coal energy, the Company can presently produce over 1.3 million tonnes of cement per annum at reduced cost.

The Company now has fully automated business processes which means complex paperwork is now largely a thing of the past; from the offices of top management to the Factory floor. With these and other innovations, EAPC Plc is ready for the future today.

1933
EAPC Plc registered. The first cement manufacturer in East and Central Africa. Capacity of 60, 000 tonnes per year with one mill.

1934
Cement deliveries begin

1956
Athi River Factory construction begins

1957
Athi River Factory complete. Two mills added to bring total mills to three. Capacity doubles to 120, 000 tonnes a year.

1974
A new rotary wet kiln commissioned. Capacity rises to 300, 000 tonnes a year.

1979
Fourth mill added. Mill number three upgraded. Capacity rises to 340,000 tonnes a year.

1996
Brand new kiln commissioned. New Mill added. Bigger limestone crusher added. State-of -the-art pre-blending system added. Capacity doubles to 600, 000 tonnes a year.

1997
Changes cement manufacturing process from wet process to dry process.

2007
Groundbreaking for new mill

2009
New mill commissioned. Capacity doubles to 1.3 Million tonnes. EAPC Plc acquires ISO 9001: 2008 certification.

2010
EAPC Plc implements ERP system which automates all business processes.

2012
Kenya Bureau of Standards renews EAPC Plc ISO re-certification after bi-annual surveillance audit of business processes and procedures over a period of three years

2011
EAPC Plc receives recognition from Computer Society of Kenya for Best ERP system implementation

2016
ISO 9001:2015 and 14001:2015 certification.

East African Portland Cement PLC

Holding Life Together

Mission

To Provide Cement for Infrastructural Solutions to the Satisfaction of our Stakeholders.

Vision

To be the Regional Leader in the Provision of Cement, Innovative Cement Products and Solutions.

Core Values

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

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

Customer Focus:
We are dedicated to meeting customer expectations.

Timeliness:
We promote timely delivery of high quality products.

Innovativeness:
We encourage creativity, embrace positive change and reward innovation.

Commitment:
We ensure peak performance, enthusiasm and excitement for work.

Safety:
We ensure that we operate in a healthy and safe working environment conducive for efficient productivity.

FINANCIAL REVIEW

Five Year Financial Review

	2021 Shs'000	2020 Shs'000	2019 Shs'000	2018 Shs'000	2017 Shs'000
Turnover	2,762,748	2,474,902	2,847,273	5,182,721	6,928,307
Operating Loss	(3,212,366)	(3,128,541)	(2,062,381)	(3,479,298)	(1,316,283)
Profit / (loss) before tax	1,735,936	(2,798,610)	(2,961,898)	6,962,123	(1,712,903)
Taxation credit /(charge)	151,644	29,263	(399,990)	811,541	241,542
Profit /(loss) attributable to members	2,258,984	(2,766,838)	(3,288,772)	7,917,767	(1,471,361)
Dividends				-	-
Capital Employed					
Assets					
Non current	32,197,669	32,762,649	32,922,661	35,617,915	25,408,293
Current	2,443,441	2,414,244	3,618,444	1,985,639	1,949,095
Total assets	**34,641,110**	**35,176,893**	**36,541,105**	**37,603,554**	**27,357,388**
Equity & Liabilities					
Share holders funds	21,012,124	18,753,140	21,519,978	24,808,750	16,890,983
Non current liabilities	447,786	179,985	1,232,026	4,672,772	4,270,192
Current liabilities	13,181,200	16,243,768	13,789,101	8,122,032	6,196,213
Total Equity & Liabilities	**34,641,110**	**35,176,893**	**36,541,105**	**37,603,554**	**27,357,388**
Ratio Analysis					
Profitability and Efficiency Ratios					
Gross (Loss)/ Profit margin	-30%	-33%	-42%	2%	11%
Operating loss margin	-116%	-126%	-72%	-69%	-19%
Net profit margin	69%	-112%	-116%	150%	-21%
Return on assets	6%	-8%	-9%	21%	-5%
Return on Equity	9%	-15%	-15%	32%	-9%
Liquidity Ratios /Working capital					
Current ratio	0.19	0.15	0.26	0.25	0.31
Quick ratio	0.10	0.08	0.18	0.09	0.11
Earnings per Share (Basic and diluted)	20.97	(30.77)	(37.35)	86.64	(16.35)

CORPORATE INFORMATION

DIRECTORS	Edwin Muriithi Kinyua, MBS	Chairman
	Oliver Mwandigha Kirubai	Managing Director (Appointed on 9th September 2021)
	Kung'u Gatabaki	
	Prof. Sarone Ole Sena	
	Hon. (Amb) Ukur Yatani, EGH	Cabinet Secretary, National Treasury (Alternate Director – Edward Wamweya)
	National Social Security Fund (NSSF)	(Represented by Dr. Anthony Omerikwa) (Alternate Director – Moses Cheseto)
	Amb. Peter Kirimi Kaberia	Principal Secretary, State Department for Industrialization, Ministry of Industry, Trade and Enterprise Development (Alternate Director – Patricia Aruwa) (Alternate Director- Nicholas Kamau)
SECRETARY	Florence Mitey Certified Public Secretary (Kenya) P. O. Box 40101 - 00100 Nairobi	
REGISTERED OFFICE	L R 337/113/1 Namanga Road, off Mombasa Road P. O. Box 40101 – 00100 Nairobi	
REGISTRARS	Haki Registrars P. O. Box 40868 – 00100 Nairobi	
BANKERS	KCB Bank Kenya Limited Moi Avenue Branch P. O. Box 30081 – 00100, Nairobi	Standard Chartered Bank Kenya Kenyatta Avenue P. O. Box 30003 – 00100, Nairobi
	Citibank, N.A, P. O. Box 30711 – 00100. Nairobi	Co-operative Bank of Kenya Limited P. O. Box 321 – 00204, Athi River
	Stanbic Bank Limited Kimathi Street P. O. Box 30550 - 00100 Nairobi	Standard Chartered Bank Uganda Limited 5 Speke Road P. O. Box 711, Kampala
	Equity Bank Limited Kenyatta Avenue P. O. Box 104860 – 00100, Nairobi	KCB Bank Uganda Limited 6th Street Industrial Area P. O. Box 28568 Kampala
PRINCIPAL AUDITOR	The Auditor General Anniversary Towers P. O. Box 30084 – 00100 Nairobi	
DELEGATED AUDITOR	PricewaterhouseCoopers LLP Certified Public Accountants (Kenya) PwC Tower, Waiyaki Way/ Chiromo Road, Westlands P O Box 43963 – 00100, Nairobi	

STRONG

DURABLE BRIGHT

OUR CEMENT

32.5N

PPC Pozzolanic Cement with wide range of applications from domestic concrete to large building projects. Its good strength performance makes it suitable for both general purpose and structural concrete applications.

42.5 N

Ordinary Portland Cement. OPC is utilized very efficiently in medium to large construction projects to optimize performance.

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ATHI RIVER, KENYA

BLUE TRIANGLE CEMENT

Board of Directors

Mr. Edwin Kinyua, MBS
Chairman of the Board

Mr. Edwin M. Kinyua, MBS, has over 20 years experience in Senior Management and Leadership positions in Kenya and the Region. He served as the Managing Director/Chief Executive Officer of Kenya Wine Agencies Limited (KWAL) for 7 years from 2009 to 2016. During his term, KWAL was in 2012 rated as the best State Corporation under the Performance Contracting system in Government. The Company also made tremendous achievements under his Leadership including increasing revenue by more than 2 ½ times to Ksh 4.4bn and profitability by more than double.

At a very difficult moment for KWAL, he successfully negotiated from 2010 to December 2014, to ensure KWAL remained strong by bringing on board as shareholder, Distell Limited of South Africa, which had been the anchor supplier since 1998. The negotiations and other deliberations were held in South Africa the Privatization Commission (Nairobi), the National Treasury, Cabinet Committee on Public Finance and Administration, the Presidency and defended in Parliament.

In 2012, he was honored by the Head of State with the award of the Moran of the Order of the Burning Spear (MBS) for dedicated service to the Nation. Mr Kinyua has also demonstrated excellent leadership and Management skills through other positions that he held previously. Before joining KWAL, he worked at KenolKobil Group for over 17 years up to 2008.

He held amongst other positions; Head of Retail Network, Group Business Development Manager rising to the position of Country Director-Uganda and later as Head of Group Corporate Division for East and Central Africa. During his time at KenolKobil, the Group's annual turnover was in the excess of USD 2.5 billion. He was in the Group Management Team that catapulted the Company to become the biggest Oil Company in East Africa by Year 2000.

Mr. Kinyua is a graduate of Bachelor of Commerce in business Administration from the University of Nairobi In 1997, he worked at Paz Oil and Sonol Petroleum in Tel Aviv, Israel under an African leadership and exchange programme and in 1998 won a scholarship to study Local Economic Development and Project planning at The Development Study Centre, Rehovot - Israel. He is trained in Corporate Governance under the Centre for Corporate Governance. He is also an entrepreneur in diverse sectors of the Kenyan economy, a Strategy and Management consultant. Currently he serves as a Director of Brett Communications Ltd and Akens Capital Ltd.

Mr. Oliver Mwandigha Kirubai - Managing Director

Mr. Kirubai has 23 years of working experience with over 15 years of dedicated business leadership in diverse sectors. He served as General Manager - Technical at Brookside Dairy Limited, Head of Operations and Projects at Savannah Cement Limited, Chief Engineer at Unilever East Africa and Chief Engineer at Tata Chemicals Magadi. He also served in various key roles in Lafarge Bamburi Cement as Manager in Engineering and Projects. He previously served as Mechanical Engineer at Coca Cola Sabco (NBL/FBL) and a Shift Engineer at Galsheet (K) Ltd. He holds a Bachelor's of Technology Degree in Production Engineering and is currently pursuing a Masters of Business Administration (MBA) in Strategic Management from Management University of Africa. He is a member of the Engineers Board of Kenya and in good standing. He has extensive training in Corporate Governance and other diverse Engineering and Management areas from Lafarge University and University of Pretoria Business School (GIBS).

Ms. Florence Chepkoech Mitey - Company Secretary

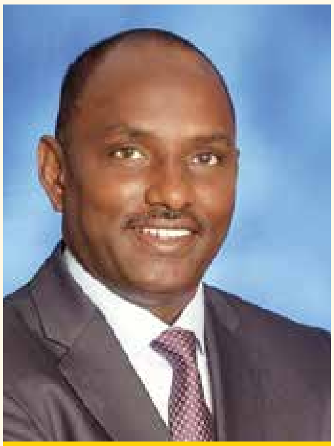
Ms. Mitey is an Advocate of the High Court of Kenya, a holder of a Masters of Business Administration degree from Strathmore University, a Bachelor of Laws degree (LLB) from the University of Nairobi and a Diploma in Law from the Kenya School of Law. She is a member of the Law Society of Kenya (LSK), the Chartered Institute of Arbitrators and the Institute of Certified Public Secretaries (ICPS) where she is registered as a Certified Public Secretary. Ms. Mitey has a strong Corporate Governance background with rich experience in Company law and Company Secretarial practice having served at the helm of legal services division in various organizations. She has served as Manager- Legal & litigation at the National Police Service Commission, Head of Legal and Regulatory Affairs at KTDA Management Services Limited and a Legal Officer at Telkom Kenya Limited. Ms. Mitey has attended various professional management and Corporate Governance capacity building courses.

Dr. Anthony Omerikwa - Director

Dr. Omerikwa is the Managing Trustee/CEO of the National Social Security Fund. Prior to his current position, he served as the Acting General Manager Operations in the same institution overseeing Information Technology, Human Resource, Administration and Procurement. He holds a Doctoral degree from the University of Georgia, a specialist Advanced degree in Workforce Development from Pittsburgh State University, Masters of Science degree in Human Resource Development from Pittsburgh State University, a Bachelor of Arts degree in Economics and a Diploma in IT from the Institute for the Management of Information Systems (UK). Dr. Omerikwa is a member of the Institute of Human Resource Management, Institute of Directors and the Kenya Institute of Management.

Kung'u Gatabaki - Director

Mr. Kung'u Gatabaki holds an honors degree in Economics from Legon University Ghana and post graduate Diploma in Project Management and Finance from Bradford University UK. An experienced Corporate Director with over 40 years, Mr. Gatabaki has chaired various Boards of Directors in Kenya and Africa including Housing Finance Group; Micro Africa, Jacaranda Hotels and Kenya Capital Markets Authority. His other past directorships include: The Pan African Mortgage Institution Shelter Afrique African Reinsurance Corporation (SA), Sudan Rural Development Company, Tanzania Development Finance Co, Mumias Sugar Co; Kenya Safari Lodges and Hotels, Serena Hotels Group, Kenya Tea Development Authority, Sony Sugar Company and Development Bank of Kenya Mr. Gatabaki is currently a director of Grain Bulk Handlers in Kenya and Chairman of Letshego Kenya and Rwanda (both owned by the Pan African Letshego Holdings listed on Botswana Securities Exchange and operating in ten countries in Africa. Mr. Gatabaki worked for 30 years with the Commonwealth Development Corporation and Actis.



CS. Hon. Amb. Ukur Yatani EGH - Director

Hon. Amb. Ukur Yatani Kanacho has over 27-year experience in public administration, politics, diplomacy and governance in public sector since 1992. Before his appointment as Cabinet Secretary for the National Treasury & Planning, he served as the Cabinet Secretary for Labour and Social Protection since January 2018. Between the years 2006-2007 while Member of Parliament for North Horr constituency, he also served as an Assistant minister for science and technology. At the height of his career (March 2013-August 2017), he served as a pioneer Governor of Marsabit County, the largest County in the Republic of Kenya. Between June 2009 and October 2012, he served as Kenya's Ambassador to Austria with Accreditation to Hungary and Slovakia and Permanent Representative to the United Nations in Vienna. In this position, he aggressively pursued and advanced Kenya's foreign interests. He held senior leadership positions at various diplomatic and international agencies such as International Atomic Energy Agency (IAEA), United Nations Organization on Drugs and Crimes (UNODC), United Nations Industrial Development Organization (UNIDO), Vice Chairperson of United Nations Convention Against Transnational Organized Crime (UNTOC), Vice President of Convention on Crime Prevention and Criminal Justice (CCPJ), and chair of African Group of Ambassadors among others. Between 1992-2015, he served in different positions in Kenya's Public Administration including a District Commissioner, where he sharpened his management and administrative skills. He has Master of Arts in Public Administration and Public Policy, University of York, United Kingdom, 2005; and Bachelor of Arts in Economics, Egerton University, Kenya, 1991.

Ambassador Peter Kirimi Kaberia, CBS - Director

Amb. Kirimi P. Kaberia CBS, joined the State Department for Industrialisation in February 2021 as the Principal Secretary. He possesses rich experience in corporate governance, public policy practice and administration, having previously served as Principal Secretary in Mining, Sports Development and Defence. He is also the founding Administrator of the Sports, Arts and Social Development Fund. Amb. Kaberia has also served in a vast number of Boards in state corporations, companies and universities.Amb Kaberia has wide experience in international relations, diplomacy and global trade negotiations, having served as the Ambassador Extraordinary and Plenipotentiary to Brazil, Colombia, Venezuela, Chile, and Argentina; Deputy Ambassador and Head of Chancery, Kenya Embassy in Madrid, Spain; Deputy Ambassador and Head of Chancery, Kenya Embassy in Paris, France, with accreditation to Portugal and the Holy See; and, Counsellor, Kenya Embassy in Washington DC. He has also served as the Director for Research and ICT at the Ministry of Foreign Affairs, Nairobi, as well as a Deputy Director for Political Affairs.

Amb Kaberia was the founder of The Democracy Programme at the Les Aspen Center in Washington DC, that has educated more than 500 African leaders from Kenya, Uganda Tanzania, Ghana, Nigeria, Liberia, Sierra Leone and Senegal among others. Many of these leaders have gone on to become supreme court judges, members of parliament, civil society leaders and captains of industry. He is also a founder member of the Kenya Community Abroad and the African Reunification Front.

Amb Kaberia holds a Masters Degree in International Law (LLM) as well as a Bachelors Degree in Journalism and Communications. He has been educated in Kenya, the United States, and Spain. In recognition of his service to the Republic of Kenya, he was conferred with a Chief of Burning Spear award by His Excellency the President in 2016.

Prof. Sarome Ole Sena - Director

Prof. Sarone Ole Sena is a Professor of Strategic Management and Leadership at ESAMI. He holds a PhD in Business Education and Community Development. He has worked as a Business Consultant for 20 years and is currently the Chairman of the staff pension scheme as well as Chairman of the Board HR and Remuneration Committee.

Senior Management Team

Senior Management Team

Mr. Oliver Mwandigha Kirubai
Managing Director

Mr. Kirubai has 23 years working experience with over 15 years of dedicated business leadership in diverse sectors. He served as General Manager - Technical at Brookside Dairy Limited, Head of Operations and Projects at Savannah Cement Limited, Chief Engineer at Unilever East Africa and Chief Engineer at Tata Chemicals Magadi. He also served in various key roles in Lafarge Bamburi Cement as Manager in Engineering and Projects. He previously served as a Mechanical Engineer at Coca Cola Sabco (NBL/FBL) and a Shift Engineer at Galsheet (K) Ltd.

He holds a Bachelor of Technology Degree in Production Engineering and is currently pursuing a Masters of Business Administration (MBA) in Strategic Management from Management University of Africa. He is a member of the Engineers Board of Kenya and in good standing.

He has extensive training in Corporate Governance and other diverse Engineering and Management areas from Lafarge University and University of Pretoria Business School (GIBS).

Ms. Florence Chepkoech Mitey
Company Secretary/ Legal Services Manager

Ms. Mitey is an Advocate of the High Court of Kenya, a holder of a Masters of Business Administration degree from Strathmore University, a Bachelor of Laws degree (LLB) from the University of Nairobi and a Diploma in Law from the Kenya School of Law. She is a member of the Law Society of Kenya (LSK), the Chartered Institute of Arbitrators and the Institute of Certified Public Secretaries (ICPS) where she is registered as a Certified Public Secretary.

Ms. Mitey has a strong Corporate Governance background with rich experience in Company law and Company Secretarial practice having served at the helm of legal services division in various organizations. She has served as Manager- Legal & litigation at the National Police Service Commission, Head of Legal and Regulatory Affairs at Kenya Tea Development Authority Management Services Limited and a Legal Officer at Telkom Kenya Limited.

Ms. Mitey has attended various Professional, Management and Corporate Governance capacity building courses.

Mr. Sylvester Owaga
Head Of Commercial

Mr. Owaga holds a Master's Degree from University of Nairobi and is a Member of Marketing Society of Kenya. He is an experienced business leader with over 10 years working experience in the Fast Moving Consumer Goods segment as well as the Manufacturing industry. He has a wealth of experience in Distribution, Building Brands, Go to market strategies, Sales Operations & Market Planning.

Mr. Joel Kipkemoi Kemei
Head of Human Resource and Administration

Mr. Kemei is a Human Resources Management Professional and Practitioner with over 20 years' experience of cross functional Human Resource Planning and Resourcing, Organizational Design and Development, Reward and Human Capital Development and Employee Relations and Administration cutting across Manufacturing, Energy and Education sectors. He holds a Master's Degree in Business Administration, Human Resources Management Option from Kenyatta University, Post Graduate Diploma in Human Resources Management, Bachelor's Degree in Education (Arts), a full member of IHRM (K) and a Certified Human Resource Practitioner.

Senior Management Team

Mr. Stanley Irungu
Head of Plant Operation

Mr. Irungu, a Graduate engineer registered with Engineers Registration Board (ERB), joined East African Portland Cement PLC in January 2012 as a Process Engineer He holds a Master of Science in Industrial Engineering and Management from Dedan Kimathi University of Technology, Bachelor of Technology in Chemical and Process Engineering from Moi University. He has attended various Professional trainings including, Lafarge approved cement professional courses, Mill Audit, Gas Handling, Pyro-processing, Introduction to Quality and Cement products, Safety lead auditors training, among others. He has over 12 years 'experience having worked for established Companies including Bamburi Cement Limited, Hima Cement Company, Kenya Wine Agencies Limited, Kel Chemicals Limited before joining East African Portland Cement PLC.

Mr. Moses Sudi Otoa
Head Of Supply Chain

Mr. Sudi is a Supply Chain professional, he joined EAPC Plc in March 2020, He holds a BCOM-Administration from The University of Nairobi, BCOM-Administration (Supply Chain option) from KEMU, Post graduate Diploma in purchasing and supplies from the Chartered Institute of Purchasing and Supplies UK (CIPS), National Diploma in Business Management from Kenya institute of Management, Diploma in Clearing and Forwarding and a Masters of Arts in Project Planning and Management from the University of Nairobi. He is a member of Kenya institute of Supply Management (MKISM) and The chartered Institute of Purchasing and Supplies (MCIPS). He has particular expertise in Supply Chain Transformation/ driving sustainable value through smart spend management, enabling Innovation and building quality partnership (internally & externally) across the value chain. Prior to his role at EAPC PLC,he held senior management roles at Innovation Edge Ltd, Kenya Wine Agencies Ltd, Nzoia Sugar Company, Kenya Tea Development Agencies, Lewa Wildlife and Hilton Hotel Group.

Mr. Daniel K. Kiprono
Internal Audit Manager

Mr. Kiprono is the Manager Internal Audit, a position he has held since 2017. He joined East African Portland Plc in 2000 and has held various positions within the company including Credit Controller, Financial Accountant, Senior Internal Auditor among others Previously, Daniel worked for National Irrigation Authority (formerly National Irrigation Board), which he joined in 1993. He worked for the Authority for seven (7) years where he held various positions before joining East African Portland Cement Plc. Daniel is a member of the Institute of Certified Public Accountants of Kenya. He holds a Bachelor of Commerce Degree and a Masters of Business Administration both from the University of Nairobi.

Mr. Mohammed. O. Adan
Head of Finance and Strategy

Mr. Adan holds a 1st Class Hon. in BA Economics from Moi University, Masters in Economics from the University of Nairobi and is a PHD Economics candidate. He has a cumulative ten (10) years of experience in Finance & Accounting and is a member of ICPAK and ICIFA in good standing.

Chairman's Statement

Chairman's Statement

It is my pleasure to present to you the Annual Report and Financial Statements for the year ended June 30, 2021.

Economic Outlook

The Global economy contracted by 4.2% in 2020 driven by COVID19 pandemic containment measures which significantly constrained economic activity leading to demand driven decline in global oil prices. The global economic recession was reflected locally by a 0.3% contraction in 2020 compared to growth of 5% in 2019, positively impacted by growth in the agricultural production, health services and construction sectors that registered accelerated growths. Below normal rainfall experienced in the first half of 2021 is likely to impact agricultural production. That notwithstanding, full resumption of activities in the education and hospitality sectors, coupled with improved returns in manufacturing and transport sectors are likely to support significant GDP growth rebound in the year.

Cement Market and Competition

The construction sector recorded stellar performance, registering a growth of 11.8% in 2020 compared to 5.6% in 2019. Cement consumption registered a year on year growth of 20.3%, presenting quick win opportunities upon completion of the market regeneration strategy, a key pillar in the Company's turnaround plan. Buoyed by bullish cement consumption projections it is projected that this demand shall be sustained. Recent developments on promotion of local manufacturing sector coupled with the push by key industry players on increase on tariffs on clinker importation indicate easing of price pressure in the medium term. However, operationalization of such proposals are hinged on the country's commitment to the now ratified Africa Continental Free Trade Area, which may signal continued downward pressure on prices as a result of imports from countries with significantly lower energy costs such as Egypt.

Performance

The Company has continued to build resilience in addition to pursuing Business re-engineering strategic measures with tenacity and commitment. The business continues to mine from its brand equity and rich history, with the flagship brand Blue Triangle Cement now in its 88th year of existence and serving the Market. Sales volumes increased by 22% in the period compared to prior year, indicating early success of the market regeneration pillar of the turnaround plan. However, persistent downward price pressure owing to competition led to a 12% increment in net revenue. The continued implementation of the final phases of the staff rationalisation programme led to significant decreases in fixed costs which were offset by increase in variable costs, primarily driven by energy costs. The plant continues to run below capacity occasioned by insufficient throughput amplified by a tight working capital position. These conditions led to a marginal decrease in the gross loss position. The Company purchased plant spares in excess of KES 100 Million in the last quarter geared towards improving plant efficiencies and reduce variable costs per tonne. Capital injection realised from sale of land envisaged in the next phases of the Company's turnaround plan is expected to return the Company back to gross profitability.

Actual litigation costs and provisions symptomatic of deteriorating working capital position impacted operating profit, thereby offsetting significant savings from cost containment measures and benefits of the staff rationalisation programme. The Company incurred significant interest charge emanating from repayments of a loan from the Overseas Economic Cooperation Fund of Japan (JICA) in 1990, guaranteed by the Government of Kenya, used in plant upgrades in prior periods resulting in conversion of the clinkering process from wet to dry. This eroded finance cost savings accrued from partial retirement of corporate KCB loan facility of Ksh 4.85Bn. In spite of these challenges, the Board remains optimistic on return to profitability upon successful injection of adequate working capital.

Dividend
The Directors have not recommended a dividend in the current year.

Our Focus
The Board is cognizant of the need to recapitalise the business and is at the tail end of re-engineering its balance sheet restructuring programme with a view to hasten realisation of proceeds from sale of fully mined idle land. Application of disposal proceeds will ensure the business returns to profitability through;

(i) Capacity enhancement to increase cement production and packing capacity
(ii) Cost leadership through plant optimization
(iii) Partnership with the Government and other stakeholders in delivering housing, road and infrastructure requirements

Corporate Strategy
The Company embarked on implementation of its turnaround plan which covers the period 2018/19 to 2023/24 which is premised on the pillars listed below:

1. Plant renewal: Improvement of plant operating efficiencies through a structured refurbishment
2. Staff Rationalization: Matching of manpower costs to current productivity levels
3. Market Regeneration: Product availability at a competitive price
4. Balance sheet restructuring
5. Recapitalization: Reduction of finance costs and restoration of trade relations

The Company commenced plant renewal in a phased approach geared towards matching cash flows from executed land sale contracts with refurbishment activities. To this end, in excess of KES 100 million was committed in the last quarter of the year under review for purchase of overseas spares which will be installed in Yr 2021/22.

Over 90% of workforce have been converted to the new organizational structure yielding significant savings on fixed costs. The final phase of the programme will conclude in the next financial year resulting in further reductions in overhead costs and improved staff productivity.

The Company is also in the process of redesigning its Strategic Plan with a view to cement the turnaround and growth objectives cascaded to the entire workforce thereby enhancing realignment of individual efforts to overall achievement of set objectives.

Financing Strategy
The Board continues to explore all avenues to hasten balance sheet restructuring options and is periodically appraised through the Board Finance, Technical and Strategy Committee. Significant reductions in the corporate loan balance were achieved in the period under review and is expected to be finalized by the end of the second quarter of the Yr 2021/22. Given the long term nature of land sale transactions, the Company is exploring refinancing options after termination of the corporate KCB loan facility geared towards implementation of strategic initiatives. Repayment of any such financing will be from proceeds of the ongoing balance sheet restructuring programme.

Corporate Governance
The Company believes in the importance of good governance and sees it as imperative to our business at all levels. The Board of Directors is served by three Board Committees with properly set out terms of reference. All the Directors, except the Managing Director, are independent, and meet regularly with Senior Management through Board Committees to review the effectiveness and appropriateness of the corporate strategy. The Board has put in place a charter which contributes in guiding the interaction between the Board and other stakeholders. The business code of ethics emphasizes the need for each employee to fully understand corporate behaviour expectations, compliance with work ethics and regulatory expectations. We will continue to identify with and share best practices across the entire company structure.

The Board
As I acknowledge the invaluable contribution made by the members of the Board of Directors during the past year, we wish to bring to the attention of our stakeholders changes that occurred within the year. Amb. Peter Kirimi Kaberia replaced Dr. Francis Otieno Owino following his appointment in March 2021 as Principal Secretary, State Department for Industrialization, Ministry of Industrialization, Trade and Enterprise Development. The Board also concluded the search for the position of Managing Director and appointed Mr. Oliver Mwandigha Kirubai with effect from 6th September 2021. We look forward to their contribution in the foreseeable future.

Appreciation
On behalf of the Board of Directors, I would like to extend my sincere gratitude to the shareholders for the support that they have continued to provide to the Company. I would like to thank my fellow Board members for their unwavering support and for applying their highest professional standards in carrying out Board mandates and in decision making. Lastly, I would like to extend my gratitude to all our stakeholders for their loyalty and unwavering support.

Edwin M. Kinyua, MBS
Chairman of the Board of Directors

Managing Director's Statement

Business Overview

The reporting period was marked with resilience in the face of an avalanche of legacy problems which however, are projected to ease in subsequent periods as the yields from the business reorganization program begin to show up. The company made significant progress in cost containment through restructuring initiatives and is at the tail end of fundraising for the plant refurbishment pillar of the turnaround plan. This is expected to offer the business the much desired operational excellence and reassert its place in the market.

Working capital challenges remain the bedrock of the company's ailment which continue to deprive the factory of critical engineering spares and restoration. The impact of which is manifested in sub-optimal capacity utilization and inconsistent product availability in the backdrop of high fixed operating costs. The Company sales revenues were squeezed by low sales volumes on account of constrained plant run and intensified competition which continues to erode selling price. The business further suffered from enormous provisions made for non-performance of obligations and incurred huge finance costs driven by high level of legacy debt from the main financiers. The above factors constrained the Company's capacity to mine from its brand equity rendering the business uncompetitive.

Whilst the above challenges seem long-standing given their mention in the reports of the preceding years, the company expects to undertake phased plant restoration program with the initial phase projected to happen in the second quarter of the next financial year. This will enable the company to attain a better output level and cost absorbency. Further improvements will be registered upon the conclusion of staff restructuring program, retirement of the expensive legacy loan and termination of nagging obligations that have disrupted operations and continue to weigh on performance through provisioning of contingency. In the coming year and the future, the company is focused on creating growth and repositioning the Company back to its lost glory through operational excellence and optimal route to market.

Business Performance

Overall, the Company realized an increase in revenue of 12% owing to plant run hours even in the face of downward pressure on retail prices due to supply glut. Cost of sales increased by 9% over the same period last year on account of the increase in volumes. Consequently, these factors led to a marginal improvement of the gross loss position to 821 million in the year compared to 825 million in the prior year.

General operating expenses for the Group and the Company decreased by 2% during the period. The yields from the cost containment initiatives were eroded by increase in provisions for litigation (Shs 426M), provisions for staff dues (Shs 54M) and loss on disposal of land (Shs 573M).

The Company reported a profit before tax of Shs 1.7 billion in the year compared to a loss of Shs 2.8 billion in the previous year. This included a fair value gain of Shs 5.8 billion that accrued mainly from reclassification of one of the properties to investment property. The gain from the reclassification of land was eroded by the one-off operating costs.

The investment property, consisting of five parcels of land in Athi River with two properties sandwiching the gazetted Smart City by the National Government (Athi Smart City) which is of strategic National Importance in the big four agenda. Whilst these properties continue to suffer from encumbrances, the Company will leverage on its ownership structure to ensure realization of value. These properties remain to be the cornerstone of the turnaround plan and growth strategy of the Company.

Cost containment

In 2019, the company embarked on a staff rationalization program aimed at aligning manpower costs with current productivity levels to convert to a variable model of manpower resourcing of the Company operations. This was done in phased approach in tandem with the speed of balance sheet restructuring process, which is hinged on a rather lengthy process. This is currently at the tail end with indebtedness created scheduled for settlement against realization of the proceeds from sale of land.

Further, the company liquidated a significant portion of the expensive legacy loans and is committed to the retirement of the entire debt in the next financial year. This will facilitate the company cut down on the finance cost.

Finally, the plant refurbishment pillar of the turnaround plan which is expected to deliver operational excellence is expected to contain the production cost. Specifically, the company expects to harvest from improvement in energy efficiency and product mix through optimization of the integrated plants and proper production scheduling.

Corporate Strategy

The Company is in the process of developing a five year strategic plan. This initiative is premised on firming the regeneration of the company to a profitable concern. The strategic path will be rolled out from turnaround phase driven by staff cost restructuring, plant refurbishment, Market regeneration and retirement of indebtedness. These business reorganization initiatives will be funded by balance sheet restructuring. On repositioning, the company expects to drive growth through expansion and creating value through the investment properties.

Customer Value Proposition

The Company purposes to leverage on the strategic customer value proposition of "Quality, Availability, and Consistency at a competitive price" in recognition of the criticality of a delighted customer as the fulcrum to its recovery programs. This value proposition is an integration of application of the core value system and business perspectives in delivering a delighted customer and profitability.

Risk Management

The Company's operations and earnings are subject to various risks related to the changing competitive, economic, political, legal, social, industry, business, and financial conditions. These risks expose the Company to real threats of financial and non-financial loss. Some of these risks include credit risk, price risk, liquidity risk, foreign currency risk, and interest rate risk. Given the regional operations, the Company is also faced with Country risk.

The Company's overall risk management program focuses on effective mitigation of the various risks and seeks to minimize potential adverse effects on corporate performance using a variety of techniques. These include credit assessment and bank guarantees for the major accounts' receivables, price surveys in the market to confirm the appropriateness of prices charged and/or paid, hedging of Forex exposure and review of our foreign operations to adopt the best business model. Management continues to carry out assessments to evaluate effectiveness of mitigating factors of the various risk types towards realization of the Company strategies towards achievement of corporate objectives.

The Company also takes a risk-based approach when designing, evaluating and monitoring the internal control environment. There are procedures designed to ensure business objectives are realized and ensure business continuity in case of process failures. Related requirements are set out in the Corporate Risk Management Manual and Business Continuity Plan. The manual describes the methodology to be followed to manage risks and the risk-based standards that provide a common approach to enterprise-wide risks. The Business Continuity Plan establishes alternatives to normal established processes in instances of process failures.

The Company has established mechanisms that allow the Board, through the Board Audit Committee, to regularly consider the overall effectiveness of the internal control system in mitigating risks that the business face from time to time.

The Company has also put in place whistleblowing measures to discourage corrupt and unethical practices among its employees. This is designed to guarantee the safety and well-being of the Company's resources and assets.

Corporate Social Responsibility

The Group has continuously recognized the strategic nature of its Corporate Social Investment and the role it has played on its business. The Company has retained its engagement with the communities and various stakeholders that interplay in the discharge of business. During the reporting period, the Company invested in various projects around thematic areas of education, health, water, and environmental conservation. The Company has put these efforts together to aid in assisting the surrounding communities improve the quality of life and appreciate the coexistence upheld by the stakeholders. The Company upholds the principle of responsible corporate citizenship and believes to be obligated to impact the said communities and neighborhood. This has worked for us as a Company to create a mutual relationship with the Communities we work with.

Safety, Health, and Environment

EAPC Plc recognizes the criticality of Safety and Health practices in the workplace, demonstrated by the continuous application of Occupational Health and Safety Standard (OHSAS) management system. The Company believes that through a good safety culture, other performances in quality, plant reliability, competitiveness, and profitability will consequently improve. The safety structures inbuilt in the various processes, forms an integral hazard assessment and control program, resulting in the reduction of work-related incidents and ill health.

Outlook

The company will leverage on its ownership structure to partner with the National Government in securing to deliver its promise of affordable housing and infrastructure to Kenyans. This is expected to offer a niche market to the company which will be pivotal to its pursuit to recapture its market share. This coupled with the cost rationalization program and optimization of plant operations is expected to make the business return to profitability. It is expected that the balance sheet restructuring shall be completed in the financial year 2021/22 and that this shall reposition the Company to competitively deliver its mandate to shareholders and other stakeholders. Major emphasis shall continue to be placed on cost rationalization and efficient use of plant and working capital resources.

Finally, I am grateful to the Board for entrusting me with the task of presiding over the company at such a crossroad time and look forward to returning its lost glory. Special thanks to the Management team for the resilience and holding the company during this difficult time. I would like to thank our customers, shareholders and all our stakeholders for the support and patience with the Company in the period characterized by challenges in the turnaround process. I am confident that in this coming year and in the future, we shall reflect on how we did overcome the past challenges. We believe that we shall continue nudging on the corporate strategy to align even closer to market dynamics as a base to innovatively building sustainability in the business.

Thank you

Oliver Mwandigha Kirubai
Managing Director

Sustainability Report

Sustainability Report

The Company continues to ensure sustainability in all its operation as well constantly engaging our various stakeholders. During the reporting period, the business maintained proactive and consistent engagement with its stakeholders who include employees, the community, and shareholders. The engagements were in relation to various aspects of business operations ranging from

1. Education
2. Water provision to communities
3. Health and Safety
4. Environmental Sustainability

University students during a factory tour.

Education

Education continues to be at the heart of the company's sustainability agenda. As it is said, give a man a fish and you feed him for a day, show a man how to fish and you feed them for life. In the same case, by empowering someone through education you give them a gift for life.

During the reporting period we supported Chepkutung Secondary School in Kericho County through donation of cement to aid in the construction of eight classrooms and offices. This support was informed by the fact that demand for school vacancies in the area had outweighed the available opportunities creating a necessity to double the learning facilities in the school. In the same period, we noted that Kasoito Primary School in Athi River (our headquarters) and EAPC Plc Kibini Primary School in Kibini (where we mine) had insufficient furniture and we donated ECD chairs and tables worth Ksh. 50,000 to each of the institutions.

The Company has always supported various institutions of higher learning by offering Industrial Attachment opportunities in different disciplines for the students enrolled in these institutions. This helps them get practical experience on what they are taught in class helping them easily grasp the theories. To supplement what students learn in class, the Company also allows students taking technical courses to visit the plant and see the different engineering processes in cement manufacturing.

Induction of Industrial Attachment Students ongoing

During the period, the Public Service Commission made a special request to parastatals to equip fresh graduates with practical knowledge in their disciplines as preparation for them to join employment. To this end, the Company admitted 35 recent graduates for our Internship Programme in various departments both in production and support functions.

Water provision to communities

We have continued to provide clean and reliable water for our community in Kibini Hill, Kajiado East where we mine most of our limestone by running six boreholes. Three of the boreholes consume electricity while the remaining three consume diesel. In the financial year, the company spent Sh. 1,440,000 in running the boreholes while to ensure that the community had continued supply of water, another sh. 440,000 was spent on maintenance and repair of boreholes which had broken down. The total amount of money spent on the boreholes was Ksh. 1,880,000 for the year.

Health and Safety

EAPC Plc has a primary duty in law to protect its employees from harm while in the line of duty and to provide a conducive and safe work environment to perform its business activities. The company conducted applicable

HSE audits of its workplaces in order to evaluate level of compliance and identify opportunities for improvement.

Road Safety

EAPC Plc recognizes that vehicles are tools of trade which must be managed, maintained and operated appropriately to minimize if not eliminate road accident risks to employees and contractors. EAPC Plc has taken all necessary steps to ensure company vehicles are safe and employees do not drive under conditions that are unsafe or likely to create unsafe driving environment.

To enhance road safety, we joined the world in marking the 6th Global Road Safety week themed ***"I support 30 km/h on streets where people walk, live and play"***. The focus of this campaign was to promote driving in low speeds, particularly to protect the vulnerable, prevent road traffic injury and help encourage walking and cycling. During the week long campaign, our Safety Team trained both internal and external drivers on Road Safety emphasizing on driving at a maximum speed of 30km/h especially in crowded areas where vulnerable road users and vehicles mix in a frequent and planned manner to avoid causing accidents.

Health and Safety remains one of the pillar of the company's strategy. Our slogan. Safety First is never taken lightly. At all times safety begins with us. During the reporting period, the company implemented the following objectives; Road Safety, Health, Housekeeping, Work at Height and Risk Management.

1. In Road Safety, we generated a scorecard based on the output of the In-Vehicle Monitoring System (IVMS) and used this scorecard to rate and identify safe and unsafe drivers. We then applied the reward and sanction policy on the drivers based on this scorecard positively influenced their driving behavior.
2. In Health, some engineering controls were implemented to address ergonomics issues in lifting of bags using trolleys. To manage dust exposure to workers in the packing plant. In Housekeeping, sustainable solutions were implemented across the sites to address the housekeeping issues from the source.
3. In Working at Height, solutions were implemented following the Hierarchy of Controls principle with focus on engineering controls aimed at reducing scaffold use across the sites. Some of the solutions implemented included installation of platforms with side protection and toe-boards.
4. In Risk Management, the Group introduced a new risk management approach and relaunched toolbox talks (Lifesaving talks) and risk assessment audits (Lifesaving audits).

Servicing of a borehole in Kibini Hill area

Drivers after their road safety training

The specific subject of the Covid-19 pandemic is still here with us and has brought on board a new twist especially in ensuring the safety of all stakeholders, both internal and external. The pandemic brought in a major shift on how we do business not only in the cement world but globally. It not only affected businesses, but also families especially when it comes to survival. We also saw a surge in infections across the country and globally that called for an increase in surveillance. To play its part, the company upscaled its measures to ensure that both employees and visitors observe the Ministry of Health's protocols to curb the spread of the virus. The emphasis has been on COVID-19 preventive measures which included adopting social distancing policy in offices and other working areas, provision of additional outdoor hand washing points inclusive of daily replenishing of washing soap, hand sanitizing during entry and while exiting the company, provision of surgical masks to staff, high level of enforcement on compliance with respective COVID-19 protocols. We have joined the rest of the globe focus in COVID-19 and beyond by striving to build Confidence and resilience in vaccine ecosystem with overall intent of tackling rising vaccines hesitancy through intensifying awareness on need to be vaccinated. Our employees are getting vaccinated in government designated vaccination centers. Plans are underway for a companywide staff and dependents vaccination in our clinic during the first quarter of FY 2021/22.

To extend our hand to the community, the Company has been regularly donating face masks and hand sanitizers to them to ensure that they also remain safe. During the reporting period, we also organized for a food drive whereby colleagues were requested to donate any food item that they can, at the end of the drive, the food was donated to a local religious group to be distributed to families around us that had been hardly hit by the economic effects of the pandemic

Environment Sustainability

To realize environmental sustainability we have implemented robust EMS 14001:2015 that has laid a framework for improving environmental performance as an integral and fundamental part of business strategy. EAPC Plc consider sustainability both as an opportunity and a responsibility which shall eventually make us be part of the generation that redressed the balance between the planet's resources and humanity's consumption.

Environmental Policy

The Company is committed in improving environmental performance as an integral and fundamental part of its business strategy. The company shall protect and conserve natural resources by promoting environmental sustainability and implementing innovative environmental technologies and practices.

Through management leadership and engagement of interest parties, the company is committed to:

1. Comply with all applicable laws, regulations, and other requirement to which the company subscribes to related to its environmental aspects.
2. Prevent pollution by improving environmental performance
3. Enhance improvement of environmental management system by establishing and reviewing environmental objectives periodically.
4. Promote the adoption of environmental management system by contractors and suppliers.
5. Communicate the environmental policy throughout the organization and publicly avail it to all interested parties.

A customer receives Covid-19 preparedness essentials

A tree planting exercise

Corporate Governance Statement

Corporate Governance Statement

Introduction

The Group continues to uphold high standards of corporate governance in order to enhance and protect value and ensure the sustainability of the business. The Board of Directors seeks to discharge its duties and responsibilities in the best interests of the Company, its shareholders, customers, suppliers, financiers, the Government and the wider community.

Compliance statement

The Company is guided by the Capital Markets Authority Guidelines on Code of Corporate Governance Practices for Issuers of Securities to the Public 2015, the Public Officer Ethics Act, 2003, other laws relevant to its operations, the '*Mwongozo*' Code of Governance for State Corporations and other best practice principles as contained in the Board Charter.

Responsibilities of the Board

The primary role of the Board is to provide leadership and strategic direction to the Company to enhance shareholder value. Its main responsibilities are the establishment of strategy and general policy, ensuring preparation of statutory financial statements, reviewing and monitoring the performance of the Company and of senior Management and ensuring that there are adequate internal controls to ensure business continuity. The Board has delegated authority for the conduct of day to day business to the Managing Director and the Management Committee. The Board of Directors has access to the Company Secretary as well as timely and relevant information from Management to discharge its duties effectively. Directors are also empowered to seek independent professional advice on Company affairs at its expense where necessary.

The Composition of the Board is set out on page 5.

The Board is made up of the Chairman, Managing Director and four non-executive directors. The non-executive directors are independent of management and are subject to periodic re-appointment in accordance with the Company's Articles of Association. On appointment, the directors receive an induction covering the company's business and operations. The directors are advised of the legal, regulatory and other obligations of a director of a listed company. The directors' responsibilities are set out in the Statement of Directors Responsibilities section.

The Board meets regularly, and directors receive appropriate and timely information so that they can maintain full and effective control over strategic, financial, operational, compliance and governance issues.

The roles of the Chairman and the Managing Director are clearly defined and have been approved by the Board.

The Board members have a wide range of skills and experience and each brings an independent judgment and considerable knowledge to the Board discussions. The Board recognizes that at the core of the corporate governance system, it is ultimately accountable and responsible for the performance and affairs of the Company. Towards this end, the directors in fulfilment of their fiduciary duty act always in the best interest of the Company and shareholders. The Board understands the significance of corporate governance and continuously strives to provide competitive strategic leadership.

The 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 (87th & 88th)
Chairman – Edwin Kinyua	4	7	2
Managing Director	4	7	2
CS Treasury or his alternate	4	7	2
PS Ministry of Industry, Trade & Enterprise development	4	7	2
NSSF	4	7	2
Kung'u Gatabaki	4	7	2
Professor Sarone ole Sena	4	7	2
Company Secretary	4	7	2

Eleven board meetings were held during the year.

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

Delegation of Authority

Board Sub Committees

The Board has four Sub Committees with specific delegated authorities. These are the Audit, Finance, Technical and the Human Resources Committee & Remuneration Committees while Management has an Executive Management Committee

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

Details of these committees and membership are shown below.

Audit Committee

The Committee reviews quarterly, half year and annual financial statements, external audit plans, audit findings, internal audit and operations and findings and risks affecting the Company. External auditors have unrestricted access to the Managing Director and Chairman of Audit Committee.

The members of the Committee are:

Director	
Dr. Anthony Omerikwa (representing NSSF)	Chairman
Kung'u Gatabaki	
CS, Treasury	
Prof. Sarone ole Sena	
Company Secretary	

The Committee held four meetings during the year

Board Technical Committee

The Committee reviews the Company's capital expenditure plans, Sales and Marketing strategies, Technology and Research.

The members of the Committee are

PS Ministry of Industry, Trade & Enterprise development	Chairman
Dr. Anthony Omerikwa	Representing NSSF
Kung'u Gatabaki	
Managing Director	
Company Secretary	

The Committee did not meet during the year with the bulk of issues being handled by the Finance Committee.

Board Human Resources & Remuneration Committee

The Committee is responsible for the formulation and review of the human resource policies and organisation structure, appointment of and terms of conditions of senior management, promotion and disciplinary matters relating to senior staff, the remuneration and benefits structure and approval of performance-based rewards.

The Members of the Committee are:

Prof. Sarone ole Sena	Chairman
Dr. Anthony Omerikwa	Representing NSSF
PS Ministry of Industry, Trade & Enterprise development	
Managing Director	
Company Secretary	

The Committee held five meetings during the year

Finance Committee

The Board constituted the Committee on 22 February 2020 in order to enhance supervision of the finance and financing activities of the Company. The Committee is responsible for recommending financial policies, goals, and budgets that support the mission, values, and strategic goals of the Company. It also reviews the Company's financial performance against its goals and proposes major transactions and programs to the Board. The members of the Committee are:

Kung'u Gatabaki	Chairman
CS, Treasury	
PS Ministry of Industry, Trade & Enterprise development	
Dr. Anthony Omerikwa	Representing NSSF
Managing Director	
Company Secretary	

The Committee held five meetings during the year.

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

	Audit committee	Finance Committee	HR & Remuneration Committee
Chairman - Edwin Kinyua	-	-	-
CS Treasury / Alternate	4	5	-
PS Ministry of Industry, Trade and Enterprise development	4	5	5
NSSF	4	5	5
Managing Director	-	-	-
Kung'u Gatabaki	4	5	5
Prof. Sarone ole Sena	4	-	5
Company Secretary	4	5	5

Management Committee

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

The Committee meets at least once a week.

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.

Directors' remuneration and loans

The remuneration of all directors is subject to regular review to ensure that levels of remuneration and compensation are appropriate. Neither at the end of the financial year, nor at any time during the year did there exist any arrangement to which the Company is a party, whereby directors might get benefits by means of acquisition of the Company's shares. Information on emoluments and fees paid to directors are disclosed in (Note 34(v)) of the financial statements.

Board Performance Evaluation

Under the guidelines of Performance Contracting and the Board Charter, the Board is responsible for ensuring that a rigorous evaluation is carried out of its performance, and that of its committees and individual directors. The evaluation of Performance Contracting is conducted quarterly and annually, and the results of the evaluation are provided to the Ministry of Industrialization and Office of the President as required under Performance Contracting.

Going concern

The Board confirms that it is satisfied that the Company has adequate resources to continue in business for the foreseeable future. For this reason, the Company continues to adopt the going concern basis when preparing the financial statements. The Company has received approval to derive value from its idle assets. The Board has reviewed the projected operating results for the next one year and is confident that the company will remain a going concern.

Internal controls

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

The Board attaches great importance to maintaining a strong control environment and the company's system of internal controls includes the assessment of non-financial risks and controls. The Board has reviewed the Company's internal control policies and procedures and is satisfied that appropriate procedures are in place.

The Company's business is conducted within a developed control framework, underpinned by policy statements, written procedures and control manuals. This ensures that there are written policies and procedures to identify and manage risk including operational risk, liquidity risk, regulatory risk, legal risk, reputational risk, market risk and credit risk. The Board has established a management structure, which clearly defines roles, responsibilities and reporting lines. Delegated authorities are documented and communicated.

The performance of the Company is reported regularly to its management and the Board. Performance trends, forecasts as well as actual performance against budgets and prior periods are closely monitored. Financial information is prepared using appropriate accounting policies, which are applied consistently. Operational procedures and controls have been established to facilitate complete, accurate and timely processing of transactions and the safeguarding of assets. These controls also include the segregation of duties, the regular reconciliation of accounts and the valuation of assets.

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

The Board will continue to play its role effectively under the corporate governance structure. The non-executive directors will maintain oversight on management of the Company through Board meetings as well as various Board Committees.

Relations with shareholders

The Board recognizes the importance of good communications with all shareholders. The Annual General Meeting (AGM) as well as the published annual report are used as the opportunity to communicate with shareholders. The Company gives shareholders adequate notice of the AGM as provided for in the Kenyan Companies Act and shareholders are encouraged to submit questions and appoint proxies to represent them where they are unable to attend. Shareholder requests for information are handled on an on-going basis and during the AGM.

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

Skills and experience of the Board

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

- Corporate governance and legal knowledge
- Diverse age profiles
- Cement industry experience
- Diverse and Complementary skills

Code of Conduct

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

Conflict of Interest

All directors are under duty to avoid conflict of interest. This entails not engaging, directly or indirectly in any business that competes or conflicts with the Company's business. Any potential or actual conflicts of interest are promptly reported to the Company Secretary.

Appointments to the Board

Directors retire by rotation annually, and, if eligible, their names are submitted for re-election at the annual general meetings.

All director appointments are subject to confirmation by shareholders at the annual general meetings. In addition to the induction program for new directors, there are specific training workshops that directors participate in that are accredited by the Centre for Corporate Governance.

Interaction with Management

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

During the year 2020/2021, the membership of the Board Committees was reviewed in line with the requirements of the Board charter which provides that committee memberships and chairs be reviewed annually.

Communication

The Board is satisfied that decision-making capability and the accuracy of its reporting and financial results are maintained at a high level at all times to ensure adequate disclosure and transparency. The Board relies on the external group of Auditors and Audit Committee to raise any issues of financial concern.

The Company provides timely and appropriate information to shareholders through publication of periodic accounts and the Annual Report and holds an annual face-to-face briefing. Shareholders are also advised of important events that impact the Company's operation.

Director's Report

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 (the "Company") and its subsidiaries together the (the "Group") for the year ended 30 June 2021.

BUSINESS REVIEW

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

The principal activity of the company's wholly owned subsidiary, East African Portland Cement Uganda Limited, is the sale of cement purchased from the parent company.

Financial Performance

Several factors throughout the year affected the performance of the business adversely. Efforts to reposition the business through revenue and cost matching were impacted by finance costs and provisions for ongoing litigation. Consequently, in spite of an improvement in net revenue, the Group gross loss margin reduced marginally as a result of intensified competition leading to lower prices and insufficient throughput due to a tight working capital position.

The Group reported a profit for the year of Shs 1.9 billion (2020: loss of Shs 2.8 billion) mainly as a result of gains in investment property of Shs 5.8 billion. The operating loss is mainly driven by insufficient working capital to support throughput leading to inadequate absorption of fixed costs, increased provisions for litigation costs and recognition of loss on disposal of investment property. However, this was netted off by a reduction in employee related costs as a result of restructuring plans implemented in the previous year.

Risk Management

The Group faces several risks that are likely to affect the performance if not appropriately and timely mitigated. The continued oversupply of cement in the domestic market and increase in the number of cement players adopting price entry strategy continue to impact on downward pressure on price and thus profitability of the business. The increasing competition also affects the credit risk as more players seek to gain market share through credit incentives. These factors combine to adversely impact on the liquidity risk of the business. Investment in capacity expansion and efficiency remain a major risk in countering the impact of new entrants. Management has developed an elaborate risk management programme to manage the current and future risks that threaten the business.

The Environment

The Group is actively involved in afforestation initiatives through issue of seedlings to the local community. The Group is compliant with National Environmental Management Authority (NEMA) requirements. The company is certified for both environment and safety management systems being EMS 14001:2015 and OHSAS 18001:2007 respectively

Human Capital

The company values the contribution employees put towards realization of corporate objectives and enhancement of shareholder value. The company seeks to empower its employees through carefully targeted training and development programs. The Company technical team obtains diverse knowledge transfer from suppliers of critical installations in the factory. The employee statistics are included below:

	2021	2020
Permanent	59	268
Contract	442	257
Total	**501**	**525**

Corporate social responsibility

The Group is strongly involved in community issues as detailed in the corporate social responsibility report as a corporate citizen focused on returning value to the partnering communities.

Outlook

Market outlook in terms of cement demand in the short run remains depressed with current market data dampening prospects of expected medium term demand. This is driven by a difficult operating environment occasioned by declining consumer purchasing power against the backdrop of COVID-19 pandemic control measures. The company is undertaking cost rationalization (staff and borrowing cost) to survive in the current market as well as partnering with the national government in its affordable housing and infrastructure agenda.

Investment property

In a bid to leverage on its rich asset base and brand value, the company sought shareholder approval of disposal of idle land in order to retire KCB debt obligations, bolster working capital, revamp plant operations and lower fixed costs. To this end, we expect significant changes to Investment property value in the subsequent year.

Key performance indicators

The table below highlights some of the key performance indicators.

	Group		Company	
	2021	2020	2021	2020
Key performance ratios	Shs'000	Shs'000	Shs'000	Shs'000
Gross loss margin	30%	33%	30%	33%
Operating loss margin	116%	126%	116%	126%
Net profit/(loss) margin	69%	(112%	69%	(112%)
Return on assets	6%	(8%)	6%	(8%)
Return on equity	9%	(15%)	9%	(15%)

DIVIDENDS

The Group's and Company's profit after tax for the year of Shs 1,887,580,000 (2020: loss of 2,769,347,000) and Shs 1,887,846,000 (2020: loss of shs 2,768,466,000) respectively has been added to retained earnings. The directors do not recommend the payment of a dividend in respect of the current year (2020: Shs nil).

DIRECTORS

The directors who held office during the year and to the date of this report are shown on page 5.

STATEMENT AS TO DISCLOSURE TO THE COMPANY'S AUDITOR

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

(a) there is, as far as each director is aware, no relevant audit information of which the Group's and Company's auditor is unaware; and

(b) each director had 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 Group's and Company's auditor is aware of that information.

TERMS OF APPOINTMENT OF AUDITOR

The Auditor General is responsible for the statutory audit of the financial statements of East African Portland Cement Plc in accordance with Section 23 of the Public Audit Act, 2015 which empowers the Auditor General to nominate other auditors to carry out the audit on his behalf. PricewaterhouseCoopers LLP was nominated by the Auditor General to carry out the audit of East African Portland Cement Plc for the year ended 30 June 2021.

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

On behalf of the Board

Director

Date: 28th October 2021

Director's Remuneration Report

The Board of Directors congratulates the dedicated investors for the gallant support accorded to the Company in the just completed financial year. The business environment for the company was harder than previous years due to several factors, both internal and external. However, our efforts to turnaround the business have begun bearing fruit. As a result, the group turnover improved by 12% compared to previous year. Due to the challenges faced and the need to consistently design responsive mitigating actions, the Board of Directors undertook various activities on behalf of the Group which when implemented will lead to profitability in the foreseeable future.

The Director's remuneration policy at a glance

Executive Directors

The Managing Director is the only Executive Director of the Group and Company within the confines of the Company's Act. His remuneration is in accordance with the staff remuneration policy as approved by the Board of Directors. His remuneration package comprises a basic salary, gratuity and other benefits designed to recognize his skills, experience and attention required to run the Group.

Non-Executive Directors

Non-Executive Directors receive fees and other emoluments in recognition of their contribution to the Company for Board and Committee meetings. The fees are approved by Shareholders at Annual General Meetings and is payable after the occurrence of the meetings. The expense allowances are paid in the course of the year. The Non-Executive Directors do not receive any performance-based remuneration. No pension contributions are payable on their emoluments. The Group reimburses travel and accommodation expenses related to attendance at board meetings.

Directors' shareholding

No member of the board of directors holds shares in his or her personal capacity in the Group. However, the directorships mirror representation of key shareholders of the Group. The National Treasury is represented by the Cabinet secretary with a nominated alternate while the parent ministry is represented by the Principal Secretary with a nominated alternate. The National Social Security Fund as a director is represented by the Managing Trustee with a nominated alternate.

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

Directors Contract of service

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

DIRECTORS CONTRACT OF SERVICE		
Director	**Start of contract**	**End of Contract**
Edwin Kinyua - Chairman	11 January 2019	11 January 2022
Kung'u Gatabaki	Shareholder rep	Shareholder rep
Prof. Sarone Ole Sena	Shareholder rep	Shareholder rep
Amb. Ukur Yattani	Shareholder rep	Shareholder rep
National Social Security Fund	Shareholder rep	Shareholder rep
Amb. Peter Kirimi Kaberia	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 2021 together with the comparative figures for 2020. The aggregate directors' emoluments for Group and Company are shown on below:

Year ended 30 June 2021

S/N	Name	Salary	Fees	Bonuses	Expenses Allowances	Loss of Office/ Termination	Estimated Value of Non-cash Benefits	Total
		Shs '000'	Shs '000	Shs '000'	Shs '000'	Shs '000'	Shs '000'	Shs '000'
1	Edwin Kinyua	-	300	-	4,061	-	-	4,361
2	Kung'u Gatabaki	-	160	-	2,057	-	-	2,217
3	Dr. Antony Omerikwa	-	160	-	814	-	-	974
4	Prof. Sarone Ole Sena	-	160	-	2,223	-	-	2,383
5	Edward Wamweya	-	160	-	1,114	-	-	1,274
6	Nicholas Kamau	-	160	-	900	-	-	1,060
7	Patricia Aruwa	-	-	-	129	-	-	129
8	Jane Joram	-	-	-	1,029	-	-	1,029
9	Gerald Mwangi	-		-	43	-	-	43
	Totals	**-**	**1,100**	**-**	**12,370**	**-**	**-**	**13,470**

Year ended 30 June 2020

S/N	Name	Salary	Fees	Bonuses	Expenses Allowances	Loss of Office/ Termination	Estimated Value of Non-cash Benefits	Total
		Shs '000'	Shs '000	Shs '000'	Shs '000'	Shs '000'	Shs '000'	Shs '000'
1	Simon Peter Ole Nkeri	2,670	-	-	499	11,932	-	15,101
2	Edwin Kinyua	-	300	-	10,024	-	-	10,324
3	Kung'u Gatabaki	-	160	-	4,177	-	-	4,337
4	Dr. Antony Omerikwa	-	160	-	900	-	-	1,060
5	Prof. Sarone Ole Sena	-	160	-	3,510	-	-	3,670
6	Betty Maina	-	160	-	43	-	-	203
7	Humphrey Muhu	-	-	-	300	-	-	300
8	Moses Cheseto	-	-	-	386	-	-	386
9	Charles Mahinda	-	-	-	570	-	-	570
10	Edward Wamweya	-	160	-	1,505	-	-	1,665
11	Nicholas Kamau	-	-	-	214	-	-	214
	Totals	**2,670**	**1,100**	-	**22,128**	**11,932**	**-**	**37,830**

The remuneration of all directors is subject to regular review to ensure that levels of remuneration and compensation are appropriate. Neither at the end of the financial year, nor at any time during the year did there exist any arrangement to which the Group is a party, whereby directors might get benefits by means of acquisition of the Group's shares. Information on aggregate of emoluments and fees paid to directors are disclosed in Note 33(vi) of the financial statements.

On behalf of the Board

Company Secretary

Date: 28th October 2021

Statement of Directors’ Responsibilities

The Companies Act, 2015 requires the directors to prepare financial statements for each financial year that give a true and fair view of the financial position of the Group and Company as at the end of the financial year and of its profit or loss for that year. It also requires the directors to ensure that the Group and Company keeps proper accounting records that: (a) show and explain the transactions of the Company and subsidiary (b) disclose, with reasonable accuracy, the financial position of the Group and Company; and (c) enable the directors to ensure that every financial statement required to be prepared complies with the requirements of the Companies Act, 2015.

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 Group’s and Company’s ability to continue as a going concern, directors have disclosed as applicable, matters relating to the use of going concern basis of preparation in Note 2(a) of the financial statements.

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

Approved by the board of directors on 28th October 2021 and signed on its behalf by:

____
Edwin Muriithi Kinyua, MBS
Chairman

____
Oliver Mwandigha Kirubai
Managing Director

Report of the Auditor-General

Report of the Auditor-General

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON EAST AFRICAN PORTLAND CEMENT PLC FOR THE YEAR ENDED 30 JUNE, 2021

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, gazetted 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 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 does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

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, and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Opinion

The accompanying consolidated and the company financial statements of East African Portland Cement PLC (the Company) and its subsidiary (together with the Group) set out on pages 47 to 93, which comprise the consolidated and the Company's statement of financial position as at 30 June, 2021 and the consolidated and the Company's statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, have been audited on my behalf by PricewaterhouseCoopers 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, 2021 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.

Emphasis of Matter

Material Uncertainty Related to Going Concern

I draw attention to Note 2(a) in the financial statements, which indicates that the Group and Company incurred a net profit for the year of Kshs.1,887,580,000 (2020: Loss of Kshs.2,769,347,000) and Kshs.1,887,846,000 (2020: Loss of Kshs.2,768,466,000) respectively during the year ended 30 June, 2021. Further, the Group's and Company's current liabilities exceeded the current assets by Kshs.10,737,759,000 (2020: Kshs.13,829,524,000) and Kshs.10,777,244,000 (2020: Kshs.13,868,616,000) respectively an indication of negative working capital for the Company.

The Company also defaulted on a loan from one of the key lenders. In September, 2019, the Company obtained approval from shareholders to dispose off some of the idle land to retire the debt. Factors that have affected performance have been explained in the Directors' Report and Managing Director's Report. In particular, the cement production plant continues to operate significantly below capacity due to working capital constraints, lack of essential spare parts and loss of market share to competitors. Further, due to the cash flow constraints, the Company has been unable to settle the amounts due to its key suppliers and regulatory authorities including Kenya Revenue Authority and pension liabilities.

Further, the Company had significant litigations and claims against it which, if successful, may result in claims that are unlikely to be settled, given the entity's current financial position. Details of the significant claims include employee related claims arising from unpaid salaries based on Collective Bargaining Agreement (CBA) terms with an estimated total exposure of Kshs.1.5 billion, debt claims by suppliers for unpaid bills for services rendered and goods delivered totalling to Kshs.310 million, claims arising from disputed deliveries, breach of distribution contracts and termination of supplier contracts totalling Kshs.196 million, although most of these claims have been provided for in the financial statements.

In addition, the Company has been unable to settle amounts due to statutory authorities which include Pay As You Earn (PAYE) of Kshs.2,200,000,000, Value Added Tax (VAT) of Kshs.656,000,000 and pension liabilities of Kshs.110,000,000 being principal, penalties and interests.

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

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

My opinion is not modified in respect of this matter.

Key Audit Matter

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters. In addition to the matter described in the material uncertainty related to going concern section above, I have determined the matters described below to be the key audit matters to be communicated in my report.

Key Audit Matter	How the Audit Addressed the Key Audit Matter
Fair Valuation of Investment Properties As disclosed in Note 18 to the financial statements, the Group's and Company's investment properties consist of investment in land carried at fair value. The Directors engaged Independent Professional Valuers to	I have performed the following audit procedures; • Assessed competency, capabilities and objectivity of the independent valuers. • Reviewed the terms of the engagement of valuers to ascertain whether there were matters affecting their objectivity or whether

Key Audit Matter	How the Audit Addressed the Key Audit Matter
determine the fair value as at 30 June, 2021. The valuers determined the open market value using recent property transactions prices within the vicinity of the Group's land. A significant portion of the Group's land is occupied by informal settlers. As disclosed in Note 18 to the financial statements, the Directors have exercised judgement in determining the classification of the encroached land as investment property. The fair value of the land occupied by informal settlers is based on open market values, determined by the independent valuers, as adjusted by the Directors' estimated cost of evicting the informal settlers and securing the land. The determination of the cost of evicting the informal settlers involved estimates and significant judgements.	there was a scope limitation that would have a significant impact on their work. • Assessed the appropriateness of the methodology used by the independent valuers and its consistency with the International Financial Reporting Standards (IFRS). • Assessed the relevance and reasonableness of the independent findings or conclusions, and their consistency with other audit evidence obtained during the audit. • Assessed the results of the expert's work in light of the knowledge of the real estate sector and the properties owned by the Company. • Reviewed Management's estimate of eviction costs for reasonableness. • Reviewed the adequacy of the disclosures in Note 18 to the financial statements.

Other Matter

1. Loss in Sale of Land

As previously reported, in 2012, the Company entered into a consent to sell land LR. No.8784/4 in Athi River measuring 337 acres to a local buyer at a price of Kshs.2,200,000 per acre. However, the buyer defaulted on the provisions of the consent by not providing an acceptable bank security within the period of consent. The case was taken to court after which the parties settled at a renegotiated price of Kshs.4,500,000 per acre on 03 May, 2019. The Company thereafter revalued the investment property to a carrying value of Kshs.5,184,000 per acre. As a result, the renegotiated price of Kshs.4,500,000 per acre resulted to an impairment loss of Kshs.230,508,000.

2. Land Invaded by Informal Settlers

As previously reported, the investment properties LR No.8784/4 (1,330 acres) is almost 70% invaded by informal settlers while LR No.8786 (745 acres) and LR No 10424 (3,292 acres) are partially occupied by informal settlers. The Company continued to pursue several avenues to reclaim the occupied properties. An estimated cost of evicting the informal settlers amounting to Kshs.425,870,000 has been adjusted in the financial statements in arriving at the fair value of investment properties.

Other Information

The Directors are responsible for the other information, which comprises 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.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance or conclusion thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

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

Basis for Conclusion

1.0 Tax Matters

1.1 Non-Remittance of Pay as You Earn (PAYE) Tax Deductions

As previously reported, the Company had not remitted PAYE amounting to Kshs.2,200,000,000 in principal, penalties and interests as at 30 June, 2021. This is contrary to Sections 3(2)(a)(ii), 5 and 37 of the Income Tax Act Cap 470 which requires employers to deduct PAYE at source and remit the same to the tax authorities before the 9th day of the subsequent month of pay. As a result of the default, the Company is likely to suffer additional tax penalties and interest.

Consequently, the Company is in breach of the law.

1.2 Non-Remittance of Value Added Tax (VAT)

As previously reported, the Company had not remitted VAT totalling Kshs.656,000,000 in principal and penalties and interest as at 30 June, 2021. Contrary to Section 13(3) of the Value Added Tax Act Cap 476 which requires entities to remit VAT payable to tax authorities before the 20th day of the subsequent month of collection, this exposes the Company to the consequences of non-compliance with the value added tax law.

In the circumstance, the Company in breach of the law.

1.3 KRA Tax Audit

As disclosed in Note 30(1) to the financial statements, Kenya Revenue Authority (KRA) carried out an audit on the Company, covering corporate tax, employees' taxes, withholding tax and VAT for the period from 2005 to 2008. KRA raised an assessment of Kshs.2.5 billion out of which Kshs.1.7 billion had been resolved with the Revenue Authority. The Company paid Kshs.122,000,000 and appealed against a further Kshs.473,000,000 through the local tax committee which subsequently ruled in favour of the Company. KRA later appealed in the High Court against the local committee ruling. The substantive appeal to the High Court had however not been filed by KRA. Though the Directors are of the view that no additional liabilities may arise from this matter, if the High Court rules in favour of the Revenue Authority, the Company may incur further costs in settlement of the contingent liability.

2.0 Non-Remittance of Employees' Pension Contributions

As previously reported, the Company had accrued pensions of Kshs.110,000,000, in principal, penalties and interest as at 30 June, 2021. The unremitted contributions date back to August, 2018. This is Contrary to Sections 53 and 53A of the Retirement Benefits Act, 1997 which requires entities to remit contributions by the employee's timely, failure to which, the entities will be penalized.

The Company is in breach of the law and is exposed to the consequences of non-compliance with the retirement benefits law through penalties and non-payment of retirement benefits to its employees upon retirement.

3.0 Non-Remittance of Mining Levies

As previously reported, the Company had accruals of non-remitted mining levy amounting to Kshs.407,000,000 as at 30 June, 2021. This is contrary to Legal Notice No. 222 of the Mining Act (Cap 306) dated 18 December, 2013 which requires cement producers to pay a cement mineral levy at the rate of Kshs.140 per ton of cement with effect from 01 January, 2014.

The Company is in breach of the law and exposed to the consequences of non-compliance with the mining regulations.

4.0 Non-Remittance of Unclaimed Dividends

As previously reported, the Company held in its books, accrued dividends payable amounting to Kshs.102,000,000 as at 30 June, 2021. Part of this amount has been outstanding for more than three (3) years exposing the Company to increased penalties. This is contrary to Section 20 of the Unclaimed Financial Assets Act, 2011 which requires entities to remit unclaimed assets, including but not limited to ownership interests (shares and dividends), with a period of abandonment of three (3) years

The Company is therefore in breach of the law.

5.0 Lack of Executed Agreement for Government Loan

As previously reported, Note 26 to the financial statements indicates that the Company held in its books a Government debt of Kshs.1,942,945,000 (2020: Kshs.1,483,077,000) payable to the Government of Kenya as at 30 June, 2021. The loan amount accumulated from the interest and principal repayment made on Japanese - OECT loan by the Government of Kenya on behalf of the Company as the Government was the guarantor. The loan agreement between the Company and the Government indicating the terms of the loan and the agreed amount was not availed for audit verification.

As a result, it was not possible to ascertain the terms of the loan or the actual outstanding loan amount due to the Government as at 30 June, 2021.

The audit was conducted in accordance with ISSAI 4000. The standard requires 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, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

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 the audit that:

(i) In my opinion, the information given in the report of the Directors on pages 29 to 31 is consistent with the financial statements.

(ii) In my opinion the auditable part of the Directors' remuneration report on pages 32 to 33 has been properly prepared in accordance with the Companies Act, 2015.

Responsibilities of the Board of Directors

The Directors are 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 the Directors determine are necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and subsidiary's financial statements, the Directors are responsible for assessing the group's and the subsidiary's ability to continue as 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 liquidate the Company and its subsidiary or to cease operations.

The Directors are also responsible for the submission of the financial statements to the Auditor-General in accordance with the provision of Section 47 of the Public Audit Act, 2015.

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

The Board of Directors is responsible for overseeing the group's and the subsidiary's financial reporting process, reviewing the effectiveness of Management's systems for monitoring 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 governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the consolidated and Company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provision of Section 48 of the Public Audit Act, 2015 and submit the report in compliance with Article 229(7) of the Constitution of Kenya. 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 addition to the audit of the financial statements, a compliance review is planned and performed to express a conclusion on whether, in all material respects, 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, in accordance with the provisions of Article 229(6) of the Constitution, and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control 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 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of internal control would not necessarily disclose all matters in the internal control which might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level, the risk that misstatements caused by error or fraud in amounts which would be material in relation to the financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the group's and the subsidiary's policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the consolidated and company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated and Company's financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities within the group to express an opinion on the consolidated and Company's financial statements.

- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

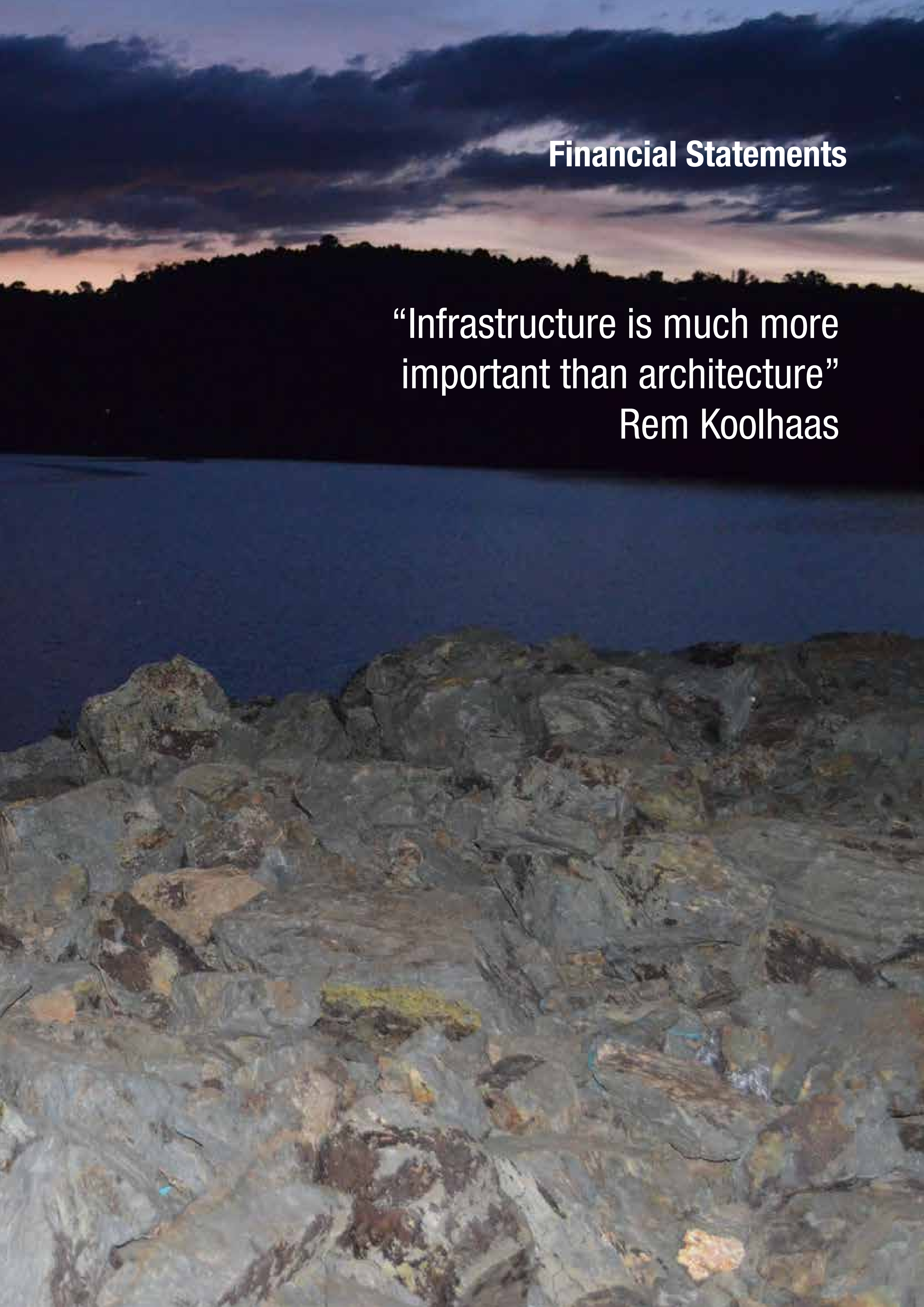
I also provide Management with a statement that I have complied with the relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Management, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. These matters are described in my auditor's report unless law or regulation precludes public disclosure about the matter or when in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

28 October, 2021



Financial Statements

"Infrastructure is much more important than architecture"
Rem Koolhaas

Financial Statements

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

	Notes	Group Year ended 30 June 2021 Shs'000	Group Year ended 30 June 2020 Shs'000	Company Year ended 30 June 2021 Shs'000	Company Year ended 30 June 2020 Shs'000
Revenue	6	2,762,748	2,474,902	2,762,748	2,474,902
Cost of sales	7	(3,583,282)	(3,300,350)	(3,583,282)	(3,300,350)
Gross loss		(820,534)	(825,448)	(820,534)	(825,448)
Other operating income	8	108,663	198,864	108,663	198,864
Selling and distribution	9	(127,145)	(177,694)	(127,145)	(177,694)
Administration and establishment	10	(888,400)	(1,859,448)	(888,134)	(1,858,567)
Other operating expenses	11	(1,484,950)	(464,815)	(1,484,950)	(464,815)
Loss from operations		(3,212,366)	(3,128,541)	(3,212,100)	(3,127,660)
Finance income	12	149	1,456	149	1,456
Finance costs	12	(835,694)	(786,304)	(835,694)	(786,304)
Fair value gain on investment property	18	5,783,847	1,114,779	5,783,847	1,114,779
Profit / (loss) before tax		1,735,936	(2,798,610)	1,736,202	(2,797,729)
Income tax credit	14	151,644	29,263	151,644	29,263
Profit / (loss) for the year		1,887,580	(2,769,347)	1,887,846	(2,768,466)
Other comprehensive income for the year					
Items that will not be reclassified subsequently to profit or loss					
Remeasurement of post-employment benefit obligations, net of tax	25	106,471	(18,686)	106,471	(18,686)
Revaluation surplus on property, plant and equipment		264,274	-	264,274	-
Items that may be subsequently reclassified to profit or loss					
Exchange differences on translation of foreign operation, net of tax		659	21,195	-	-
Total comprehensive income / (loss) for the year		2,258,984	(2,766,838)	2,258,591	(2,787,152)
Earnings / (loss) per share					
- Basic and diluted (Shs)	15	20.97	(30.77)	20.98	(30.76)

Group and Company statement of financial position

		Group		Company	
		At 30 June		At 30 June	
	Notes	2021	2020	2021	2020
ASSETS		Shs'000	Shs'000	Shs'000	Shs'000
Non-current assets					
Investment properties	18	25,271,720	24,909,676	25,271,720	24,909,676
Property, plant and equipment	16	6,867,262	6,931,317	6,867,242	6,931,297
Due from related parties	34(iii)	-	860,985	-	860,985
Right-of-use assets	33(b)	58,687	60,671	58,687	60,671
Investment in subsidiary	19	-	-	2,500	2,500
		32,197,669	32,762,649	32,200,149	32,765,129
Current assets					
Trade and other receivables	23	1,287,270	1,174,201	1,255,923	1,141,401
Inventories	22	1,084,314	1,112,167	1,084,314	1,112,167
Cash and cash equivalents	21	31,622	81,524	20,649	71,472
Current income tax	14	40,235	46,352	40,379	46,211
		2,443,441	2,414,244	2,401,265	2,371,251
TOTAL ASSETS		34,641,110	35,176,893	34,601,414	35,136,380
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	24	450,000	450,000	450,000	450,000
Share premium	24	648,000	648,000	648,000	648,000
Asset revaluation reserves	24	1,445,626	1,181,352	1,445,626	1,181,352
Retained earnings		18,431,370	16,437,319	18,431,493	16,437,176
Other reserves	24	37,128	36,469	-	-
TOTAL EQUITY		21,012,124	18,753,140	20,975,119	18,716,528
Non-current liabilities					
Post-employment benefits obligation	25	427,341	146,176	427,341	146,176
Lease liabilities	33(a)	20,445	33,809	20,445	33,809
		447,786	179,985	447,786	179,985
Current liabilities					
Borrowings	26	3,679,415	7,523,601	3,679,415	7,523,601
Trade and other payables	28	9,361,564	7,248,198	9,358,873	7,244,297
Post-employment benefits obligation	25	-	1,346,737	-	1,346,737
Dividends payable	29	101,680	101,680	101,680	101,680
Lease liabilities	33(a)	38,541	23,552	38,541	23,552
		13,181,200	16,243,768	13,178,509	16,239,867
TOTAL EQUITY AND LIABILITIES		34,641,110	35,176,893	34,601,414	35,136,380

The financial statements on pages 47 to 93 were approved for issue by the board of directors on 28th October 2021 and signed on its behalf by:

Edwin Muriithi Kinyua
Chairman

Oliver Mwandigha Kirubai
Managing Director

Group statement of changes in equity

Year ended 30 June 2020	Share capital Shs'000	Share premium Shs'000	Asset revaluation reserves Shs'000	Retained earnings Shs'000	Other reserves Shs'000	Total Shs'000
At start of year	450,000	648,000	1,360,599	19,046,105	15,274	21,519,978
Transfer of excess depreciation	-	-	(238,996)	238,996	-	-
Deferred tax on excess depreciation	-	-	59,749	(59,749)	-	-
Loss for the year	-	-	-	(2,769,347)	-	(2,769,347)
Other comprehensive income	-	-	-	(18,686)	21,195	2,509
Total comprehensive loss for the year	-	-	-	(2,788,033)	21,195	(2,766,838)
At end of year	450,000	648,000	1,181,352	16,437,319	36,469	18,753,140
Year ended 30 June 2021						
At start of year	450,000	648,000	1,181,352	16,437,319	36,469	18,753,140
Profit for the year	-	-	-	1,887,580	-	1,887,580
Other comprehensive income	-	-	264,274	106,471	659	371,404
Total comprehensive income for the year	-	-	264,274	1,994,051	659	2,258,984
At end of year	450,000	648,000	1,445,626	18,431,370	37,128	21,012,124

Company statement of changes in equity

	Share Capital Shs'000	Share Premium Shs'000	Asset revaluation reserves Shs'000	Retained earnings Shs'000	Total equity Shs'000
Year ended 30 June 2020					
At start of year	450,000	648,000	1,360,599	19,045,081	21,503,680
Transfer of excess depreciation	-	-	(238,996)	238,996	-
Deferred tax on excess depreciation	-	-	59,749	(59,749)	-
Loss for the year	-	-	-	(2,768,466)	(2,768,466)
Other comprehensive income	-	-	-	(18,686)	(18,686)
Total comprehensive loss for the year	-	-	-	(2,787,152)	(2,787,152)
At end of year	450,000	648,000	1,181,352	16,437,176	18,716,528
Year ended 30 June 2021					
At start of year	450,000	648,000	1,181,352	16,437,176	18,716,528
Profit for the year	-	-	-	1,887,846	1,887,846
Other comprehensive income	-	-	264,274	106,471	370,745
Total comprehensive income for the year	-	-	264,274	1,994,317	2,258,591
At end of year	450,000	648,000	1,445,626	18,431,493	20,975,119

Group and Company statement of cash flows

		Group		Company	
		Year ended 30 June		Year ended 30 June	
	Notes	2021	2020	2021	2020
		Shs'000	Shs'000	Shs'000	Shs'000
Cash flows from operating activities					
Net cash used in operations	32	(1,858,212)	(1,495,734)	(1,859,418)	(1,495,838)
Interest paid		(361,763)	(20,269)	(361,763)	(20,269)
Post- employment benefits paid		-	(487,034)	-	(487,034)
Interest received		149	1,456	149	1,456
Income tax paid	14	(1,699)	(322)	(1,414)	(322)
Net cash used in operating activities		(2,221,525)	(2,001,903)	(2,222,446)	(2,002,007)
Cash flows from investing activities					
Purchase of property, plant and equipment	16	(96,562)	(6,354)	(96,562)	(6,289)
Proceeds from the previous sale of investment properties		1,750,000	2,000,000	1,750,000	2,000,000
Proceeds from disposal of investment properties		4,850,000	-	4,850,000	-
Proceeds on sale of motor vehicles		-	7,738	-	7,738
Net cash generated from investing activities		6,503,438	2,001,384	6,503,438	2,001,449
Cash flows from financing activities					
Proceed from borrowings	26	184,182	1,375,065	184,182	1,375,065
Repayment of borrowings - principal	26	(4,488,237)	(144,305)	(4,488,237)	(144,305)
Repayment of principal portion of lease liability	33	(27,760)	(15,555)	(27,760)	(15,555)
Net cash (used in) / generated from financing activities		(4,331,815)	1,215,205	(4,331,815)	1,215,205
Net (decrease) / increase in cash and cash equivalents		(49,902)	1,214,686	(50,823)	1,214,647
Movement in cash and cash equivalents					
At start of year		81,524	(1,133,162)	71,472	(1,143,175)
(Decrease) / increase		(49,902)	1,214,686	(50,823)	1,214,647
At end of year	21	31,622	81,524	20,649	71,472

Notes

1 General information

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

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

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

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

2 Summary of significant accounting policies

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

(a) Basis of preparation

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

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

Going concern

The Group and Company incurred a net profit for the year of Shs 1,887,580,000 (2020: Loss of Shs 2,769,347,000) and Shs 1,887,846,000 (2020: Loss of Shs 2,768,466,000) respectively during the year ended 30 June 2021 and, as of that date, the Group's and Company's current liabilities exceeded the current assets by Shs 10,737,759,000 (2020: Shs 13,829,524,000) and Shs 10,777,244,000 (2020: Shs 13,868,616,000) respectively.

The Company defaulted on a loan from one of the key lenders and in September 2019, we obtained approval from shareholders to dispose some of the idle land to retire the debt. Factors that have affected performance have been explained in the Director's Report and Managing Director's Report. In particular, the plant continues to operate significantly below capacity due to working capital constraints, lack of essential spare parts and loss of market share to competitors. Due to the cashflow constraints, the Company has been unable to settle the amounts due to its key suppliers and regulatory authorities including Kenya Revenue Authority and pension liabilities.

The Company has significant litigations and claims against it which if successful, may result in claims that are unlikely to be settled, given the entity's current financial position. Details of the significant claims include employee related claims arising from unpaid salaries based on the CBA terms with an estimated total exposure of Shs 1.5 billion, debt claims by suppliers for unpaid bills for services rendered and /or goods delivered totalling Shs. 310 million and claims arising from disputed deliveries, breach of distribution contracts and termination of supplier contracts totalling to Shs. 196 million. Most of these claims have been provided for in the financial statements.

Due to the cashflow constraints, the Company has been unable to settle the amounts due to regulatory authorities which include PAYE balances of Shs 2.2 billion, VAT balances of Shs 656 million and pension balances of Shs 110 million being principal, penalties and interests.

Notes (continued)

2 Summary of significant accounting policies(continued)

(a) Basis of preparation(continued)

Going concern(continued)

The Group's total assets exceeded the total liabilities by Shs 21,012,124,000 (2020; Shs 18,753,140,000) due to investment properties carried at fair value. The Board of Directors has purposed to extract value from disposal of part of the investment property to normalise its working capital. Therefore, there is enough room that guarantees the Group's ability to meet its obligations.

The Board of Directors has put in place various strategies and sought the necessary support from the Government and other key shareholders towards raising the required financing to address the liquidity gap. Key amongst these initiatives is disposal of idle assets to support the capitalization of the business. To this end, the Company has engaged with the National Government with a view to raise funds through the sale of a portion of its fully mined vast idle land. The funds raised will be used for modernization of the ageing plant and enhancement of the current working capital for importation of bulk raw materials to enable optimization of the current installed cement milling and packing capacity. This is expected to increase product availability in the market in line with the company installed milling capacity, supported by enhanced in-house clinker production and operating efficiencies, hence increase in sales revenue and profitability.

The Company has taken decisive steps to reduce staff overheads with a significant reduction in monthly staff costs already achieved. Further reductions are expected to arise from conclusion of the staff rationalisation programme from second quarter of 2021/2022.The company has also engaged its lenders to restructure and eventually retire the expensive loan obligations. In the current year, management disposed off part of the property to KCB for liquidation of Shs 4.85 billion loan and is committed to the retirement of the entire debt in the next financial year.

The requisite approvals for the disposal of the idle assets have been obtained and actualization of the benefits expected in the second quarter of the financial year ending 30 June 2022. Directors have reviewed the projections based on the above strategies and the medium-term plan and are confident that it is appropriate to prepare the financial statements on the going concern basis.

Changes in accounting policy and disclosures

(i) New and amended standards adopted by the Group

The following amendments were applicable for the first time;

- Amendment to IFRS 3, 'Business combinations' - Definition of a business
- Amendment to IAS 1, 'Presentation of financial statements' and IAS 8, 'Accounting policies, changes in accounting estimates and errors' on the definition of material
- Amendments to IFRS 9, 'Financial Instruments', IAS 39, 'Financial Instruments: Recognition and Measurement' and IFRS 7, 'Financial Instruments: Disclosure' – Interest rate benchmark reform (Phase 1)
- IFRS 16, 'Leases' COVID-19-Related Rent Concessions Amendment

The above amendments and interpretation had no effect on the Group's financial statements.

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

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2021 reporting periods and have not been adopted by the Group. These standards are not expected to have material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

Notes (continued)

2 Summary of significant accounting policies(continued)

(b) Consolidation

(i) Subsidiaries

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

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

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

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

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

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

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

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

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

2 Summary of significant accounting policies (continued)

(b) Consolidation (continued)

(iii) Disposal of subsidiaries

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

(c) Revenue recognition

Sale of cement and paving blocks

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

(d) Interest income

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

(e) Borrowing costs

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

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(f) Current and deferred income tax

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

(i) Current income tax

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

Notes (continued)

2 Summary of significant accounting policies (continued)

(ii) Deferred income tax

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

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

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.
Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(g) Functional currency and translation of foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the Functional Currency'). The consolidated financial statements are presented in Kenya Shillings, which is the Company's functional currency.

(ii) Transactions and balances

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

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

(iii) Group companies

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

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

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

2 Summary of significant accounting policies (continued)

(h) Property, plant and equipment

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

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

The Group policy is to professionally revalue property, plant and equipment at least once every three to five years. The property, plant and equipment were revalued as at 30 June 2021.

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.

(i) Capital work in progress

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

(ii) Depreciation

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

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

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

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

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

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

Notes (continued)

2 Summary of significant accounting policies (continued)

(h) Property, plant and equipment (continued)

(ii) Depreciation (continued)

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.

When a revalued asset is disposed of, any revaluation surplus is transferred directly to retained earnings. The transfer to retained earnings should not be made through profit or loss.

(i) Leases

Leases under which the Group is the lessee

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

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

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

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

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

Leases under which the Group is the lessor

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

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

2 Summary of significant accounting policies (continued)

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and the overheads incurred in bringing the inventories to their present location and condition. Costs of direct materials are determined on the first-in first-out basis, while those of general consumable stores are determined on the weighted average cost basis. Net realisable value represents the estimated selling price less the estimated cost to completion and costs to be incurred in marketing, selling and distribution. Work-in-progress, which comprises raw meal and clinker, is stated at the lower of production cost and net realisable value. Production cost comprises expenditure directly incurred in the manufacturing process and allocation of fixed and normal production overheads attributable to the process.

(k) Intangible assets

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

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

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

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

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

(l) Investment properties

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

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

Transfers are made to or from investment property only when there is a change in use.

A property interest that is held by a lessee under an operating lease may be classified and accounted for as investment property if, and only if, the property would otherwise meet the definition of an investment property and the lessee uses the fair value model to recognise the asset. This classification alternative is available on a property-by-property basis. However, once this classification alternative is selected for one such property interest held under an operating lease, all property classified as investment property shall be accounted for using the fair value model.

Notes (continued)

2 Summary of significant accounting policies (continued)

(m) Financial instruments

The Group and Company adopted IFRS 9 on 1 July 2018. The objective of IFRS 9 is to establish principles that will present relevant and useful information to users of financial statements.

Initial recognition

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

Classification

The Company classifies its financial instruments into the following categories:

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

All financial liabilities are classified and measured at amortised cost.

Financial instruments held during the year were classified as follows:
- Demand and term deposits with banking institutions, trade and other receivables, and amounts due from related parties were classified as at amortised cost.
- Borrowings and trade and other liabilities were classified as at amortised cost.

Initial measurement:

(i) Trade receivables and demand and term deposits are measured at their transaction price.

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

Subsequent measurement

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

Impairment

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

2 Summary of significant accounting policies (continued)

(m) Financial instruments (continued)

Impairment (continued)

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.

Presentation

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

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

Derecognition/write off

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

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

(n) Non-financial assets

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

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

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

Notes (continued)

2 Summary of significant accounting policies (continued)

(n) Non-financial assets (continued)

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

(o) Share capital

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

(p) Segmental reporting

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

(q) Provisions

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

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

(r) Provision for employee entitlements

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

(s) 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.

2 Summary of significant accounting policies (continued)

(s) Employee benefits (continued)

i) Short-term benefits (continued)

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

ii) Retirement benefit costs

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

ii) Retirement benefit costs (continued)

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

(t) 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).

(u) Comparatives

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

3 Financial risk management objectives and policies

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

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

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

Notes (continued)

3 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 and is managed on a Group-wide basis.

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

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

For this purpose, default is defined as having occurred if the debtor is in breach of contractual obligations, or if information is available internally or externally that suggests that the debtor is unlikely to be able to meet its obligations. However, there is a rebuttable assumption that that default does not occur later than when a financial asset is 90 days past due.

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

If the Group does not have reasonable and supportable information to identify significant increases in 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 groups financial assets on the basis of shared credit risk characteristics, such as:

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

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

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

3 Financial risk management objectives and policies (continued)

Credit risk (continued)

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

At 30 June 2021 – Group	Gross carrying amount Shs '000	Loss allowance Shs '000	Net carrying amount Shs '000
Trade receivables (Note 23)	488,415	(441,914)	46,501
Other receivables. (Note 23)	145,099	-	145,099
Amount due from related parties (Note 23 &34(iii))	1,226,911	(131,241)	1,095,670
Cash at bank balances (Note 21)	28,393	-	28,393
	1,888,818	(573,155)	1,315,663
At 30 June 2020 – Group			
Trade receivables (Note 23)	427,906	(412,329)	15,577
Other receivables (Note 23)	70,831	-	70,831
Amount due from related parties (Note 23&34(iii))	1,992,789	(44,011)	1,948,778
Cash at bank balances (Note 21)	60,034	-	60,034
Short-term deposit (Note 21)	11,891	-	11,891
	2,563,451	(456,340)	2,107,111
At 30 June 2021 - Company			
Trade receivables (Note 23)	446,543	(391,301)	55,242
Due from related parties (Note 23& 34(iii))	1,589,760	(494,090)	1,095,670
Other receivables (Note 23)	105,011	-	105,011
Cash at bank balances (Note 21)	17,420	-	17,420
Exposure to credit risk	2,158,734	(885,391)	1,273,343
At 30 June 2020 – Company			
Trade receivables (Note 23)	378,368	(361,716)	16,652
Amount due from related parties (Note 23& 34(iii))	2,355,638	(406,860)	1,948,778
Other receivables (Note 23)	36,956	-	36,956
Cash at bank balances (Note 21)	59,059	-	59,059
Short-term deposits (Note 21)	11,891	-	11,891
Exposure to credit risk	2,841,912	(768,576)	2,073,336

Other receivable balances disclosed above excludes prepayments.

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

Notes (continued)

3 Financial risk management objectives and policies (continued)

The age analysis of the trade receivables at the end of each year were as follows;

	Gross carrying amount Shs'000	Loss allowance Shs'000	Net carrying amount Shs'000
At 30 June 2021- Group			
Aged debtor balances			
Current	20,476	(14,103)	6,373
16 to 30 days	7,187	(1,206)	5,981
31 to 60 days	6,452	(3,743)	2,709
61 to 90 days	27,152	(24,821)	2,331
Over 90 days	427,148	(398,041)	29,107
	488,415	(441,914)	46,501
At 30 June 2020- Group			
Aged debtor balances			
Current	19,591	(14,511)	5,080
16 to 30 days	6,876	(1,241)	5,635
31 to 60 days	6,173	(3,851)	2,322
61 to 90 days	25,978	(25,539)	439
Over 90 days	369,288	(367,187)	2,101
	427,906	(412,329)	15,577
At 30 June 2021- Company			
Aged debtor balances			
Current	11,610	(426)	11,184
16 to 30 days	4,930	(1,189)	3,741
31 to 60 days	5,133	(3,688)	1,445
61 to 90 days	5,231	(3,241)	1,990
Over 90 days	419,639	(382,757)	36,882
	446,543	(391,301)	55,242
At 30 June 2020- Company			
Aged debtor balances			
Current	10,968	(446)	10,522
16 to 30 days	4,657	(1,246)	3,411
31 to 60 days	4,849	(3,864)	985
61 to 90 days	4,942	(3,395)	1,547
Over 90 days	352,952	(352,765)	187
	378,368	(361,716)	16,652

3 Financial risk management objectives and policies (continued)

Liquidity risk

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

The following tables analyse the Group's and company's financial 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.

	< than 1 year Shs'000	Over 1 year Shs'000	Total Shs'000
At 30 June 2021 - Group			
Trade and other payables (Note 28)	9,361,564	-	9,361,564
Borrowings (undiscounted)(Note 26)	3,826,025	-	3,826,025
Lease liabilities (undiscounted)	39,532	29,548	69,080
Post-employment benefits obligation (Note 25)	-	427,341	427,341
Dividend payable (Note 29)	101,680	-	101,680
	13,328,801	456,889	13,785,690

	< than 1 year Shs'000	Over 1 year Shs'000	Total Shs'000
At 30 June 2020- Group			
Trade and other payables (Note 28)	7,248,198	-	7,248,198
Borrowings (undiscounted) (Note 26)	8,200,663	-	8,200,663
Lease liabilities (undiscounted)	23,552	48,833	72,385
Post-employment benefits obligation (Note 25)	1,346,737	146,176	1,492,913
Dividend payable (Note 29)	101,680	-	101,680
	16,920,830	195,009	17,115,839

At 30 June 2021- Company	< than 1 year Shs'000	Over 1 year Shs'000	Total Shs'000
Trade and other payables (Note 28)	9,358,873	-	9,358,873
Borrowings (Note 26)	3,826,025	-	3,826,025
Dividends payable (Note 29)	101,680	-	101,680
Lease liabilities (undiscounted)	39,532	29,548	69,080
Post-employment benefits obligation (Note 25)	-	427,341	427,341
Total financial liabilities	13,326,110	456,889	13,782,999
At 30 June 2020- Company			
Trade and other payables (Note 28)	7,244,297	-	7,244,297
Borrowings (Note 26)	8,200,663	-	8,200,663
Dividends payable (Note 29)	101,680	-	101,680
Lease liabilities (undiscounted)	23,552	48,833	72,385
Post-employment benefits obligation (Note 25)	1,346,737	146,176	1,492,913
	16,916,929	195,009	17,111,938

Notes (continued)

3 Financial risk management objectives and policies (continued)

Liquidity risk (continued)

The borrowings carrying values stated in the statement of financial position defer from the values stated above, due to estimated future interest payable, included as part of the undiscounted cash flows for borrowings stated above.

Market risk

(i) Foreign exchange risk

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

At 30 June 2021, if the Shilling had weakened/strengthened by 10% against the Ugandan Shilling with all other variables held constant, post-tax profit for the year would have been Shs 38,052,000 higher/lower (2020: Shs 5,786,000), mainly as a result of Ugandan Shilling denominated trade payables and trade receivables.

At 30 June 2021 if the Shilling had weakened/strengthened by 10% against the US dollar with all other variables held constant, post-tax profit for the year would have been Shs 3,236,000 higher/lower (2020: 21,144,000), mainly as a result of US Dollar denominated trade payables and cash balances.

(ii) Price risk

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

(iii) Interest rate risk

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

At 30 June 2021, if the interest rate had increased /decreased by 100 basis points with all other variables held constant, profit for the year would have been Shs 70,113,000 (2020: Shs 74,796,000) higher /lower.

Capital management

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

3 Financial risk management objectives and policies (continued)

Capital management (continued)

The gearing ratios at 30 June 2021 and 2020 are as follows:

	Group		Company	
	2021 Shs'000	2020 Shs'000	2021 Shs'000	2020 Shs'000
Equity(i)	21,012,124	18,753,140	20,975,119	18,716,528
Debt (ii) (Note 26)	3,679,415	7,523,601	3,679,415	7,523,601
Less cash and cash equivalents (Note 21)	(31,622)	(81,524)	(20,649)	(71,472)
Net debt	3,647,793	7,442,077	3,658,766	7,452,129
Gearing ratio	17%	40%	17%	40%

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

4 Critical accounting estimates and judgements

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

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

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

(i) Impairment allowance on financial assets

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

Notes (continued)

4 Critical accounting estimates and judgements (continued)

(i) Impairment allowance on financial assets (continued)

A number of significant judgements and estimations are also required in applying the accounting requirements for measuring ECL, such as:

- The application of IFRS 9 risk parameters i.e. probability of default (PD), loss given default (LGD) and exposure at default (EAD) to trade receivables; and
- The definition of default, determination of probability of default matrix and identification of exposures with significant deterioration in credit quality.

(ii) Recoverability of deferred tax asset

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

(iii) Fair valuation of Investment properties

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

Management has made significant judgement in determining the classification of land occupied by squatter as investment property and in determining the fair value of the land occupied by the squatters as explained in Note 18.

(iv) Fair value of property, plant and equipment

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

(v) Impairment of non-financial assets

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

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

- there are observable indications that the asset's value has declined during the period significantly more than would be expected as a result of the passage of time or normal use
- significant changes with an adverse effect on the entity have taken place during the period, or will take place soon, in the technological market, economic or legal environment in which the entity operates or in the market to which an asset is dedicated.

4 Critical accounting estimates and judgements (continued)

(v) Impairment of non-financial assets (continued)

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

(vi) Determination of lease term and discount rate for lease liabilities

Critical estimates are made by directors in determining the lease term used estimating lease liabilities s and the discount rate for future lease payments. As permitted by IFRS 16, the directors use hindsight in determining the lease term where the contract contains options to extend or terminate the lease. Directors have used the averages borrowing rate to discount future lease payments as disclosed on Note 33. A change in the lease term and/or discount rate would have a significant impact to computed right of use and lease liabilities numbers for the Group as at 30 June 2021.

5 Segment information

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

	Group and Company	
	2021	**2020**
	Shs'000	**Shs'000**
The Group revenues are derived from sales in the following markets:		
Local market – Kenya	2,762,748	2,470,893
Regional market (East Africa)	-	4,009
	2,762,748	2,474,902

Sales to the regional market are done directly to selected export customers or through the wholly owned subsidiary, the East African Portland Cement Uganda Limited, whose net assets constitute less than 5% of the Group's total net assets. Segment reporting with respect to net assets is, therefore, not considered of any real value. In addition, sales to regional market are 0% (2020: 1%) of the total revenue hence there is only one reportable segment.

Notes (continued)

6 Revenue

	Group		Company	
	2021 Shs'000	2020 Shs'000	2021 Shs'000	2020 Shs'000
Recognised at a point in time:				
Bagged cement – local	2,732,636	2,444,538	2,732,636	2,444,538
Bagged cement – export	19,872	4,009	19,872	4,009
Bulk cement – local	9,450	24,286	9,450	24,286
Paving blocks- local	790	2,069	790	2,069
	2,762,748	2,474,902	2,762,748	2,474,902

7 Cost of sales

Coal	772,773	579,191	772,773	579,191
Power	635,495	538,349	635,495	538,349
Raw materials used	570,860	601,688	570,860	601,688
Staff costs	523,238	601,126	523,238	601,126
Factory depreciation	478,810	476,041	478,810	476,041
Maintenance costs	158,409	168,466	158,409	168,466
Raw materials transport	124,131	61,943	124,131	61,943
Hired equipment	110,430	70,927	110,430	70,927
Cement levy	62,130	39,888	62,130	39,888
Fuel and repairs	58,797	55,229	58,797	55,229
Furnace oil	40,956	37,787	40,956	37,787
Factory direct supplies	22,508	38,821	22,508	38,821
Factory insurance	18,845	21,783	18,845	21,783
Explosives	3,009	2,113	3,009	2,113
Factory land rates and rent	2,096	3,714	2,096	3,714
Other production overheads	795	1,119	795	1,119
Factory water	-	2,165	-	2,165
	3,583,282	3,300,350	3,583,282	3,300,350

8 Other operating income

		Group		Company
	2021 Shs'000	2020 Shs'000	2021 Shs'000	2020 Shs'000
Sundry income	32,063	110,617	32,063	110,617
Unwinding of discount of Kenya Railways receivable	33,820	55,650	33,820	55,650
Rental income	16,291	14,396	16,291	14,396
Cement transport recoveries	21,866	12,047	21,866	12,047
Gain on disposal of property, plant and equipment	-	6,154	-	6,154
Exchange gain on other foreign currency transactions	4,623	-	4,623	-
	108,663	198,864	108,663	198,864

9 Selling and distribution expenses

Cement transport	49,392	138,668	49,392	138,668
Advertising and sales commissions	31,942	3,323	31,942	3,323
Provision for bad and doubtful debts	29,585	20,449	29,585	20,449
Fuel and repairs	12,075	9,077	12,075	9,077
Public relations costs	4,151	3,740	4,151	3,740
Depot rent	-	2,437	-	2,437
	127,145	177,694	127,145	177,694

Notes (continued)

	Group 2021 Shs'000	Group 2020 Shs'000	Company 2021 Shs'000	Company 2020 Shs'000
10 Administration and establishment expenses				
Staff costs	643,135	1,578,070	643,135	1,577,222
Depreciation of property, plant and equipment	71,065	69,732	71,065	69,732
Hired services	49,254	35,378	49,254	35,378
Computer expenses	36,309	32,052	36,309	32,052
Amortization of right of use assets (Note 33)	22,975	12,016	22,975	12,016
Office general expenses	19,139	63,516	19,139	63,513
Board expenses	13,873	23,140	13,873	23,140
Office supplies	9,790	5,159	9,790	5,129
Telephone and postage	8,861	6,077	8,861	6,077
Travelling expenses	8,090	14,024	7,824	14,024
Printing and stationery	2,509	3,003	2,509	3,003
Motor vehicle expenses	1,783	14,296	1,783	14,296
Electricity	851	995	851	995
Company functions	766	1,990	766	1,990
	888,400	1,859,448	888,134	1,858,567
11 Other operating expenses				
Loss on disposal of investment property	572,844	-	572,844	-
Legal provision	385,340	-	385,340	-
Legal fees	265,021	191,939	265,021	191,939
Increase in loss allowance	87,230	-	87,230	
Provision for staff dues and tax liabilities	137,719	193,996	137,719	193,996
Auditors' remuneration	8,700	8,600	8,700	8,600
Professional fees	11,422	6,121	11,422	6,121
Fines and penalties	8,728	31,249	8,728	31,249
Bank charges	7,183	25,871	7,183	25,871
Subscriptions	763	921	763	921
Exchange loss on other foreign currency transactions	-	6,118	-	6,118
	1,484,950	464,815	1,484,950	464,815

12 Finance income and costs

	Group 2021 Shs'000	Group 2020 Shs'000	Company 2021 Shs'000	Company 2020 Shs'000
Finance income				
Interest income	(149)	(1,456)	(149)	(1,456)
Finance cost				
Interest charged on loans (Note 26)	809,900	721,057	809,900	721,057
Exchange loss on other liabilities (Note 20)	2,541	8,000	2,541	8,000
Interest on other liabilities (Note 20)	4,213	7,000	4,213	7,000
Interest on lease liabilities (Note 33(a))	7,307	6,252	7,307	6,252
Exchange loss on foreign currency loan (Note 26)	11,732	43,995	11,732	43,995
	835,694	786,304	835,694	786,304
Net finance cost	835,545	784,848	835,545	784,848

Notes (continued)

13 Employee benefits expense

	Group		Company	
	2021	2020	2021	2020
	Shs'000	Shs'000	Shs'000	Shs'000
Salaries and wages	817,395	1,055,468	817,395	1,054,620
Restructuring costs	10,509	328,116	10,509	328,116
Curtailment and settlement costs	-	492,219	-	492,219
Retirement benefits costs:				
Defined benefit scheme	330,530	270,327	330,530	270,327
Defined contribution scheme	5,960	30,099	5,960	30,099
Social security costs (NSSF)	1,979	2,967	1,979	2,967
	1,166,373	2,179,196	1,166,373	2,178,348

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

	Group		Company	
	2021	2020	2021	2020
	Shs'000	Shs'000	Shs'000	Shs'000
Production	309	306	309	306
Sales and distribution	35	34	35	34
Management and administration	157	185	157	184
	501	525	501	524

14 (a) Income tax credit

	Group and Company	
	2021	2020
	Shs'000	Shs'000
Current income tax	7,246	4,048
Deferred income tax (Note 27)	(158,890)	(33,311)
Income tax credit	(151,644)	(29,263)

14 (a) Income tax credit (continued)

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

	Group		Company	
	2021 Shs'000	2020 Shs'000	2021 Shs'000	2020 Shs'000
Profit/(loss) before income tax	1,735,936	(2,798,610)	1,736,202	(2,797,729)
Tax calculated at the statutory income tax rate of 30% (2020: 25%)	520,781	(699,653)	520,861	(699,432)
Tax effect of:				
Income not subject to tax	(1,952,509)	(292,607)	(1,952,509)	(292,607)
Expenses not deductible for tax purposes	60,277	61,366	60,197	61,145
Deferred tax asset not recognised (Note 27)	1,219,807	543,565	1,219,807	543,565
Effect of change in tax rate	-	358,066	-	358,066
Income tax credit	(151,644)	(29,263)	(151,644)	(29,263)

(b) Current income tax

	Group 2021 Shs'000	Group 2020 Shs'000	Company 2021 Shs'000	Company 2020 Shs'000
At start of year	46,352	50,078	46,211	49,937
Tax charge for the year	(7,246)	(4,048)	(7,246)	(4,048)
Tax paid	1,699	322	1,414	322
	40,235	46,352	40,379	46,211

15 Earnings/(loss) per share

	Group 2021 Shs'000	Group 2020 Shs'000	Company 2021 Shs'000	Company 2020 Shs'000
Earnings/(loss) for purposes of basic and diluted earnings per share	1,887,580	(2,769,347)	1,887,846	(2,768,466)
Number of ordinary shares (thousands)	90,000	90,000	90,000	90,000
Earnings/(loss) per share basic and diluted (Shs)	20.97	(30.77)	20.98	(30.76)

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 2021 or 30 June 2020. Therefore, a diluted earnings per share is the same as the basic earnings per share.

Notes (continued)

16 Property, plant and equipment- Group

	Freehold land	Buildings	Plant and machinery	Motor Vehicles	Computersoffice equipment furniture and fittings	Capital Work in progress	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000		Shs'000
At 1 July 2019							
Cost or fair value	362,000	1,265,602	6,314,510	353,679	58,618	172,418	8,526,827
Accumulated depreciation	-	(63,108)	(844,216)	(123,434)	(20,367)	-	(1,051,125)
Closing net book value	362,000	1,202,494	5,470,294	230,245	38,251	172,418	7,475,702
Year ended 30 June 2020							
Opening carrying amount	362,000	1,202,494	5,470,294	230,245	38,251	172,418	7,475,702
Additions	-	-	-	-	6,354	-	6,354
Disposals	-	-	-	(5,788)	-	-	(5,788)
Depreciation charge	-	(31,640)	(424,984)	(62,669)	(14,465)	-	(533,758)
Depreciation on disposal	-	-	-	4,204	-	-	4,204
Impairment charge	-	-	-	-	-	(15,397)	(15,397)
Closing net book value	362,000	1,170,854	5,045,310	165,992	30,140	157,021	6,931,317
At 30 June 2020							
Cost or fair value	362,000	1,265,602	6,314,510	347,891	64,972	157,021	8,511,996
Accumulated depreciation	-	(94,748)	(1,269,200)	(181,899)	(34,832)	-	(1,580,679)
Closing net book value	362,000	1,170,854	5,045,310	165,992	30,140	157,021	6,931,317
Year ended 30 June 2021							
Opening carrying amount	362,000	1,170,854	5,045,310	165,992	30,140	157,021	6,931,317
Additions	-	-	91,299	2,997	2,266	-	96,562
Revaluation surplus/(deficit)	1,000	(307,602)	(1,344,583)	(48,732)	(41,348)	-	(1,741,265)
Depreciation charge	-	(31,640)	(427,745)	(62,680)	(16,086)	-	(538,151)
Depreciation written back on revaluation	-	126,388	1,696,945	244,579	50,887	-	2,118,799
Closing net book value	363,000	958,000	5,061,226	302,156	25,859	157,021	6,867,262
At 30 June 2021							
Cost or fair value	363,000	958,000	5,061,226	302,156	25,859	157,021	6,867,262
Accumulated depreciation	-	-	-	-	-	-	-
Net book value	363,000	958,000	5,061,226	302,156	25,859	157,021	6,867,262

16 Property, plant and equipment- Company

	Freehold land	Buildings	Plant and machinery	Motor Vehicles	Computers, office equipment and Fittings	Capital Work in progress	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
At 1 July 2019							
Cost or fair value	362,000	1,265,602	6,314,511	353,888	58,436	172,418	8,526,855
Accumulated depreciation	-	(63,108)	(844,216)	(123,434)	(20,350)	-	(1,051,108)
Closing net book value	362,000	1,202,494	5,470,295	230,454	38,086	172,418	7,475,747
Year ended 30 June 2020							
Opening carrying amount	362,000	1,202,494	5,470,295	230,454	38,086	172,418	7,475,747
Additions	-	-	-	-	6,289	-	6,289
Disposals	-	-	-	(5,788)	-	-	(5,788)
Depreciation charge	-	(31,640)	(424,984)	(62,669)	(14,465)	-	(533,758)
Depreciation on disposal	-	-	-	4,204	-	-	4,204
Impairment charge	-	-	-	-	-	(15,397)	(15,397)
Closing net book value	362,000	1,170,854	5,045,311	166,201	29,910	157,021	6,931,297
At 30 June 2020							
Cost or fair value	362,000	1,265,602	6,314,511	348,100	64,725	157,021	8,511,959
Accumulated depreciation	-	(94,748)	(1,269,200)	(181,899)	(34,815)	-	(1,580,662)
Closing net book value	362,000	1,170,854	5,045,311	166,201	29,910	157,021	6,931,297
Year ended 30 June 2021							
Opening carrying amount	362,000	1,170,854	5,045,311	166,201	29,910	157,021	6,931,297
Additions	-	-	91,299	2,997	2,266	-	96,562
Revaluation surplus/(deficit)	1,000	(307,602)	(1,344,583)	(48,732)	(41,348)	-	(1,741,265)
Depreciation charge	-	(31,640)	(427,745)	(62,680)	(16,086)	-	(538,151)
Depreciation written back on revaluation	-	126,388	1,696,945	244,579	50,887	-	2,118,799
Closing net book value	363,000	958,000	5,061,227	302,365	25,629	157,021	6,867,242
At 30 June 2021							
Cost or fair value	363,000	958,000	5,061,227	302,365	25,629	157,021	6,867,242
Accumulated depreciation	-	-	-	-	-	-	-
Net book value	363,000	958,000	5,061,227	302,365	25,629	157,021	6,867,242

Notes (continued)

16 Property, plant and equipment (continued)

Group and Company

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

Critical spares included in plant and machinery amounted to Shs 77,658,108 (2020: 82,551,418) for the Group and Company

Work in progress mainly relates to costs incurred towards assembling a grate cooler for the kiln.

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

	Freehold land	Buildings	Plant and machinery	Motor Vehicles	Computers, office equipment and Fittings	Work in progress	Total
30 June 2021	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**		**Shs'000**
Cost	120,637	139,965	5,284,548	353,888	66,762	157,021	6,122,821
Accumulated depreciation	-	(56,166)	(1,280,003)	(186,669)	(27,210)	-	(1,550,048)
Net book value	120,637	83,799	4,004,545	167,219	39,552	157,021	4,572,773
30 June 2020							
Cost	120,637	139,965	5,193,249	353,888	64,496	157,021	6,029,256
Accumulated depreciation	-	(52,667)	(861,901)	(126,860)	(24,233)	-	(1,065,661)
Net book value	120,637	87,298	4,331,348	227,028	40,263	157,021	4,963,595

Fair value hierarchy:

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

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

Group and Company property, plant and equipment were measured based on Level 3 inputs as at 30 June 2021 and 30 June 2020. The land was valued on an open market value basis while the other assets were valued on a depreciated replacement cost basis.

There were no transfers between Levels 1, 2 and 3 in the period.

17 Prepaid operating leases

	Group and Company	
	2021	2020
Cost	Shs'000	Shs'000
At the beginning of the year	9,960	9,960
Transfer to investment property	(1,168)	-
At end of year	8,792	9,960
Amortisation		
At the beginning of the year	3,937	3,583
Charge for the year	45	354
Eliminated on transfer to investment property	(126)	-
At end of year	3,856	3,937
Net carrying amount	4,936	6,023

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

During the year, the Company transferred an idle leasehold land LR No 7815 to investment properties as per Note 18. The Group assets have been charged to secure loan facilities as disclosed in Note 26.

18 Investment properties

	Group and Company	
	2021	2020
	Shs'000	Shs'000
At start of year	24,909,676	23,794,897
Transfer from prepaid operating leases (Note 17)	1,042	-
Fair value gain in the year	5,783,847	1,114,779
Disposals	(5,422,845)	-
	25,271,720	24,909,676

Investment properties relate to five pieces of leasehold land (6,695 acres) held by the Group under long-term lease arrangements and a freehold parcel in Kikambala. The fair value of the investment property is based on the valuation carried out by Ark Consultants Limited for the five pieces of leasehold land and Knight Frank Valuers Limited, independent valuers, on the basis of open market value (Level 3) as adjusted for the estimated cost of eviction of squatters as explained below. The valuers are registered valuers and have recent experience in the location and the category of the investment property being valued.

The Group assets have been charged to secure loan facilities as disclosed in Note 26.

Approximately 30% of the investment properties are currently occupied by squatters. The Company continues to pursue several avenues to reclaim the occupied properties. The estimated costs of evicting squatters amounting to Shs 425,870,000 has been adjusted in arriving at the fair value of investment properties. Management has used significant judgement and assumptions in determining the appropriateness of classification of the encroached land as investment property and in arriving at the cost of evicting squatters. Given the subjective nature of the estimates it is possible that outcomes that are different from the assumption could require a material adjustment to the carrying amount of the asset.

Notes (continued)

18 Investment properties (continued)

The main estimates and assumptions related to:

- the period required to evict the squatters;
- security resources required and their cost;
- legal costs.

Despite the encroachment, the directors believe that the land occupied by squatters has an economic value to the Group based on the disposal done during the year, the offers already received for it and a commitment from the Government to facilitate eviction as necessary. It is therefore appropriate to continue classifying the land as investment property.

19 Investment in subsidiary

Company	Beneficial ownership	Country of incorporation	2021 Shs'000	2020 KShs'000
East African Portland Cement Company Uganda Limited	100%	Uganda	2,500	2,500

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

20 Other liabilities

As part of its asset and liability management, the Group and Company used derivatives for hedging purposes in order to reduce its exposure to foreign currency risks. This was done by engaging in currency swaps. Currency swaps relate to contracts taken out by the Group with a financial institution in which the Group either receives or pays cross currency to the financial institution. In a currency swap, the Group pays a specified amount in one currency and receives a specified amount in another currency. Currency swaps are mostly gross settled.

During the year ended 30 June 2018, the group terminated the arrangement with Stanbic Bank and initiated a mark to market net settlement of the swap arrangement resulting in a payable position of Shs 186,220,000 as at 30 June 2018. The liability amounted to Shs 210,664,000 as at 30 June 2021 (2020: Shs 203,910,000. This liability is disclosed as part of trade and other payables on Note 28.

The table below shows the movement of the liability.

	Group and Company	
	Shs'000	Shs'000
At start of year	203,910	188,910
Interest expense (Note 12)	4,213	7,000
Foreign exchange loss (Note 12)	2,541	8,000
At end of year	210,664	203,910

21 Cash and cash equivalents

	Group 2021 Shs'000	Group 2020 Shs'000	Company 2021 Shs'000	Company 2020 Shs'000
Bank balances	28,393	60,034	17,420	59,059
Cash on hand	3,229	9,599	3,229	522
Short-term deposits	-	11,891	-	11,891
	31,622	81,524	20,649	71,472

22 Inventories

	Group 2021 Shs'000	Group 2020 Shs'000	Company 2021 Shs'000	Company 2020 Shs'000
Consumables	919,860	970,087	919,860	970,087
Raw materials	197,758	105,037	197,758	105,037
Work-in-progress	-	16,733	-	16,733
Finished products	17,692	65,653	17,692	65,653
	1,135,310	1,157,510	1,135,310	1,157,510
Provision for obsolete inventories	(50,996)	(45,343)	(50,996)	(45,343)
	1,084,314	1,112,167	1,084,314	1,112,167

The cost of inventories recognised as an expense and included in cost of sales amounted to Shs 1,384,589,000 (2020: Shs 1,218,666,000) for the Group and Company.

No inventory was written off in the current year. The Group assets have been charged to secure loan facilities as disclosed in Note 26.

23 Trade and other receivables

	Group 2021 Shs'000	Group 2020 Shs'000	Company 2021 Shs'000	Company 2020 Shs'000
Gross trade receivables	488,415	427,906	446,543	378,368
Impaired trade receivables	(441,914)	(412,329)	(391,301)	(361,716)
Net trade receivables	46,501	15,577	55,242	16,652
Other receivables	145,099	70,831	105,011	36,956
Amount due from related parties (Note 34(iii))	1,095,670	1,087,793	1,095,670	1,087,793
	1,287,270	1,174,201	1,255,923	1,141,401
Amount due from related parties				
Gross amount due from related parties	1,226,911	1,131,804	1,589,760	1,494,653
Impairment	(131,241)	(44,011)	(494,090)	(406,860)
Net due from related parties (Note 33 (iii))	1,095,670	1,087,793	1,095,670	1,087,793

Notes (continued)

23 Trade and other receivables (continued)

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 2021 reconcile to the opening loss allowances as set out below;

	Group		Company	
	2021	2020	2021	2020
	Shs'000	Shs'000	Shs'000	Shs'000
Opening loss allowance	412,329	391,880	361,716	341,267
Increase in loss allowance	29,585	20,449	29,585	20,449
Closing loss allowance	441,914	412,329	391,301	361,716

24 Share capital and reserves

	Group		Company	
	2021	2020	2021	2020
Share capital	Shs'000	Shs'000	Shs'000	Shs'000
Authorised:				
126,000,000 shares of Shs 5 each	630,000	630,000	630,000	630,000
Authorised, issued and fully paid:				
90,000,000 shares of Shs 5 each	450,000	450,000	450,000	450,000
Share premium	648,000	648,000	648,000	648,000

The share premium is not distributable and represents the amounts above the par value of shares received by the company on issue of ordinary shares.

Asset revaluation reserve

	Group		Company	
	2021	2020	2021	2020
	Shs'000	Shs'000	Shs'000	Shs'000
Asset revaluation reserve	1,445,626	1,181,352	1,445,626	1,181,352

The asset revaluation reserve is not distributable and is used to record increases in the fair value of property, plant and equipment and decreases to the extent that such decrease in value relates to an increase in value on the same asset previously recognised in equity.

The share premium is not distributable and represents the amounts above the par value of shares received by the company on issue of ordinary shares.

	Group	
Other reserves	2021	2020
	Shs'000	Shs'000
Foreign currency translation reserve	37,128	36,469

The foreign currency translation reserve is used to record exchange differences arising from translation of the financial statements of the foreign subsidiary, East African Portland Cement Uganda Limited and is not distributable.

25 Post-employment benefit obligations

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

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

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

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

	Group and Company	
	2021 Shs'000	**2020 Shs'000**
Staff gratuity – current	-	1,346,737
Staff gratuity – non-current	427,341	146,176
	427,341	1,492,913

The current liability portion related to benefit obligation for redundant employees as at 30 June 2021.

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

	Group and Company	
	2021 Shs'000	**2020 Shs'000**
Current service cost	65,895	129,969
Net interest expense	130,503	140,358
Component of defined benefit costs recognised in profit or loss	196,398	270,327
Actuarial (gains) / losses arising from changes in demographic and financial assumptions recognised in other comprehensive income	(152,101)	24,915
	44,297	295,242

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

	Group and Company		
	Before tax Shs'000	**Tax charge Shs'000**	**After tax Shs'000**
Year ended 30 June 2021			
Actuarial gains –expert valuations	(152,101)	45,630	(106,471)

Notes (continued)

25 Post-employment benefit obligations (continued)

	Group and Company		
	Before tax Shs'000	Tax charge Shs'000	After tax Shs'000
Year ended 30 June 2021			
Actuarial loss –expert valuations	24,915	(6,229)	18,686

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

	Group		Company	
	2021 Shs'000	2020 Shs'000	2021 Shs'000	2020 Shs'000
At start of year	1,492,913	1,192,486	1,492,913	1,192,486
Current service cost	65,895	129,969	65,895	129,969
Net interest expense	130,503	140,358	130,503	140,358
Actuarial (gains)/ losses arising from changes in assumptions	(152,101)	24,915	(152,101)	24,915
Benefit payable/paid	(1,109,869)	(487,034)	(1,109,869)	(487,034)
Losses on curtailment and settlement	-	492,219	-	492,219
At end of year	427,341	1,492,913	427,341	1,492,913

The significant actuarial assumptions used were as follows:

	Group and Company	
	2021 Shs'000	2020 Shs'000
Discount rate (%)	13.3%	13%
Average salary escalation rate (%)	10%	10%

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

- If the discount rate is 1% higher (lower), the defined benefit obligation would decrease/(increase) by Shs 32,400,000.
- A 1% increase/decrease on the salary escalation rate would not have a material impact on defined benefit obligation as at 30 June 2021.

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

26 Borrowings

The borrowings are analysed as follows;

	Group and Company	
	2021 Shs'000	2020 Shs'000
Term loan	1,736,470	6,040,524
Government debt (Note 34(iv))	1,942,945	1,483,077
Total borrowings	3,679,415	7,523,601
Current portion of borrowings	3,679,415	7,523,601
Non-current portion of borrowings	-	-

Reconciliation of liabilities arising from financing activities

	Group and Company	
	2021 Shs'000	2020 Shs'000
At start of year	7,523,601	5,527,789
Additions during the year	184,182	1,375,065
Interest charged to profit or loss (Note 12)	809,900	721,057
Interest paid	(361,763)	-
Principal repayments	(4,488,237)	(144,305)
Foreign exchange loss	11,732	43,995
	3,679,415	7,523,601

Government loan

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

There was no Group or Company assets pledged as security, and neither are there any covenants attached to the loan facility. The loan was repayable in instalments which are paid twice a year, on 20 March and 20 September with effect from 20 September 2000. The last repayment was by the government on 20 March 2020.

The loan amount due to the government of Kenya accumulates from the interest and principal repayments made on the Japanese loan by the Government of Kenya on behalf of the Group as the loan guarantor. The Group records the loan repayments as additions to the debt payable to the government. There are no written terms with the government on repayment of the debt due. Consequently, the outstanding debt was classified as current liability as at 30 June 2021.

Notes (continued)

26 Borrowings (continued)

(i) Term Loan

The Group breached repayment covenants on working capital facilities provided by KCB. Consequently, KCB recalled the outstanding debt under all the facilities. The Group entered into a settlement deed with KCB on 18 October 2019. The settlement deed required consolidation of outstanding debts under all the facilities into one term loan and provided a one-year moratorium of repayments of outstanding principal and interest. Owing to delayed realisation of proceeds of disposal of land, the moratorium was extended for another year and is expected to end on 17 October 2021.

The term loan and composite working capital facilities are secured by an all asset debenture over all the assets of the Company and a legal charge over certain properties owned by the company, and Reference numbers 337/639, 8649, 9767 and 8786, and a fixed and floating debenture over the company's assets to an aggregate value of Shs 4,224,000,000.

The Company sought shareholder approval through an Extraordinary General Meeting held on 27th September 2019 on sale of investment property (LR 8784\4 & LR 8786) to retire all KCB debt. The Company transferred LR 8786 to KCB for purposes of debt settlement yielding a reduction of Shs 4,850,000,000. The company is at the tail end of conclusion of transfer of LR 8784/146 to KCB for settlement of the outstanding debt.

27 Deferred income tax

Deferred income tax is calculated using the enacted income tax rate of 30% (2020: 30%). The movement on the deferred income tax account is as follows:

	Group and Company	
	2021 Shs'000	2020 Shs'000
At start of year	-	39,540
Charge to other comprehensive income	(158,890)	(6,229)
Deferred tax credited to profit or loss	158,890	(33,311)
At end of year	-	-

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

Financial year incurred	Tax asset (Shs '000)
2008/09	43,296
2009/10	98,134
2010/11	260,600
2011/12	62,180
2014/15	621,896
2015/16	674,989
2016/17	293,823
2017/18	692,031
2018/19	594,266
2019/20	100,286
2020/21	1,450,483
Total	4,891,984

Deferred tax asset arising from tax losses were assessed at the end of the reporting period and were written off to the extent that it was not probable that future taxable profit will allow the deferred tax asset to be recovered based on projected financial performance.

27 Deferred income tax (continued)

Group and Company

Year ended 30 June 2020	1 July 2019 Shs'000	Charge/ (credited) to Profit and loss Shs'000	Charge to OCI Shs'00	At 30 June 2020 Shs'000
Deferred tax liabilities				
Property, plant and equipment	1,659,135	(387,374)	-	1,271,761
Investment properties	1,189,744	55,740	-	1,245,484
	2,848,879	(331,634)	-	2,517,245
Deferred tax assets				
Tax losses carried forward	(3,341,215)	(100,286)	-	(3,441,501)
Other temporary differences	(1,196,668)	(144,956)	(6,229)	(1,347,853)
	(4,537,883)	(245,242)	(6,229)	(4,789,354)
Net deferred income tax asset	(1,689,004)	(576,876)	(6,229)	(2,272,109)
Deferred tax written off	1,728,544	543,565	-	2,272,109
Net deferred income tax liability(asset)	39,540	(33,311)	(6,229)	-

Year ended 30 June 2021	At 1 July 2020 Shs'000	Charge/ (credited) to Profit and loss Shs'000	Charge to OCI Shs'00	At 30 June 2021 Shs'000
Deferred tax liabilities				
Property, plant and equipment	1,271,761	130,332	113,260	1,515,353
Investment properties	1,245,484	29,621	-	1,275,105
	2,517,245	159,953	113,260	2,790,458
Deferred tax assets				
Tax losses carried forward	(3,441,501)	(1,450,483)	-	(4,891,984)
Other temporary differences	(1,347,853)	(88,167)	45,630	(1,390,390)
	(4,789,354)	(1,538,650)	45,630	(6,282,374)
Net deferred income tax asset	(2,272,109)	(1,378,697)	158,890	(3,491,916)
Deferred tax written off/not recognised	2,272,109	1,219,807	-	3,491,916
Net deferred income tax liability(asset)	-	(158,890)	158,890	-

Notes (continued)

28 Trade and other payables

	Group		Company	
	2021 Shs'000	2020 Shs'000	2021 Shs'000	2020 Shs'000
Trade payables	2,254,050	1,679,341	2,152,369	1,679,341
Other payables and accruals	4,691,569	3,224,383	4,790,559	3,220,482
Due to related parties (Note 34 (iv))	2,027,364	1,958,958	2,027,364	1,958,958
Advance receipts from customers	177,917	181,606	177,917	181,606
Other liabilities (Note 20)	210,664	203,910	210,664	203,910
At end of year	9,361,564	7,248,198	9,358,873	7,244,297

Trade and other payables are non-interest bearing. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe. The carrying amounts of the above trade and other payables approximate their fair values.

29 Dividend payable

	Group and Company	
	2021 Shs'000	2020 Shs'000
Dividend payable	101,680	101,680

30 Contingent liabilities

(i) Tax Assessment

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

(ii) Litigation and claims

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

31 Capital commitments

	Group and Company	
	2021 Shs'000	2020 Shs'000
Authorised by the directors but not contracted for	777,000	376,000

32 Cash generated from operations

Reconciliation of profit/(loss) before income tax to cash generated from operations

	Group		Company	
	2021 Shs'000	2020 Shs'000	2021 Shs'000	2020 Shs'000
Profit/(loss) before taxation	1,735,936	(2,798,610)	1,736,202	(2,797,729)
Adjustments for:				
Depreciation of PP&E (Note 16)	538,151	533,758	538,151	533,758
Depreciation of right-of-use assets (Note 33)	22,975	12,016	22,975	12,016
Amortisation on prepaid operating leases (Note 17)	45	354	45	354
Impairment of work in progress	-	15,397	-	15,397
Gain on unwinding of related parties receivables	(33,820)	(55,960)	(33,820)	(55,960)
Gain on disposal of PP&E	-	(6,154)	-	(6,154)
Loss on disposal of investment property (Note 11)	572,844	-	572,844	-
Fair value gain on investment property (Note 18)	(5,783,847)	(1,114,779)	5,783,847)	(1,114,779)
Net foreign exchange loss	11,732	50,769	11,732	29,574
Interest expense on borrowings (Note 26)	809,900	721,057	809,900	721,057
Interest on other liabilities (Note 20)	4,213	7,000	4,213	7,000
Interest income (Note 12)	(149)	(1,456)	(149)	(1,456)
Foreign exchange loss on other liabilities (Note 20)	2,541	8,000	2,541	8,000
Post-employment benefits service cost	196,398	270,327	196,398	270,327
Interest on lease liabilities (Note 33)	7,307	6,252	7,307	6,252
Losses on curtailment and settlement (Note 25)	-	492,219	-	492,219
Operating loss before working capital changes	(1,915,774)	(1,859,810)	(1,915,508)	(1,880,124)
Changes in working capital;				
Inventories	26,462	19,306	26,462	19,080
Trade and other receivables	(968,264)	61,767	(968,264)	82,324
Trade and other payables	999,364	283,003	997,892	282,882
Cash used in operations	(1,858,212)	(1,495,734)	(1,859,418)	(1,495,838)

For the purpose of statement of cashflows, cash and cash equivalent comprise the following

Analysis of cash and cash equivalents	2021 Shs'000	2020 Shs'000	2021 Shs'000	2020 Shs'000
Short term deposits (Note 21)	-	11,891	-	11,891
Cash and cash equivalents (Note 21)	31,622	69,633	20,649	59,581
	31,622	81,524	20,649	71,472

Notes (continued)

33 Leases

The Company adopted IFRS 16 from 1 July 2019. These liabilities were measured at the present value of the remaining lease payments, discounted using incremental borrowing rate.

(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.

	Group and Company	
	2021	**2020**
	Shs'000	**Shs'000**
Movement of lease liabilities:		
At start of year	57,361	66,664
Interest expense on lease liability (Note 12)	7,307	6,252
Payments of principal portion of the lease liability	(27,760)	(15,555)
Additions	22,078	-
At end of year	58,986	57,361
Maturity analysis of the lease liabilities:		
Current lease liabilities	38,541	23,552
Non-current lease liabilities	20,445	33,809
	58,986	57,361

(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.

	Group and Company	
Movement of lease assets:	**2021**	**2020**
	Shs'000	**Shs'000**
At start of year	54,648	66,664
Additions	22,078	-
Depreciation charge	(22,975)	(12,016)
	53,751	54,648
Lease prepayments amortised on a straight-line basis	4,936	6,023
At end of year	58,687	60,671

34 Related party transactions

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

	Group and Company	
Shareholder	**2021**	**2020**
Bamburi Cement Limited	12.5%	12.5%
Cementia Holdings	14.6%	14.6%
Associated International Cement	14.6%	14.6%
The National Treasury	25.3%	25.3%
National Social Security Fund	27%	27%
Other investors	6%	6%
	100%	100%

The 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 (2020: Nil).

(ii) Purchase of goods and services

	Group		Company	
	2021 Shs'000	2020 Shs'000	2021 Shs'000	2020 Shs'000
National Social Security Fund	1,979	2,967	1,979	2,967
National Health Insurance Fund	6,351	11,617	6,351	11,617
Kenya Revenue Authority	476,874	567,475	476,874	567,475
The National Treasury	459,869	359,283	459,869	344,770
	945,073	941,342	945,073	926,829

(iii) Due from related parties:

	Group 2021	Group 2020	Company 2021	Company 2020
Non-current				
Kenya Railways Corporation	-	860,985	-	860,985
Current				
Kenya Railways Corporation	929,529	804,390	929,529	804,390
Kenya National Highway Authority	166,141	283,403	166,141	283,403
	1,095,670	1,087,793	1,095,670	1,087,793
	1,095,670	1,948,778	1,095,670	1,948,778

Notes (continued)

34 Related party transactions (continued)

(iv) Due to related parties

	Group		Company	
	2021	2020	2021	2020
	Shs'000	Shs'000	Shs'000	Shs'000
Kenya Revenue Authority (Note 28)	2,027,364	1,958,958	2,027,364	1,958,958
The National Treasury (Note 26)	1,942,945	1,483,077	1,942,945	1,483,077
	3,970,309	3,442,035	3,970,309	3,442,035

(v) Key management compensation

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

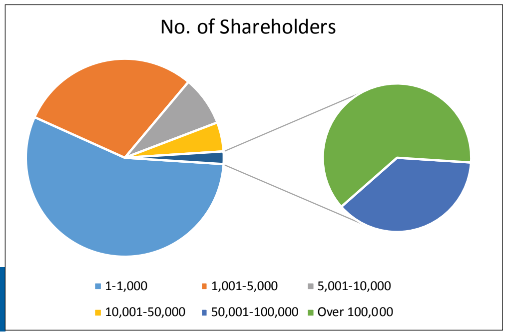
	Group		Company	
	2021	2020	2021	2020
	Shs'000	Shs'000	Shs'000	Shs'000
Salaries and other short-term employee benefits	53,194	37,488	53,194	37,488
Post-employment benefits	11,617	8,656	11,617	8,656
	64,811	46,144	64,811	46,144
(vi) Directors' remuneration				
Fees for services as directors	1,100	1,100	1,100	1,100
Other emoluments	12,370	36,730	12,370	36,730
	13,470	37,830	13,470	37,830

Principal Shareholders as at June 30, 2021

The top ten shareholding in the company and the respective number of shares held as at June 30, 2021 are as follows:

TOTAL SHARES 87,498,464
PERCENTAGE 97.22%

Shareholder	No. of Shares	Percentage
BOARD OF TRUSTEES NATIONAL SOCIAL SECURITY FUND	24,300,000	27%
THE PERMANENT SECRETARY TO THE TREASURY	22,799,505	25.33%
CEMENTIA HOLDINGS AG	13,180,442	14.64%
ASSOCIATED INTERNATIONAL CEMENT LTD	13,144,442	14.60%
NAIROBI NOMINEES LTD A/C BCL	11,265,068	12.52%
GIDJOY INVESTMENTS LIMITED	700,000	0.78%
KESTREL CAPITAL NOMINEES LTD A/C 006	1,224,707	1.36%
KENYA COMMERCIAL BANK NOMINEES LIMITED A/C 885	450,000	0.50%
NAIROBI NOMINEES LTD A/C MSV	218,500	0.24%
KESTREL CAPITAL NOMINEES LTD A/C TONY HADLEY	215,800	0.24%



Share Distribution as at June 30, 2021

Category	No. of Shareholders	Shares Held	Percentage
1-1,000	1105	314,110	0.35%
1,001-5,000	243	588,661	0.65%
5,001-10,000	44	314,060	0.35%
10,001-50,000	32	648,643	0.72%
50,001-100,000	5	352,562	0.39%
Over 100,000	12	87,781,964	97.54%
	1,441	90,000,000	100%

NOTICE OF ANNUAL GENERAL MEETING TO ALL SHAREHOLDERS

NOTICE IS HEREBY GIVEN that in accordance with the provisions of Section 280 of the Companies Act, 2015 and pursuant to a Court Order issued by the High Court of Kenya in Miscellaneous Application No. E680 of 2020 on Wednesday 29th April 2020, the Eighty Ninth Annual General Meeting of the Company will be held via electronic communication, on 2nd December 2021 at 9.00 am to transact the following business:

AGENDA

ORDINARY BUSINESS

1. To read the notice convening the meeting, table proxies and to confirm the presence of a quorum.

2. To confirm minutes of the 88th Annual General Meeting held on 11th March 2021.

3. To receive the Chairman's report.

4. To receive, consider and adopt the Financial Statements for the year ended 30th June 2021 together with the reports of the Directors and Auditors thereon.

5. To note that the Directors do not recommend payment of a dividend in respect of the financial year ended 30th June 2021.

6. To approve the remuneration of the Directors as shown in the Financial Statements for the year ended 30th June 2021.

7. To note that the audit of the Company's books of account will continue to be undertaken by the Auditor-General or an audit firm appointed in accordance with Section 11 of the State Corporations Act (as amended by the Miscellaneous Law Amendment Act, 2002) and Section 23 of the Public Audit Act 2015.

8. Election of Directors:

    a. To re-elect Mr. Edwin M. Kinyua, MBS as a Director of the Company who retires at this meeting in accordance with Articles 98 and 99 of the Company's Articles of Association and being eligible offers himself for re-election.

    b. To re-elect the Cabinet Secretary of the National Treasury as a Director of the Company who retires at this meeting in accordance with Articles 98 and 99 of the Company's Articles of Association and being eligible offers himself for re-election

SPECIAL BUSINESS

9. To transact any other business of an annual general meeting of which due notice has been received.

BY ORDER OF THE BOARD

Florence Mitey
Company Secretary
9th November 2021

NOTICE OF ANNUAL GENERAL MEETING

NOTES:

Shareholders will be able to register to follow the meeting, vote electronically or by proxy and may ask questions in advance before the date of the Annual General Meeting in the manner detailed as follows:

1. Owing to the ongoing Coronavirus 2019 (COVID -19) pandemic and the related Public Health Regulations and directives passed by the Government restricting public gatherings, it is impossible, for EAPC PLC to hold a physical Annual General Meeting in the manner envisaged under the Articles of Association of the Company and section 280 of the Companies Act 2015. On 29 April 2020, the High Court of Kenya in Miscellaneous Application No. E680 of 2020, issued an order permitting any company listed on the Nairobi Securities Exchange to convene and conduct a virtual general meeting subject to receipt of a 'No Objection' from the Capital Markets Authority (CMA). Relying on this court order, EAPC PLC has convened and will conduct its virtual Annual General Meeting following receipt of a No Objection from the CMA.

i. Shareholders wishing to participate in the meeting should register for the AGM:

a. Through the web portal

i. By logging onto https://escrowagm.com/EAPCC/Login.aspx and filling in the registration form. In order to complete the registration process, the shareholder will need to have their ID/Passport Numbers that were used to purchase their shares and/or their CDSC or Share Account Number at hand. For assistance, they should dial the following number: (+254)710888000 or 0202588000 between 9:00 a.m. to 5:00p.m. from Monday to Friday.

b. Unstructured Supplementary Service Data (USSD)

i. By dialing *463*560# and following the prompts. In order to complete the registration process, shareholders will need to have their ID/Passport Numbers that were used to purchase their sharesand/or their CDSC or Share Account Number at hand. For assistance, shareholders should dial the following helpline number: (+254)710888000 or 0202588000 between 9:00 a.m. to 4:00 p.m. from Mondayto Friday. Shareholders outside Kenya should dial the helpline number for assistance during registration. USSD costs are charged at Kshs 2 per session for Airtel subscribers and Kshs 2 per session for Safaricom subscribers.

ii. Registration for the AGM opens on 10th November 2021 at 9.00AM and will close on 29th November 2021 at 5.00 PM. Shareholders will not be able to register after this time.

iii. The following documents may be viewed on the Company website www.eastafric anportland.com (a) copyof this Notice and the proxy form; (b) the Company's Annual Report and Audited financial statements forthe year ended 30 June 2021; (c) the Shareholders Circular; (d) a copy of the High Court Order in Miscellaneous Application No. E680 of 2020; and (e) a copy of the No Objection issued by the Capital Markets Authority.

iv. Any shareholder who is entitled to attend and vote at the Annual General Meeting is entitled to appoint aproxy to attend and vote in his/her stead. Such proxy need not be a member of the Company.

v. A proxy form is provided with the Annual Report. The proxy form can also be obtained from www.eastafricanportland.com Shareholders who do not propose to be at the Annual General Meeting are requested to complete and return the proxy form to the Registered Office of the Company so as to arrive not later than 10.00 AM on 30th November 2021.

NOTICE OF ANNUAL GENERAL MEETING

vi. Duly signed proxy forms may also be emailed to agm@eapcc.co.ke in PDF format. A proxy form must be signed by the appointer or his attorney duly authorized in writing. If the appointer is a body corporate,the instrument appointing the proxy shall be given under the Company's common seal or under the hand of an office or duly authorized attorney of such body corporate.

vii. Shareholders wishing to raise any questions or clarifications regarding the AGM may do so on or before 30th N o v e m b e r 2021 at 2.30 PM by: (a) sending their written questions by email to agm@eapcc.co.ke (b) to the extent possible, physically delivering or posting their written questions with a return physical, postal or email address to the Registered Office of the Company. Shareholders must provide their full details (full names, National ID/Passport Number/CDSC Account Number) when submitting their questions or clarifications. The Company's Directors will provide written responses to the questions received to the return physical, postal or email address provided by the Shareholder no later than 12 hours before the startof the AGM. Shareholders will be given an opportunity to ask questions during the AGM. A full list of all questions received, and the answers thereto will be published on the Company's website not later than 12 hours before the start of the AGM.

viii. The AGM will be streamed live via a link which shall be provided to all shareholders who will have registered to participate in the AGM. Duly registered shareholders and proxies will received a short message service (SMS/USSD) prompt on their registered mobile numbers, 24 hours prior to the AGM acting as a reminder of the AGM. A second SMS/USSD prompt shall be sent one hour ahead of the AGM, as a reminder that the AGM will begin in an hours' time and providing a link to the live stream

ix. Shareholders and proxies who have registered to attend the AGM may follow the proceedings using the live stream platform, access the agenda and vote (when prompted by the Chairman) via the USSD prompts.

x. Results of the resolutions voted on will be published on www.eastafricanportland.com within 24 hours following conclusion of the AGM.

Shareholders will be notified on any updates relating to the AGM owing to the changing situation arisingfrom the COVID - 19 pandemic. We appreciate the understanding of our shareholders as we navigate the evolving business conditions posed by COVID -19

NOTES

NOTES

East African Portland Cement PLC

Holding Life Together

PROXY FORM

I/WE ____

OF ____

Being a member of the above Company, hereby appoint:

____

OF ____

Or failing him, the Chairman of the Meeting, my/our proxy, to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on Thursday 2nd December 2021 at 9.00 a.m. and any adjournment thereof:

As witness my/our hand this __________ Day of __________________ 2021

Signed ______________________________________

Signed ______________________________________

Note:

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote in his stead and a proxy need not to be a member of the Company.

2. In the case of a member being a Limited Company this form must be completed under its common seal or under the hand of an officer or attorney duly authorized in writing.
3. Proxies must be in the hands of the Secretary not later than 48 hours before the time of holding the meeting.

East African Portland Cement PLC

Holding Life Together

Contact Us | Piga Simu
0709 835 144/820 | 0722 203 076/079

East African Portland Cement PLC

Holding Life Together

Phone: +254 709 835 000/001
E-mail: info@eapcc.co.ke
Facebook: Blue Triangle Cement
Twitter: @EAPC_PLC
Instagram: Blue Triangle Cement
Linked In: East African Portland Cement Plc
YouTube: EAPC Plc
Website: www.eastafricanportland.com