YEARS OF COMMITMENT TO ENVIRONMENTAL SUSTAINABILITY

2022 BAMBURI ANNUAL REPORT & FINANCIAL STATEMENTS

A MEMBER OF HOLCIM

Bamburi cement

Part of you. From the start

TABLE OF CONTENTS

Sunset Terrace at Bamburi Forest Trails

WHO WE ARE

Bamburi Cement is an Industry captain and member of the Holcim Group.

As a leading clinker, cement and concrete producer in Eastern Africa, Bamburi Cement is at the forefront of innovative and sustainable building solutions.

VISION

To be the undisputed leader and the preferred partner providing innovative high quality solutions for nation building.

OUR STRATEGY

Our Building for Growth Vision is based on 4 Pillars:

GROWTH

Profitable green growth ahead of market

PERFORMANCE

Be quality cash cost company in the country through innovation & operational excellence

PEOPLE

Become an agile, lean, performance focused organization by empowering our people

SUSTAINABILITY

Be the most respected company by all stakeholders by creating shared value with them

White-faced whistling ducks in Nguuni Nature Sanctuary at Bamburi Shale quarry.

4 SUBSIDIARIES

Hima Cement Limited

A Uganda based subsidiary of Bamburi Cement PLC with 3 plants iin Kasese, Namanve and Tororo.

Bamburi Special Products Limited

The leading supplier of Readymix concrete and Precast concrete blocks with operations in Nairobi and Mombasa.

Lafarge Eco Systems Limited

The environmental arm of Bamburi Cement whose operations are in sustainable land use and quarry rehabilitation.

Diani Estates Limited

Diani's principal activity is management of land reserves on behalf of its parent company, Bamburi Cement.

OUR PLANTS

The Company operates 5 cement plants from where it serves. Kenya and Uganda markets as well other export markets.

Operate 2 Plants in Kenya

- Integrated Plant (Clinkering and Cement) in Mombasa
- Grinding Plant (Cement) in Athi River

Operate 3 Plants in Uganda

- Integrated Plant (Clinkering and Cement) in Kasese, Western Uganda
- Grinding Plant (Cement) in Tororo
- Blending Station in Namanve

OUR BRANDS

Water buck at Bamburi Forest Trails.

ABOUT HOLCIM

DECARBONIZING BUILDING

From our operations to our products to buildings in use, we are decarbonizing building for a net-zero future

GREEN OPERATIONS

DECARBONIZING HOLCIM

We are decarbonizing Holcim with green operations, from green energy and mobility to green product formulation, all the way to next generation technologies like carbon capture, usage and storage.

BUILDING BETTER WITH LESS

DECARBONIZING CONSTRUCTION

We offer the broadest ranges of low-carbon materials such as ECOPact green concrete, delivering 100 percent performance with at least 30 percent less CO2; as well as enabling smart design systems like 3D printing that can reduce material use by up to 50 percent.

CIRCULAR CONSTRUCTION

BUILDING NEW FROM OLD

We drive circular construction to build new from the old. As a world leader in recycling we put circularity at the core of everything we do. In Switzerland we launched the world's first cement with 20 percent recycled construction and demolition waste, and upcycle plastic bags in roofing systems.

MAKING BUILDINGS SUSTAINABLE IN USE

DECARBONIZING CITIES

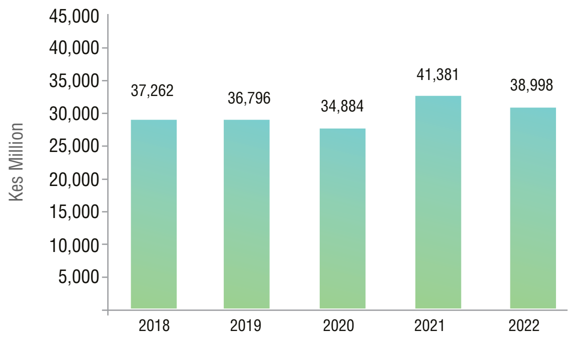
Holcim Solutions & Products, from roofing to insulation, are making buildings more sustainable in use to decarbonize our cities, driving energy efficiency and green retrofitting.

2022 OVERVIEW

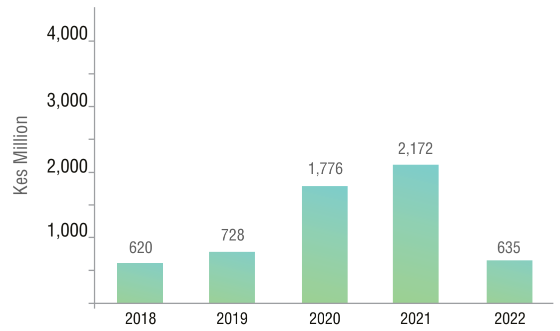
Common Sandpiper wading in a pond in Bamburi Haller Park

GROUP KEY **FINANCIAL HIGHLIGHTS**

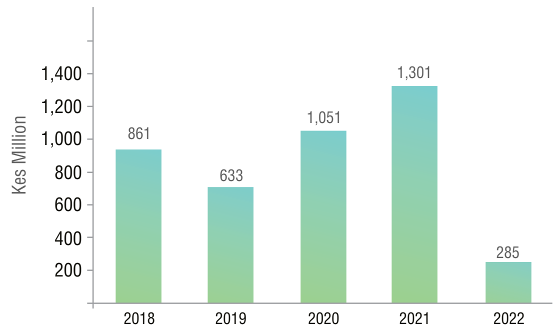
Group Turnover - Kes Millions



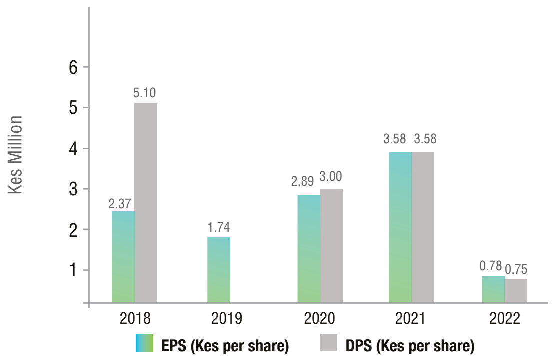
Group Profit before tax - Kes Million



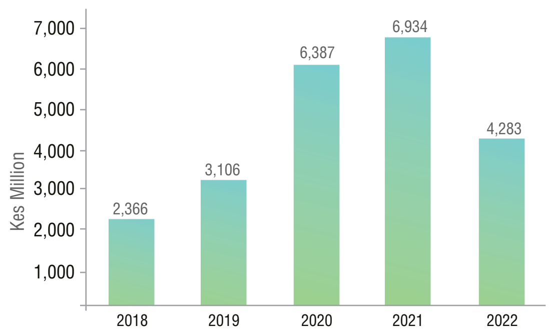
Group Profit attributable to shareholders - Kes Million



Group Earnings/Dividend per Share

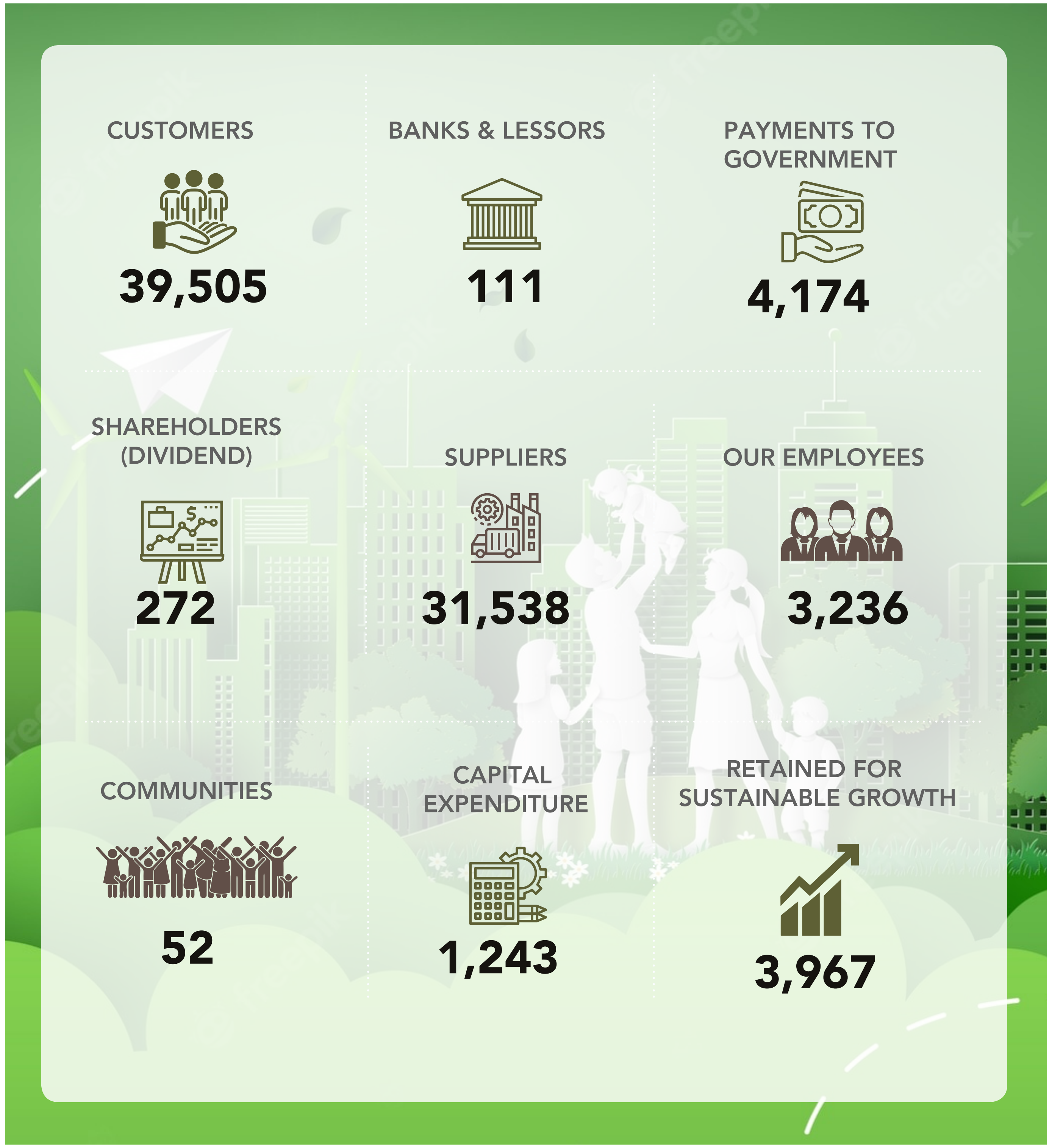


Group Cash and cash equivalents



VALUE ADDED **STATEMENT**

(In MKes)



CHAIRMAN'S **STATEMENT**

FOR THE YEAR ENDED 31 DECEMBER 2022

*"To sustain our market leadership growth momentum, the Group revamped its **"Strategy 2025 – Accelerating Green Growth"** to become the market leader in innovative and sustainable building solutions"*

Dr. John Simba
Chairman

The statement covers Bamburi Cement (the 'Company') and its subsidiaries (together, the 'Group')

Overview

On behalf of the Board, Management and Employees, it is a great honor for me to present the Annual Report for the year ended 31 December 2022. During the year the group revamped its Strategy 2025 – "Accelerating Green Growth" in the face of a challenging operating environment, punctuated by a slowdown of cement market demand, high energy cost and increased raw material costs. The Group Turnover at KES 39.2 billion was 5% below prior year. This was driven by volume decline in both Kenya and Uganda.

The decline in sales volumes and turnover is primarily due to a decrease in government infrastructure projects spend, suppressed consumer purchasing power, and stunted private sector credit growth, which was exacerbated by market contraction experienced from the month of May due to Kenya's general elections. Bamburi Group registered drop of operating profit by 22% on a like-for-like basis (LFL) compared to prior year. This is primarily attributable to decline in topline coupled with significant inflation of the fuel prices, logistics costs and imported clinker prices in both Kenya and Uganda.

The Group is however confident that it will register improved performance and profitability in the future driven by the revamped business strategy, expected recovery of the economy.

Economic Environment in our main East African Markets

Kenya's Economic recovery remains strong, although it was slowed by drought and inflation. The rising cost of commodities globally continues to impose inflationary pressure on already stretched consumer disposable income. The steep increases in the headline inflation (+5.7 % in December 2021, and +9.1 % in December 2022), coupled with the rising cost of inputs, is placing further pressure on consumer purchasing power impacting cement demand and cement production costs.

The global conflicts in Eastern Europe impacted prices of imported raw material and freight intensifying inflation pressures during the year. The economic recovery was also dampened by global commodity price shocks, the long regional drought, and uncertainty in the run up to the 2022 general elections.

Uganda's near-term macroeconomic outlook, foresees sustained recovery driving real Gross Domestic Product (GDP) growth to 5.5% during fiscal year 2022/23 from 4.7% in fiscal year 2021/22. The outlook remains broadly positive, hinged on continued implementation of the government's National Development Plan (NDP III) and full recovery of global trade. The inflation of our other main East African markets (Rwanda, DRC and South Sudan) continues to increase. This was largely driven by international commodity prices and the disruption of global supply chain leading to substantial increase in energy, transport, and food prices.

Overall, East African markets have some of the lowest cement consumption per capita, implying greater upside potential for sustainable growth driven by increasing GDP growth and infrastructure development.

Energy and Power prices

Energy and power costs are the biggest cost components in the production and distribution of our products. In 2022, both our Kenya and Uganda operations were affected by external costs. The steady rise in oil prices was mainly driven by global supply chain challenges, geopolitical and trade tensions among the key players. This has led to inflation of prices of imported raw materials and energy costs especially on coal thus eroding the margins.

High power tariffs in Kenya adversely impacted our full performance. Fuel subsidy abolishment in August 2022 resulted in increase in the cost of electricity by about 15%. This put more pressure on the pricing across the economy as producers of services and goods had to factor in the higher cost of energy.

To address the challenge of increasing electric power cost, the Company is evaluating alternative power sources. This will reduce costs, improve our profitability as well as contribute to Net Zero carbon emissions by switching to renewable energy.

Cement Market

Although, the Kenya Cement market witnessed growth at the beginning of the year, this optimism was dampened by disruptions to international supply chains because of COVID-19 pandemic and the Eastern Europe conflict. The Country's general elections further impacted the market alongside prevailing inflation rates and slowdown in consumer credit growth. The supply challenges experienced in the first half of the year led to a general rise in cement prices.

The market has experienced excess availability of cement in the second half of the year leading to aggressive competition and pressure on cement selling prices in a bid to clear excess inventory within the context of a contracting market.

Ugandan cement market registered a 6% growth compared to prior year mainly driven by urbanization as well as the start of construction works in the oil and gas projects. Bamburi Cement Group is optimistic about the growth of the cement sector within EAC and continues to reassert its presence in the market through innovation and launch of new products and high quality construction solutions to all segments.

Sustainability

The Group is committed to promoting sustainability. In line with this commitment, it launched a series of green products designed to lower CO2 and NOX emissions. The launch of these green construction solutions showcases the company's commitment to sustainable construction. Its core brands, including BAMBURI NGUVU, BAMBURI TEMBO, BAMBURI FUNDI, and BAMBURI DURACEM, have been acknowledged for their positive impact on sustainability efforts.

Energy and power costs are the biggest cost components in the production and distribution of our products. In 2022, both our Kenya and Uganda operations were affected by external costs. The steady rise in oil prices was mainly driven by global supply chain challenges, geopolitical and trade tensions among the key players. This has led to inflation of prices of imported raw materials and energy costs especially on coal thus eroding the margins.

CHAIRMAN'S **STATEMENT**

2023 Outlook

The economic recovery in Kenya and Uganda is expected to continue. As global value chains stabilize and consumer demand rises, manufacturing growth is projected to accelerate.

Kenya's economy is expected to record moderate growth over the coming years, driven by a dynamic services sector and favorable demographics. Growth over the last few years has been driven by private consumption, in particular the expansion of the services sector, which is among Sub-Saharan Africa's most innovative.

In Uganda, the GDP growth is expected to be fuelled by greater investment in public infrastructure especially in oil industry. To exploit available opportunities, the company will continue to support construction of affordable housing, new technologies (3D printing) and key infrastructure projects. Additionally, the Group will continue to drive robust cost management initiatives to drive profitability.

The East Africa cement markets are projected to remain highly competitive. To sustain our market leadership growth momentum, the Group revamped its ***"Strategy 2025 – Accelerating Green Growth"*** to become the market leader in innovative and sustainable building solutions. The strategy is anchored on four value drivers: accelerating growth; expanding solutions and products; leading in sustainability and innovation; and delivering superior performance.

Through ***"Accelerating Green Growth,"*** Bamburi Group will achieve profitable growth across all its businesses, fuelled by sustainability and innovation. With this strategic framework in place we are well positioned to seize and serve opportunities ahead as we become the market leader in innovative and sustainable building.

Appreciation

I take this opportunity to express my sincere appreciation and gratitude to the Board of Directors, Group Managing Director, Leadership Team, Employees, Customers, Partners, Shareholders, and all other Stakeholders for their invaluable contribution to our resilient performance in 2022.

The Board has the confidence that the Group has the leadership and the people to exploit opportunities presented to us to the best advantage for our shareholders and all stakeholders. I am optimistic that we will continue to see further acceleration of our momentum under the direction of our new and dynamic Group Managing Director Mr. Mohit Kapoor, who brings a wealth of experience in corporate leadership and driving consistent business growth.

I extend the best wishes to the immediate former Group Managing Director Mr. Seddiq Hassani in his next chapter of leadership and commend him for his immeasurable value in the organisation.

The Board will continue to provide management with the necessary oversight and support as they execute on their strategic priorities.

Dr. John Simba
Chairman

27 April 2023

Oryxes at the Bamburi Haller Park

GROUP MANAGING DIRECTOR'S **STATEMENT**

"Drive performance in the face of a challenging operating environment"

Mohit Kapoor
Group Managing Director

Operating Environment

During the year under review, the company continued to drive its strategy to drive profitability.

However, the year was quite challenging as the country continued to grapple with steep increases in the headline inflation, high fuel and power prices which significantly impacted negatively our business performance during the year.

Across East Africa region, the global conflicts in Eastern Europe impacted prices of imported raw material and freight intensifying inflation pressures during the year. The economic recoveries were also dampened by global commodity price shocks, the long regional drought, and uncertainty in the run up to the Kenya 2022 general elections.

The local currencies continued to depreciate affecting the cost of imported raw materials pushing up the production costs.

Digital Strategy

Digitalization of our business is the way forward. In 2022, we created sustained value for our stakeholders through an adaptable and resilient IT business model, accelerating our digital transformation journey to deliver enhanced value to the business and our customers.

Digitization of our business processes continued to take center stage of our operations. We also embarked on an organization-wide digitization of our existing archives and automation of business processes to eliminate the use of paper under a project dubbed ***EcoSafi***.

In Uganda, Hima cement kicked off various plant automation projects to introduce new levels of efficiency, and sustainability of operations.

In financial year 2022, Hima Cement also rolled out and implemented the e-permit to work system as part of our digital initiative to Drive Safety Compliance. This initiative has reduced the amount of paper work involved in execution of tasks and increased visibility of the team's understanding of risks while at work, because the permits can be viewed remotely hence enhancing leadership and compliance to the safety standards.

In addition, the business also rolled out an HSE app which is managing the online HSE equipment and tools inspection, training calendar, reward and consequence management, mobile equipment inspection and logistics truck inspection.

Product Innovation

The Group continues to champion innovation in construction industry. During the year under review, the company developed another construction solution to resolve challenges in the tiling sector and tap into the growing demand for specialty mortar products such as tile adhesives.

The company launched a ready-to-use tile adhesive by the brand name 'Bamburi TectorCeram SETI 300'. Designed for placement of porous tiles including ceramic, terracotta, earthenware and natural stone tiles, Bamburi SETI 300 is a cementitious mortar product produced from carefully sourced raw materials, including chemical admixtures, Bamburi cement and sand.

In Uganda, the group continued to reposition the business for growth and innovation while adapting to our customer needs. We also launched the dry mortar range of products (Tector Ceram) which aims to help our customers with mix ratios for better structures.

The new complementary range of products offers value for the customers; ensuring superior internal and external building finishing design, unveiling the beauty in every construction project. They are tried and tested to produce a quality result, providing enhanced bonding attributes, great workability and are ready-to-use by adding the recommended amount of water.

Sustainability

Sustainability is at the core of our strategy. We are leading in the circular economy by reducing waste and recycling materials across our business. We are innovating to remain at the forefront of green building solutions and driving circular construction to build better with less.

In 2022, we made tremendous strides towards further integrating sustainability in our business operations. We launched our Sustainability report referenced by the Global Reporting Index (GRI) and shared our vision and progress towards building for people and the planet. Highlighting our key sustainability milestones across our five strategic pillars and guided by our Materiality Assessment which sought the input of both internal and external stakeholders.

We also constituted our first Environmental, Social and Governance (ESG) Committee consisting of 12 pillar expert leaders who diligently support our sustainability reporting and the development and implementation of the company's ESG strategies.

Additionally, we launched the Holcim Eco-Label for cement on the packaging of our greener cements which are Bamburi Fundi, Bamburi Tembo56, Bamburi Nguvu and Bamburi Duracem. The eco-label is a testimony of sustainable cement products with more than 30% reduction of CO2 emissions. The ECO-label helps our customers identify at first sight the environmental impact of their purchasing choice, allowing them to make the choice to build better.

Health and Safety

The Group aspires to conduct its business with zero harm to people while providing a safe and healthy working environment. Strict HSE policies guide our decision-making to safeguard the health and wellbeing of our employees, their families, and all our suppliers and stakeholders. We consider this a moral imperative and that is why we put health, safety and protecting the physical environment at the heart of everything we do.

During the year, Nairobi Grinding Plant received an HSE Excellence Award from the Group for its outstanding Health, Safety and Environment performance in 2021, being one of the only four units in the MEA region to receive this recognition. HSE Excellence Awards are given to Units and Countries which demonstrate high performance in critical risk management, continuous improvement and engagement.

Overall, Kenya scored 91.7% on the 2022 Country HSE Continuous Improvement Score. Under leading indicators the country achieved 100% in Critical Risk Reduction having closed all findings due in 2022 from Process Safety Audits and Group Health & Safety Management System Audits. Under lagging indicators there were no fatalities or Lost Time Injuries (LTIs) reported from our sites.

The critical risk management program launched in 2021 was a key focus area during the year. A Group Core Assessment Audit covering eight priority unwanted

GROUP **MANAGING DIRECTOR'S** STATEMENT

events (PUEs) was conducted in Q1 2022 and was instrumental in streamlining and accelerating the implementation of this program and as a result the compliance score on critical controls at the end of the year was at 86%. Additionally during the year, four additional PUEs were added to the program: fatal road crash, respiratory illness, emergency response and water pollution discharge. This will continue to be a key focus area in 2023 to ensure 100% compliance across all the critical control areas.

The performance on worker engagement in 2022 was exemplary with all key indicators scoring above the target. The momentum achieved on our Boots on Ground (BoG) program in 2021 was sustained all through the year. BoG is a worker engagement initiative supported by a digital platform where managers undertake shopfloor tours and engage workers in conversations on HSE topics involving their work. The program has produced great results, playing a big role in proactive identification of any gaps and their timely closure before they resulted in incidents.

In Uganda, we conducted robust comprehensive audits and reviews of existing processes and put in place solid, sustainable systems to guard against the most critical risks and mitigate future incidences.

During the year, Hima Cement embraced the BoG program and applied it in identifying hazards and performing Visible Personal Commitments (VPCs). BoG supports our safety interventions by registering the time spent in the field by our managers and supervisors, being visible and present leaders. All employees are provided with smart phones to promote the participation in identifying and reporting hazards while out on the shop floor. All hazards identified are captured on the online portal, assigned to the responsible individual with clear deadlines for remediation and closure.

Performance

On performance, the group's turnover for the year ended 31 December 2022 declined by 5% to KES 39.2 billion in comparison with year 2021. The turnover performance was driven by reduced volumes primarily due to a decrease in government infrastructure spend, suppressed consumer purchasing power which was exacerbated by market contraction experienced during the second half of the year due to Kenya's general elections.
Similarly, the operating profit before tax, for year ended 31 December 2022 declined by 33% to KShs 1.1 billion compared to the year ended 31 December 2021. This was driven by reduced volumes coupled with significant inflation of the energy prices, logistics costs in both Kenya and Uganda affected the operating profit. The Group profitability was also negatively impacted by depreciation of the Kenya shilling and Uganda shilling against other major currencies pushing up the production costs.

Future Outlook

We continue to implement our Strategy 2025 – **"Accelerating Green Growth"** to grow our profitability by embedding customer-centricity across the business and offering innovative building solutions. With "Accelerating Green Growth," Bamburi Group will achieve profitable growth across all its businesses, fueled by sustainability and innovation.
The uncertain environment due to headwinds such as drought, high inflation, global shocks and public debt coupled with potential macroeconomic disruptions remain a source of pressure on consumer purchasing power impacting cement demand. However, we remain vigilant and proactive to counter any headwinds while at the same time continuing to support our customers and partners.

For the year ahead, the Group remains committed to ensuring that the business stays responsive to the needs of the communities in which we operate in, not only for business reasons but for the environmental and social purposes to achieve a sustainable business.

The Group remains a true partner with regional governments in major development projects. We will continue to support the government's focus on affordable housing through new technologies like 3D printing and key infrastructure projects. In Uganda we will also continue to focus on supplying key strategic projects including the Oil sector and new markets in East Africa.

Appreciation

In conclusion, and most importantly, on behalf of the Board I want to extend my heartfelt gratitude to all our shareholders, customers, community stakeholders, national government, county governments as well as partners for their continued and unwavering support accorded towards creating more value for all stakeholders.

Special mention to our Board of Directors for their support, guidance, and wise counsel which has made it possible to rebound and revamp our business strategy.

I would also wish to recognize and celebrate our Management and employees for their continued agility and resilience throughout these difficult times. They have demonstrated deep commitment to the business, agility in a time of uncertainty, and the creativity and innovation that has enabled the business to adapt and take lessons from the experiences of the pandemic. We have no doubt that we will emerge stronger and with confidence to look forward to a better future.

Finally, I wish to commend the immediate former Group Managing Director Seddiq Hassani for the milestones achieved in the last 5 years as well as a smooth transition.

Thank you.

Mohit Kapoor
Group Managing Director

27 April 2023

BOARD OF **DIRECTORS**

DR. JOHN SIMBA [77]

NON-EXECUTIVE DIRECTOR | LLB, LLD(hc) EGH, MBS, OGW

John is an Advocate of the High Court of Kenya and Senior Partner at Simba & Simba, Advocates. Previously he has worked with the Attorney General's Chambers, and also as Executive Director /CEO of Industrial & Commercial Development Corporation (now Kenya Development Corporation), Executive Director of the Technical Unit of the Parastatal Reform Program and Executive Chairman/CEO of National Bank of Kenya.

Additionally, he has previously served as Chairman; Federation of Kenya Employers, Kenya Bankers' Association, Retirement Benefits Authority, University of Nairobi Council and as President of the Rotary Club of Nairobi. Currently, he is Chairman of Sanlam Kenya Plc., Choice Tea Brokers Limited, Funguo Investments Limited. He also serves as a director in other companies including Hima Cement Ltd. in Uganda and Almasi Beverages Limited a Coca-Cola Beverages Africa Ltd. subsidiary and Africa Energy Group Ltd.

John is a member of the Law Society of Kenya, East African Law Society, and the Institute of Directors, Kenya. John has attended several Executive Management and Corporate Governance courses locally and abroad.

John is the Chair of the Board of Directors and previously Chair of the Nomination, Remuneration & HR Committee (NR&HRC).

John was appointed to the Board on 29 November 2012.

SEDDIQ HASSANI [53]

EXECUTIVE DIRECTOR | MSc Eng. Mechanics, MSc Eng. Aeronautics, PhD Mechanics

Seddiq worked as an auditor and Strategy consultant in Arthur Andersen Casablanca before joining Lafarge Morocco 2000. There he held several positions including Control Manager, CEO Lafarge Gypsum Morocco, Purchasing & Logistics Director and Marketing & Strategy Director until he was appointed the LafargeHolcim Head of Growth & Innovation for Middle East and Africa in 2015.

He is a member of the Nomination, Remuneration & Human Resource Committee, a director of Hima Cement Limited and Chair of the Board of Bamburi Special Products Limited, Binastore Limited & Lafarge Eco Systems Limited.

He was appointed to the Board and as Group Managing Director on 9 February 2018.

DR HELEN GICHOHI [62]

INDEPENDENT NON-EXECUTIVE DIRECTOR | OGW, MBS, PhD Zoology, MSc Bio of Conservation, BEd

Helen is currently the Conservation Ambassador for Africa for Fauna and Flora International, a global conservation organization that she joined in September 2018. From December 2012 to January 2017 she served as Equity Group Foundation's Managing Director. Prior to that, she led the African Wildlife Foundation (AWF) for 11 years having joined AWF as its first Director of the Heartlands Program in 2001 and rising to become the Vice President for Programs in 2002 and AWFs first President in 2007. Helen also worked at the Wildlife Conservation Society and African Conservation Centre, where she was the Managing Director.

She is a recipient of several international awards including the Charlotte Wyman Trust's Women in Conservation Progra and the Giai Environmental Award for 2012 at the WIFTs Foundation International Visionary Awards. She has also been honoured nationally for her contribution to wildlife conservation and development.

She is a fellow of the Aspen Institute's Energy and Environment Program and a McCluskey Fellow of the Yale School of Forestry and Environmental Studies.

She previously served on the boards of Equity Bank Kenya Ltd, the Kenya Wildlife Service and the African Wildlife Foundation. Her current board positions include Equity Group Holdings Ltd, Ol Pejeta Conservancy and the Nawiri Group.

Helen serves on the Nomination, Remuneration & HR Committee and the Audit and Risk Committee.

She was appointed to the Board on 9 March 2017.

RITA KAVASHE [58]

INDEPENDENT NON-EXECUTIVE DIRECTOR | MBS, MBA, BEd

Rita is a captain of the automotive industry with over 20 years' experience and the Managing Director of Isuzu East Africa Limited (formerly General Motors East Africa), the largest motor vehicle assembler in East Africa. She joined General Motors in 1995 as a Direct Sales Executive and held several key roles in Sales & Marketing, both in Kenya and South Africa before her appointment as Managing Director in 2011.

She is the currently a member of the Advisory Council of the Kenya Private Sector Alliance (KEPSA), Advisory Board Member of the Palmhouse Foundation, member of the University of Eldoret Endowment Trust Board of Trustees and Chair of the Board of British American Tobacco Kenya plc.

She holds a Bachelor's degree in Education from Moi University - Kenya and a Master's degree in Business Administration (MBA) from the University of Nairobi. She is also an executive coach certified by the Academy of Executive Coaches (AOEC) UK. In 2017, she was awarded the Moran of the Order of the Burning Spear (MBS) for exemplary service to the Country as a business leader.

Rita serves on the Audit & Risk Committee.

She was appointed to the Board on 9 March 2017.

MBUVI NGUNZE [55]

INDEPENDENT NON-EXECUTIVE DIRECTOR | BComm, FCA (England and Wales)

Mbuvi started his career in Audit and Consultancy working for Price Waterhouse in the UK and Kenya (1990-98), and then for Lafarge in various positions (1998-2011).At Lafarge, he was first Finance Director for Bamburi Cement in Kenya, Managing Director Hima Cement in Uganda, VP Group Internal Communications at the Lafarge HQ in Paris, and GM Mbeya Cement Tanzania.
He then joined Kenya Airways in 2011 as Chief Operating Officer, before his appointment as Group Managing Director and CEO in 2014-2017.

He is currently a consultant and Senior Advisor on a PE fund where he sits on 2 of the funds Boards.
He is Chairman of Safarilink Aviation Limited, Cannon General Insurance (K) Limited, and Sustainable Power Solutions (a Pan African solar company) . As part of his paying it forward, Mbuvi sits on the Board of Lewa Wildlife Conservancy, the foremost conservancy organisation in Kenya as Vice Chairman, and Chair of the Audit and Risk Committee and the Board of Northern Rangeland Trust. He is also Chair of the Board of St Andrews School Turi, Chair of the Kenya Association of Air Operators, and provides mentorship to scale up entrepreneurs with Endeavor Kenya.

He has previously served on the Boards of Bamburi Cement, Hima Cement, Mbeya Cement, (all Lafarge majority owned companies), and served as Secretary to the East African Cement Producers Association.
He also served on the Boards of Kenya Airways plc, Precision Air Tanzania and Jambojet, Chaired the Executive Committee of African Airlines Association (AFRAA), and was a member of Board of Governors of IATA.

Mbuvi was appointed to the Board on 30th August 2018 and serves on the Audit & Risk Committee, and is the Chair of the Nomination, Remuneration & HR Committee.

JOHN STULL [62]

NON-EXECUTIVE DIRECTOR | BSCHE, Management (Harvard)

John is the Area Manager for Holcim's East & South Africa Area, and has over 29 years' experience in the Holcim Group having joined it in 1992 as Operations Manager, Alpena Michigan - USA. In 1996 he was promoted to Vice President, Manufacturing - USA Region, and thereafter held several leadership positions including President, Missouri Division, Ready Mix and Aggregates; Senior Vice President, Marketing and Supply Chain - Lafarge France; Regional President, Sub-Saharan Africa; President and Chief Executive Officer LafargeHolcim USA; Chief Executive Officer US CEM; and prior to his current role as President & Chief Executive Officer - LafargeHolcim Philippines.

He holds a Bachelor of Science Degree in Chemical Engineering from the University of Akron and an Advanced Management Degree from Harvard University.

He was appointed to the Board on 16 April 2021 and sits as a member of the Nomination, Remuneration & HR Committee.

BOARD OF **DIRECTORS**

AUSTIN A.O. OUKO 41
NON-EXECUTIVE DIRECTOR | JSM, LL.M, LL.B

Austin A. O. Ouko is the Company Secretary and General Manager Legal Affairs at the Kenya Electricity Generating Company Limited (KenGen) and has over 15 years' experience in transactional, corporate and commercial law in both public and private companies. He was previously the Ag. General Manager (Corporate Affairs/Corporation Secretary) at the National Social Security Fund (NSSF) and before that, Senior Legal Officer with The Standard Group Limited.

He holds a Master of the Science of Law (JSM) from Stanford University Law School, a Master of Laws (LL.M) in Public Finance & Financial Services and Bachelor of Laws (LL.B) degree, both from the University of Nairobi.

He is an Advocate of the High Court of Kenya, a Fellow of the Institute of Certified Public Secretaries of Kenya, a Fellow of the Chartered Institute of Arbitrators-UK, a Certified Public Secretary-Kenya, and an accredited Governance Auditor with the Institute of Certified Secretaries, Kenya.

Austin serves on the Audit & Risk Committee.

Austin was appointed to the Board on 28 August 2020.

ALICE OWUOR 64
INDEPENDENT NON-EXECUTIVE DIRECTOR | OGW, MBA, BCom, FKIM

Alice is a career tax administrator having served the Kenya Revenue Authority for 31 years in various critical areas of tax administration and diverse locations in Kenya since joining in 1984 as an assessor and retiring as Commissioner, Domestic Taxes in 2016. She was part of the KRA transformation team leading in the automation revolution and shift from manual back office processes through iTax implementation together with restructuring of the domestic taxes department to support devolution.

Further to sitting in various committees in KRA, Alice has also been Audit Committee chair and Chair of the Kenya Institute of Management (KIM), Kenya liaison for Commonwealth Association of Tax Administrators and founder president of the Soroptimist International Club of Milimani. She is a Fellow of the KIM while also serving as a director of the Centre for Corporate Governance, Prudential Life Assurance Kenya, Crown Paints Kenya PLC and Moving The Goalposts.

Alice is the Chair of the Audit & Risk Committee and a member of the Nomination, Remuneration & HR Committee.

Alice was appointed to the Board on 9 March 2017.

JEAN-MICHEL PONS 45
EXECUTIVE DIRECTOR | Msc Engineering

Jean-Michel joined Holcim in 2011 as Country Business Development Director, Algeria & Serbia after which he was promoted to Innovation Director, Algeria where he had the opportunity to develop Mortar Division in particular.

He was then promoted to Country Chief Executive Officer, Moldova where he also covered Eastern Europe Road Solution. Before joining Holcim Group, Jean-Michel had worked in the Construction Industry at Saint-Gobain, Russia for 4 years.

He was appointed to the Board on 7 June 2019 and is the Managing Director Hima Cement Limited.

VASILEIOS KARALIS 48
EXECUTIVE DIRECTOR | Msc International Banking & Finance, Bsc Mathematics

Vasileios Karalis, was appointed as the Group Finance Director of the Company effective 1 February 2022. He also serves as the Regional Finance Director, Kenya and Uganda.

Prior to his appointment, Mr. Karalis, a Hellenic national national, was the CFO for Holcim's East, South Africa and Indian Ocean Area based in Johannesburg, South Africa.

He has over 17 year's finance and corporate leadership experience having joined the Holcim Group in 2007 from PricewaterhouseCoopers, Athens, Greece. After holding several finance positions in Lafarge Athens, Greece, he moved to Lafarge Group in Paris, France as the Investment, Mergers & Acquisitions Projects Manager. In 2015, he joined Lafarge Cement in Jakarta, Indonesia initially as Vice President - Finance and later as Head of Financial Controlling. In 2018 he was appointed Regional Controller for Middle East and Africa based in Paris and then Zurich, Switzerland.

He holds a Master's Degree in International Banking and Finance (Distinction) from JM University, Liverpool and is a member of the Economic Chamber of Greece.

Vasileios was appointed to the Board on 21 March 2019.

GUILLAUME DUBREUIL 57
NON-EXECUTIVE DIRECTOR

Guillaume, an accomplished finance professional, is currently the Finance Head, Sub-Sahara Africa Area and interim Chief Finance Officer, Lafarge South Africa. He has over 32 years of extensive experience in finance, risk management and leadership gained from working across several jurisdictions in Europe, Asia & Africa. He joined the Holcim Group in 2008 from ArjoWiggins (an industrial paper company under LBO) and has since held several leadership positions including Administrative & Finance Director, Lafarge Gypsum; Chief Finance Officer, LafargeHolcim Cameroon and Chief Finance Officer, LafargeHolcim Indian Ocean Cluster (comprising Comoros, Madagascar, Mauritius, Mayotte, Réunion & the Seychelles). He holds various finance and internal control qualifications from the French Institute of Audit & Internal Control and is also a graduate of the Esiee-Paris Engineering School.

Guillaume is a member of the Board of Lafarge Industries South Africa Ltd, Lafarge Mining South Africa Ltd and Ash Resources Ltd.

WAENI NGEA 42
COMPANY SECRETARY | LL.B, CPS(K)

Waeni Ngea joined Bamburi Cement PLC in July 2020 as Head of Legal & Compliance and Company Secretary. She is a practicing advocate experienced in legal and corporate governance matters and an accredited governance auditor.

Prior to joining the Company, she worked with British American Tobacco Kenya plc as Head of Legal & Company Secretary for East & Central Africa and before that with Unilever Kenya Limited as Legal Counsel, supporting the East Africa Area.

She holds a Bachelor of Law Degree (LL.B) from the University of Nairobi and a Diploma in Law from Kenya School of Law. She is a member of the Law Society of Kenya, the Institute of Certificate Secretaries, Kenya and a Council Member of the Association of Retirement Benefit Schemes (ARBS).

EXECUTIVE **COMMITTEE MEMBERS**

MOHIT KAPOOR
Group Managing Director

VASILEIOS KARALIS
Group Finance Director

KANYI GITONGA
Sales Director

IRENE NAIBO
People, Organization and Sustainability Director

MOSES WERE
Supply Chain Director

HYUN SU AN
Plant Manager - Mombasa

Our leadership team ensures that Bamburi's resources are deployed effectively, with a focus on maximizing development impact and meeting the needs of our clients.

Bamburi's Management Team benefits from years of development experience, a diversity of knowledge, and distinct cultural perspectives.

The team shapes our strategies and policies, positioning Bamburi to create opportunities where they are needed most.

Bumble bee foraging at the Bamburi Forest Trail

BUSINESS OVERVIEW

OPERATIONAL **REVIEW**

GROUP

East Africa's cement consumption in 2022 recorded a mixed performance. The early optimism coming from a post Covid market recovery in 2021 was dampened by international supply chains disruptions caused by the Eastern Europe conflict.

The Kenya general elections held in May preceded high inflation rates and consumer credit growth slowdown in the second half of the year in disrupting the cement market.

Although we started the year on a high note coming from a post Covid market recovery in 2021, this early optimism was however dampened by disruptions to international supply chains caused by the Eastern Europe conflict.

Additionally, the Kenya general elections started to impact the market from May onwards. In the second half of the year, the market contracted mainly due to prevailing inflation rates and slowdown in consumer credit growth.

Uganda's cement market registered a 6% growth compared to prior year mainly on the back of urbanization, oil and gas projects construction works.

The Group responded to the new realities through mitigating actions to counter the adverse impacts from our operating environment.

6%
Growth registered by Uganda's cement market compared to 2021 mainly driven by construction works in the oil and gas projects.

KENYA

BAMBURI CEMENT PLC

Kenya's 2022 cement sales declined on account of decrease in government infrastructure projects spend, suppressed consumer purchasing power, stunted private sector credit growth, exacerbated by market challenges from the month of May due to Kenya's General Elections.

Operating profits decreased by 56% on account of low sales volume due to contracting cement market and increased raw material costs.

The volatile energy prices (coal, power and fuel) driven by uncertainties in the global supply chain also impacted negatively our production and logistics costs.

Cement industry challenges in the Kenyan market continued to drive competitive market dynamics and pressure on cement selling prices.

BAMBURI SPECIAL PRODUCTS LTD

Bamburi Special Products is a wholly owned subsidiary of the group and the preferred supplier of Precast and Ready Mix Concrete products and solutions in the domestic market.

The business operates in a very fragmented market environment.

The business embarked on a turnaround strategy that included a pricing, distribution and cost saving strategy which has started paying dividends in Q4 of 2022.
The business will continue to put strong focus on service delivery in order to differentiate itself in a fragmented market and implement creative pricing together with continuous optimization of mixes.

LAFARGE ECOSYSTEMS LIMITED

Lafarge Eco Systems Limited (LES) is the Environmental Arm and a fully owned subsidiary of Bamburi Cement PLC, known for its professionalism in quarry rehabilitation, ecosystems restoration, and sustainable land utilization.

For over 50 years, Lafarge Eco Systems has been rehabilitating Bamburi's quarries and transforming them into diverse habitats for conservation of flora and fauna.

As a result, two world class showcases - Bamburi Haller Park and Bamburi Forest Trails, were created demonstrating environmental sustainability through rehabilitation, ecosystem restoration and sustainable land utilization.
LES also manages Bamburi's reserve land, forest plantations, and housing estates.

In 2022, we increased focus on Rehabilitation and restoration efforts.

We maintained cleanup efforts on Mtopanga River at Bamburi's North Quarry to offload litter from the neighborhood and prevent it from reaching the Ocean.

We implemented Conservation Education and Awareness through site activities that celebrated and promoted World Environment and Conservation Days. The Biodiversity Indicator Reporting System (BIRS) steps and actions were fully followed for implementation of our Robust and effective biodiversity conservation program.

We engaged in showcase development for ecotourism, education and awareness, and supported local agencies in wildlife rescue to avoid human wildlife conflicts. LES also maintained active engagements with important stakeholders for Bamburi.

UGANDA

UGANDA HIMA CEMENT LTD

Hima cement 2022 turnover was higher than prior year thanks to cement market growth, price actions to mitigate against increased costs of production.

The company operating profit decreased compared with prior year largely attributable to the safety incident in January 2022 at Hima Kasese Plant, which resulted in operational disruption. Performance was also impacted by increased landed cost of major raw materials and fuel costs following global supply chain disruptions which resulted to transport cost rates hikes, which in turn increased the distribution costs.

Going forward, Hima Cement continues to work with different contractors to take up any opportunities that will materialize through Oil & Gas through cement supply and waste management. We will continue to position the brand strategically to take up any other opportunities that may arise in this regard.

The commercial digital transformation strategies will continue to grow. This will create many inroads for the brand to the final consumer, construction sites and the retail segment.

OPERATIONAL **REVIEW**

KENYA

Sales

Bamburi Cement experienced a decline in its top-line performance. The company reported a total turnover of Kes 20.1 billion. The decline in sales volumes and turnover is primarily due to a decrease in government infrastructure projects spend, suppressed consumer purchasing power, and stunted private sector credit growth, exacerbated by market contraction experienced during the second half of the year due to the elections and related political activities.

The Kenyan cement market witnessed growth in Quarter 1 of 2022. This early optimism was however dampened by disruptions to international supply chains caused by the COVID-19 epidemic and the Eastern Europe conflict. In the second half of the year, the market contracted mainly due to prevailing inflation rates, slowdown in consumer credit growth, and electioneering activities.

The market was impacted in the second half of the year due to aggressive market competition putting pressure on cement selling prices.

Despite these challenges, Bamburi Cement remains optimistic about the growth of the EAC cement manufacturing sector and continues to reassert its presence in the market.

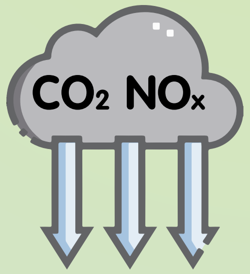
The company has utilized its capacity to launch new products and provide construction material solutions to all segments. The government's implementation of affordable housing continues to provide much-needed reassurance.

Bamburi Cement is committed to promoting sustainability. In line with this commitment, it launched a series of green products designed to lower CO2 emissions.

The launch of these green construction solutions showcases the company's commitment to sustainable construction. Its core brands, including BAMBURI NGUVU, BAMBURI TEMBO, BAMBURI FUNDI, BAMBURI DURACEM efforts.

The supply challenges in the first half of the year led to a general rise in cement prices, reversing the downward trend witnessed over the past 10 years.

Bamburi Cement is committed to promoting sustainability. Subsequently, it launched green products designed to lower CO_2 and NO_x emissions.



UGANDA

The domestic economy remains largely resilient to the current external shocks and is projected to grow in the range of 5.0-5.3 percent in the FY2022 /23. This is driven by improvement in agricultural productivity as a result of government interventions, investment in oil sector, and a rebound in industrial activity.

Economic growth is projected to strengthen in outer years but remain below its long-run trend until FY 2025/26. The growth outlook remains subject to downside risks, including weaker-than-expected global growth, higher risk aversion in global financial markets amid more aggressive monetary policy tightening in major economies and a further escalation of geopolitical conflicts that could constrain trade and disrupt global supply chains.

UG domestic economy is projected to grow in the range of **5.0 - 5.3%**

The Bank of Uganda (BOU), at the Monetary Policy Committee (MPC) meeting of December 2022, maintained the Central Bank Rate (CBR) at 10%. This followed the committee's note that as well as high inflationary pressures are beginning to fade, there are many uncertainties surrounding the outlook that make the path of returning inflation to the target while keeping the domestic economy on an even keel a narrow one.

The committee projects that inflation will continue to moderate, average between 6 to 8 percent in 2023 and stabilize around the medium- term target by the end of 2023.

Maintaining the CBR at 10% will allow time to assess the evolving economic outlook.

The cement market is riddled with aggressive pricing amongst the players. The cement demand is currently driven mainly by the FDI into the oil & Gas sector as well as domestic investment in the housing sector.

The Uganda cement domestic market dropped by 21.6% in 2022 as compared to 2021.

Operating profit dropped by 26%, following global price increases and transport cost rates hikes to accommodate the fuel price increases which in turn increased the distribution costs and resultant increase in spend on sales and marketing.

Future Outlook

Hima Cement continues to work to take up any opportunities that will materialize through Oil & Gas sector.

We will continue to position the brand strategically to take up any other opportunities that may arise in this regard.

The commercial digital transformation strategies continue to grow tapping into new customers and markets.

MARKETING **HIGHLIGHTS**

KENYA

Empowering 1 million homeowners through digital conversations

Bamburi Cement held real time engagements with contractors, builders and homeowners on digital social media platforms to educate them on sustainable construction practices and improve experience.

The company's Facebook, Twitter, Instagram and LinkedIn provided a platform to educate end users on the wide range of construction solutions and services.

With insights gained over the years, the company has invested in demystifying the real and perceived complexity of home building by providing timely, relevant solutions and information.

Going forward the Company will endeavor to expand its digital footprint and engagement with builders across the board to advance professionalism in the industry as well as the sustainable construction agenda.

A snapshot from Bamburi Cement social pages

Bamburi penetrates the mortar segment with new Tile Adhesive

We expanded our brand portfolio with the launch of SETI 300 Tile Adhesive mortar solution in keeping with our innovative heritage.

Aimed at resolving challenges in the tiling sector Bamburi Tector Ceram SETI 300' tile adhesive was launched in March 2022.

SETI 300 is suitable for interior tiling works such as floor and wall applications and only requires the addition of water on site.

SETI 300 product packshot

65% The advanced formulation and creamy workability of the SET 300 guarantees savings of up to 65% on surface coverage compared to other adhesives in the market.

SETI 300 is designed for placement of porous tiles including ceramic, terracotta, earthenware and natural stone tiles, and produced from carefully sourced raw materials, including chemical admixtures, Bamburi cement and sand.

Launch of the new tile adhesive SETI 300 at the Sarova Stanley Hotel in Nairobi

MARKETING **HIGHLIGHTS**

Bamburi Cement Plc's Board of Directors and Management, led by Board Chairman Dr. John Simba and Alice Owuor, unveil four Eco-Label brands in the presence of Nairobi Stock Exchange CEO Mr. Geoffrey Odundo.

Eco-label communication campaign key visual

Bamburi Eco-labels four cement brands

As a sustainability champion and responsible corporate citizen we have over the years invested in reducing carbon emissions across the value chain including product portfolio informed by R&D.

In November 2022, we Eco-labeled four of our cement brands and introduced them to the market to promote positive customer action on environmental protection and cement confidence in sustainable construction.

The Eco-label certification is issued by Holcim Group to compliant brands as part of its commitment to accelerate its operations towards attaining NetZero carbon emissions.

CO^2

Compliant brands have achieved more than 30% less carbon emission.

Bamburi Cement partner training in Gilgil

End user engagement about the Bamburi Cement value proposition during the Annual Homes Expo held at the KICC from 21st - 24th April 2022

MARKETING **HIGHLIGHTS**

UGANDA

The business performed well despite marketplace challenges such as unpredictable dynamic pricing positions and high production costs caused by increased international freight costs.

Launch of Tector Ceram

Hima Cement launched TectorCeram: A ready-to-use range of dry mortar products in July 2022 which included Two Tile Adhesives (C1 and C2), Two Tile Grouts, Grey and White and Tector Admix, a waterproofing additive for application in concrete and mortar.

Helmet Cup Golf Tournament

Hima Cement sponsored the Helmet Cup Golf Tournament at Kilembe Golf Club on April 9, 2022, between the home club Kilembe Golf Club and Entebbe Golf Club.

Kilembe won the first leg of the tournament but lost the second leg at the Entebbe Golf Club on June 25, 2022.

Masons Training

Masons in Masaka were given a product training on Fundi and its application at various stages of construction.

The training aimed to improve on-the-job masonry skills by marketing Fundi Cement as the preferred cement to use for masonry construction applications.

Vipers are Uganda Premier League Champions

We extended our sponsorship of Vipers SC, and the club retained the Uganda Premier League title.

KEY STAKEHOLDER ENGAGEMENTS

As part of Holcim Group's Strategy 2025, we held stakeholder engagements to cascade our sustainability best practices.

Key Projects

Automation at Hima Plant

The Heart of a cement plant is the Central Control Room.

To meet today's increased operational efficiency and sustainability throughput demands Hima Plant initiated a milestone project to automate the control room.

The project awardee ASEC delivered new automation package that included installing the old control and motor central rooms with modern software and hardware infrastructure.

OUR PROJECTS

KENYA

Shale Land Acquisition: Stakeholder engagement

In the year we had numerous stakeholder engagements with the Administration, Community and Kwale County officials in line with our stakeholder engagement strategy. We also continued implementation of various Corporate Social Initiatives (CSI) to support the needy and vulnerable members of the community, such as fully funded secondary education scholarships in Mwachome and Ng'ombeni-Waa areas.

Bamburi Team with the Kwale Governor H.E. Fatuma Achani during a courtesy call in Kwale County

HEALTH, SAFETY & ENVIRONMENT

In 2022 our ambition to ensure zero harm to people and the environment was accelerated by implementation of our robust Health, Safety & Environment Operating Model strategy which consists of 3 pillars, critical risk management, worker engagement and continuous improvement.

A core Health, Safety & Environment assessment audit was carried out by Group HSE in Q1 2022 to assess the quality and consistency of the implementation of the critical risk management program that was launched in 2021 covering eight priority unwanted events (PUE).

During the year we focused on implementation of the corrective actions and as a result the self-assessment compliance score on critical controls at the end of the year was great.

Four additional PUEs that were added to the program: fatal road crash, respiratory illness, emergency response and water discharge will continue to be a key focus area in 2023 to ensure 100% compliance across all the critical control areas.

The performance on worker engagement in 2022 was exemplary with all key indicators scoring above the target. The momentum achieved on our Boots on Ground (BoG) program in 2021 was sustained all through the year. BoG is a worker engagement initiative supported by a digital platform where managers undertake shopfloor tours and engage workers in conversations on HSE topics involving their work. In 2022 a total of 93,650 BoG hours were undertaken. The program has produced significant results, playing a big role in proactive identification of any gaps and their timely closure before resulting in incidents.

A verification HSE audit was conducted at Nairobi Grinding Plant in August 2022 where all nine findings from a previous audit were confirmed closed and no new findings were identified. The audit team were very impressed by the conduct, leadership and accountability displayed by the Nairobi plant team which led to the good results.

Nairobi Grinding Plant received an HSE Excellence Award from the Group for its outstanding Health, Safety and Environment performance in 2021, being one of the only four units in the MEA region to receive this recognition. HSE Excellence Awards are given to Units and Countries which demonstrate high performance in critical risk management, continuous improvement and engagement.

Under lagging indicators there were no lost time injuries or fatalities reported from any of our sites.

Environmental Performance

There was a significant improvement in stack dust emissions at Mombasa Plant during the year. Stack dust emissions well within the statutory limits with control measures put in place to ensure there is no deterioration in performance as the kiln shutdown approaches. At Nairobi Grinding Plant stack dust emissions on all the three cement mills remained within the statutory limits during the year.

To reduce our Scope 2 CO_2 emissions, a Treasure Hunt was undertaken as part of the HSE Days campaign where teams were competing against each other in identifying areas to save electrical power using the BoG App platform. 33 teams participated in the Treasure Hunt and collectively identified 380 improvement actions to reduce power consumption. All the actions have been documented in iCare for implementation and follow up.

The Group launched a new Water Management Standard in 2022 to provide guidelines on reducing our environmental footprint and control incidents related to water pollution. Gap assessments were undertaken in relation to the standard while taking into consideration the local legislation. Extensive repair works were undertaken on the water reticulation & fire hydrant system at Mombasa Plant and Nairobi Grinding Plant to reduce underground water leakages.

Quarterly effluent sampling was undertaken at all our industrial sites in line with NEMA regulations. During the year three water treatment plants were installed at BSP Kitui Road, BSP Athi River and at the RO Water Treatment Plant at Mombasa in line with our commitment to ensure continuous improvement.

The Treasure Hunt collectively identified 380 improvement actions to reduce power consumption.

BOOTS ON THE GROUND

93,650

total of *Boots on Ground* hours were undertaken in 2022.

38

improvement actions identified collectively by 33 teams that participated in the *Treasure Hunt* to reduce power consumption.

Road Safety Performance

In Road Safety there was very good performance on the three key leading indicators monitoring the percentage of kilometers by approved drivers, with trucks equipped with In-Vehicle Monitoring Systems and Driver Feedback. The average score for the contracted fleet was 100% across all the indicators.

A total of 13,985,806 kilometers were covered by our contracted transporters in 2022, a 45% drop compared to 2021. There were two fatal non-recordable road crashes involving motorcycle riders and seven other non-fatal road incidents reported during the year.

Road safety continues to be a key focus area with safe following distance, speed, distracted driving and fatigue management being the key focus areas that we will extensively engage with.

Bamburi Cement PLC won the Economic Empowerment of Women in the Community award for supporting women in East Africa through training, employment, coaching and mentoring of women truck drivers under the Women on Wheels (WoW) initiative.

The WoW programme is a partnership between Bamburi, Isuzu East Africa, Kenya Transporters Association and four other organizations.

This is a female-centered training and recruitment program seeking to encourage more women to take up truck driving as a career.

13,985,806

The total kilometers covered by our contracted transporters in 2022, a 45% drop compared to 2021.

HEALTH, SAFETY & ENVIRONMENT

UGANDA

In January 2022, the business suffered an incident of a liquid fuel fire at our Kasese Plant. Following the incident, the company conducted a review of implementation of the Critical Control Management (CCM) program to make sure solid, sustainable systems are put in place to guard against the most critical risks, and ensure that such an incident never reoccurs within our operations.

Digital initiatives to Drive Safety Compliance

Hima Cement created and implemented an e-permit to work system to reduce paper work and risks associated with task execution, thereby improving leadership and safety compliance. In addition, the company launched an HSE app that manages online HSE equipment, tool, mobile equipment, and logistics truck inspections, as well as the training calendar, reward and consequence management.

Boots on the Ground

Hima Cement has adopted the Boots on the Ground (BoG) program to detect hazards and carry out Visible Personal Commitments (VPCs). The BoG records the time, visibility, and presence of managers and supervisors in the field. All employees are given smart phones to help them identify, report, capture, remedy, and close hazards.

Global HSE Days

In honor of the 2022 Global Health, Safety, and Environment Day, Hima Cement challenged its employees to demonstrate the controls in place for the eight critical risks in a video competition.

Uganda Recognised as the Business Resilience Team of the Year

Hima Cement was named the Holcim Group Security and Resilience Function's BRT of the Year 2022 as a result of its proactive approach in implementing Ebola virus control measures at the plant, logistics, and in the market to protect employees and ensure business continuity.

Reward and recognition

Under the country reward and recognition program employees were recognized and rewarded in the categories of BOG, CCM compliance, and HSE extra mile to encourage proactive performance and HSE culture change.

In-Vehicle Monitoring System

Hima Cement implemented a road safety program for all transporters, company owned fleet, and people transport that included an approved IVMS system, driver feedback, and in-house driver training. This was also integrated with the TAC dashboard and the driver identification system.

Road Safety Boda Boda campaign

With increasing road safety incidents involving Uganda's boda boda riders, Hima Cement partnered with Uganda Police to raise road safety awareness with boda boda cyclists in Kasese, Tororo, and Kampala.

Boda Boda Training

Women on Wheels

Hima Cement hired 22 female drivers in 2022 as part of the Women on Wheels (WoW) program, which aimed to own its own fleet of trucks and employ 50% female drivers on that fleet.
In collaboration with a professional hiring contractor, women drivers were identified, offered free driving lessons, and assisted in obtaining and upgrading their driving permits.

Participant of Women on Wheels program

OUR PEOPLE AND CULTURE

KENYA

Growing talent for organizational growth

We sustained our People Agenda in 2022 based on Attraction and Acquisition, Performance and Rewards, Employee Engagement, Employee Wellbeing, Diversity, Equity and Inclusion, Talent Management and Succession Planning, Learning and Development, and Industrial Relations.

To drive the achievement of our industrial and commercial targets for the company, we hired high level talent pushing our gender diversity to 22.6%. Rewarding performance was achieved through incentivizing industrial and sales teams for productivity, individual efforts and commitment through quarterly and year-end bonuses, salary reviews, talent retention and pay for performance.

Over the year, we oversaw senior and executive movements within the organizations in line with our commitment to grow and nurture talent, competencies and skills. Industrial graduate trainees were recruited in various departments.

22.6%

In 2022 we hired more high level talent enabling us to reach a gender diversity of 22.6%.

Diversity, Equality and Inclusion up a notch

Gender

Bamburi Cement female staff were actively involved in advocating for inclusivity and building the next generation of female manufacturing talent through Kenya Association of Manufacturers (KAM) key discussions and milestone events such as the International Women's Day activations in March.

In the year, Sub Saharan Africa Area Manager John Stull and Country CEO Seddiq Hassani engaged with Bamburi Balance for Better Master Class graduates for thought leadership experience on career growth.

Additionally, Country CEO was a panelist in the UN Global Compact & UN Women Kenya forum convened by key stakeholders in businesses, government and civil society to share lessons, opportunities and solutions to advancing diversity, equality and inclusion for women.

Bamburi Women in STEM commemorated the seventh annual International Day for Women and Girls in Science, Technology, Education and Mathematics (STEM) with female STEM students at the Technical University of Mombasa. The event encouraged girls and women in STEM to thrive in the industry.

The Company also hosted University of Nairobi female students at the Nairobi Grinding Plant, Athi River to commemorate the International Women in Engineering Day as well as to inspire the young women to continue in the career path they have chosen, as part of the company's women in STEM.

OUR PEOPLE AND CULTURE

KENYA

Disability

We maintained our continuous investment of inculcating a culture that drives Diversity, Equity and Inclusion.

In the year we embarked on trainings to empower employees and contractors better communicate with people in the deaf and hard-of-hearing community within company premises and in the marketplace. This included sign language training on everyday communication in Kenyan Sign Language (KSL) for the Deaf. The training was conducted by Horizon Sign Language Training Centre and the Karen Technical Training Institute for the Deaf.

We participated in the Kenya Business and Disability Network (KBDN) meeting hosted by Standard Chartered. The agenda was to shape workforce culture through practical strategies to inculcate a disability inclusive and diverse workforce.

Youth

To engage and develop the leadership skills of our youth, we launched Toastmasters Clubs at our Plants in Mombasa and Athi River. The program leverages the international public speaking platforms through a worldwide network of clubs for staff members, contractors and members of the public.

Additionally, Bamburi Cement youths participated in the 2022 Young SDG Innovation program, this is a ten month accelerator program that activates future business leaders and change-makers to develop and drive innovative solutions to deliver sustainability objectives.

9 of their ideas were implemented.

Learning and Development

Our goals to accelerate leadership development and core competencies was accelerated through learning and development through global and local development programs for our Leaders.

In addition invested in the enrichment of internal expertise and competencies for several of our employees through specialty certification programs ranging from Maintenance, Production to Process Improvement.

3 leaders completed the Holcim Emerging Leaders Program to build their capacity in senior leadership. 6 Leaders completed the Early Career Leadership Program structured to nurture their development into future leaders.

Several industrial employees were nominated to participate in specific Holcim Group qualification and certification programs across all levels of the industrial set up.

3

Leaders who completed the Holcim Emerging Leaders Program.

6

Leaders who completed the Early Career Leadership Program.

Company Awards and Recognition

Cementing our proud tradition in gender mainstreaming initiatives, Bamburi Cement took the overall award for the Economic Empowerment in the Community category, fourth runners-up in the Women Empowerment of Women in the Community and fifth runners-up in Women Empowerment in the Workplace in the 10th Gender Mainstreaming Awards.

Country CEO Seddiq Hassani was awarded the Women on Boards Network in Kenya 2022 Male Champion of Women's Agenda. Mombasa Plant's Innovation to Inclusion' (i2i) won the Company Award for having the highest number of implementation of audit actions in Persons with Disabilities (PWD) Accessibility while Bamburi Cement was recognized by FKE and KBDN as a champion of Disability Inclusion in the workplace.

OUR PEOPLE AND CULTURE

UGANDA

Organizational Effectiveness and Talent Management

In pursuit of a fit-for-purpose organization that is lean, agile, efficient and effective we implemented new structures within the Plants to simplify operations across all levels as well as conducted evaluations of key roles in the organization, which supported delivery of business objectives.

Keeping in line Group agenda to attract, retain, and develop talent for high performance delivery as well as development future leaders for the business, following the fatalities in Q1, we promoted existing talent to the next level positions filling majority of vacant positions with internal resources.

Celebrating diversity and performance

In 2022, we boosted our culture of performance through the introduction of a new reward and recognition program for industrial staff to celebrate accomplishments and boost morale across sites in Uganda. Themed town halls were implemented to communicate the changes, increase management visibility and employee participation.

We participated in the UNDP gender equality Seal program during the year as part of our agenda to promote fairness and equality throughout the organisation and to celebrate diversity.

GENDER EQUALITY SEAL
PUBLIC INSTITUTIONS

Conclusion

Despite challenges faced in 2022, our people proved reliable in delivery of our goals. Through implementation of various initiatives during the year in different people pillars numerous objectives were achieved laying out a solid framework for 2023.

We continue to leverage people-based competitiveness as a core pillar to drive business performance.

As we navigate the forthcoming year and beyond, a key focus will be development and empowerment of our people, creating an enabling culture and embed excellent self and people management practices in all our staff across the organization.

RISK, INTERNAL AUDIT AND CONTROL

Risk Management

Risk management remains a key process in the business and we strive to achieve the business objectives and strategy. This is further supported by the structures and systems which are embedded in the Holcim Group risk management processes. The company benefits from the existing group structures.

In 2022, the Audit and Risk Committee developed a comprehensive Risk Appetite Statement which covered strategic, operational and external risks. The statement defined the risk approach as well as the mitigation actions developed by management.

A comprehensive annual risk assessment was carried out to identify business risks and opportunities. Risk mapping was developed from the process.

Quarterly risk review was also conducted by the Audit and Risk Committee.

Internal Audit and Internal Control

The Internal Audit provides an independent, risk based and objective assurance of the effectiveness and efficiency of the Internal Control System.

The Board Audit and Risk Committee developed an internal audit plan and tracked the implementation of the plan during the year 2022. Audit findings and recommendations were presented to the Committee.

The Internal Control function ensures the Company adhered to the Group mandatory Minimum Control Standards (MCS).

Testing of MCS was done to ensure compliance so as to assure the Board and Management of the reliability of the financial reports and statements.

It is the opinion of the Board that the system of risk management and internal controls is in place and has been effective in 2022.


African Queen butterfly foraging at the Butterfly Pavilion

SUSTAINABILITY REVIEW

OUR SUSTAINABILITY FRAMEWORK

GROUP

The Sustainability Commitments 2025 are the cornerstone of Bamburi Cement's Sustainability strategy. They are regularly revised to reflect environmental and social developments. Our Commitments include a broad range of corporate sustainability management responsibilities.

Our Sustainability actions are anchored on 5 pillars – Climate and Energy, Circular Economy, Nature and Water, People and Human Rights and Sustainable Procurement.

Bamburi Cement sustainability actions are aligned to the UN Sustainable Development Goals (SDGs) which provide a framework for both private and public sector to work together for a better future for all.

We are members of the global UN Global Compact through Kenya UN Global Compact chapter. As a member of Kenya's manufacturing sector, a leading cement manufacturer and employer, we are cognizant of our ability to impact SDGs highlighted below more closely.

United Nations Global Compact

NATURE AND **WATER**

WATER

Water is a critical resource that has a significant impact on people's lives and livelihoods. The Group increased its efforts in 2022 to protect fresh water resources by improving water management processes such as recycling, leak detection, harvesting, and storm water management.

NATURE

Rehabilitation and biodiversity conservation

As part of our 2022 environmental sustainability targets, Lafarge Eco Systems executed quarry rehabilitation and biodiversity management action plans on current sites and upcoming projects. This entailed the planting of initial trees and indigenous trees in new quarry sites and old ecosystems respectively for restoration and biodiversity conservation.

We also established plantation care for productive forest growth and ecosystem development.
Our biodiversity management actions included controlling invasive plant species to allow important species to thrive in emerging ecosystems. Weeds and invasive plants are a big challenge in the restoration of quarry ecosystems as they suppress or kill important species, hindering them from access to resources in the restored landscapes.

Ecosystems maintenance activities are designed to improve ecosystems and showcase development including restoring aquatic and terrestrial subsystems. Our rehabilitated quarries have been under active plantation maintenance to enhance fast growth of pioneer plantation.

Conservation and awareness in 2022 involved various community sensitization and awareness sessions at Bamburi Haller Park, Bamburi Forest Trails, Vipingo quarry and Nguuni Sanctuary through tours for local schools and communities. We worked with local government agencies (Kenya Wildlife Service) to capture and rescue reptiles from homes and communities. This positively impacted Bamburi's image as a responsible business partner on mining, environment and nature conservation.

During the international celebration of world migratory birds, we mobilized local birders and students from the local universities to observe and record birds in Bamburi Haller Park, Bamburi Forest Trails and Nguuni Sanctuary (These three sites are important migratory birds species sanctuaries).

Migratory Birds Statistics indicate that over 40% of long-distance migrants in the African-Eurasian flyway have shown signs of decline over the last three decades and of these, *10% are classified by Birdlife as Globally Threatened or Near Threatened on the IUCN Red List.*

For the last 50 years, we have been committed to restoration of used-up quarries and conservation of recorded threatened species of birds, plants, butterflies, amphibians, reptiles, fish, dragonflies, and bats.

Our actions have continued to bring conservation stakeholders together, including scientists and local universities, for educational purposes and for reviewing our conservation and environmental sustainability efforts.

*Giant tortoise (**Aldabrachelys gigantea**) in Bamburi Haller Park. This is one of the IUCN red listed reptile species found in Bamburi Haller Park. Photo. L. Sogot.*

Insects in Bamburi's rehabilitated ecosystems continue to demonstrate the role of biodiversity by being partners in conservation and ecosystems restoration. Photo. Albert Musando.

CIRCULAR **ECONOMY**

GEOCYCLE

Through Geocycle we invest in circularity options that are both cost-effective and environmentally friendly such as co-processing technology.

This innovation reduces use of hazardous fossil fuels such as heavy fuel oil and coal with non-hazardous waste such as waste oil, agricultural waste, waste tyres, and condemned cargo thereby cutting down on greenhouse gas emissions.

Over 300,000 tons of waste that could have otherwise ended up in the environment or landfills has successfully been converted into energy in the last 10 years within our industrial operations in Kenya and Uganda.

We remain committed to a Zero Waste Future and continued contribution to a circular economy.

Geocycle is licensed to carry out waste disposal by the respective environmental regulatory bodies and meets both regional and global standards given that Geocycle operates globally.

Geocyle partners are issued with Certificates of Destruction to certify that the waste disposal was done in accordance to environmental laws.

PEOPLE AND **COMMUNITIES**

Social Initiatives Highlights

Our Corporate Social Initiative (CSI) agenda is geared towards improving livelihoods of communities around us while addressing societal challenges. It forms part of our contribution to the Sustainable Development Goals. Our CSI activities are anchored on four areas:

- **Health and Safety:** Promoting the wellbeing of vulnerable and the needy through health and safety initiatives.
- **Education:** Empowering youth and marginalized through education and upskilling programs.
- **Infrastructure:** Providing infrastructural support to communities in support of community development.
- **Environment:** Environmental and biodiversity conservation for posterity of all.

Health and Safety

- Mother Child Health and HIV/ Aids Program by Bamburi Cement seeks to cushion mothers and children from the high maternal mortality rates and promote awareness of HIV/Aids in our communities. According to the Ministry of Health (2017) 637 deaths per 100,000 live births are documented at the Kenyan Coast. 3500 children and 1500 mothers benefitted from the Mombasa-based program. This Bamburi Cement-sponsored program has earned the Company national health awards such as the best HIV/ Aids Program in Tier 3 Facilities country wide.
- Bamburi Cement's annual collaboration with Coast General Hospital on World Cancer Day encouraged communities and organizations to stand in solidarity against cancer, take personal responsibility for their actions and play their part in reducing the global burden of cancer. 1700 members of the community were screened during the celebrations.

Education and upskilling

- Bamburi Cement Scholarship Program in 2022 supported over 50 needy students from Kwale, Kajiado and Machakos Counties who performed well in their K.C.P.E examinations while Hima Cement Community Scholarship Program in Uganda sponsored over 105 bright and needy students from schools in Kasese, Kamwenge, Kabarole, Tororo, and Kapchorwa districts. Both programs contributed to a total of over KES 10million and will continue increasing the number of scholarships in 2023.
- Hima Cement donated 400 Desks to 14 schools in Kasese, Kabarole, and Tororo to improve the learning environment for students. With each donated desk, we give children the opportunity to not only stay in school but also to improve their experience.

Infrastructure

- Bamburi Cement donated over Kes 2 million in an effort to improve infrastructural facilities in schools and provide pupils with a friendly learning environment. This included paving Kilimani Primary School's Visually Impaired Unit converting it into a disability-friendly facility that integrates disabled children into mainstream classrooms reducing their low enrolment. Similarly, Hima Cement donated 150 bags of cement to help build classrooms, access ramps, and paved pathways at the Canaan Children's Center in Namayumba, Wakiso District, which is dedicated to educating disabled children.
- **In Uganda Hima Cement constructed *Boda boda*** Sheds to protect riders from the sun and rain while they waited for customers as well as offered road safety training to Boda boda riders within the area of operations.
- **Kapsinda Secondary School** in Kapchorwa District was established with the construction of a four classroom block and staff room by Hima Cement. Previously, Kapsinda students had to travel long distances to school negatively impacting their education.

Environment

- Bamburi Cement staff celebrated the annual World Ocean Day by cleaning up Mtopanga seasonal river in order to reduce the ocean waste burden. Mtopanga Seasonal River runs through Bamburi Cement rehabilitated quarries. We collected over 1700 kg of solid garbage from the badly contaminated seasonal river by the end of 2022. This made a substantial contribution to safeguarding Indian Ocean marine life and habitat from mixed solid waste. Additionally, we participated in the clean-up of Bamburi Beach as well as the collection of garbage dumped along the quarry walls positively contributing to environmental protection.

CLIMATE AND ENERGY

We are constantly working to improve our environmental performance to prevent environment pollution, reduce all environment impacts, mitigating climate change, protecting water resources and conserving biodiversity.

We have committed to decarbonize our business and have set CO2 reduction targets to reduce specific net CO2 emissions to 200 kg/t of cementitious material by 2030. Our strategy for Carbon emissions reduction efforts is based on use of alternative fuels and clinker factor management.

Efforts on controlling air pollutants dust from cement manufacturing processes present a problem to our communities and employees during the dry season. To manage the release and impact of these pollutants, all of our plants are outfitted with cutting-edge pollution control equipment, such as continuous emissions monitoring equipment (CEMS) and the installation of bag filter equipment to capture dust emissions during production.

Our Offices Go Green initiative was launched to create sustainable offices, raise internal awareness, and adopt responsible resource and energy use in our office operations.

As of December 2022, customer orders were receipted electronically via mobile eliminating paperwork and carbon footprint. We continue with our paperless office campaign.

The Group has invested in tree planting initiatives as part of a campaign to improve our environment through greening across all sites. Over 100,000 trees planted in our seedling nursery beds will be donated to schools and other community groups as part of a reforestation drive.

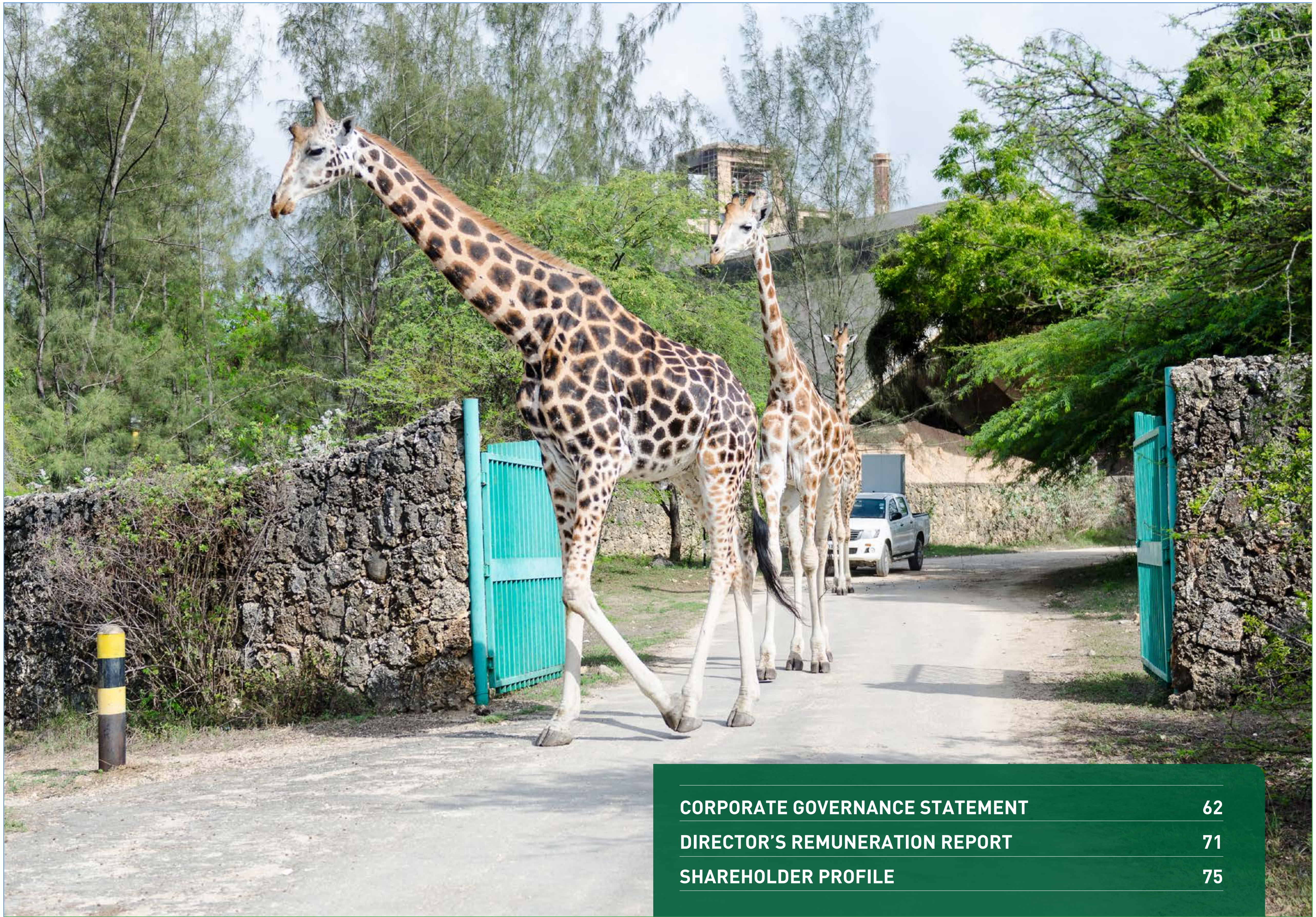
163,045 meters^2

Total water consumption for all our operations.

1000 trees

1000 trees were planted in a campaign to improve our environment through greening of our premises.

CORPORATE GOVERNANCE



Giraffes at Haller Park

CORPORATE **GOVERNANCE STATEMENT**

OVERVIEW

The Board of Bamburi Cement Public Limited Company (the 'Company') firmly believes that good corporate governance is critical for the sustainability and long term success of the Bamburi Group and to ensure sustainable returns for various stakeholders including customers, shareholders, creditors, suppliers, employees and the communities where the Company operates.

Corporate governance refers to the structure, rules, systems, processes and principles used to direct and manage a company. The ultimate goal of effective Corporate Governance is long-term value creation and strengthening of a company's reputation. The Board is committed to ensuring that the highest standards in corporate governance and ethics are maintained across the organization as these form a sound bedrock for sustainable growth.

This corporate governance statement is prepared to provide shareholders with necessary information to evaluate how the Company has applied the principles of the Capital Markets Act (CMA) Code of Corporate Governance Practices for Issuers of Securities to the Public 2015. The Company also complies with other laws and their regulations such as the Capital Markets Act, Companies Act 2015 and ethical standards such as the Holcim Code of Business Conduct. The statement should be read together with the wider corporate governance report on the Company's website: www.lafarge.co.ke.

Additionally and in line with the guidelines issued by the CMA, the Company is undertaking a governance audit for the year 2022 and will disclose the opinion on its website and also have the same with shareholders at the next Annual General Meeting. Following this audit, the Company will review its governance structures, business model and supporting systems to ensure their continued relevance, effectiveness and flexibility to deal with the ever changing business environment. The findings of past governance audits are considered and implemented as deemed necessary.

Except where otherwise indicated, this Corporate Governance Statement reflects the Company's performance as at 31 December 2022.

THE BOARD

Mandate

The Board's main role is providing strategic leadership and stewardship for the Bamburi Group. Its operations are governed by the Company's Articles of Association, the Code of Business Conduct, the Board Charter, the CMA Code of Corporate Governance Practices for Issuers of Securities to the Public 2015, the Board annual work plan and statutory provisions under the laws of the Republic of Kenya.

To clarify its mandate and obligations to all, the Board has developed a Schedule of Matters Reserved for the Board, which are matters handled only by the Board or its committees. Any issues outside these, are delegated to Management through the Schedule of Matters Delegated by the Board.

Key responsibilities of the Board include:

- Defining the Company's mission, vision, its strategy, sustainable goals, risk policy, plans and objectives;
- Approving the Company's annual budget which is usually done in November of each year;
- Overseeing the Company's management and operations, management accounts, major capital expenditure, performance and strategies;
- Identifying the business opportunities and principal risks in the Company's operating environment and regularly reviewing the adequacy and integrity of the Company's internal control systems and risk management framework;
- Developing an appropriate staffing and remuneration policy for senior management and the Board;
- Reviewing the Company's property acquisition and divestitures and management information systems;
- Monitoring the effectiveness of the agreed corporate governance practices and ensuring compliance with the Code of Business Conduct and applicable laws, regulations, rules and guidelines. The Board receives an update on all Code related issues, the outcome of investigations, proposed remediation actions and any disciplinary action taken;
- Reviewing and agreeing Board succession plans and approving Non-Executive Director appointments e.g. the Board approved the appointment of Mr. Guillaume Dubreuil in June 2022;
- Reviewing and approving the appointment of executive directors e.g. the Board noted the resignation of Ms. Grace Oluoch in January 2022 and approved the appointment of Mr. Vasileios Karalis as the new Chief Finance Officer in February 2022 and,
- Establishing and implementing a system that provides necessary information to the shareholders and other stakeholders. The Board has ensured that the Company issues press releases/ announcements with necessary information from time to time, publishes an annual report and sustainability report, and updates material on its website for shareholder and stakeholder appreciation.

The Board has set up two committees to perform its delegated functions i.e. the Audit & Risk Committee and the Nomination, Remuneration & HR Committee.

The Board Charter and terms of reference of each committee are reviewed at a minimum once every two (2) years and updated to ensure that they remain dynamic and relevant. Both Committee charters were reviewed in 2022, updated to reflect the changing business/regulatory environment and published on the Company's website.

Composition and Size

The Board is composed of a total of eleven (11) directors with eight (8) being non-executive directors. The Board composition remained the same for the year ended 31st December 2022 with three (3) independent non-executive directors, four (4) non-independent non-executive directors and three (3) executive directors, representing five (5) different nationalities and diverse professional backgrounds. In line with the Company's Articles of Association and current shareholding, 3 out of the 8 non-executive directors are shareholder nominees i.e. two (2) nominated by the Holcim Group and one (1) by the National Social Security Fund.

Since the last report, Grace Auma Oluoch resigned as the Chief Finance Officer and was succeeded by Vasileios Karalis a non-executive director. Guillaume Dubreuil was appointed as a non-executive director to fill the arising vacancy. At the Annual General Meeting held on 16 June 2022, Shareholders re-elected Dr John Simba, John Stull and Alice Owuor who had retired by rotation.

With over 70% comprising of non-executive directors, the Board is able to effectively provide independent oversight on strategy, give appropriate leadership and direction to management, leverage on its network of outside contacts for the Bamburi Group's benefit while ensuring proper risk management within the acceptable parameters.

For the year under review, the Directors are satisfied with the effectiveness of the Board and its Committees and have put in place a plan to consistently close actions from the 2022 board evaluation.

Operations

With the support and assistance from the Group Chief Executive Officer and the Company Secretary, the Chair is responsible for the operations of the Board including, without limitation, providing leadership and guidance, setting the agenda and presiding over meetings.

The Board's operations are guided by the Annual Work Plan as well as any demands that may arise from time to time. The annual work plan for year 2022 was reviewed and approved in the board meeting held on 25 November 2021.

To adequately cover the Board's annual work plan, meeting dates for the full calendar year are agreed in November of the preceding year. In 2022, the Board held four (4) meetings (virtual and hybrid) to enable it cover the planned activities for the year.

The Board and Committee attendance report for the year under review is set out below.

Director	Category	Board	Audit & Risk Committee	Nomination, Remuneration & HR Committee	AGM
Dr John Simba	Non-executive	4/4	-	3/3	1/1
Seddiq Hassani	Executive	4/4	5/5	3/3	1/1
Vasileios Karalis	Executive	4/4	5/5	-	1/1
Jean-Michel Pons	Executive	4/4	4/5	-	1/1
Alice Owuor	Non-executive	4/4	5/5	3/3	1/1
Dr Helen Gichohi	Non-executive	3/4	1/1	3/3	1/1
Mbuvi Ngunze	Non-executive	4/4	5/5	3/3	1/1
Rita Kavashe	Non-executive	4/4	5/5	-	1/1
John Stull	Non-executive	4/4	-	3/3	1/1
Austin A.O. Ouko	Non-executive	4/4	5/5	-	1/1
Guillaume Dubreuil	Non-executive	3/3	-	-	-

NOTE: The numbers show attendance/number of meetings a director was entitled to attend.

CORPORATE GOVERNANCE STATEMENT

THE BOARD (continued)

While the Bamburi Group does not specify a time requirement that each director must dedicate for Company business, Directors are expected to attend all meetings of the Board and the Committees on which they serve and to devote sufficient time to the Company to perform their duties. With Board papers and other documents circulated at least one week in advance, Directors are expected to be sufficiently prepared for and fully participate in all meetings.

The Chair and Group Chief Executive Officer meet at least once a month, where the Group Chief Executive Officer updates the Chair on any matters that require the Chairman's attention. Further, the Chairman and/or the Group Chief Executive Officer hold discussions with the directors, individually or jointly, to keep all directors updated and provide opportunity for the directors to raise any issues or concerns in between the meetings.

During the year, the independent non-executive directors also held discussions before/after Board and/or Committee meetings in the absence of Management.

Director Compensation

Director compensation is reviewed annually by the Board and approved by the Shareholders at the Annual General meeting. The details of the Directors compensation are contained in the Directors' Remuneration Report which is on ***page 71 - 74*** of this Annual Report. The Board reviewed and resolved to implement the second increase to the non-executive director annual fees effective 1 May 2022, as approved by shareholders in the Annual General Meeting held on 18 June 2020.

The Executive Directors and the Holcim Group nominees do not receive any additional compensation for their service on the Board.

Separation of Roles

In line with good governance, the roles of the Chair of the Board of Directors and that of the Group Chief Executive Officer are held by two different individuals with each having clear and distinct responsibilities.

The responsibilities of the Chair include providing leadership to the Board, management of Board affairs, corporate governance, Board performance evaluation, acting as the intermediary between the Board and Management as well as representing the Bamburi Group in interactions with stakeholders.

The Chief Executive Officer is responsible for the day-to-day running of the operations, ensuring the strategy approved by the Board is implemented within the defined risk matrix and that the objectives set are met.

TRAINING & EVALUATION

Induction and Training

The Board has set the principles on induction, development and training for the Directors.

The Company Secretary is responsible for the induction of new Board members within these principles ensuring that each induction plan is tailor made to suit the individual's skills set, existing/required knowledge and role. In 2022, one non-executive director a Holcim Group nominee, was appointed to Board who underwent a tailored induction plan.

Continuous development training requirements are determined by the Board, based on the changing business environment, business needs, feedback from board evaluations and/or regulatory changes.

In line with requirements to ensure that each Director undergoes at least twelve (12) hours of training on corporate governance matters, the Directors attended various corporate governance trainings and received various updates on new legislation. The Company Secretary tracks compliance with the above said training requirement.

Information

Together with their letters of appointment, incoming Directors are provided with access to all information on corporate, business and legal obligations they should be aware of. The information manual includes documents such as the Board & Committee Charters and work plans, Company's Articles of Association, Schedules of matters reserved for and those delegated by the Board, Board policies together with corporate governance regulations.

For the year under review, the Directors received timely, accurate and complete information on all matters for which the Board is responsible. Board and Committee packs are circulated electronically seven (7) days in advance to give Directors ample time to review the content and request clarification before any meeting. The documents are circulated via an electronic Board platform which allows real time access and updates as well as annotation of documents by the Directors. This has enriched discussions as the Directors can easily track their concerns when reviewing the documents which Management addresses prior to and during the meeting.

Further, the Chair, Chief Executive Officer and the Company Secretary are available to the Board members at all times for any additional inputs. The Board can also seek independent professional advice at the Company's expense and have access to any internal resources that may be required.

Performance Evaluation

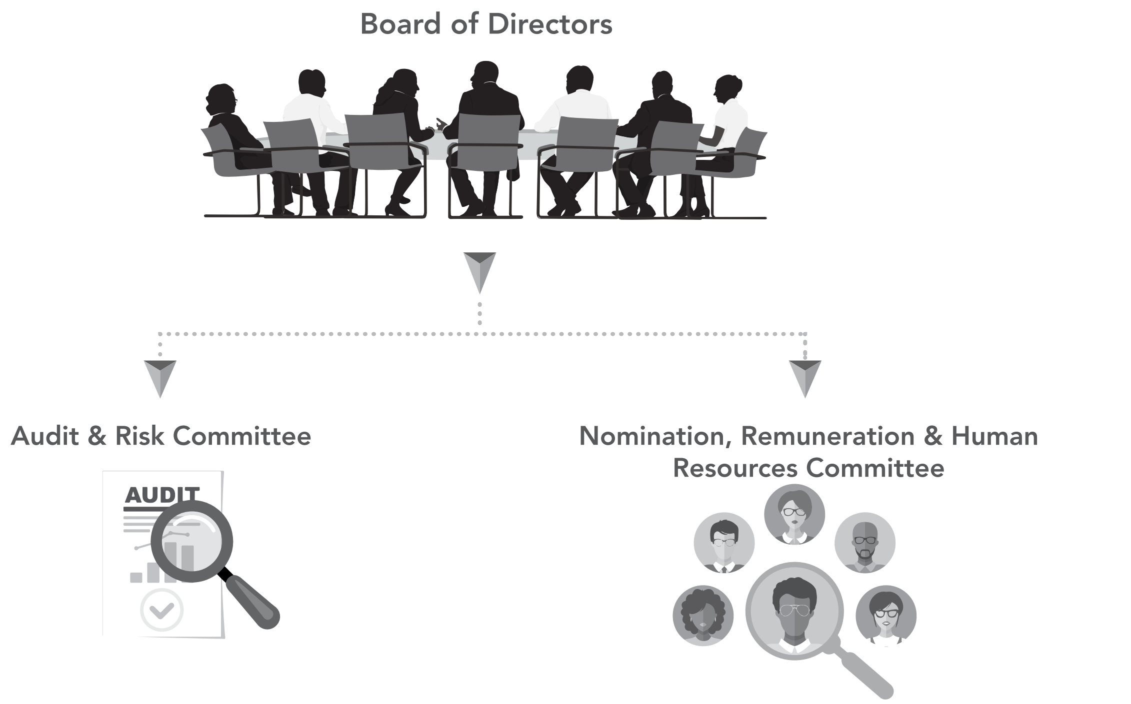
To ensure that its operations are sustainable and value adding, the Board regularly reviews its performance, which evaluation covers the board mandate, size, composition, meetings, stakeholder/shareholder relations, independence, induction & training, Management relations and legal & ethical duties. The Board also annually reviews the efficiency and effectiveness of its Committees.

The evaluations are undertaken by each director, the Chair, the Chief Executive Officer and the Company Secretary and include director self-assessments. On completion of the assessment the Chair holds a feedback session with each individual director, each Committee Chair, the Company Secretary and with the full Board.

The 2022 Board evaluation was conducted by Carol Musyoka Consulting, an independent third party service provider. The findings from the Board evaluation exercise were presented to the full Board on 25 August 2022 and recommendations for improvements discussed and approved for implementation by the various Committees.

The Board is pleased to confirm that each board member continues to perform effectively and to demonstrate full commitment to their role. The Board annually assesses the independence of its non-executive directors and was satisfied that four (4) non-executive directors met the criteria for independence.

BOARD COMMITTEES



Each Board Committee is governed by a charter approved by the Board. The Charters set out the parameters of responsibility as well as the operational elements of each Committee. In 2022, the Board reviewed the charter of the Audit & Risk Committee on 16 June 2022 and the Nomination, Remuneration & HR Committee charter on 25 August 2022.

The reports of the Audit & Risk Committee and the Nomination, Remuneration & HR Committee are tabled before the Board for adoption. The Board and the Committees are satisfied that the Committees met their mandates in 2022 as provided for in the respective Charters.

CORPORATE GOVERNANCE STATEMENT

BOARD COMMITTEES (continued)

Audit & Risk Committee

The Audit & Risk Committee comprises at least three (3) independent non-executive directors including a member with accounting qualification and in good standing with the respective professional association, in compliance with the CMA Code.

The current membership of the Committee was appointed by the shareholders at the 2022 Annual General Meeting on 16 June 2022.

The Committee invites the Group Chief Executive Officer, Chief Executive Officer – Hima Cement, Group Chief Finance Officer, Hima Finance Director and the Internal Controls, Audit & Risk Director to attend all its meetings. Other members of the Board can also attend the meetings while members of Management are invited to present any reports required for the Committee to discharge its duties.

The Committee held five (5) meetings in 2022, to review the Group's financial interim and annual reports, the Management Letter arising from the external audit, litigation and contingent liabilities, Kenya and Uganda Revenue Authority claims, internal audit work plan, special audit reports, sustainability reports, the CMA corporate governance reporting tool and the status reports on integrity line and other ethical issues. The Committee also met with the external auditors in the absence of Management.

The Committee reviewed several related party transactions and also reviewed and was satisfied with the independence, expertise and effectiveness of the external auditors (Deloitte Kenya) to carry out their audit mandate. It also reviewed the proposal to appoint Ernst & Young as the Company's auditors for year 2023 which was approved by shareholders at the AGM on 16 June 2022. The Committee reviewed and made recommendations on structural changes and additional resourcing of the Internal Audit Department to ensure adequate support from Management and effective performance of its obligations.

The charter of the Audit & Risk Committee is available at: ***https://www.lafarge.co.ke/board-committees-charters***. The charter was reviewed during the year to clearly set out the Committee's mandate to oversee environmental, social and governance matters.

The Committee is now responsible for review (quarterly or as needed) of ESG reports covering the Company's sustainability initiatives, as well as review of the Company's annual sustainability report. The Company published its 2021 Sustainability Report on 18 November 2022 in line with guidelines issued by the Nairobi Securities Exchange.

Nomination, Remuneration & Human Resources Committee (NR&HRC)

The NR&HRC is responsible for nomination of candidates for appointment to the Board and its Committees, succession planning for the Board, review of compliance with respective governance requirements, and receiving reports from the Company's occupational retirement benefits scheme.

The Committee is composed of six (6) members, three of whom are independent non-executive directors, thus complying with the requirements of the CMA Code to have a majority of independent members.

In 2022, the Committee met three (3) times. It managed the appointment of the Chief Finance Officer and one non-executive director to fill arising vacancies and reviewed staff remuneration including validation of the 2021 bonus achievements and remuneration proposals for 2022 for Kenya. It also received quarterly reports (on performance and compliance with the 3G governance guidelines) from the Bamburi Cement Limited Staff Retirement Benefit Scheme.

The Committee also reviewed executive succession planning for members of the Executive Committee and key senior roles, assessed the independence of the non-executive directors, reviewed the composition of Board committees, undertook a board skills review, led the board evaluation and closed any open actions from past audits (governance and legal & compliance audits).

The outcome of the evaluation and skills review provided insight into the Board's skill strengths and focus development areas. It will be used to support future board appointments, succession planning and director training plans.

The charter of the NR&HRC is available at: ***https://www.lafarge.co.ke/board-committees-charters***

COMPANY SECRETARY

The Company Secretary is appointed by the Board and acts as secretary to the Board as well as to all Board committees.

The Company Secretary is the custodian of the Board's documents and is responsible for advising the Board on all governance matters, Board induction and training, timely and appropriate dissemination of information/board papers, together with compliance with statutory and regulatory requirements. She also coordinates the governance audit and ensures that resultant actions are monitored and closed.

The Company Secretary is available to give detailed practical support and guidance to the Directors, individually and collectively.

THE EXECUTIVE COMMITTEE

The day to day business and operations of the Bamburi Group are delegated to the Executive Committee (ExCo) whose members are appointed by the Group Chief Executive Officer. The Committee consists of individuals responsible for the key business sections of Finance, Supply Chain, Procurement & Logistics, Plant Operations, Sales & Marketing, Sustainability and Human Resources.

The ExCo meets monthly or as frequently as necessary and the agenda focuses specifically on delivery of performance objectives approved by the Board. For the year under review, the ExCo was instrumental in driving delivery of agreed company and functional targets and implementing Board resolutions to yield the strong performance set out in the Company's financial statements.

POLICIES

Code of Business Conduct (Integrity Line) & Speak Up Directive

The Bamburi Group, through its Code of Business Conduct, emphasizes its commitment to ethics and compliance with laws, sets forth basic standards of behaviour for its employees, agents and directors when dealing with clients, suppliers, competitors and the general public, provides reporting mechanisms for known or suspected breaches while also ensuring prevention and detection of wrong doing.

The Holcim Group has put in place a global reporting system known as the 'Integrity Line' through which any person can report any violation of the Code of Business Conduct. The reporting channels include a toll free telephone line 0800 733255 (Global identifier code 77084), via email or through online reporting at ***https://integrity.holcim.com.*** Reporting can be done anonymously or otherwise and is followed by an assessment of the report by Holcim Group Investigations team and subsequent investigation (in conjunction with a local Ethics & Compliance Committee), as required. Remediation of any misconduct established through an investigation and strengthening of internal controls is managed by the applicable business function, with legal and other cross functional advice. Disciplinary action is taken as deemed necessary in line with Company policy.

All integrity line reports are reported to the Audit & Risk Committee meeting, with clear details of each report, findings and remediation actions taken, if any. In this way, the Board ensures that risks arising from any ethical issues are identified and mitigated appropriately. Management has also set up an Ethics & Compliance Committee which reviews all integrity line and compliance concerns.

During the year, the Group carried out training (elearning/face to face) for all staff on the Code of Business Conduct, sanctions management and compliance with the gift, hospitality, entertainment travel policy to reinforce the principles in the CoBC, promote declaration of potential conflicts of interest, familiarize management on the changing sanctions environment and familiarize all individuals with the available modes of reporting/whistleblowing on matters of concern.

Conflicts of Interest

The Board has put in place procedures for managing compliance with the conflict of interest provisions of the Companies Act 2015 and the CMA Code. The Board may authorize situational conflicts under the Company's Articles of Association.

Directors are required to declare any conflicts of interest in advance to the Chair or the Company Secretary. All such declarations are captured in the conflicts of interest register and considered at the next Board meeting. Declaration of conflicts of interest is an agenda in all Board and Committee meetings prior to discussion of the substantive agenda items. Directors who have an interest in a matter are excluded from certain actions tied to the matter under discussion including voting on that matter.

For the year under review, the Board noted a potential conflict of interest in that the Group Chief Executive Officer was also a director of 14 Trees Kenya Limited, a company with which the Bamburi Group was partnering to construct the first ever 3D housing estate in Kenya, in Kilifi County. The project was spearheaded through a global partnership between Holcim Group, 14 Trees Group and the Commonwealth Development Corporation, a United Kingdom government development finance institution. To manage the conflict, all local transactions were at arm's length with the board and other members of management involved in the project's decision making.

CORPORATE GOVERNANCE STATEMENT

POLICIES (continued)

Risk Management

As part of the Holcim Group, the Company benefits from access to many years of built up expertise in a risk management process structured around several coordinated approaches and subject to continuous improvement. The ***Company's risk management approach is set out on page 51*** of this Annual Report.

Risks are identified and assessed according to significance and likelihood. The full risk spectrum from market, operations, finance, legal, environmental and sustainability, to external risk factors of the business environment is reviewed, including compliance and reputational risks. Key risks are analyzed more deeply regarding their causes, and risk mitigating actions are defined. Risk transfer through insurance solutions and the internal control system forms an integral part of the risk management process.

Risks are monitored and their status reported to the Audit & Risk Committee quarterly. Independent assessments of the effectiveness of mitigating actions and controls are performed by the Company's Internal Audit & Controls function.

In 2022, a detailed quarterly review and analysis of the Company's risk map was carried out by the Audit & Risk Committee leading to implementation of appropriate mitigating actions.

Internal Control & Internal Audit

The Company's Internal Control function primarily aims to provide the Board and the Executive Committee with reasonable assurance on the reliability of the Company's financial reporting and statements, compliance with laws and regulations and the protection of assets. The Company has a set of Minimum Control Standards and a continuous reporting system on the existence and effectiveness of these controls and the status of any action plans.

On the other hand, the Company's Internal Control function works to provide the Board with an independent, risk-based, and objective assurance on the effectiveness and efficiency of the governance, risk management and internal control system of the Company.

In 2022, the Company reviewed and split the Risk & Internal Audit and Internal Control into 2 departments. Risk and Internal Audit reports into the Audit & Risk Committee while Internal Control reports into the Chief Finance Officer. The Committee reviewed, approved and tracked implementation of the Internal Audit plan, which captured the year's audit focus areas. It also reviewed the Internal Control action plan and report on sufficiency of internal controls (including compliance with the Holcim Group Minimum Control Standards). The main observations, findings observed and recommendations made during the audit/review assignments were reported periodically to the said Committee.

IT Policy

The Board has adopted the Holcim Group IT policy. The Policy aims to create value as an innovative business enabler and an efficiency driver and includes three domains - IT Security, IT Service Management and other IT processes. The Policy sets out the areas of IT responsibility, its processes and a governance model. The IT framework is designed and maintained on a regular basis to keep the approach on an appropriate level of governance and to ensure efficient and secure IT processes.

In 2022, the Company embarked on a digitalization project dubbed Project Ecosafi to identify additional opportunities for sustainability and cost reduction through automation of business processes, improving archiving of physical/soft copy documents and reducing printing. The project is expected to conclude in 2023.

Procurement Policy

The Bamburi Group Procurement Policy, aims at providing complete management from strategy definition to execution. It ensures that procurement creates value by leveraging size and volumes, efficient processes and systems together with combined global expertise with a consistent focus on the lowest total cost of ownership/ services.

The Procurement Policy provides for supplier sustainability compliance, adherence to the Bamburi Group's Health, Safety & Environment Standards as well as applicable laws and regulations as integral parts of any sourcing decisions. The policy was reviewed in 2022 to bring on board changes in operational requirements and regulations.

Related Party Transactions Policy

The Policy applies to any transaction, arrangement or relationship (or any series of similar transactions, arrangements or relationships) between the Company and one or more of its Related Parties. It provides a framework for governance and reporting of Related Party Transactions.

In the year under review, the Board through the Audit & Risk Committee reviewed the recommendations on each new and ongoing related party transaction and noted the amounts spent/received in these transactions. These related party transactions are declared in the audited financial statements as required.

Insider Dealing

In June 2022, the Board reviewed and approved the Company's Insider Trading & Market Disclosure Policy which guides on market disclosures and matters to do with insider dealing. The policy is available on the Company's website at ***https://www.lafarge.co.ke/ investor-relations***.

Before the end of each year, the Company Secretary communicates the blackout periods during which the Directors and identified relevant employees are not authorized to trade in the Company's shares. A second notice on the second blackout period is issued prior to 30 June annually.

To the best of the Company's knowledge, there was no insider dealing in the 2022 financial year.

Legal & Compliance Audit

The CMA Code, requires the Board of a listed Company to subject the Company to a legal and compliance audit to establish the level of adherence to applicable laws, regulations and standards.
In compliance with this requirement, for year 2021 the legal & compliance department undertook an internal review of compliance premised on the outcomes of the 2020 audit. The Company remains largely compliant with prevailing laws and has put in place controls and measures to ensure its continued achievement of objectives in a compliant manner.

For year 2022, the Company enlisted the services of Rachier & Amollo Advocates who undertook the legal and compliance audit for the year ended 31 December 2022. The auditor's opinion is included in **page 82 to 84** of this Annual Report and will be read out to shareholders at the annual general meeting scheduled for June 2023.

Governance Audit

In line with requirements of the CMA Code, the Board has adopted the practice of conducting an independent governance audit once every two (2) years by a governance auditor accredited by the Institute of Certified Secretaries, Kenya. Findings from the governance audits are also used to prepare remedial actions on any identified aspects of non-compliance to strengthen the Company's internal governance framework.

For the year ended 31 December 2022, the company is in the process of undertaking a governance audit. The auditor's opinion will be disclosed to shareholders at the next AGM in June 2023. The remediation actions from the audit will be tracked for closure by the Board and its Committees.

COMMUNICATION

The Board's communication strategy aims to provide shareholders with the highest standards of market disclosure and financial transparency. The Board announces its achievements and prospects to shareholders by way of interim and full year financial results and press releases. Significant matters are disseminated to the market through announcements to the regulators, publication in the newspapers and posting on the Bamburi Group's website: ***https://www.lafarge. co.ke/investor-relations***.

The Group values the opinions of private investors and continued to engage them throughout the year; an investor briefing session is held twice annually (in May and August). In 2022, the Group Chief Executive Officer and Chief Finance Officer met with and received feedback from analysts and institutional shareholders directly and through these sessions.

The Bamburi Group encourages individual shareholders with enquiries to forward them, which are then managed by the Board Chair, the Group Chief Executive Officer and/or the Company Secretary.

Annual General Meeting

The Company held its Annual General Meeting (AGM) virtually on 16 June 2022. Other than the Shareholders, the Directors were also present and used the opportunity to meet and interact online with the Shareholders who were in attendance.

The meeting was also attended by a representative from the external auditors (Deloitte Kenya) and the legal & compliance auditor (Rachier & Amollo Advocates) who each presented their audit opinion.

The documentation including minutes, resolutions passed and 2021 annual report are available on the Company's website: ***https:// www.lafarge.co.ke/investor- relations.***

Financial Results

The Company announces its financial results every six (6) months. The half year and full year results are released through publication in two daily newspapers and the Company's website. The Company also releases a Q&A paper with each set of financial results to enable a deeper understanding of the results while also anticipating and responding to any questions relating thereto.

Shareholders also get a copy of the annual report, which contains the full year results, other reports and information on the Company. In 2022, the Company also

CORPORATE **GOVERNANCE STATEMENT**

COMMUNICATION (continued)

received questions/comments from shareholders which were responded to in writing or at the AGM on 16 June 2022.

There was also an investor briefing session in May and August 2022 to apprise on developments in the company's performance and operational strategy.

Sustainability Reporting

On 18 November 2022, the Company launched its Sustainability Report 2021 at a successful event held at its Nairobi Grinding Station, Athi River. The event which also saw the launch of the company's eco-label cements was a culmination of efforts made towards operating in a more sustainable manner in recognition of the need to continue promoting positive environment and social/community impact.

The report was also in adherence to the Environment, Social and Governance guidelines by the Nairobi Securities Exchange. The Sustainability Report is available on the company's website at ***https://www.lafarge.co.ke/sustainability-reports-publications***

Striated heron in a pond in Bamburi Haller Park

DIRECTORS' **REMUNERATION REPORT**

The Bamburi Cement Board has developed a Remuneration Policy, which forms the basis of remuneration for members of the Board of Directors (both executive and non-executive) and the Bamburi Group as a whole. The Remuneration Policy is guided by the Holcim Group's and by extension Bamburi Group's guiding principles on remuneration i.e.:

- *Pay for Performance:* To focus on providing the opportunity to achieve a higher level of overall remuneration while delivering short and long term performance which is directly linked to the Company's strategy; and,
- *Consistency and Transparency*: To reward all employees and directors across the business in a fair and transparent way, differentiating only by performance, value creation and market conditions.

This Report is compiled in compliance with Division 9 of the Kenyan Companies Act, 2015 and in accordance with the Tenth Schedule of the Companies (General) Regulations 2015. Where required and as indicated, the Report has been audited by the Company's external auditor i.e. Ernst & Young.

The Nomination, Remuneration & Human Resources Committee (the 'Committee') is charged with the responsibility of overseeing entrenchment of the above principles in the Company's remuneration practices. The Committee actively undertook its mandate in 2022 and is pleased to present the Directors Remuneration Report for the year ended 31 December 2022.

Board Changes

The following changes were noted on the Board since the last report:

- Grace Auma Oluoch resigned as the Chief Finance Officer effective 31 January 2022 and was succeeded by Vasileios Karalis from 1 February 2022. He also took on the role of Group Chief Finance Officer overseeing both Kenya and Uganda; and,
- Guillaume Dubreuil was appointed as a non-executive director effective 16 June 2022.

The remuneration contained in this report is pro-rated to reflect the actual time served.

Executive Directors and Holcim Group Nominee Directors

In line with provisions of Article 94 of the Company's Articles of Association, any shareholder with shareholding above 25% is permitted to nominate more than two (2) persons for appointment as non-executive directors of the Company.

On appointment, the Holcim Group policy provides that executive directors and any non-executive directors so appointed to the Board of Directors of any Group Company will not receive any payment by virtue of their membership on the board.

The Holcim Group has nominated two (2) non-executive directors who were appointed by the Board.

As a result, executive directors only receive remuneration based on only what is provided for under the Remuneration Policy covering remuneration for salaried/management employees.

Non-Executive Directors

Pursuant to the Company's Remuneration Policy, non-executive directors are remunerated in the form of fees which do not include any pension, bonus or long-term incentives. The remuneration covers a director's participation in the Board, any Board Committee(s) and any other identified Company related activities.

The fees are comprised of a fixed annual base fee, a meeting attendance fee and a committee membership fee. The Chair of the Board is paid a fee for attending to Company business or events outside of regular meetings.

The key principles forming the basis for the remuneration of non-executive directors are that:

- The fees must be sufficient to attract, motivate and retain high calibre non-executive director talent at a cost acceptable to shareholders;
- The fees must be consistent with market rates for comparable companies (confirmed through appropriate market surveys/checks); and,
- The fees and increment rate must be approved by the Company's shareholders at a general meeting.

DIRECTORS' REMUNERATION REPORT

Remuneration Outcomes 2021 - 2022: Executive Directors

Terms of Employment

The Executive Directors are employed under service contracts that are either fixed term or open ended. The dates of these contracts are set out below:

Name	Date of Contract	Duration	Notice Period
Seddiq Hassani	9 February 2018	5 years Extended for 2 months to 31 March 2023	3 months
Vasileios Karalis	1 February 2021 (On assignment from December 2021 – January 2022)	3 years	3 months
Jean-Michel Pons	7 June 2019	3 years Extended for 1 year up to 31 May 2023	3 months

Some of the contracts have an indefinite term while others are for the indicated fixed term, both of which may be terminated by either party by giving the indicated notice.

There were no significant changes to the remuneration in respect of pension or allowances during the year.

The Company does not offer any long term incentives or share option schemes to its executive directors however the Holcim Group offers long term incentives for its expatriate staff posted to various jurisdictions.

Salary Review

The executive director salary review was undertaken in line with the overall company salary review. The salary review reflected the organisational performance and made consideration of the impact of national inflation.

The increases awarded when compared to the average salary increases for salaried staff are as shown below:

Name	2022	2021
Seddiq Hassani	4.0%	2.1%
Vasileios Karalis	0.0%	N/A
Jean-Michel Pons	0.0%	3.0%
Average staff salary increase Kenya	5.5%	4.6%
Average staff salary increase Uganda	5.5%	6.0%

Performance Bonus 2022

All employees participate in the Bamburi Group short term incentive programme where the bonus paid is discretionary and based on Company and individual performance. For the Group Chief Executive Officer, Group CFO and Hima Cement CEO, executive committee members and specific Profit & Loss or Band D employees, the short term incentive programme also includes Holcim Middle East Africa region objectives. As such the bonus paid in 2023 for 2022 is inclusive of regional performance measures. Overall company bonus performance for Kenya in 2022 was 47% which includes Kenyan subsidiaries which independently performed at 22.9% for Bamburi Special Products and 97% for Lafarge Ecosystems. Hima Cement overall bonus performance was at 19.6% in 2022.

The performance bonuses were paid to the Company's employees and the executive committee in March 2022. The executive directors received remuneration as set out below.

Name	Salary		Bonus		Allowances		Non Cash Benefits		Pension/Social Security		Total	Total
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000
Seddiq Hassani	44,616	42,274	9,215	8,249	9,154	8,727	6,138	8,243	12,707	11,872	81,831	79,365
Grace Auma Oluoch	25,506	18,000	3,560	3,195	542	3,250	91	525	360	2,162	30,060	27,132
Vasileios Karalis	27,579	-	1,893	-	5,753	-	4,679	-	2,864	-	42,768	0
Jean-Michel Pons	44,847	45,175	10,801	11,282	7,280	7,607	4,432	6,935	2,686	2,805	70,046	73,806
	142,549	**105,449**	**25,469**	**22,727**	**22,728**	**19,584**	**15,341**	**15,703**	**18,618**	**16,840**	**224,704**	**180,302**

[1] *Includes, where applicable, school fees, home travel, insurance covers, house, car and driver.*

Remuneration Outcomes 2021 - 2022: Non-Executive Directors

Terms of Employment

The non-executive directors (including the Chair of the Board) are appointed by letters of appointment, which do not contain a fixed term period. This appointment is subject to performance review and re-election by the shareholders at the Company's annual general meetings in line with the Company's Articles of Association and the Board Charter.

The dates of the letters of appointment are set out below:

Name	Date of Appointment	Tenure (at 31 December 2022)
1. Dr John Simba	29 November 2012	10 years 1 month
2. Alice Owuor	10 March 2017	5 years 9 months
3. Dr Helen Gichohi	10 March 2017	5 years 9 months
4. Rita Kavashe	10 March 2017	5 years 9 months
5. Mbuvi Ngunze	30 August 2018	4 years 4 months
6. Vasileios Karalis	21 March 2019	3 year 9 months
7. Austin A.O. Ouko	28 August 2020	2 years 4 months
8. John Stull	16 April 2021	1 year 8 months
9. Guillaume Dubreuil	16 June 2022	6 months

Apart from their service contracts, no director has had any material interest in any contract with the Bamburi Group.

In the Annual General Meeting held on 16 June 2020, shareholders approved that non-executive director remuneration should be increased over two (2) years, starting in 2020. The first increase in 2021 was implemented but the second year increase was suspended owing to the COVID-19 pandemic.

DIRECTORS' **REMUNERATION REPORT**

As the COVID-19 pandemic period was at an end and to align with the market, the Board reviewed and resolved to implement the approved second increase to the annual fees effective 1 May 2022.

The fees paid to non-executive directors in 2022 were as follows:

Non-Executive Director Remuneration						
Name	Annual Fees	Sitting Allowance[1]	Total 2022	Annual Fees	Sitting Allowance[1]	Total 2021
Dr John Simba	1,554,114	1,479,396	3,033,510	1,554,114	1,374,792	2,928,906
Rita Kavashe	691,080	1,315,017	2,006,097	691,080	1,315,017	2,006,097
Alice Owuor	691,080	1,554,111	2,245,191	691,080	1,673,658	2,364,738
Dr Helen Gichohi	691,080	956,376	1,647,456	691,080	1,195,470	1,886,550
Mbuvi Ngunze	691,080	1,554,111	2,245,191	691,080	1,673,658	2,364,738
Austin A.O. Ouko	0	1,315,017	1,315,017	0	1,195,470	1,195,470
National Social Security Fund	691,080	0	691,080	691,080	0	691,080
Total Fees	5,009,514	8,174,028	13,183,542	5,009,514	8,428,065	13,437,579

[1] *Must be read together with the attendance register for purposes of the sitting allowance.*

The Directors' travel is fully facilitated by the Company and therefore no travel and related expenses are incurred by the individual directors. However, in the unlikely event that this happened, the Company reimbursed the cost.

There is no formal requirement that the Directors hold shares in the Company and there is no share option scheme that applies to the above non-executive directors.

The non-executive directors in the above table are not members of the Holcim Group pension scheme by virtue of sitting on the Board.

Voting on the remuneration report at the 2022 Annual General Meeting and engagement with shareholders

During the 2022 AGM, held on 16 June 2022, 99.98% of the votes cast (287,701,584) were in favour of the Directors' Remuneration Policy and Directors' Remuneration Report. The number of votes cast against the resolution was 0.01% (23,250 votes) and 0.01% being 37,037 votes abstained.

Directors' Shareholding

As at 31 December 2022, the following Directors of Bamburi Cement PLC held shares as follows:

Director	2022	2021
Mbuvi Ngunze	1,000	1,000
Alice Owuor	467	467

Senior Management Shareholding

As at 31 December 2022, none of the employees forming part of the Company's senior management held shares in the Company.

On behalf of the Board,

Mbuvi Ngunze
Chair - Nomination, Remuneration & HR Committee
7 March 2023

SHAREHOLDER **PROFILE**

Top 10 Shareholders as at 31 December 2022

Rank	Shareholder	No. of Shares	% Shareholding
1	Fincem Holding Limited	106,360,798	29.30%
2	Kencem Holding Limited	106,360,797	29.30%
3	Standard Chartered Nominees RESD A/C KE11396	56,906,640	15.68%
4	Aksaya Investment Holdings Limited	14,956,990	4.12%
5	Standard Chartered Nominees RESD A/C KE11443	6,659,900	1.83%
6	Standard Chartered Kenya Nominees Ltd A/C KE004667	4,080,337	1.12%
7	Standard Chartered Nominees Nonresident A/C 9661	2,768,400	0.76%
8	Standard Chartered Nom A/C KE 11993	2,607,700	0.72%
9	Standard Chartered Kenya Nominees Ltd A/C KE003964	2,187,900	0.60%
10	Icea Lion Life Assurance Company Limited-Pooled	2,055,663	0.57%
	Shares selected	304,945,125	84.02%
	Others (4,599 Shareholders)	58,014,150	15.98%
	Total Shares Issued	362,959,275	100.00%

Share Analysis by Domicile as at 31 December 2022

Domicile	No. of Shareholders	No. of Shares	% Shareholding
Foreign Institutions	17	225,161,171	62.03%
Foreign Individuals	81	466,943	0.13%
Local Institutions	557	121,811,828	33.56%
Local Individuals	3,954	15,519,333	4.28%
Total	4,609	362,959,275	100.00%

Share Analysis by Volume as at 31 December 2022

Volume	No. of Shareholders	No. of Shares	% Shareholding
1 - 500	2,005	387,754	0.11%
501 – 5,000	1,723	3,366,273	0.93%
5,001 – 10,000	309	2,230,101	0.61%
10,001 – 100,000	452	14,402,892	3.97%
100,001 – 1,000,000	106	31,722,568	8.74%
Above 1,000,000	14	310,849,687	85.64%
Totals	4,609	362,959,275	100.00%

Director Shareholding as at 31 December 2022

Director's Name	Shareholding
Mbuvi Ngunze	1,000
Alice Owuor	467

Senior Management Shareholding as at 31 December 2022

None of the employees forming part of the Company's senior management held shares in the Company.

REPORT OF **THE DIRECTORS**

The directors have the pleasure of presenting their Annual Report together with the audited financial statements of Bamburi Cement Public Limited Company (the "Company" or "Bamburi Cement PLC") and its subsidiaries (together the "Group") for the year ended 31 December 2022, in accordance with Section 653 (1) of the Kenyan Companies Act, 2015 which disclose the state of financial affairs.

1. PRINCIPAL ACTIVITIES

The Group is primarily engaged in the manufacture and sale of cement and cement related products. The Group also owns and maintains a world-class nature and environmental park created from rehabilitated quarries.

2. DIVIDENDS

During the year, the directors did not recommend payment of an interim dividend. The directors, however, recommend the approval of a first and final dividend of Kes 0.75 per ordinary share amounting to Kes 272m (2021: Kes 1,301m) in respect of the year ended 31 December 2022.

3. DIRECTORS

The directors who served during the year and up to the date of approval of this report are disclosed on page 80. The following changes took place in the Board of Directors since the last Annual General Meeting.

Grace Oluoch resigned as the Chief Finance Officer and a director effective 31 January 2022 and Vasileios Karalis formerly a non-executive director was appointed as the Group Chief Finance Officer effective 1 February 2022;

Seddiq Hassani resigned as the Group Chief Executive Officer effective 31 March 2023 and Mohit Kapoor was appointed to take over with effect from 1 April 2023;

John Stull and Guillaume Dubreuil resigned as non-executive directors effective 31 March and Rajesh Surana and Sonal Shrivastava were appointed to succeed them as non-executive directors effective 1 April 2023.

4. AUDITORS

Ernst & Young LLP who were appointed as the auditors of the Company in place of Deloitte & Touche LLP (whose term expired at the end of the Annual General Meeting) in accordance with Sections 721 and 724 of the Kenyan Companies Act 2015, have indicated their willingness to continue in office in accordance with Section 721 (2). The directors monitor the effectiveness, objectivity and independence of the auditor and also approve the annual audit engagement contract, which sets out the terms of the auditor's appointment and the related fees.

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, so far as the director is aware, no relevant audit information of which the Group's auditor is unaware; and,

b) the director has taken all the steps that the director ought to have taken as a director so as to be aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

By Order of the Board
W Ngea Secretary
27 April 2023

LEGAL & **COMPLIANCE AUDIT OPINION**

OF BAMBURI CEMENT PLC FOR 2022

A legal audit seeks to enunciate relevant law that must be complied with by an organization in the discharge of its mandate and the extent to which the said laws and internal policies have been complied with. The conclusion from the foregoing forms the Consultant's audit opinion in as far as compliance with the law, regulations and policies is concerned.

Having examined the compliance requirements of Bamburi Cement PLC both wholly and with regard to individual Departments, the Consultant's opinion is that Bamburi Cement PLC is LARGELY COMPLIANT. The reason for arriving at this opinion is because there were no instances of total non-compliance with any legislation, regulation or rule.

There were certain minimal occurrences of non-compliance with certain specific provisions of highlighted legislaton, regulation, rules and policies which have been pointed out.

Legal Compliance Auditors

RACHIER & AMOLLO LLP

FINANCIAL REVIEW

CORPORATE **INFORMATION**

DIRECTORS

Executive

M Kapoor	(Indian)	Group Managing Director-appointed 1 April 2023
S. Hassani	(Moroccan)	Group Managing Director - resigned 31 March 2023
G. Oluoch	(Kenyan)	Group Finance Director – resigned 31 January 2022
V. Karalis	(Hellenic)	Group Finance Director – appointed 1 February 2022
J. M Pons	(French)	

Non-executive

Dr J. Simba	(Kenyan)	Board Chair
A. Owuor	(Kenyan)	
Dr H. Gichohi	(Kenyan)	
R. Kavashe	(Kenyan)	
M. Ngunze	(Kenyan)	
J. Stull	(American)	Resigned 31 March 2023
A. A O Ouko	(Kenyan)	
R. Surana	(Indian)	Appointed 1 April 2023
G. Dubreuil	(French)	Appointed 16 June 2022/Resigned 31 March 2023
S. Shrivastava	(Indian)	Appointed 1 April 2023

SECRETARY

Waeni Ngea
Certified Public Secretary (Kenya)
LR No 209/6208, Kitui Road
P. O. Box 10921 - 00100
Nairobi, Kenya

REGISTERED OFFICE

LR No 209/6208, Kitui Road,
P. O. Box 10921 - 00100
Nairobi, Kenya

REGISTRARS

Custody & Registrars Services Limited
IKM Place, 1st Floor, Tower B Fifth Ngong Avenue
P. O. Box 8484 - 00100
Nairobi, Kenya

AUDITORS

Ernst & Young LLP
Kenya-Re Towers, Upper Hill, Off Ragati Road
P. O. Box 44286 – 00100
Nairobi, Kenya

PRINCIPAL BANKERS

Citibank N A Citibank House, Upper Hill P. O. Box 30711 - 00100 Nairobi, Kenya	Citibank N A Uganda Centre Court Nakasero P. O. Box 7505 Kampala, Uganda
Standard Chartered Bank Kenya Limited Chiromo Branch, 48 Westlands Road P. O. Box 30003 - 00100 Nairobi, Kenya	Standard Chartered Bank Uganda Limited Speke Road Branch, 5 Speke Road P. O. Box 7111 Kampala, Uganda
Equity Bank (Kenya) Limited Equity Centre, Upper Hill P. O. Box 75104 - 00200 Nairobi, Kenya	Stanbic Bank 17 Hannington Road, Crested Towers Building P. O. Box 7131 Kampala, Uganda

STATEMENT OF **DIRECTORS' RESPONSIBILITIES**

The Kenyan 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 the company as at the end of the financial year and of their profit or loss for that year. It also requires the directors to ensure that the company and its subsidiaries maintain proper accounting records that are sufficient to show and explain the transactions of the company and its subsidiaries and disclose, with reasonable accuracy, the financial position of the Group and the company. The directors are also responsible for safeguarding the assets of the Group, and for taking reasonable steps for the prevention and detection of fraud and error.

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

(i) designing, implementing and maintaining such internal control as they determine necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error;
(ii) selecting suitable accounting policies and applying them consistently; and
(iii) making accounting estimates and judgements that are reasonable in the circumstances.

Having made an assessment of the Group's and company's ability to continue as going concerns, the directors are not aware of any material uncertainties related to events or conditions that may cast doubt upon the Group's and company's ability to continue as going concerns.

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

Approved by the board of directors on **27 April 2023** and signed on its behalf by:

Dr. John Simba *Chairman*	**Mohit Kapoor** *Group Managing Director*

Building a better working world

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LLP/2015/52

INDEPENDENT AUDITORS' **REPORT**
TO THE MEMBERS OF BAMBURI CEMENT PLC

Report on the audit of the consolidated and company financial statements

Opinion

We have audited the consolidated and separate financial statements of Bamburi Cement Plc (the "Company") and its subsidiaries (together, the "Group"), which comprise the consolidated and separate statements of financial position at 31 December 2022, and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 85 to 178.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group and the Company as at 31 December 2022, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of Kenyan Companies Act, 2015.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report.

We are independent of the Group and the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants including international independence standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated and separate financial statements in Kenya, and we have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated and separate financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated and separate financial statements.

Key audit matter	How our audit addressed the key audit matter
Expected credit losses on trade receivables	
See notes 1 (n) 2, 22 and 37 to the consolidated and separate financial statements	
As disclosed in Note 22(a) , as at 31 December 2022, the Group and the Company had an allowance for expected credit losses on financial assets at amortised cost of Kshs 1.6 billion and Kshs 0.8 billion respectively (2021: Kshs 3.3 billion) . The expected credit losses are based on a forward-looking approach that recognises impairment loss allowances in accordance with IFRS 9 Financial Instruments. The estimation of expected credit losses requires the Group and the Company to make significant judgements in the consideration of the following variables: • Determining the historical credit loss; • Determining the period over which the observed historical loss rates are appropriate; and • Adjusting the historical loss rates with forward looking macro-economic factors. Refer to note 2 of the consolidated and separate financial statements for critical accounting judgements and key sources of estimation uncertainty. Also refer to notes 1(n), 22 and 37 (ii) details on the estimated expected credit loss disclosures.	Our audit procedures included, but were not limited to: Reviewing the accounting policies for compliance with IFRS 9 requirements. • Reviewing the ECL models including whether the assumptions applied, and the functioning and application of the models were in accordance with IFRS 9 requirements. • Testing the design, implementation and operating effectiveness of key controls across the processes relevant to the expected loss calculations and data accuracy • Assessing whether forecasted macroeconomic variables were appropriate. • Assessing whether the period over which the observed historical loss rates was appropriate in developing the expected loss rates. • Testing the data used in the ECL calculation for accuracy and completeness. • Evaluating completeness of the Group and the Company's disclosures in respect of the judgement and assumptions used in the valuation are in line with IFRS 9 Financial Instruments

Building a better working world

Report on the audit of the consolidated and company financial statements (continued)

Other Matter

The consolidated and separate financial statements of the Group and Company for the year ended 31 December 2021 were audited by another auditor who expressed an unmodified opinion on those financial statements on 26 April 2022.

Other Information

The other information consists of information included in the Annual Report, other than the consolidated and separate financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, other than that prescribed by the Kenyan Companies Act, 2015, as set out in the Report on Other Matters Prescribed by the Kenyan Companies Act, 2015 section of our report.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the consolidated and company financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements 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 is 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 separate financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as going concerns, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and or the Company or to cease their operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the consolidated and company financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate 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 our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate 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 our 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 directors' 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 Group's and the Company's ability to continue as going concerns. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as going concerns.

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INDEPENDENT AUDITORS' **REPORT**
TO THE MEMBERS OF BAMBURI CEMENT PLC

Report on the audit of the consolidated and company financial statements (continued)

Auditors' responsibilities for the audit of the consolidated and company financial statements (continued)

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors 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.

We also provide the directors with a statement that we have complied with 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 the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other matters prescribed by the Kenyan Companies Act, 2015

As required by the Kenyan Companies Act, 2015 we report to you, based on our audit, that:

i) in our opinion, the information given in the report of directors' report on page 76 is consistent with the consolidated and separate financial statements.

ii) in our opinion, the auditable part of the Directors' Remuneration Report on pages 71 to 74 has been properly prepared in accordance with the Kenyan Companies Act, 2015.

The engagement partner responsible for the audit resulting in this independent auditor's report is **CPA Denis Mugisha, Practising certificate No. P/2773**.

For and on behalf of Ernst & Young LLP
Certified Public Accountants
Nairobi, Kenya

30 April 2023

CONSOLIDATED STATEMENT OF **PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 Kes'million	2021 Kes'million
Revenue	4	38,998	41,381
Cost of goods sold	5	(30,975)	(31,908)
Cost of transport service	5	(3,762)	(4,028)
Gross profit		**4,261**	**5,445**
Other income	7(i)	20	17
Other gains and losses	8	(77)	290
Marketing and selling expenses	9(i)	(761)	(623)
Administration expenses	9(ii)	(2,614)	(2,679)
Impairment of property, plant and equipment	9(iii)	(38)	(182)
Net impairment losses on financial assets	22(b)	68	47
Operating profit		**859**	**2,315**
Finance income	7(ii)	68	78
Finance costs	7(iii)	(292)	(221)
Finance costs – net		(224)	(143)
Profit before income tax	**11(a)**	**635**	**2,172**
Tax charge	12(a)	(454)	(792)
Profit for the year		**181**	**1,380**
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Actuarial (losses)/gains	28	(12)	26
Income tax effect	12(a)	4	(8)
		(8)	18
Fair value gain/(loss) loss on investments in equity instruments designated as at FVTOCI	19(b)	2	(49)
Gain on revaluation of property, plant and equipment		5,049	-
Income tax effect		(1,370)	-
		3,679	-
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		3,673	(31)
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		469	942
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		469	942
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		4,142	911
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		4,323	2,291
Profit for the year attributed to:			
Owners of the parent Company		204	1,301
Non-controlling interest	18(b)	(23)	79
		181	1,380
Total comprehensive income attributed to:			
Owners of the parent Company		4,203	1,929
Non-controlling interest	18(b)	120	362
		4,323	2,291
Earnings per share – basic and diluted	13	0.56	3.58

COMPANY STATEMENT OF **PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 Kes'million	2021 Kes'million
Revenue	4	20,103	24,068
Cost of goods sold	5	(16,039)	(18,580)
Cost of transport service	5	(1,618)	(2,028)
Gross profit		**2,446**	**3,460**
Other income	7(i)	252	17
Other gains and losses	8	(17)	55
Marketing and selling expenses	9(i)	(336)	(336)
Administration expenses	9(ii)	(1,323)	(1,549)
Impairment of property, plant and equipment	9(iii)	(84)	-
Net impairment losses on financial assets	22(b)	(22)	7
Operating profit		**916**	**1,654**
Finance income	7(ii)	30	55
Finance costs	7(iii)	(36)	(38)
Finance income - net		(6)	17
Profit before tax	**11(a)**	**910**	**1,671**
Tax charge	12(a)	(301)	(573)
Profit for the year		**609**	**1,098**
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Fair value loss on investments in equity instruments designated as at FVTOCI	19(b)	2	(49)
Actuarial (losses)/gains	28	(18)	25
Income tax effect	12(a)	6	(8)
		(12)	17
Revaluation of property, plant and equipment		5,049	-
Income tax effect		(1,370)	-
		3,679	-
Net other comprehensive loss not to be reclassified to profit or loss in subsequent periods		3,669	(32)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		3,669	(32)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		4,278	1,066

CONSOLIDATED STATEMENT OF **FINANCIAL POSITION**

AS AT 31 DECEMBER 2022

	Notes	2022 Kes'million	31 December 2021 Kes'million
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	15(a)	39,407	35,396
Prepaid operating lease rentals	16(a)	110	116
Right-of-use assets	16(b)	721	424
Intangible assets	17(a)	24	29
Equity investments	19(a)	77	75
Limestone reserves	17(b)	625	604
Goodwill	20	217	217
		41,181	36,861
CURRENT ASSETS			
Inventories	21	6,832	5,007
Trade and other receivables	22(a)	2,964	2,419
Corporate tax recoverable	12(c)	827	507
Cash and cash equivalents	23(a)	4,283	6,934
		14,906	14,867
TOTAL ASSETS		**56,087**	**51,728**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	24	1,815	1,815
Asset revaluation reserve	25(a)	14,839	11,160
Translation reserve	25(b)	(475)	(803)
Retained earnings		17,865	18,970
Equity attributable to owners of the Company		34,044	31,142
Non-controlling interests		4,231	4,111
Total equity		38,275	35,253
NON-CURRENT LIABILITIES			
Deferred tax liability	26	6,437	5,015
Provisions	27	454	491
Employees' defined benefit liabilities	28	354	366
Long term borrowings	33(c)	-	2,273
Lease liabilities	35	742	454
		7,987	8,599
CURRENT LIABILITIES			
Bank overdrafts	23(c)	316	245
Short term borrowings	33(c)	2,508	-
Lease liability	35	42	20
Provisions	27	149	101
Employees' defined benefit liabilities	28	50	48
Trade and other payables	29	6,760	7,413
Corporate tax payable	12(c)	-	49
		9,825	7,876
TOTAL EQUITY AND LIABILITIES		**56,087**	**51,728**

The financial statements on pages 85 to 178 were approved and authorised for issue by the Board of Directors on **27 April 2023** and were signed on its behalf by:

Dr. John P.N. Simba
Chairman

Mohit Kapoor
Group Managing Director

COMPANY STATEMENT OF **FINANCIAL POSITION**
AS AT 31 DECEMBER 2022

	Notes	2022 Kes'million	2021 Kes'million
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	15(b)	23,405	18,888
Intangible assets	17(a)	18	22
Investments in subsidiaries	18(a)	1,809	1,809
Equity investments	19(a)	77	75
		25,309	20,794
CURRENT ASSETS			
Inventories	21	3,145	2,869
Trade and other receivables	22(a)	2,606	1,987
Corporate tax recoverable	12(c)	458	136
Cash and cash equivalents	23 (a)	2,344	5,103
		8,553	10,095
TOTAL ASSETS		**33,862**	**30,889**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	24	1,815	1,815
Asset revaluation reserve	25(a)	13,646	9,966
Retained earnings		10,625	11,328
Total equity		26,086	23,109
NON-CURRENT LIABILITIES			
Deferred tax liability	26	3,549	2,341
Provisions	27	259	306
Employees' defined benefit liabilities	28	320	326
		4,128	2,973
CURRENT LIABILITIES			
Provisions	27	110	59
Employees' defined benefit liabilities	28	42	42
Trade and other payables	29	3,496	4,706
		3,648	4,807
TOTAL EQUITY AND LIABILITIES		**33,862**	**30,889**

The financial statements on pages 85 to 178 were approved and authorised for issue by the Board of Directors on **27 April 2023** and were signed on its behalf by:

Dr John P.N Simba
Chairman

Mohit Kapoor
Group Managing Director

CONSOLIDATED **STATEMENT OF CHANGES IN EQUITY**
FOR THE YEAR ENDED 31 DECEMBER 2022

	Share capital Kes'million Note 24	Asset revaluation reserve Kes'million Note 25(a)	Translation reserve Kes'million Note 25(b)	Retained earnings Kes'million	Owners of the Company Kes'million	Non-controlling interests Kes'million	Total equity Kes'million
At 1 January 2022	1,815	11,160	(803)	18,970	31,142	4,111	35,253
Profit for the year	-	-	-	204	204	(23)	181
Other comprehensive income/(loss) for the year	-	3,679	328	(8)	3,999	143	4,142
Total comprehensive income for the year	-	3,679	328	196	4,203	120	4,323
Transfer of excess depreciation (net of tax)	-	-	-	-	-	-	-
Dividends: (note 14(b))							
Final dividends for 2021 declared and approved	-	-	-	(1,301)	(1,301)	-	(1,301)
Interim dividends for 2022 declared and approved	-	-	-	-	-	-	-
	-	-	-	(1,301)	(1,301)	-	(1,301)
At 31 December 2022	**1,815**	**14,839**	**(475)**	**17,865**	**34,044**	**4,231**	**38,275**

The reserve accounts included in the statement of changes in equity are explained below:

- The asset revaluation reserve represents the net cumulative surplus arising from revaluations of property, plant and equipment - Note 25(a).
- Retained earnings represent accumulated profits retained by the Group after payment of dividends to the shareholders.
- The translation reserve represents the cumulative position of translation gains and losses arising from conversion of net assets of the foreign subsidiary Company to the presentation currency - note 25(c).

CONSOLIDATED **STATEMENT OF CHANGES IN EQUITY**
FOR THE YEAR ENDED 31 DECEMBER 2022

	Share capital Kes'million Note 24	Asset revaluation reserve Kes'million Note 25(a)	Translation reserve Kes'million Note 25(c)	Retained earnings Kes'million	Owners of the Company Kes'million	Non-controlling interests Kes'million	Total equity Kes'million
At 1 January 2021	1,815	11,422	(1,462)	18,527	30,302	3,749	34,051
Profit/(loss) for the year	-	-	-	1,301	1,301	79	1,380
Other comprehensive income/ (loss) for the year	-	-	659	(31)	628	283	911
Total comprehensive income/ (loss) for the year	-	-	659	1,270	1,929	362	2,291
Transfer of excess depreciation (net of tax)	-	(262)	-	262	-	-	-
Dividends: (note 14(b))							
Final dividends for 2020 declared and approved	-	-	-	(1,089)	(1,089)	-	(1,089)
Interim dividends for 2021 declared and approved	-	-	-	-	-	-	-
	-	-	-	(1,089)	(1,089)	-	(1,089)
At 31 December 2021	1,815	11,160	(803)	18,970	31,142	4,111	35,253

The reserve accounts included in the statement of changes in equity are explained below:

- The asset revaluation reserve represents the net cumulative surplus arising from revaluations of property, plant and equipment - Note 25(a).
- Retained earnings represent accumulated profits retained by the Group after payment of dividends to the shareholders.
- The translation reserve represents the cumulative position of translation gains and losses arising from conversion of net assets of the foreign subsidiary Company to the presentation currency - note 25(c).

COMPANY **STATEMENT OF CHANGES IN EQUITY**
FOR THE YEAR ENDED 31 DECEMBER 2022

Year ended 31 December 2022	Share Capital Kes'million Note 24	Asset revaluation reserve Kes'million Note 25(a)	Retained earnings Kes'million	Total equity Kes'million
At 1 January 2022	1,815	9,966	11,328	23,109
Profit for the year	-	-	609	609
Other comprehensive loss for the year	-	3,679	(10)	3,669
Total comprehensive income for the year	**-**	**3,679**	**599**	**4,278**
Transfer of excess depreciation (net of tax)	-	-	-	-
Dividends: (Note 14(b))				
Final dividends for 2021 declared and approved	-	-	(1,301)	(1,301)
Interim dividends for 2022 declared and approved	-	-	-	-
At 31 December 2022	1,815	13,645	10,626	26,086

The reserve accounts included in the statement of changes in equity are explained below:

- The asset revaluation reserve represents the net cumulative surplus arising from revaluations of property, plant and equipment - note 25(a).
- The retained earnings represent accumulated profit retained by the Company after payment of dividends to the shareholders.

COMPANY **STATEMENT OF CHANGES IN EQUITY** (continued)

FOR THE YEAR ENDED 31 DECEMBER 2022

Year ended 31 December 2021	Share capital Kes'million Note 24	Asset revaluation reserve Kes'million Note 25(a)	Retained earnings Kes'million	Total equity Kes'million
At 1 January 2021	1,815	10,200	11,117	23,132
Profit for the year	-	-	1,098	1,098
Other comprehensive loss for the year	-	-	(32)	(32)
Total comprehensive income for the year	**-**	**-**	**1,066**	**1,066**
Transfer of excess depreciation (net of tax)	-	(234)	234	-
Dividends: (Note 14(b))				
Final dividends for 2020 declared and approved	-	-	(1,089)	(1,089)
Interim dividends for 2021 declared and approved	-	-	-	-
At 31 December 2021	**1,815**	**9,966**	**11,328**	**23,109**

The reserve accounts included in the statement of changes in equity are explained below:

- The asset revaluation reserve represents the net cumulative surplus arising from revaluations of property, plant and equipment - note 25(a).
- The retained earnings represent accumulated profit retained by the Company after payment of dividends to the shareholders.

CONSOLIDATED **STATEMENT OF CASH FLOWS**

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	**2022 Kes'million**	2021 Kes'million
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	32	488	4,390
Interest received	7(ii)	68	78
Interest paid on borrowings		(251)	(110)
Tax paid	12(c)	(855)	(1,250)
Net cash generated from operating activities		(550)	3,108
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	15(a)	(1,243)	(1,688)
Purchase of intangible assets	17(a)	-	(2)
Proceeds from disposal of property, plant and equipment		487	278
Net cash used in investing activities		(756)	(1,412)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid to shareholders	14(b)	(1,301)	(1,089)
Principal repayment of principal portion lease liabilities	35	(235)	(177)
Net cash generated used in financing activities		(1,536)	(1,266)
NET INCREASE IN CASH AND CASH EQUIVALENTS		(2,842)	430
MOVEMENT IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at the beginning of the year		6,689	6,251
Net increase in cash and cash equivalents during the year		(2,842)	430
Effects of exchange rate changes on cash held in foreign currencies		120	8
Cash and cash equivalents and at end of the year	23(b)	3,967	6,689

COMPANY **STATEMENT OF CASH FLOWS**
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 Kes'million	2021 Kes'million
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	32	(56)	4,180
Interest received	7(ii)	30	55
Tax paid	12(c)	(778)	(1,232)
Net cash generated from operating activities		(804)	3,002
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	15(b)	(946)	(1,132)
Purchase of intangible assets	17	-	(1)
Dividends received from subsidiary	7(i)	232	-
Proceeds from disposal of property, plant and equipment		60	-
Net cash used in investing activities		(654)	(1,133)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid to the shareholders	14(b)	(1,301)	(1,089)
Net cash used in financing activities		(1,301)	(1,089)
NET INCREASE IN CASH AND CASH EQUIVALENTS		(2,759)	780
MOVEMENT IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at the beginning of the year		5,103	4,323
Net increase in cash and cash equivalents during the year		(2,759)	780
Cash and cash equivalents at the end of the year	23(b)	2,344	5,103

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the financial statements of Bamburi Cement Plc (the "Company") and its subsidiaries (together, the "Group") are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

a) Basis of preparation

The consolidated and the Company financial statements have been prepared on historical cost basis of accounting except for certain items of property, plant and equipment and available–for-sale financial assets that have been measured at fair value and except where otherwise stated in the accounting policies below.

The financial statements of the Group and the Company have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB), and in the manner required by the Kenyan Companies Act, 2015. The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are presented in millions of Kenya Shillings (Kes' Million), which is the functional currency of the parent Company, and the presentation currency for the consolidated financial statements.

For the purpose of reporting under the Kenyan Companies Act, 2015, the balance sheet in these financial statements is represented by statement of financial position and the profit and loss account is represented by the statement of profit or loss and other comprehensive Income.

b) Application of new and revised International Financial Reporting Standards (IFRSs)

Change in accounting policies
There are no changes in any accounting policies for the current reporting period, intuitively there is no impact on both basic and diluted earnings per share as presented in note 13.

Prior period errors
There are no prior period errors impacting on the financial statements of the Group and the Company,, intuitively there is no impact on both basic and diluted earnings per share as presented in note 13.

(i) Relevant new standards and amendments to published standards effective for the year ended 31 December 2022

In the current year, the Group has applied a number of amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2022. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendment to the Reference to the Conceptual to the Conceptual Framework
The Group has adopted the amendments to IFRS 3 Business Combinations for the first time in the current year. The amendments update IFRS 3 so that it refers to the 2018 instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for Framework obligations within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments and requirements are not applicable to the Group in the financial year just ended.

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

b) Application of new and revised International Financial Reporting Standards (IFRSs) (Continued)

i) Relevant new standards and amendments to published standards effective for the year ended 31 December 2022 (Continued)

Amendment to IAS 16 Property, Plant and Equipment – Proceeds before Use
The Group has adopted the amendments to IAS 16 Property, Plant and Equipment for the first time in the current year. The amendments prohibit deducting from the cost of an item of Property, plant and equipment (PPE) any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories.

The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

The Group did not earn any sales proceeds from selling, or incur any related costs in producing items while testing that items of PPE are functioning properly before they became available for use. Consequently no recognition of such has been made in the profit or loss for the year just ended.

Amendment to Onerous Cost of Fulfilling a Contract.
The Group has adopted the amendments to IAS 37 for the first time in the current year. The amendments specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The Group did not enter into any such onerous contracts in the financial year just ended.

Annual Improvement to IFRS Accounting Standards 2018-2020 Cycle
The Group has adopted the amendments included in the *Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle* for the first time in the current year. The Annual Improvements include amendments to four standards.

IFRS 1 First-time Adoption of International Financial Reporting Standards

The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16 (a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS Accounting Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1:D16 (a).

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

b) Application of new and revised International Financial Reporting Standards (IFRSs) (Continued)

i) Relevant new standards and amendments to published standards effective for the year ended 31 December 2022 (Continued)

IFRS 9 Financial Instruments
The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

IFRS 16 Leases
The amendment removes the illustration of the reimbursement of leasehold improvements.

IAS 41 Agriculture
The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value. This aligns the fair value measurement in IAS 41 with the requirements of IFRS 13 Fair Value Measurement to use internally consistent cash flows and discount rates and enables preparers to determine whether to use pre-tax or post-tax cash flows and discount rates for the most appropriate fair value measurement.

The Annual improvements to the four standards above are not applicable to the Group specifically to the financial year just ended.

ii) New and revised IFRS Standards in issue but not yet effective for the year ended 31 December 2022

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

New and amendments to Standards	Effective date on annual periods beginning on or after
IFRS 17: *Insurance Contracts*	1 January 2023
IFRS 10 and IAS 28 (amendments): *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Postponed indefinitely ed.
Amendments to IAS 1: *Classification of Liabilities as Current or Non-current*	1 January 2024
Amendments to IAS 1 and IFRS Practice Statement 2 *Disclosure of Accounting Policies*	1 January 2023
Amendments to IAS 8 *Definition of Accounting Estimates*	1 January 2023
Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2023
Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	1 January 2024

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods.

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Application of new and revised International Financial Reporting Standards (IFRSs) (Continued)

ii) New and revised IFRS Standards in issue but not yet effective for the year ended 31 December 2022 (Continued)

IFRS 17 *Insurance Contracts*

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 *Insurance Contracts*.

IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

In June 2020, the IASB issued *Amendments to IFRS 17* to address concerns and implementation challenges that were identified after IFRS 17 was published. The amendments defer the date of initial application of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023.

IFRS 17 must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

For the purpose of the transition requirements, the date of initial application is the start if the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

Due to the nature of the group's business, the Directors of the Group do not expect a significant on the entity when the standard becomes effective.

Amendments to IFRS 10 and IAS 28 – *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the **loss of control of a subsidiary** that **does not contain a business** in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the **re-measurement** of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the **unrelated investors'** interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the Board; however, earlier application of the amendments is permitted. The directors of the Company anticipate that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Application of new and revised International Financial Reporting Standards (IFRSs) (Continued)

ii) New and revised IFRS Standards in issue but not yet effective for the year ended 31 December 2022 (Continued)

Amendments to IAS 1 – *Classification of Liabilities as Current or Non-current*

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is **based on rights that are in existence at the end** of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a **definition of 'settlement'** to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted. The IASB is currently considering further amendments to the requirements in IAS 1 on classification of liabilities as current or non-current, including deferring the application of the January 2020 amendments

The directors of the Company anticipate that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods

Amendments to IAS 1 – Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgments—Disclosure of Accounting Policies

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with '**material accounting policy information**'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The IASB has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.
The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023, with earlier application permitted and are applied prospectively. The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirement

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Application of new and revised International Financial Reporting Standards (IFRSs) (Continued)

ii) New and revised IFRS Standards in issue but not yet effective for the year ended 31 December 2022 (Continued)

Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors-Definition of Accounting Estimates

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".
The definition of a change in accounting estimates was deleted. However, the Board retained the concept of changes in accounting estimates in the Standard with the following clarifications:

- A change in accounting estimate that results from new information or new developments is not the correction of an error

- The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors

The Board added two examples (Examples 4-5) to the Guidance on implementing IAS 8, which accompanies the Standard. The Board has deleted one example (Example 3) as it could cause confusion in light of the amendments.

The amendments are effective for annual periods beginning on or after 1 January 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted.

The Directors of the Group are currently assessing the impact of these amendments and plan to adopt the amendments on the required effective date.

Amendments to IAS 12/income Taxes-Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying IFRS 16 at the commencement date of a lease.

Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Application of new and revised International Financial Reporting Standards (IFRSs) (Continued)

ii) New and revised IFRS Standards in issue but not yet effective for the year ended 31 December 2022 (Continued)

The Board also adds an illustrative example to IAS 12 that explains how the amendments are applied.
The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period an entity recognises:

• A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all deductible and taxable temporary differences associated with:
- Right-of-use assets and lease liabilities

- Decommissioning, restoration and similar liabilities and the corresponding amounts recognised as part of the cost of the related asset

• The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted.
The Directors of the Group are currently assessing the impact of these amendments and plan to adopt the amendments on the required effective date.

At the date of authorization of these financial statements, the Group has not applied the new and revised IFRS Standards that have been issued but are not yet effective:

iii) Early adoption of standards

The Group did not early-adopt any new or amended standards in 2022.

c) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and entities controlled by the company as at 31 December 2022. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

A list of the subsidiaries in the Group is provided in Note 18(a).

Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and/or
- The Group's voting rights and potential voting rights.

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Application of new and revised International Financial Reporting Standards (IFRSs) (Continued)

ii) New and revised IFRS Standards in issue but not yet effective for the year ended 31 December 2022 (Continued)

The Board also adds an illustrative example to IAS 12 that explains how the amendments are applied. The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period an entity recognises:

• A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all deductible and taxable temporary differences associated with:
- Right-of-use assets and lease liabilities

- Decommissioning, restoration and similar liabilities and the corresponding amounts recognised as part of the cost of the related asset

• The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted.
The Directors of the Group are currently assessing the impact of these amendments and plan to adopt the amendments on the required effective date.

At the date of authorization of these financial statements, the Group has not applied the new and revised IFRS Standards that have been issued but are not yet effective:

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The consolidated financial statements comprise the financial statements of the Company and entities controlled by the company as at 31 December 2022. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

A list of the subsidiaries in the Group is provided in Note 18(a).

Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and/or
- The Group's voting rights and potential voting rights.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Basis of Consolidation (continued)

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

When the proportion of the equity held by non-controlling interests changes, the Group adjusts the carrying amounts of the controlling and non-controlling interests to reflect the changes in their relative interests in the Group. The Group recognises directly in equity any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received, and attributable to the owners of the parent.

Disclosures of non-controlling interests are included in Notes 18(b).
All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interests;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

d) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill.

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Business combinations and goodwill (continued)

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised in profit or loss in accordance with the IFRS. If the contingent consideration is not within the scope of IFRS 9, it is measured at each reporting date and changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to the cash generating units expected to benefit from the synergies of the business combination. Cash generating units to which goodwill has been allocated are tested for impairment annually. If the recoverable amount of the cash generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of the goodwill allocated to the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period. Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal.

Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

e) Translation of foreign currencies

i) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Translation of foreign currencies (Continued)

ii) Translation of foreign operations

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 into Kenya Shillings using exchange rates prevailing at the end of the reporting period;
- income and expenses for each statement of profit or loss and other comprehensive income 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 under other comprehensive income and accumulated in a separate heading, translation reserve, in the consolidated statement of changes in equity.

When a foreign operation is sold, the cumulative amount of the exchange differences relating to that foreign entity, recognised in other comprehensive income and accumulated on the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognised.

f) Revenue recognition

The Group recognises revenue from contracts with customers the following major sources:

- Sale of cement and cement products
- From transport services

Transport revenue is the surcharge to customer by the Group and Company for arranging delivery of cement and cement products to the customer.

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

Sale of cement and cement products

The Group recognizes revenue when it satisfies a performance obligation by transferring promised goods to a customer (which is when the customer obtains control of the goods). The amount of revenue recognized is the amount allocated to the satisfied performance obligation. A performance obligation is satisfied at a point in time, for promises to transfer goods to a customer.

Transport services

The Group recognizes revenue when it satisfies a performance obligation by performing a service to a customer (which is when the customer obtains the benefits of that service). The amount of revenue recognized is the amount allocated to the satisfied performance obligation. A performance obligation is satisfied at a point in time, when the customer obtains control of the service.

Revenue is shown net of value added tax (VAT), returns, rebates and discounts and after eliminating sales within the Group.

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Revenue recognition

Interest income

For all financial instruments measured at amortised cost and interest bearing financial assets classified as equity investment, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

Dividends

Revenue is recognised when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend.

Rental income

Rental income is recognised when the Group's right to receive the rent payment is established. The Group has residential buildings and sublets some of them to its employees. Rental income is recognised as income on a straight-line basis over the lease term.

Rendering of services

The Group through its subsidiary Lafarge Ecosystems Limited operates a private park and charges entry fees to tourists. Income from rendering of services is recognized when the Group transfers control of a service to a customer.

Rebates

Rebates are given to the customers who meet condition set by the Group and the Company policy. All rebates are paid inform of credit notes and the customer collects cement of equivalent value. Rebates are calculated based on tons or percentage volume depending on the signed agreement.

g) Borrowing costs

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such a time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

h) Leases

Group as a lessee

Since January 1, 2021, the Group assesses at inception of a contract whether it contains a lease under IFRS 16 and accordingly recognizes a right-of use asset and a lease liability if it meets the definition of a lease, with the exception of short-term leases and leases of low value assets.

The lease liability is measured at commencement date at the present value of the future lease payments, discounted with the interest rate implicit in the lease or, if not readily determinable, with the lessee's respective incremental borrowing rate. Future lease payments include in-substance fixed payments, variable lease payments depending on an index or rate and payments under termination and extension options when these are reflected in the lease term. The lease term comprises the non-cancellable lease term together with the period covered by extension options, if assessed as reasonably certain to be exercised, and termination options, if assessed as reasonably certain not to be exercised. Non-lease components in contracts are separated from lease components and accordingly accounted for in operating profit on a cost incurred basis.

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Leases (Continued)

Group as a lessee (continued)

The right-of-use asset is recognized at the commencement date at cost, which includes the amount of the lease liability recognized, any lease payments made at or before the commencement date of the lease, initial direct costs incurred and an estimate of costs to be incurred in dismantling and removing the underlying asset or restoring the asset to the condition agreed with the lessor. Unless the Group is reasonably certain to exercise a purchase option, the right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and lease term. Right-of- use assets are subject to the impairment requirements under IAS 36 *Impairments of Assets*.

In the event that the tax base of a right-of-use asset is not the same as its carrying amount for IFRS purposes on initial recognition of a lease contract, the Group recognizes the deferred tax impact arising on the temporary difference between the carrying amount of the right-of-use asset and its tax base. The same treatment as above also applies to the initial recognition of the lease liability.

Payments to acquire leasehold interests in land are treated as prepaid operating lease rentals and amortised over the period of the lease. The amortisation is recognised as an operating expense in profit or loss.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Currently, the Group has leased out residential houses and land to employees and third parties. See note 7 on rental income from residential property for more details.

i) Property, plant and equipment

All property, plant and equipment are initially recorded at cost. Freehold land and buildings are subsequently shown at their revalued amounts based on valuations by external independent valuers, less accumulated depreciation and any accumulated impairment losses. Plant and machinery is revalued internally on the basis of a valuation model prescribed by engineers and consultants at the technical centre of the ultimate shareholder. The valuations are carried out once every five years , which is considered by the directors of the Group to be sufficient regularity per IAS 16.

All other property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any.

A revaluation surplus is recorded in other comprehensive income and credited to the asset revaluation reserve in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and 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.

Each year the difference between depreciation based on the revalued carrying amount of an asset (the depreciation charged to profit or loss) and depreciation based on the asset's original cost is transferred from the asset revaluation reserve to retained earnings.

Depreciation is calculated on the straight line basis to write down the cost of each item of property plant and equipment, or the revalued amount, to its residual value over its expected useful life as follows:

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Property, plant and equipment (Continued)

Asset class	Useful lives	Rates
Land and mineral reserves	Not depreciated	-
Buildings and Installations	20-35 years	5%-3%
Heavy machines and installations	20 - 30 years	5%-3%
Other machines	10 - 20 years	10%-5%
Furniture, vehicles and tools	3-10 years	33%-10%

Further details on useful lives and residual values of property, plant and equipment are given in Note 2, to the financial statements.

Freehold land is not depreciated as it is deemed to have an indefinite useful life and is tested for impairment on an annual basis. The useful life and depreciation rates have been assigned as ranges for disclosure purposes given that numerous significant components in each of the categories have unique useful lives that fall within that range.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Additional disclosures on impairment are in Notes 1(o) and 2, to the financial statements.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition through disposal or retirement 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 in which the asset is derecognised.

The limestone reserve is a finite resource hence amortisation is based on quantity of limestone mined. The amortisation is a rate and this is computed as a ratio of the number of limestone units mined to the total value of limestone units available during the year. The value of limestone units during the year is a product of the ratio of limestone units mined to the total number of units available at acquisition date multiplied by the total value of units available as at that date. The amortisation rate used during the year was Kes 19.5 per tonne mined.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

j) Intangible assets

Computer software costs are stated at cost less accumulated amortisation and any accumulated impairment losses. The costs are amortised over the expected useful lives of the software on the straight line basis. Currently, the estimated useful life is five years.

Computer software is also assessed for impairment whenever there is an indication that the intangible asset may be impaired. Additional disclosures on impairment are included in Notes 1(o) and 2, to the financial statements.

The useful lives of computer software are reviewed at least at the end of each reporting period. Changes in the expected useful lives are considered to modify the amortisation period and are treated as changes in accounting estimates. The amortisation expense on computer software is recognised in profit or loss.

An intangible asset is derecognised when no future economic benefits are expected from its use. The Group's intangible assets are mainly computer software which is not expected to generate any disposal proceeds on de-recognition. The de-recognition of intangible assets would therefore result in a loss which is recognised in profit or loss.

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Inventories

Inventories are valued at the lower of cost and net realisable value.

Inventories of consumables and spare parts are stated at the lower of cost and net realisable value. The cost of consumables and spare parts is the weighted average cost less provision for obsolete and slow moving items.

All other inventories are stated at the lower of cost and net realisable value. The cost includes direct cost and appropriate overheads and is determined on the first-in first-out method.

Net realisable value of inventories is the estimated selling price of the inventories in the ordinary course of the Group's business less the estimated costs of completion and the estimated costs necessary to make the sale.

Biofuels inventories

Biofuel comprise of eucalyptus, Casuarina, Cassi siamea and Neem plantations. These are included in inventories as there is a plan to utilise the same in future, upon maturity, as alternative fuel in the clinker production process.

The amounts of biofuels relate to direct operating costs incurred in respect to the on-going bio-fuels project. These costs include those relating to labour, seedlings, transportation and other directly attributable overheads. They are recognised at cost and net realisable value.

l) Tax

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. Current income tax is provided on the basis of the results for the year, as shown in the financial statements, adjusted in accordance with tax legislation. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised outside profit or loss is recognised directly in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are only recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Tax (continued)

Deferred tax (continued)

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset only when there is a legally enforceable right to set off the current tax assets against current tax liabilities and when they relate to the same entity and the same taxation authority, and the Group intends to settle the tax assets and the tax liabilities on a net basis.

m) Dividends payable

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.

n) Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis.
Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.
All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.
Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Financial instruments (continued)

Financial assets (Continued)

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- 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.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met (see (iii) below); and
- The Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (see (iv) below).

(i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit impaired financial assets (i.e. assets that are credit impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit impaired financial assets, a credit adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit impaired (see below). For financial assets that have subsequently become credit impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Financial instruments(continued)

(i) Amortised cost and effective interest method (Continued)

For purchased or originated credit impaired financial assets, the Group recognises interest income by applying the credit adjusted effective interest rate to the amortised cost of the financial asset from initial recognition.

The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit impaired.

Interest income is recognised in profit or loss and is included in the "finance income – interest income" line item.

(ii) Equity instruments designated as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument by instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss is not be reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the ‘finance income’ line item in profit or loss.

The Group has designated all investments in equity instruments that are not held for trading as at FVTOCI on initial application of IFRS 9.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically;

- for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the ‘other gains and losses’ line item;
- for equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the investments revaluation reserve.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, trade and other receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Financial instruments (continued)

Impairment of financial assets (continued)

The Group always recognises lifetime ECL for trade receivables and other receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward looking information that is available without undue cost or effort. Forward looking information considered includes the future prospects of the industries in which the Group’s debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group’s core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument’s external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor’s ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor’s ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Financial instruments(continued)

Impairment of financial assets (continued)

(i) Significant increase in credit risk (Continued)

1) The financial instrument has a low risk of default,
2) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
3) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit impaired financial assets

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

1. Significant financial difficulty of the issuer or the borrower;
2. A breach of contract, such as a default or past due event (see (ii) above);
3. the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
4. It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
5. The disappearance of an active market for that financial asset because of financial difficulties.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Financial instruments(continued)

Impairment of financial assets (continued)

(iv) Write-off policy

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

(v) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above.

As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with IAS 17 Leases.

For a financial guarantee contract, as the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.
If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12 month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Financial instruments(continued)

Derecognition of financial assets (continued)

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method. Financial liabilities that arise when a transfer of a financial asset does not qualify for de recognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Group, are measured in accordance with the specific accounting policies set out below.

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held for trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the statement of profit or loss and other comprehensive income in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to other comprehensive income. For such properties, the impairment is recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, or exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for the asset in prior years.

Such reversal is recognised in profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

p) Employee entitlements

Retirement benefits obligations - defined contribution plans

The Group operates a defined contribution pension scheme for eligible employees. The scheme is administered by an independent administration Company and is funded by contributions from the Group companies and employees. These are further discussed under Note 28.

The Group also makes contributions to the statutory defined contribution schemes in the two countries where operations are based.

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

p) Employee entitlements (Continued)

Retirement benefits obligations - defined contribution plans (continued)

The Group's obligations to the staff retirement schemes are charged to profit or loss as they fall due.

Other entitlements

Employee entitlements to long service awards and service gratuity are recognised when they accrue to employees. A provision is made for the estimated liability for long-service awards as a result of services rendered by employees up to the reporting date. These are further discussed under Note 1 (r) – service gratuities, long service awards and leave pay.

Employee entitlements to annual leave are recognised when they expected to be paid to employees. A provision is made for the estimated liability for annual leave at the reporting date. These are further discussed under Note 1 (r) – service gratuities, long service awards and leave pay.

Bonus

An accrual is recognised for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, the obligation can be estimated reliably and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

q) Provisions

Site restoration and other environmental provisions

The Group provides for the costs of restoring a site where a legal or constructive obligation exists. The estimated future costs for known restoration requirements are determined on a site-by-site basis and are calculated based on the present value of estimated future costs. The Group rehabilitates the quarried sites on an annual basis, as and when the quarried sites are disused. Hence no cost of raising a provision before exploitation of the raw materials has commenced is included in property, plant and equipment. The effect of any adjustments to the provision due to further environmental damage as a result of exploitation activities is recorded through operating costs over the life of the site, in order to reflect the best estimate of the expenditure required to settle the obligation at the end of the reporting period.

Other provisions

A provision is recognized when a legal or constructive obligation arising from past events exists, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of this amount.

Contingent liabilities. . Contingent liabilities arise from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. They are accordingly disclosed in the notes to the financial statements.

Contingencies, guarantees, commitments and contingent assets

The Group is exposed to varying degrees of uncertainty related to tax matters and regulatory reviews and audits. The Group accounts for its income taxes on the basis of its own internal analyses, supported by external advice, if appropriate. The Group continually monitors its tax position, and whenever uncertainties arise, the Group assesses the potential consequences and either accrues the liability or discloses a contingent liability in its financial statements, depending on the strength of the Group's position and the resulting risk of loss.

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

r) Service gratuities, long service award, leave pay and termination benefits

The Group provides service gratuity to unionisable staff that retire on attaining the age of 55 years or are declared redundant. These are provided to eligible employees based on each employee's length of service with the Group, as provided for in the collective bargaining agreement. The Group also provides for long service award to staff based on the length of service.

The cost of providing service gratuity and long service awards which are considered as defined benefit plan is determined by a professional actuary using the projected unit credit method.

Re-measurements, comprising of actuarial gains and losses are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset.

The Group recognises the following changes in the net defined benefit in profit or loss as:

- Service costs comprising current service costs are recognised in profit or loss under cost of sales; and
- Net interest expense or income is recognised in profit or loss under cost of sales.

Employee entitlements to annual leave are recognised when they expected to be paid to employees. A provision is made for the estimated liability for annual leave at the reporting date. Service gratuity, long service awards and leave pay provisions are disclosed in Note 27, to the financial statements.

The Group recognises a liability and expense for termination benefits at the earlier of the following dates:

(a) when the Group can no longer withdraw the offer of those benefits; and
(b) when the Group recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits.

s) Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above.

t) Segment reporting.

Performance of business Segments is reported in line with Lafargeholcim management reporting guidelines and is reviewed by the Executive Committee. The executive Committee makes strategic decisions and is responsible for allocating resources and assessing performance of the operating segments (see note 3).

u) Fair value measurement

The Group measures financial instruments such as equity investment at fair value at each reporting date. The Group also measures certain items of property, plant and equipment at fair value. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 37(b), to the financial statements.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

u) Fair value measurement (continued)

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.
The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External valuers are involved for valuation of significant assets, such as freehold land and buildings. Involvement of external valuers is decided upon annually by the finance director after discussions with and approval by the Group's audit committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In applying the Group's accounting policies, which are described in note 1(d), the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make 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 considered to be 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.

Critical judgements in applying the Group's accounting policies

There are no critical judgements, apart from those involving estimations (which are presented separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Taxation provisions

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Group recognises the net future tax benefit that relates to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the Group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the reporting date could be impacted.

Further details on income taxes are disclosed in Notes 12, 26 and 30 (d), to the financial statements.

Inventories provisioning and inventories count

Management makes provisions for spares that exceed the set maximum level based on the usage of the inventory by comparing items in stock with the recent past consumption. The maximum level is determined by taking into consideration the lead time, the specified order quantity, the source of the spares and the projected usage rate.

The inventories counts for raw materials – bulk materials including clinker, gypsum, bauxite, pozzolana and bulk cement, are carried out through a survey by an independent surveyor. This surveying process requires judgement and estimation.

Further details on inventories are given in Note 21, to the financial statements.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2022

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Revaluation of certain classes of property, plant and equipment

The Group carries certain classes of property, plant and equipment at fair value, with changes in fair value being recognised in other comprehensive income. The Group's land, buildings, plant, and machinery were revalued during the year in line with the revaluation policy of every 5 years. The previous revaluation was carried out in 31 December 2017. Land and buildings were valued on the basis of open market value by independent valuers, Knight Frank Valuers Limited.

Plant and machinery were revalued on a depreciated replacement cost basis using a valuation model prescribed by engineers and consultants at the technical centre of the ultimate shareholder.

Further details on property, plant and equipment are given in Note 15, to the financial statements.

Fair value of financial instruments

When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See Note 39, to the financial statements, for further discussion.

Site restoration

The Group makes full provision for the future cost of rehabilitating its quarry sites and related production facilities on a discounted basis at the time of developing the quarries and installing and using those facilities. On an annual basis, management, with the assistance of technical staff, makes estimations on the adequacy of the site restoration provisions. The provisions are made based on the additional open space, net of rehabilitated areas, arising from quarrying operations that took place in the year. The estimated cost per hectare is then applied to determine this adequacy. The cost per hectare is periodically assessed to factor in inflation.

Site restoration provisions are disclosed in Note 27, to the financial statements.

Post-employment benefits

The cost and the present value of the obligation of the service gratuity, long service awards and other post-employment benefits are determined using actuarial valuations by an independent actuarial valuer. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, the actuary considers the interest rates of the government bond market. The actuary also considers the mean terms of the yield of the bond and the liabilities. The mortality rate is based on publicly available mortality tables for the specific countries. Future salary increases and pension increases are based on expected future inflation rates for the respective countries.

Further details about service gratuity, long service awards and other post-employment benefits are given in Note 28, to the financial statements.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2022

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Impairment losses for non-financial assets

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Impairment exists when the carrying amount of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

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

a) 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.
b) significant changes with an adverse effect on the entity have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the entity operates or in the market to which an asset is dedicated.
c) 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.
d) the carrying amount of the net assets of the entity is more than its market capitalisation.
e) evidence is available of obsolescence or physical damage of an asset.
f) significant changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, 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.
g) evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

Further details on property, plant and equipment are given in Note 15, to the financial statements and intangible assets in Note 17, to the financial statements.

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. Dividends received are the cash flows from the CGU. The Company estimates the dividend expected yearly from each CGU and discounts these using estimated discount rates. In assessing whether there is any indication that the Goodwill is impaired, the Group considers that any observable indications that the CGU's dividends have declined significantly during the period more than would be expected in normal operations of the CGU.

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Useful lives and residual values of property, plant and equipment

The Group reviews the estimated useful lives and residual values of property, plant and equipment at the end of each reporting period. In reviewing the useful lives of property, plant and equipment, the Group considers the remaining period over which an asset is expected to be available for use by the Group. Management also looks at the number of production or similar units expected to be obtained from the property, plant and equipment. Judgment and assumptions are required in estimating the remaining useful period and estimates of the number of production or similar units expected to be obtained from the property, plant and equipment.

During the financial year, no changes to the useful lives were identified by the Directors. Further details on property, plant and equipment are given in Note 15, to the financial statements.

Contingent liabilities

As disclosed in Note 30 to the financial statements, the Group is exposed to various contingent liabilities in the normal course of business including a number of legal cases. The Directors evaluate the status of these exposures on a regular basis to assess the probability of the Group incurring related liabilities. However, provisions are only made in the financial statements where, based on the Directors' evaluation, a present obligation has been established. Judgement and assumptions are required in:

- assessing the existence of a present obligation (legal or constructive) as a result of a past event;
- assessing the probability that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- Estimating the amount of the obligation to be paid out.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12 month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Lease liability

In order to make a judgement to determine the term of the lease and the corresponding lease liability, the directors consider any options regarding extension or termination of the lease contract which may be available and whether it is probable that such options will be exercised.

Unless there is an implicit interest rate contained in the lease contract, the discount rate used to calculate the net present value of the lease liability is the group's incremental borrowing rate. This rate is estimated by the directors to be the rate which would be paid by the group to purchase a similar asset.

3. SEGMENT INFORMATION

In accordance with IFRS 8, Operating Segments, the information presented hereafter by operating segment is the same as that reported to the Chief Operating Decision Maker (the Group Managing Director) for the purposes of making decisions about allocating resources to the segment and assessing its performance.

The Group analyses its organisational structure and internal reporting system for the purpose of identifying suitable segment reporting format for the Group. The Group is organised on a regional basis into two main geographical segments: Kenya and Uganda.

Both geographical segments are mainly involved in the manufacture and sale of cement which comprises over 95% of the business activities of the Group. The remaining business activities, which include manufacture and sale of ready mix concrete, precast products and rehabilitation of quarries that are used as source of raw materials for cement production, are not deemed significant for separate segment reporting. There are no segments that are aggregated.

Revenue, assets and liabilities of the segment are measured in a manner consistent with that of the financial statements. The transactions are carried at transfer pricing arrangements between the segments sales between the segments are made at prices that approximate market prices.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2022

3. SEGMENT INFORMATION (continued)

Group management internally evaluates its performance based upon:

- Operating income before capital gains, impairment and restructuring; and
- Capital employed (defined as the total of goodwill, intangible and tangible assets and working capital).

Year ended 31 December 2022 - All figures in millions of Kenya Shillings

	Kenya	Uganda	Adjustments and eliminations	Consolidated
Revenue				
External customers	20,521	18,477	-	38,998
Inter-segment (Geographical)	204	-	(204)	-
Total revenue	20,725	18,477	(204)	38,998
Cost of sales	(18,280)	(16,661)	204	(34,737)
Gross profit	2,445	1,816	-	4,261
Gross profit margin	12%	10%	-	11%
Other income	20	-	-	20
Finance income	36	32	-	68
Finance costs	67	225	-	292
Profit before tax	660	(25)	-	635
Income tax expense	(402)	(52)	-	(454)
Profit for the year	258	(77)	-	181
Segment assets	33,555	23,385	(853)	56,087
Segment liabilities	7,871	10,098	(157)	17,812
Depreciation and amortisation	1,350	1,300	-	2,650
Impairment/reversal of impairment of property, Plant and equipment	84	(46)	-	38

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2022

3. SEGMENT INFORMATION (continued)

Year ended 31 December 2021 - All figures in millions of Kenya Shillings

	Kenya	Uganda	Adjustments and eliminations	Consolidated
Revenue				
External customers	24,826	16,555	-	41,381
Inter-segment (Geographical)	-	52	(52)	-
Total revenue	24,826	16,607	(52)	41,381
Cost of sales	(21,546)	(14,791)	52	(36,285)
Gross profit	3,280	1,816	-	5,096
Gross profit margin	13%	11%	-	12%
Other income	17	-	-	17
Finance income	56	22	-	78
Finance costs	(58)	(163)	-	(221)
Profit before tax	1,715	457	-	2,172
Income tax expense	(599)	(193)	-	(792)
Profit for the year	1,116	264	-	1,380
Segment assets	31,045	21,393	(710)	51,728
Segment liabilities	7,893	8,503	80	16,475
Depreciation and amortisation	1,362	1,258	-	2,620
Impairment of property, Plant and nent	23	159	-	182

Total assets are shown by the geographical area in which the assets are located. Segment assets consist primarily of property, plant and equipment, intangible assets, inventories, receivables and operating cash and cash equivalents. Segment liabilities comprise trade and other payables, dividends payable and certain corporate borrowings. This figure excludes investment in subsidiaries.

The adjustments and eliminations relate to intercompany transactions and balances (Note 33). The adjustments and eliminations are effected while consolidating the financial information for the Group.

Information about major customers:

Included in the Group's revenues of Kes 38,998 million (2021: Kes 41,381 million) are approximately Kes 204 million (2021: Kes 52 million) which arose from sales to the Group's largest customer arising from the Kenyan segment.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2022

4. REVENUE

GROUP	Kenya 2022 Kes'million	Kenya 2021 Kes'million	Uganda 2022 Kes'million	Uganda 2021 Kes'million	Consolidated 2022 Kes'million	Consolidated 2021 Kes'million
Cement (Note 6)	19,298	22,833	18,462	16,500	37,556	39,333
Precast products	402	423	-	-	402	423
Ready mix	431	620	-	-	431	620
Other*	81	74	-	-	81	74
Transport services	513	876	15	55	528	931
Net sales	20,725	24,826	18,477	16,555	38,998	41,381

The other revenue includes mainly service delivery income from tourism activities earned by Lafarge Eco Systems Limited, a subsidiary of Bamburi Cement Plc.

COMPANY	2022 Kes'million	2021 Kes'million
Cement	19,627	23,238
Transport services	476	830
Net sales	20,103	24,06

5. COST OF SALES

	GROUP 2022 Kes'million	GROUP 2021 Kes'million	COMPANY 2022 Kes'million	COMPANY 2021 Kes'million
Distribution costs				
Cost of transport services	3,762	4,028	1,618	2,028
Packaging materials	1,575	1,572	720	808
Staff costs (Note 11(b))	377	369	274	254
Diesel	240	105	1	1
Depreciation	214	219	120	118
Depreciation of right-of-use assets	91	59	-	-
Other distribution expenses	1,101	1,021	612	637
Total distribution cost	**7,360**	**7,373**	**3,345**	**3,846**
Production cost of goods sold				
Elimination of cost of sales-intra-group	(594)	(518)	-	-
Cost of finished goods purchased	7,250	7,105	2,676	3,452
Third party raw materials costs	5,647	6,093	2,006	2,520
Production materials	660	652	316	373
Energy	3,644	3,117	2,567	1,992
Electricity	3,097	3,842	2,049	2,782
Staff costs (Note 11(b))	1,605	1,491	850	884
Other production expenses	3,101	3,534	2,465	3,009
Maintenance expenses	1,288	1,257	634	682
Changes in inventory	(516)	(152)	(433)	(80)
Depreciation	2,144	2,114	1,179	1,146
Depreciation of right-of-use assets	37	15	-	-
Amortisation	14	13	3	2
Total production cost of goods sold	**27,377**	**28,563**	**14,312**	**16,762**
Cost of sales	**34,737**	**35,936**	**17,657**	**20,608**
Cost of goods sold	30,975	31,908	16,039	18,580
Transport service costs	3,762	4,028	1,618	2,028
Cost of sales	**34,737**	**35,936**	**17,657**	**20,608**

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2022

6. REBATES

The Group and the Company offer rebates to the customers who meet the terms and conditions based on the existing rebates policies. The cement revenues are presented net of rebates. During the year the rebates offered by the Group and the Company were as follows:

	GROUP 2022 Kes'million	GROUP 2021 Kes'million	COMPANY 2022 Kes'million	COMPANY 2021 Kes'million
Rebates	1,257	605	537	585

7. OTHER INCOME AND FINANCE INCOME/COSTS

	GROUP 2022	GROUP 2021	COMPANY 2022	COMPANY 2021
i) Other income				
Rental income	20	17	20	17
Dividends received from subsidiary	-	-	232	-
Total other income	**20**	**17**	**252**	**17**
ii) Finance income				
Interest income - cash deposits with local banks	51	71	13	48
Interest income - Related parties	17	7	17	7
Total finance income	68	78	30	55
iii) Finance costs				
Interest payable on borrowings	31	17	-	-
Interest payable on borrowings from related parties	140	93	-	-
Interest on lease liabilities	80	68	-	-
Interest cost on employee benefit liabilities	41	43	36	38
Total finance costs	**292**	**221**	**36**	**38**

8. OTHER GAINS AND LOSSES

	GROUP 2022	GROUP 2021	COMPANY 2022	COMPANY 2021
Gain/(loss) on disposal of assets	112	210	(20)	-
Gain on reassessment of leases		9	-	-
Foreign exchange losses	(687)	(862)	(346)	(65)
Foreign exchange gains	498	933	349	120
	(189)	71	3	55
Total other gains and losses	**(77)**	**290**	**(17)**	**55**

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022

9, OPERATING EXPENSES

(i) Marketing and sales expenses

	GROUP		COMPANY	
	2022 Kes'million	2021 Kes'million	**2022 Kes'million**	2021 Kes'million
Staff costs (note 11(b))	363	348	222	202
Third party services	254	196	80	121
Other marketing and sales expenses	74	4	31	10
Depreciation	6	11	3	3
Depreciation of right-of-use assets	64	64	-	-
Total marketing and sales expenses	**761**	**623**	**336**	**336**

(ii) Administration expenses

	GROUP		COMPANY	
	2022 Kes'million	2021 Kes'million	**2022 Kes'million**	2021 Kes'million
Staff costs (note 11(b))	891	924	516	568
Third party services	172	465	98	268
Other administration expenses	551	353	190	174
Bank charges	17	18	10	11
Depreciation	27	18	13	11
Depreciation of right-of-use assets	51	36	-	-
Amortisation of intangible assets	1	6	1	1
Other operating expenses (note 10)	904	859	495	516
Total administration expenses	**2,614**	**2,679**	**1,323**	**1,549**

(iii) Impairment of other assets

Property, plant & equipment (note 15(a))	84	23	84	-
Capital work in progress (Note 15(a))	(46)	159	-	-
	38	182	84	-

10 OTHER OPERATING EXPENSES

Technical fees (Note 33 (a))	904	859	495	516

11. (a) PROFIT BEFORE TAX

Profit before tax is arrived at after charging				
Staff costs (note 11(b))	3,236	3,132	1,862	1,908
Depreciation on property, plant and equipment (note 11(c))	2,392	2,362	1,314	1,278
Amortisation of intangible assets (note 17)	5	10	4	3
Amortisation of prepaid lease rentals (note 16(a))	9	9	-	-
Depreciation on right-of use-of asset (note 16(b))	243	174	-	-
Directors' fees (note 33)	13	13	13	13
Auditors' remuneration	20	19	9	8
And after crediting:				
Interest income (note 7)	68	78	30	55
Gain on disposal of plant and equipment (note 8)	112	210	20	-
Net foreign exchange gains/(losses) (note 8)	(189)	71	3	55

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022

11 (b) STAFF COSTS

	GROUP		COMPANY	
	2022 Kes'million	2021 Kes'million	**2022 Kes'million**	2021 Kes'million
Salaries and wages	1,540	1,513	996	977
Retirement benefits costs	233	230	133	128
Staff welfare costs	1,463	1,389	733	803
	3,236	3,132	1,862	1,908

Presented as:

Cost of sales (note 5)	1,982	1,860	1,124	1,138
Administration expenses (note 9)	891	924	516	568
Marketing and sales expenses (Note 9(i))	363	348	222	202
	3,236	3,132	1,862	1,908

(c) DEPRECIATION AND AMORTIZATION

Depreciation on property, plant and equipment, amortisation of intangible assets and depreciation of right-of-use assets is presented as follows:

	GROUP		COMPANY	
	2022 Kes'million	2021 Kes'million	**2022 Kes'million**	2021 Kes'million
Depreciation				
Cost of production (Note 5)	2,359	2,333	1,298	1,264
Marketing and sales expenses (Note 9(i))	6	11	3	3
Administration expenses (Note 9(ii))	27	18	13	11
	2,392	**2,362**	**1,314**	**1,278**
Amortization				
Cost of production (Note 5)	14	13	3	2
Administration expenses (Note 9(ii))	1	6	1	1
	15	**19**	**4**	**3**
Depreciation of right-of-use assets				
Cost of production (Note 5)	128	74	-	-
Marketing and sales expenses (Note 9(i))	64	64	-	-
Administration expenses (Note 9(ii))	51	36	-	-
	243	**174**	**-**	**-**

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2022

12 TAX

	GROUP 2022 Kes'million	GROUP 2021 Kes'million	COMPANY 2022 Kes'million	COMPANY 2021 Kes'million
(a) Tax charge				
Current tax based on the adjusted profit at 30%	500	895	456	845
Income taxation - previous years	-	25	-	-
	500	**920**	**456**	**845**
Deferred tax (credit) / charge at 30% (Note 26):				
-current year	(46)	(103)	(155)	(273)
-prior years	-	(25)	-	1
	(46	**(128)**	**(155)**	**(272)**
Tax charge	**454**	**792**	**301**	**573**
Other comprehensive income charge / (credit)				
Income tax effect of actuarial gains/(losses) (Note 28)	(4)	8	(6)	8
Revaluation gains	1,370	-	1,370	-
	1,366	8	1,364	8
(b) Reconciliation of expected tax based on accounting profit to tax charge:				
Profit before tax	**906**	**2,172**	**910**	**1,671**
Tax calculated at the domestic rates applicable*	272	652	273	501
Tax effect of expenses not deductible for tax purposes	245	138	112	70
Tax effect of change in tax rate *	-	2	-	2
Tax impact of other non-deductible	(14)	-	(14)	
Tax impact of discontinues operations HCL	(3)	-	-	-
(Over)/under provision of deferred tax in prior years	(54)	(25)	-	1
Income tax prior years	(4)	25		-
Tax effect on qualifying investment income	(69)	-	(70)	-
Tax charge	**373**	**792**	**301**	**573**

* The tax rate in Kenya for the year ended 31 December 2022 was 30 % (2021: 30%). The tax rate in Uganda was 30% (2021: 30%).

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2022

12. TAX (Continued)

	GROUP 2022 Kes'million	GROUP 2021 Kes'million	COMPANY 2022 Kes'million	COMPANY 2021 Kes'million
(c) Corporate tax (recoverable)/ payable				
At the beginning of the year	(458)	(118)	(136)	251
Tax charge -Current	500	895	456	845
-Prior years	-	25	-	-
Tax paid	(845)	(1,237)	(775)	(1,225)
Withholding tax paid	(10)	(13)	(3)	(7)
Translation gain	(14)	(10)	-	-
At end of the year	**(827)**	**(458)**	**(458)**	**(136)**
Comprising:*				
Tax payable	-	49	-	-
Tax recoverable	(827)	(507)	(458)	(136)

The Company will apply for a refund of the tax overpayment.

13. EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing the net profit attributable to the ordinary equity holders by the weighted average number of ordinary shares in issue during the year, as shown below.

There were no potentially dilutive shares as at 31 December 2022 and as at 31 December 2021.

	GROUP 2022	GROUP 2021
Profit for the year attributable to owners of the parent Company (Kes million)	204	1,301
Weighted average number of ordinary shares (million)	363	363
Basic and diluted earnings per share (Kes)	0.56	3.58

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022

14. DIVIDENDS

		GROUP AND COMPANY 2022 Kes'million	2021 Kes'million
(a)	Unclaimed dividends		
	At beginning of year		-
	Declared and approved during the year - [Note 14 (b)]	1,301	1,089
	Dividends claimed/paid in the year	(1,301)	(1,089)
	At end of year	-	-
(b)	Dividends declared/approved during the year 2022 and 2021:		
	Final dividends for previous year	1,301	1,089
	Interim dividends for current year	-	-
		1,301	1,089
(c)	Dividends declared/proposed in respect of the year		
	Interim dividend - paid in the year	-	-
	Proposed for approval at the annual general meeting (not recognised as a liability as at 31 December)	272	1,301
		272	1,301
	Dividends per share (based on 363 million shares)	2.75	3.58

During the year, the Directors did not recommend payment of an interim dividend.

Withholding tax payment of dividends is subject to withholding tax at a rate of 10% for non-resident shareholders of the Company and 5% for resident shareholders. For resident owners of the Company, withholding tax is only deductible where the shareholding is below 12.5%.

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022

15. PROPERTY, PLANT AND EQUIPMENT

a) GROUP

Year ended 31 December 2022

	Land and residential buildings Kes'million	Plant and machinery Kes'million	Office equipment and tools Kes'million	Capital work-in-progress * Kes'million	Total Kes'million
Cost or valuation					
At 1 January 2022	14,383	52,935	2,512	1,957	71,787
Transfers from capital work-in-progress*	59	1,349	103	(1,511)	-
Additions	-	74	16	1,153	1,243
Impairment losses**	(516)	(1,443)	(3)	46	(1,916)
Disposals	(230)	-	(22)	(158)	(410)
Revaluation adjustment	999	4,566	-	-	5,565
Transfer on revaluation****	-	(21,178)	-	-	(21,178)
Translation gains***	141	793	24	26	984
At 31 December 2022	14,836	37,096	2,630	1,513	56,075
Depreciation					
At 1 January 2022	3,041	31,369	1,981	-	36,391
Charge for the year	219	2,087	86	-	2,392
Elimination on impairments**	-	(1,360)	(2)	-	(1,362)
Elimination of depreciation on disposal	(18)	-	(17)	-	(35)
Transfer on revaluation****	-	(21,178)	-	-	(21,178)
Translation gains ***	70	376	14	-	460
At 31 December 2022	3,312	11,294	2,062	-	16,668
NET CARRYING AMOUNT	11,524	25,802	568	1,513	39,407

* Capital work-in-progress represents costs incurred on ongoing work in respect of additions and replacements to various plants at year-end. Capital work-in-progress is not depreciated until the plants are completed and brought into use

** During the year, management carried out an impairment assessment of the Group's plant and machinery, office equipment and tools. This review resulted in the impairment of assets whose carrying value was Kes 600 million and an impairment reversal on capital work in progress of Kes 46 million (2021: Kes 159 million).

*** The translation gains arise from the translation of the carrying amounts of assets held by a subsidiary, Himcem Holdings Limited into the Group's reporting currency.

**** This transfer relates to the accumulated depreciation as at the revaluation date that was eliminated against the gross carrying amount of the revalued asset.

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022

15. PROPERTY, PLANT AND EQUIPMENT

a) GROUP

Year ended 31 December 2021

	Land and residential buildings Kes'million	Plant and machinery Kes'million	Office equipment and tools Kes'million	Capital work-in-progress * Kes'million	Total Kes'million
Cost or valuation					
At 1 January 2021	13,973	50,632	2,315	1,488	68,408
Transfers from capitalwork-in-progress*	159	694	189	(1,042)	-
Additions	36	30	13	1,609	1,688
Impairments**	-	(1)	(39)	(159)	(199)
Disposals	(65)	-	(10)	-	(75)
Translation gains***	280	1,580	44	61	1,965
At 31 December 2021	14,383	52,935	2,512	1,957	71,787
Depreciation					
At 1 January 2021	2,661	28,687	1,901	-	33,249
Charge for the year	257	2,025	80	-	2,362
Elimination on impairments**	-	(1)	(16)	-	(17)
Elimination of depreciation on disposal	(1)	-	(6)	-	(7)
Translation gains ***	124	658	22	-	804
At 31 December 2021	3,041	31,369	1,981	-	36,391
NET CARRYING AMOUNT	11,342	21,566	531	1,957	35,396

* Capital work-in-progress represents costs incurred on ongoing work in respect of additions and replacements to various plants at year-end. Capital work-in-progress is not depreciated until the plants are completed and brought into use

** During the year, management carried out an impairment assessment of the Group's plant and machinery, office equipment and tools. This review resulted in the impairment of assets whose carrying value was Kes 23 million and capital work in progress whose carrying value was Kes 159 million.

*** The translation gains arise from the translation of the carrying amounts of assets held by a subsidiary, Himcem Holdings Limited into the Group's reporting currency..

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022

15. PROPERTY, PLANT AND EQUIPMENT (continued)

b) COMPANY

Year ended 31 December 2022

	Land and residential buildings Kes'million	Plant and machinery Kes'million	Office equipment and tools Kes'million	Capital-work-in-progress Kes'million	Total Kes'million
Cost or valuation					
As at 1 January 2022	9,635	30,996	1,580	1,098	43,309
Disposal	(98)	-	-	-	(98)
Transfers from capital WIP	53	1,223	103	(1,379)	-
Additions	-	-	-	946	946
Revaluation increase	999	4,566	-	-	5,565
Transfer on revaluation	-	(21,178)	-	-	(21,178)
Impairments	(516)	(1,443)	(2)	-	(1,961)
At 31 December 2022	10,073	14,164	1,681	665	26,583
Depreciation					
As at 1 January 2022	1,186	21,807	1,428	-	24,421
Elimination on disposal	(18)	-	-	-	(18)
Transfer on revaluation	-	(21,178)	-	-	(21,178)
Elimination on impairment	-	(1,360)	(1)	-	(1,361)
Charge for the year	89	1,191	34	-	1,314
At 31 December 2022	1,257	460	1,461	-	3,178
Net carrying amount					
At 31 December 2022	8,816	13,704	220	665	23,405

Year ended 31 December 2021

	Land and residential buildings Kes'million	Plant and machinery Kes'million	Office equipment and tools Kes'million	Capital-work-in-progress Kes'million	Total Kes'million
Cost or valuation					
As at 1 January 2021	9,489	30,533	1,580	575	42,177
Disposal	-	-	-	-	-
Transfers from capital WIP	146	463	-	(609)	-
Additions	-	-	-	1,132	1,132
At 31 December 2021	9,635	30,996	1,580	1,098	43,309
Depreciation					
As at 1 January 2021	1,106	20,639	1,398	-	23,143
Eliminated on disposal	-	-	-	-	-
Charge for the year	80	1,168	30	-	1,278
At 31 December 2021	1,186	21,807	1,428	-	24,421
Net carrying amount					
At 31 December 2021	8,449	9,189	152	1,098	18,888

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2022

15. PROPERTY, PLANT AND EQUIPMENT (continued)

c) OTHER DISCLOSURES

If the re-valued property, plant and equipment were stated on the historical cost basis, the amounts would be as follows:

	GROUP		COMPANY	
	2022 Kes' Millions	2021 Kes' Millions	2022 Kes' Millions	2021 Kes 'Millions
COST				
Land	1,681	1,423	501	638
Buildings and installations	6,772	6,517	2,399	2,453
Machines	37,270	35,332	14,334	13,474
Translation Gain	1	(14)		
TOTAL	**45,724**	**42,258**	**17,234**	**16,565**
ACCUMULATED DEPRECIATION				
Land	(303)	(176)	(1)	(1)
Buildings and installations	(2,943)	(2,540)	(777)	(746)
Machines	(19,222)	(17,183)	(8,415)	(8,171)
Translation loss	1	(14)	-	-
TOTAL	**(22,467)**	**(19,913)**	**(9,193)**	**(8,917)**
Net carrying amount	**23,257**	**23,345**	**8,041**	**7,648**

The Group's and the Company's land, buildings, plant, and machinery were re-valued during the year. Land and residential buildings were valued on the basis of open market value by independent valuers, Knight Frank Valuers Limited.

Plant and machinery were re-valued on a depreciated replacement cost basis using a valuation model prescribed by engineers and consultants at the technical centre of the ultimate shareholder. The previous revaluation for the company was done in 2017.

Freehold land and residential buildings at cost include land with a carrying amount of Kes 528 million (2021: Kes 528 million) located in Mombasa and Athi River.

d) IMPACT OF THE ENACTMENT OF THE LAND REGISTRATION ACT NO. 3 2012 ON THE COMPANY'S LAND HOLDING STATUS

The current Kenyan Constitution, enacted on 27 August 2010, introduced significant changes in the rules for landholding by non-citizens. The Constitution no longer allows foreigners and foreign bodies to own freehold land and leasehold land in excess of 99 years. Freehold land and leasehold land of more than 99 years tenure owned by foreigners and foreign bodies automatically becomes 99 year leases upon enactment of the required legislation under Articles 65(4) of the constitution. These changes in the landholding rules took effect on 2 May 2012 upon the enactment of the Land Registration Act No. 3 of 2012.

As per the definition of Articles 65(3) of the constitution, the Company is a non-citizen and hence the status of its freehold land changes to 99 years lease.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2022

16.(a) PREPAID OPERATING LEASE RENTALS

	GROUP		COMPANY	
	2022 Kes'million	2021 Kes'million	2022 Kes'million	2021 Kes'million
Cost				
At 1 January	223	206	-	-
Translation gains *	8	17	-	-
At 31 December	231	223	-	-
Amortisation				
At 1 January	116	90	-	-
Translation (loss)/gains*	(4)	8	-	-
Charge for the year	9	9	-	-
At 31 December	121	107	-	-
Net carrying amount	110	116	-	-

The operating lease prepayments represent rentals paid by a subsidiary Hima cement limited in Uganda for parcels of leasehold land. The lease rentals are paid in full at the inception of the lease and the company amortises the amount over the lease period on a straight-line basis. Management has assessed that on expiry of the lease they can only renew the lease term but the company does not have the option to purchase and hence no finance lease recognition is required.

*The translation (loss)/gains arise from the translation of the carrying amounts of assets held by a subsidiary, Himcem Holdings Limited into the reporting currency.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

16.(b) RIGHT OF USE ASSETS - GROUP

	Land Kes'million	Buildings Kes'million	Machinery & equipment Kes'million	Furniture & equipment Kes'million	Motor vehicles Kes'million	Total Kes'million
Year ended 31 December 2022						
COST						
As at 1 January 2022	-	54	13	77	804	948
Additions	-	11	-	1	504	516
Eliminations on termination	-	-	-	(8)	-	(8)
Translation gains/(loss)*	-	2	1	-	48	51
As 31 December 2022	-	67	14	70	1,356	1,507
DEPRECIATION						
As at 1 January 2022	-	44	13	64	403	524
Charge for the year	-	14	-	3	221	238
Eliminations on termination	-	-	-	(1)	-	(1)
Translation gains/(loss)*	-	1	1	-	23	25
As 31 December 2022	-	59	14	66	647	786
NET CARRYING VALUE At 31 December 2022	-	8	-	4	709	721
Year ended 31 December 2021						
COST						
As at 1 January 2021	-	112	14	66	599	791
Additions	-	7		10	204	221
Eliminations on disposal	-	(70)	-	-	(50)	(120)
Translation gains/(loss)*	-	5	(1)	1	51	56
As 31 December 2021	-	54	13	77	804	948
DEPRECIATION						
As at 1 January 2021	-	60	14	52	258	384
Charge for the year	-	12	-	12	150	174
Eliminations on disposal	-	(31)	-	-	(28)	(59)
Translation gains/(loss)*	-	3	(1)	-	23	25
As 31 December 2021	-	44	13	64	403	524
NET CARRYING VALUE At 31 December 2021	-	10	-	13	401	424

*The translation gains/ (loss) arise from the translation of the carrying amounts of assets held by a subsidiary, Himcem Holdings Limited into the reporting currency.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

17.(a) INTANGIBLE ASSETS – COMPUTER SOFTWARE

	GROUP		COMPANY	
Cost	**2022 Kes'million**	2021 Kes'million	2022 Kes'million	2021 Kes'million
At 1 January	817	799	610	609
Additions	-	2	-	1
Translation gains*	7	16	-	-
At 31 December	824	817	610	610
Amortisation				
At 1 January	788	764	588	586
Charge for the year	5	10	4	2
Translation gains*	7	14	-	-
At 31 December	800	788	592	588
Net carrying amount	24	29	18	22

(b) LIMESTONE RESERVES

Cost				
At 1 January	779	721	-	-
Translation gains*	28	58	-	-
At 31 December	807	779	-	-
Amortisation				
At 1 January	175	161	-	-
Charge for the year	1	1	-	-
Translation gains*	6	13	-	-
At 31 December	182	175	-	-
Net carrying amount	625	604	-	-

*The translation gains arise from the translation of the carrying amounts of assets held by a subsidiary, Himcem Holdings Limited into the Group's reporting currency.

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022

18. INVESTMENTS IN SUBSIDIARIES

a) Information about subsidiaries

The financial statements of the Company include investments in subsidiaries as below.

These investments are unquoted and held at cost less accumulated impairment loss.

	Principal place of business	Holding %	COMPANY 2022 Kes'million	2021 Kes'million
Bamburi Special Products Limited	Kenya	100	20	20
Bamburi Cement Plc, Uganda*	Uganda	100	-	-
Himcem Holdings Limited	Channel Islands	100	911	911
Lafarge Eco Systems Limited	Kenya	100	130	130
Less: Provision for impairment loss in value of investment in Lafarge Eco Systems Limited	Kenya		(91)	(91)
Diani Estate Limited	Kenya	100	839	839
Binastore Limited	Kenya	100	100	100
Less: Provision for impairment loss in value of investment in Binastore Limited	Kenya		(100)	(100)
Kenya Cement Marketing Limited*	Kenya	50	-	-
Portland Mines Limited*	Kenya	50	-	-
			1,809	1,809

Except where indicated above, the subsidiaries are incorporated in Kenya. Himcem Holdings Limited has a 70% holding in its subsidiary, Hima Cement Limited, a Company incorporated in Uganda.

* The amount of investments for Kenya Cement Marketing Limited, Bamburi Cement Plc - Uganda and Portland Mines Limited is below Kes 1,000,000.

Movement in the diminution of investments	2022 Kes' million	2021 Kes' million
At beginning of year	1,809	1,809
Movement in the year	-	-
At end of year	**1,809**	**1,809**

In the year 2019, management reviewed the cost of investment versus the net assets of Lafarge Eco Systems Limited and Binastore Limited and this led to write down of the cost of investment to the subsidiary's net asset value.

Both entities are not separate cash generating units from the parent company, Lafarge Eco Systems Limited was set up to undertake quarry rehabilitation on behalf of the parent while Binastore Limited's principal activity is to promote the distribution of parent company's products. The parent company finances the operations of the two entities.

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022

18. INVESTMENTS IN SUBSIDIARIES (continued)

b) Material partly-owned subsidiary

Financial information of subsidiary that has material non-controlling interests is provided below:

Proportion of equity interest held by non-controlling interests:

Name	Country of incorporation and operation	2022	2021
Hima Cement Limited	Uganda	30%	30%

	2022 Kes' million	2021 Kes' million
Accumulated balances of material non-controlling interest	4,231	4,111
Profit/(loss) for the year allocated to material non-controlling interest	(23)	79
Other comprehensive income	143	283
Total comprehensive income/(loss) allocated to material non-controlling interest	120	362

The summarised financial information of the subsidiary is provided below. This information is based on amounts before inter-company eliminations.

Summarised statement of profit or loss	2022 Kes' million	2021 Kes' million
Revenue	18,477	16,607
Cost of goods sold	(14,547)	(12,738)
Cost of transport service	(2,115)	(1,938)
Gross profit	**1,815**	**1,931**
Marketing and sales expenses	(286)	(206)
Administration expenses	(1,234)	(1,015)
Impairment of Property, plant and equipment	46	(159)
Other gains and losses	(172)	48
Operating profit	**169**	**599**
Finance income	31	22
Finance costs	(225)	(164)
Net finance costs	(194)	(142)
Profit before tax	**(25)**	**457**
Tax charge	(52)	(193)
Profit for the year	**(77)**	**264**
Other comprehensive income, net of tax	7	(5)
Total comprehensive income for the year	(70)	259

YEARS OF SUSTAINABILITY

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2022

18. INVESTMENTS IN SUBSIDIARIES (Continued)

b) Material partly-owned subsidiary (Continued)

Summarised statement of financial position as at 31 December	**2022 Kes' million**	2021 Kes' million
Non-current assets Property, plant and equipment and other non-current assets	16,502	16,532
Current assets Inventories and cash and bank balances and other current assets	6,883	4,860
Current liabilities Trade and other payables and other current liabilities	(6,179)	(2,755)
Non-current liabilities	(3,918)	(5,747)
Total equity and reserves	13,288	12,890
Equity holders of parent	9,302	9,023
Non-controlling interest	3,986	3,867
	13,288	12,890
Summarised cash flow information for year ending 31 December		
Operating cash inflows	595	213
Investing cash outflows	(116)	(469)
Financing cash outflows	(232)	(157
Net increase in cash and cash equivalents	247	413

19. EQUITY INVESTMENTS – FVTOCI

These represent investments in Equity instruments designated as at FVTOCI which are carried at fair value.

The Company has classified equity investments at FVTOCI as this instruments are held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset meet the SPPI test.

a) Movement in the equity investments

	GROUP AND COMPANY	
The East African Portland Cement Plc	**2022 Kes'million**	2021 Kes'million
At 1 January	75	124
Fair value loss (Note 19(b))	2	(49)
At 31 December	77	75

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2022

19. EQUITY INVESTMENTS –FVTOCI

b) Analysis of the equity investments

	Number of shares			Valuation			
Quoted investments	At 1.1.2022 units	Additions/ (disposals) units	At 31.12.2022 units	At 1.1.2022 Kes' million	Additions/ (disposals) Kes' Million	Increase/ (decrease) in market value Kes' million	At 31.12.2022 Kes' million
The East African Portland Cement Plc	11,265,068	-	11,265,068	75	-	2	77

	Number of shares			Valuation			
Quoted investments	At 1.1.2021 units	Additions/ (disposals) units	At 31.12.2021 units	At 1.1.2021 Kes' million	Additions/ (disposals) Kes' Million	Increase/ (decrease) in market value Kes' million	At 31.12.2021 Kes' million
The East African Portland Cement Plc	11,265,068	-	11,265,068	124	-	(49)	75

20. GOODWILL

	GROUP	
	2022 Kes'million	2021 Kes'million
At beginning and end of the year	217	217

The goodwill amounting to Kes 217 million arose from the acquisition of a subsidiary, Himcem Holdings Limited, in 1999. Himcem is the majority owner of the Group's operating Company in Uganda, Hima Cement Limited. The whole amount has been allocated to the subsidiary, which the Group considers as a cash generating unit (CGU). Determination of goodwill impairment involves an estimation of the value in use of the cash-generating unit to which goodwill has been allocated.

The amount of the goodwill has been determined based on a value in use calculation using cash flow projections covering a period of 10 years. The cash flows from the cash generating unit are based on expected EBITDA growth rate of 5% in 2023 and 5.9% thereafter for the next 9 years. The expected cash flows are based on past experience on earnings generated from the CGU. The yearly earnings generated are expected to remain stable in the period stipulated. Management is of the opinion that any possible reasonable change in these assumptions would not cause the global carrying amount to exceed the recoverable amount.

During the current financial year, the directors assessed the recoverable amount of goodwill and determined that the goodwill is not impaired. The recoverable amount of the cash generating units was assessed by reference to value in use.

Sensitivity analysis

The Group has conducted an analysis of the sensitivity of the impairment test to changes in the key assumptions used to determine the recoverable amount of the CGU to which goodwill is allocated. The directors believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the CGU.

At the beginning of the financial year and at the end of the year the recoverable amount was substantially in excess of its book value.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

21. INVENTORIES

	GROUP		COMPANY	
	2022 Kes'million	2021 Kes'million	2022 Kes'million	2021 Kes'million
Raw materials	745	863	326	463
Semi-finished and finished products	2,249	983	550	471
Fuels	1,395	1,222	1,135	998
Parts and supplies	3,345	2,823	1,513	1,316
Provision for obsolete inventory (Parts and supplies)	(902)	(884)	(379)	(379)
Parts and supplies net of provision	2,443	1,939	1,134	937
	6,832	5,007	3,145	2,869

(b) Movement in provision of obsolete inventory

At beginning of year	884	955	379	427
Utilization	-	(48)	-	(48)
Foreign exchange adjustments	18	(23)	-	-
At end of year	902	884	379	379

During 2022, Kes 16,686 million (2021: Kes 17,974 million) and Kes 7,132 million (2021: Kes 9,066 million), for the Group and the Company, respectively, was recognised as an expense for inventories. This is recognised in the cost of sales.

22. TRADE AND OTHER RECEIVABLES

(a) Analysis of trade and other receivables:

	GROUP		COMPANY	
	2022 Kes'million	2021 Kes'million	2022 Kes'million	2021 Kes'million
Trade receivables	1,595	1,649	868	789
Other receivables*	1,704	575	589	106
Loss allowance	(683)	(742)	(247)	(225)
Net trade and other receivables	2,616	1,482	1,210	670
Prepayments	214	782	162	143
Receivables from related companies [Note 33 (b)]	134	155	1,234	1,174
	2,964	2,419	2,606	1,987

**The other receivables include advances to staff, insurance recoverable and accrued interest.*

22. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2022 Kes'million	2021 Kes'million	2022 Kes'million	2021 Kes'million

(b) Movement in loss allowances

At beginning of year	742	764	225	232
Foreign exchange adjustments	9	25	-	-
Bad debts written off	(74)	-	-	-
Recoveries/(reversals)	(27)	(63)	-	(18)
Increase in loss allowance charged to profit/loss	33	16	22	11
At end of year	683	742	247	225

The average credit period on sales of finished goods is 30 days. The bulk of the trade receivables are covered by bank guarantees in favour of the Group and the Company. Before accepting any new customer, the Group and the Company uses a credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed quarterly.

In determining the recoverability of a trade receivable, the Group and the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date.

Other receivables and receivables from related companies are all performing and no impairment losses have been recognised for them. Additional disclosures for credit risk management are in Note 37 (ii)).

23. CASH AND CASH EQUIVALENTS

(a) Analysis of cash and cash equivalents:

	GROUP		COMPANY	
	2022 Kes'million	2021 Kes'million	2022 Kes'million	2021 Kes'million
Cash at bank and on hand	3,436	3,353	1,801	1,522
Short term deposits (Note 23(d))	847	3,581	543	3,581
	4,283	6,934	2,344	5,103

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022

23. CASH AND CASH EQUIVALENTS (continued)

(b) Reconciliation to cash flow statement

For the purposes of the statement of cash flows, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash in hand and deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Analysis of cash and cash equivalents is as set out below:

	GROUP		COMPANY	
	2022 Kes'million	2021 Kes'million	**2022 Kes'million**	2021 Kes'million
Bank and cash balances: - note 23(a)	4,283	6,934	2,344	5,103
Bank overdrafts (note 23(c))	(316)	(245)	-	-
Balances per statement of cash flows	3,967	6,689	2,344	5,103
(c) Analysis of bank overdrafts				
Citibank NA	316	245	-	-
	316	245	-	-

Bank overdrafts are unsecured and have been classified as current liabilities. The bank overdraft at Citibank NA was denominated in Kenya Shillings (KES) and is held by Bamburi Special Products, a Kenya subsidiary of the Company. The bank overdraft is unsecured and denominated in KES with effective interest rate of 12% p.a. (2021-8.2% p.a)

	GROUP		COMPANY	
	2022 Kes'million	2021 Kes'million	2022 Kes'million	2021 Kes'million
(d) Short term deposits				
Short term financial deposit	543	3,581	543	3,581
Call deposits at amortized cost	304	-	-	-

The weighted average interest rates earned on the cash deposited with local banks during the year were as shown below:

	GROUP		COMPANY	
	2022	2021	**2022**	2021
Local currencies	8.5%		-	

The USD denominated Short Term Deposit is held with LafargeHolcim International Finance Ltd, a related party by virtue of common shareholding and/or directorship. The deposit earned an interest equal to the 3-months USD LIBOR plus margin of 0.03% and was fixed quarterly in advance. The interest on the deposit is calculated with [actual/360] days and was paid at end of each quarter, net of all applicable taxes and levies.

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022

24. SHARE CAPITAL

	GROUP AND COMPANY	
	2022 Kes'million	2021 Kes'million
Authorised		
366,600,000 ordinary shares of Kes 5 each	1,833	1,833
100,000, 7% redeemable cumulative preference shares of Kes 20 each	2	2
	1,835	1,835
Issued and fully paid		
362,959,275 ordinary shares of Kes 5 each	1,815	1,815

Fully paid ordinary shares, which have a par value of Kes 5 each, carry a right of one vote per share and have rights to dividends.

25. RESERVES

a) Asset revaluation reserve

The revaluation reserve is used to record increases in the fair value of property, plant and equipment and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity. An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued amount of the asset and depreciation based on the asset original cost. When revalued assets are sold, the portion of the revaluation reserve that relates to those assets is effectively realised and transferred directly to retained earnings. The revaluation reserve is not distributable.

b) Translation reserve

Exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currency to the Group's presentation currency (Kenya shillings) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve are reclassified to profit or loss on disposal or partial disposal of a foreign operation.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

26. DEFERRED TAX LIABILITY

Deferred taxes are calculated on all temporary differences under the liability method using a principal tax rate of 30% (2021: 30%). The make-up of the deferred tax liability at the year-end and the movement on the deferred tax account during the year are as presented below:

GROUP	At 1 January 2022 Kes'million	Profit or (loss) (note 12(a)) Kes'million	Other comprehensive income (note 12(a)) Kes'million	Foreign exchange adjustment/ other Kes'million	At 31 December 2022 Kes'million
Property, plant and equipment	5,738	(257)	-	101	5,582
Provision for site restoration and litigation costs	(110)	1	-	(9)	(118)
Bonus payable	(97)	24	-	-	(73)
Foreign exchange (losses) / gains	(4)	18	-	-	14
Provision for staff gratuity, long service awards and leave	(151)	4	(4)	5	(146)
Provision for obsolete inventories	(250)	(15)	-	(5)	(270)
Provision for slow moving stock	(22)	22	-	0	-
Other inventories provisions	(23)	14	-	0	(9)
Provision for site inventory	(68)	(1)	-	(2)	(71)
Provision for bad debts	(219)	19	-	(3)	(203)
Provision for customer rebates	(45)	(20)	-	(4)	(69)
Provision for commercial goods obsolescence	(8)	8	-	-	-
Tax losses	(243)	149	-	0	(94)
Right of Use assets - IFRS 16	(1)	1	-	0	0
Lease liabilities - IFRS 16	4	(2)	-	0	2
Revaluation surplus	655	(51)	1,370	22	1,996
Disallowed Interest	(131)	32	-	(3)	(102)
Other provisions	(10)	8	-	-	(2)
	5,015	(46)	1,366	102	6,437

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

26. DEFERRED TAX LIABILITY (continued)

GROUP	At 1 January 2021 Kes'million	Profit or (loss) (note 12(a)) Kes'million	Other comprehensive income (note 12(a)) Kes'million	Foreign exchange adjustment/ other Kes'million	At 31 December 2021 Kes'million
Property, plant and equipment	5,857	(333)	-	214	5,738
Provision for site restoration and litigation costs	(92)	(13)	-	(5)	(110)
Bonus payable	(83)	(12)	-	(2)	(97)
Foreign exchange (losses) / gains	26	(29)	-	(1)	(4)
Provision for staff gratuity, long service awards and leave	(157)	(1)	8	(1)	(151)
Provision for obsolete inventories	(272)	31	-	(9)	(250)
Provision for slow moving stock	(22)	-	-	-	(22)
Other inventories provisions	(14)	(7)	-	(2)	(23)
Provision for site inventory	(63)	-	-	(5)	(68)
Provision for bad debts	(227)	16	-	(8)	(219)
Provision for customer rebates	(51)	8	-	(2)	(45)
Provision for commercial goods obsolescence	-	(8)	-	-	(8)
Tax losses	(534)	310	-	(19)	(243)
Right of Use assets - IFRS 16	(6)	5	-	-	(1)
Lease liabilities - IFRS 16	5	(1)	-	-	4
Revaluation surplus	724	(121)	-	52	655
Disallowed Interest	(149)	29	-	(11)	(131)
Other provisions	(7)	(2)	-	(1)	(10)
	4,935	(128)	8	200	5,015

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022

26. DEFERRED TAX LIABILITY (continued)

COMPANY

	At 1 January 2022 Kes'million	Profit or loss (note 12 (a)) Kes'million	Other comprehensive income Kes'million	At 31 December 2022 Kes'million
Property, plant and equipment	2,781	(156)	1,370	2,625
Provision for site restoration and litigation costs	(44)	(1)	-	(45)
Bonus payable	(70)	9		(61)
Foreign exchange (losses) / gains	21	16	-	37
Provision for staff gratuity, long service awards and leave	(124)	9	(6)	(121)
Provision for obsolete inventories	(114)	-	-	(114)
Provision for bad debts	(67)	(7)		(74)
Provision for customer rebates	(19)	(26)	-	(45)
Provision for slow moving items	(23)	-	-	(23)
	2,341	**(155)**	**1,364**	**3,549**

COMPANY

	At 1 January 2021 Kes'million	Profit or loss (note 12 (a)) Kes'million	Other comprehensive income Kes'million	At 31 December 2021 Kes'million
Property, plant and equipment	3,070	(289)	-	2,781
Provision for site restoration and litigation costs	(39)	(5)	-	(44)
Bonus payable	(50)	(20)	-	(70)
Foreign exchange gains/ (losses)	4	17	-	21
Provision for staff gratuity, long service awards and leave	(133)	1	8	(124)
Provision for obsolete inventories	(128)	14	-	(114)
Provision for bad debts	(71)	4	-	(67)
Provision for customer rebates	(24)	5	-	(19)
Provision for slow moving items	(23)	-	-	(23)
	2,606	**(273)**	**8**	**2,341**

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022

27. PROVISIONS

Year ended 31 December 2022

GROUP	Site restoration and litigation Kes' million	Leave pay Kes' million	**Total Kes' million**
At beginning of year	506	86	592
Additional provisions	21	9	30
Utilised during the year	(12)	(12)	(24)
Reversal	-	(2)	(2)
Translation gain	6	1	7
At end of year	**521**	**82**	**603**
Categorised as:			
Current portion	67	82	149
Non-current portion	454	-	454
At end of year	521	82	603
COMPANY			
At beginning of year	321	44	365
Additional provisions	17	4	21
Utilised during the year	(12)	(5)	(17)
At end of year	**326**	**43**	**369**
Categorised as:			
Current portion	67	43	110
Non-current portion	259	-	259
At end of year	326	43	369

Year ended 31 December 2021

GROUP	Site restoration and litigation Kes' million	Leave pay Kes' million	Total Kes' million
At beginning of year	463	79	542
Additional provisions	29	11	40
Utilised during the year	-	(6)	(6)
Translation loss	14	2	16
At end of year	**506**	**86**	**592**
Categorised as:			
Current portion	15	86	101
Non-current portion	491	-	491
At end of year	506	86	592
COMPANY			
At beginning of year	304	46	350
Additional provisions	17		
Utilised during the year	-	(2)	(2)
At end of year	**321**	**44**	**365**
Categorised as:			
Current portion	15	44	59
Non-current portion	306	-	306
At end of year	321	44	365

The provision for site restoration and litigation relates to future outflows that will be required to settle related liabilities.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2022

27. PROVISIONS (Continued)

The Group makes full provision for the future cost of rehabilitating its quarry sites and related production facilities on a discounted basis at the time of developing the quarries and installing and using the facilities. The site restoration provision represents the present value of rehabilitation costs relating to quarry sites. These provisions have been created based on the Group's internal estimates and assumptions based on the current economic environment, which management believes are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions.

The actual restoration costs will depend upon future market prices for the necessary rehabilitation works required that will reflect market conditions at the relevant time. The timing of the rehabilitation is likely to depend on when the quarries cease to produce at economically viable rates. This, in turn, will depend upon future material prices, which are inherently uncertain.

The amount of litigation provisions made is based on the Group's assessment of the basis for the claims and the level of risk on a case-by-case basis. The provision depends on the Group's assessment of the stage of the proceedings and the arguments in its defence. The occurrence of events during proceedings may lead to a reappraisal of the risk at any time.

Leave pay relates to employee benefits in the form of annual leave entitlements provided for when they accrue to employees with reference to services rendered up to the reporting date. Employees are entitled to carry forward a maximum of 10 leave working days per annum which should be fully utilised by the end of the following year.

28. EMPLOYEE BENEFIT LIABILITIES

Service gratuity and long service

The provisions for service gratuity and long service awards represent entitlements that accrue as a result of services offered by employees. These are classified as defined benefit plans and are not funded. The cost and the present value of the obligation of the service gratuity and long service awards are determined using actuarial valuations by an independent actuarial valuer.

The following table summarises the components of net benefit expense recognised in the statement of profit or loss and other comprehensive income and the amounts recognised in the statement of financial position for the respective plans:

Year ended 31 December 2022

	Group			Company		
	Long service award Kes'million	Gratuity Kes'million	Total Kes'million	Long service award Kes'million	Gratuity Kes'million	Total Kes'million
Opening employee benefit obligation	42	372	414	22	346	368
Current service cost-charged to profit or loss cost of sales	5	18	23	2	17	19
Benefits payments	(8)	(79)	(87)	(6)	(73)	(79)
Interest cost - charged to profit or loss cost	5	36	41	2	34	36
Actuarial gain - credited to other comprehensive income	(7)	19	12	-	18	18
Exchange (gains)/loss	-	1	1	-	-	-
Closing employee benefit obligation	37	367	404	20	342	362
Categorised as:						
Current portion	10	40	50	8	34	42
Non-current portion	27	327	354	12	308	320
Total	37	367	404	20	342	362

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2022

28. EMPLOYEE BENEFIT LIABILITIES (Continued)

Year ended 31 December 2021

	Group			Company		
	Long service award Kes'million	Gratuity Kes'million	Total Kes'million	Long service award Kes'million	Gratuity Kes'million	Total Kes'million
Opening employee benefit obligation	36	401	437	20	377	397
Current service cost-charged to profit or loss cost of sales	5	16	21	2	15	17
Benefits payments	(3)	(60)	(63)	(2)	(57)	(59)
Interest cost - charged to profit or loss cost	5	38	43	2	36	38
Actuarial gain - credited to other comprehensive income	(1)	(25)	(26)	-	(25)	(25)
Exchange (gains)/loss	1	1	2	-	-	-
Closing employee benefit obligation	43	371	414	22	346	368
Categorised as:						
Current portion	9	39	48	8	34	42
Non-current portion	34	332	366	14	312	326
Total	43	371	414	22	346	368

The principal actuarial assumptions used in determining service gratuity and long service awards obligations for the Group's plans are shown below:

	2022		2021	
	Kenya %	Uganda %	Kenya %	Uganda %
Interest rate	13.0%	17.78%	11.1%	13.3%
Future salary increases	11.0%	13.5%	9.1%	13.5%
Long service award escalation rate	8.0%	7.0%	6.1%	7.0%

Other disclosures

Mortality rate

The actuary uses actives' mortality A49-52 ultimate and pensioners' mortality A55 as the base tables of standard mortality rates. Statistical methods are used to adjust the rates reflected on the base table based on the Company's experience of improvement or worsening of mortality.

Sensitivity of the Results:

The results of the actuarial valuation will be more sensitive to changes in the financial assumption than changes in the demographic assumptions. In preparing the sensitivity analysis of the results to the discount rate used, the actuaries have relied on the calculations of the duration of the liability.

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022

28. EMPLOYEE BENEFIT LIABILITIES (continued)

Other disclosures (Continued)

Sensitivity of the Results (continued)

Based on this methodology, the results of the sensitivity analysis are summarised in the table below:

A quantitative sensitivity analysis for significant assumption as at 31 December 2022 is as shown below:*

COMPANY	Interest rate		Salary escalation rate		Award escalation rate	
	+1%	-1%	+1%	-1%	+1%	-1%
	Kes'million	Kes'million	Kes'million	Kes'million	Kes'million	Kes'million
Gratuity	314	323	323	314	318	318
Long service awards	19	20	19	19	20	19
Total	333	343	342	333	338	337

Since the bulk of the benefits payable under the Scheme are salary related, the sensitivity of the liability to a change in the salary escalation assumption is not expected to be materially different. However, the impact of a change in salary escalation is expected to be less than the impact of a change in the discount rate as a portion of the liabilities (for example the liability in respect of pensions in payment and deferred pensioners) would not be affected by a change in the salary escalation rate.

Characteristics and Risks of the Scheme:

The Scheme is of a defined benefit nature (i.e. salary and service related). Therefore, one of the main risks relating to the benefits under the Scheme is the rate of salary growth. As the benefits are based on the final salary, any changes in salary that differ from the salary escalation rate assumed will have a direct bearing on the benefits paid and the present value of the benefit obligation under the scheme. The Group's experience with respect to pre-retirement exit experience, actual ages of retirement and mortality will also impact the benefits payable under the Scheme, when compared with the assumption made. The Scheme is registered under irrevocable trust with the Retirement Benefits Authority.

Discount rate

IAS 19 requires the discount rate to be determined by reference to the market yields, on the reporting date, on high quality corporate bonds, or in the countries where there is no deep market in such bonds, the market yields on government bonds. The currency and term of the corporate or government bonds should be consistent with the currency and estimated term of the post- employment benefit obligation. In the absence of a deep and liquid market in such long dated securities in Kenya and Uganda, a discount rate as at 31 December 2022 of 13.0% (2021 12.3%) per annum and 17.78% (2021-13.3%) per annum has been used for Kenya and Uganda respectively. In this case, the government bond rates were used to determine the discount rates.

In Kenya, the bond selected to match the liabilities outstanding had a term of approximately 4 years and with a yield of 13.0% per annum. At this yield, the bond and the liabilities had discounted mean term of 3.1 years and the yield is thus considered appropriate discount rate. In Uganda, The 10-year and 15-year government bond with a yield of 17.50%% pa and 17.99%% pa have a duration of 5.3 and 5.8 years respectively. By interpolation, the yield at a duration of 4.9 years is 17.78% pa. It was therefore considered to set the appropriate discount rate at 17.78% pa.

29. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2022 Kes'million	2021 Kes'million	2022 Kes'million	2021 Kes'million
Trade payables*	4,697	4,130	1,812	2,190
Accrued expenses	1,166	1,105	773	341
Other payables**	522	828	345	611
Payable to related companies - Note 33 (b)*	375	1,350	566	1,564
	6,760	7,413	3,496	4,706

Terms and conditions of the above financial liabilities:

* Trade payables and payables to related parties are non-interest bearing and are normally settled on a 30 – 60 day terms.

** Other payables are non-interest bearing and have an average term of less than one month. These mainly relate to amounts due to statutory bodies in respect to year-end staff deductions.

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022

30. CONTINGENT LIABILITIES

a) Guarantees

	GROUP		COMPANY	
	2021 Kes'million	2021 Kes'million	2022 Kes'million	2021 Kes'million
Guarantees and bonds issued by the Group's bankers in favour of Kenya Revenue Authority and Uganda National Roads Authority	201	101	201	101
Guarantees and bonds issued by the Group's bankers in favour of other parties	98	58	4	29
At end of year	299	159	205	130

The guarantees and bonds are issued by the Group's and the Company's bankers in favour of third parties. The Group and the Company has entered into counterindemnities with the same banks. These guarantees and bonds are part of the borrowing facilities disclosed in Note 30 (d) and are issued in the normal course of business.

b) Legal matters

The Group and the Company are involved in a number of legal proceedings which are yet to be concluded upon. The Directors have evaluated the pending cases and determined that no material liabilities are likely to arise from these cases which arose in the normal course of business. The Group and the Company have an in-house legal department that assessed the court cases in arriving at the above conclusion. These include:

Court of Appeal Civil Appeal No. 155 of 2011 Uganda - Mining lease

This Appeal arises from Misc. Cause 88 of 2012 in the High Court. Hima Cement Limited (HCL) is challenging the findings of a judicial review in which East African Gold Sniffing Company Limited (the defendant) reclaimed their exploration licence "0932"in one of the limestone deposit sites in Kasese where HCL is operating. In the event of an adverse ruling, HCL stands to lose their mining lease over the said site, which would have a significant effect on the operations of the entity's plant in Kasese. The legal costs in respect to this are estimated at Uganda shillings 361 million (Kes 11.5million). The company is still waiting for hearing date to be fixed.

According to the Board of Directors evaluation of the case and the legal advice received from the Company's lawyers, the Directors opine that the appeal has a strong basis with a high likelihood of success. As such, the financial statements of Hima Cement Limited for the year ended 31 December 2022 have been prepared on a going concern basis.

c) Tax matters

The Group is regularly subjected to evaluations, by the taxation authorities, of its direct and indirect taxation affairs and in connection with such reviews, tax assessments can be issued by the taxation authorities in respect of the Group's taxation affairs in relation to cases where a group entity is deemed to have failed to comply with tax laws.

In the year 2018, the company reached a settlement agreement with the Kenya Revenue Authority within the Alternative Dispute Resolution framework regarding a tax assessment for the 2007 - 2011 period. A full settlement of the agreed principal tax amounting to Kes 332 million relating to corporate tax. The company also paid principal tax for the period 2021 - 2014 amounting to Kes 40.6 million relating to corporate tax, withholding tax and Value Added Tax (VAT). Management applied for a waiver of interest and penalties amounting to Kes 288 million and Kes 27.6 million for the period 2007 - 2011 and 2021 - 2014 respectively.

On 23rd of February 2022, the company received a letter from the Cabinet Secretary for National Treasury and Planning declining our penalties and interest waiver application amounting to Kes 288 million. The company will continue to engage the Cabinet Secretary for National Treasury and Planning for a review of the decision to decline our penalties and interest waiver application. The Directors are of the opinion that the Cabinet Secretary for National Treasury and Planning will favorably reconsider his decision and eventually grant a waiver of the penalties and interest and therefore no provision has been made for the amount in the year.

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022

30. CONTINGENCIES (Continued)

c) Tax matters (continued0

The Group also has other matters with Kenya Revenue Authority including VAT and customs duty. Management is in the process of providing required information and documentation to the Kenya Revenue Authority to clear these matters.

With the assistance of professional advice, the Directors have considered all matters in contention and are confident that they will be able to provide the required information and documentation to support their treatment of these taxes and no material liability will crystallize to the Group

In September 2020, URA commenced a review of the Hima Cement Limited (HCL)'s transfer pricing compliance for the financial years of 2014 to 2018. In December 2022, Uganda Revenue Authority raised Corporation tax assessment with principal tax of Kes 594 million and interest of Kes 362 million. The company objected to the raised assessments and submitted a detailed response to the objections team of URA. As per the Tax Procedural Code Act, URA is required to review the objection application and communicate a decision within 90 days from the date of objection. The objection was submitted on 10th February 2023.

d) Borrowing facilities

At the end of the year, the Group had working capital facilities amounting to total of Kes 11.2 billion (2021 - Kes 9.3 billion), out of which the undrawn facilities amounted to Kes 10.1 billion (2021 – Kes 7.8 billion). The drawn amounts mainly relate to supplier trade finance, bonds and guarantees.

The working capital facilities are annual facilities that are subject to review at various dates during the year. They consist of letters of credit and guarantees, among others.

31. CAPITAL COMMITMENTS

Authorised and contracted

Capital expenditure contracted for at the end of the reporting period but not recognised in the financial statements is as follows:

	GROUP		COMPANY	
	2022 Kes'million	2021 Kes'million	**2022 Kes'million**	2021 Kes'million
Commitments for the acquisition of property, plant and equipment	1160	1,024	822	698

Commitments during the year relate to capital purchases of PPE items yet to be delivered in both Kenya and Uganda.

Authorised but not contracted

Capital expenditure authorised but not contracted for at the reporting date:

	GROUP		COMPANY	
	2022 Kes'million	2021 Kes'million	**2022 Kes'million**	2021 Kes'million
Commitments for the acquisition of property, plant and equipment	227	205	227	109

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022

32. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of profit before tax to cash generated from operations:

GROUP	Notes	**2022 Kes'million**	2021 Kes'million
Profit before tax		635	2,172
Adjustments for:			
Depreciation on property, plant and equipment	15(a)	2,392	2,362
Amortisation of intangible assets	17	5	10
Depreciation of right-of-use assets	16(b)	238	174
Amortisation of prepaid lease rentals	16(a)	9	9
Amortisation of limestone reserves		-	1
Impairment of property, plant and equipment	15(a)	38	182
Interest income	7(ii)	(68)	(78)
Interest expenses		251	110
Gain on disposal of property, plant and equipment	8	(112)	(210)
Interest on pension benefit obligations		41	64
Net foreign exchange (gains) / losses		44	(17)
Gains/losses on reassessment and modification of leases		-	(9)
Unrealized currency translation (gains)/losses		35	(20)
Operating profit before working capital changes		3,508	4,750
Changes in working capital balances:			
(Increase)/decrease in inventories		(1,825)	(621)
Decrease in employees' benefit liabilities		(10)	(23)
(Increase)/decrease in trade and other receivables		(544)	(790)
Increase in provisions		12	58
Increase/(decrease) in trade and other payables		(653)	1,016
Cash generated from operations		488	4,390

COMPANY			
Profit before tax		910	1,671
Adjustments for:			
Depreciation on property, plant and equipment	15(b)	1,314	1,278
Amortisation of intangible assets	17	4	2
Impairment of property, plant and equipment	15(b)	84	-
Dividends from subsidiary	7(i)	(232)	-
Interest income	7(ii)	(30)	(55)
Interest cost on pension benefit obligations		36	38
Loss on disposal of property, plant and equipment	8	20	-
Net foreign exchange losses/(gains)		(52)	(13)
Operating profit before working capital changes		2,054	2,921
Changes in working capital balances:			
Increase in inventories		(257)	(474)
Decrease in employees' benefit liabilities		(6)	(30)
(Increase)/Decrease in trade and other receivables		(620)	164
Increase in provisions		4	15
Decrease/(Increase) in trade and other payables		(1,231)	1,584
Cash generated from operations		(56)	4,180

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022

33. RELATED PARTY TRANSACTIONS

Note 18 provides the information about the Group's structure including the details of the subsidiaries.

The ultimate parent of the Group is LafargeHolcim Ltd, incorporated in Switzerland. There are other companies which are related to Bamburi Cement Plc through common shareholdings and directorships.

(a) Related party transactions

The Company receives technical assistance from the majority shareholder, Lafarge SA, which is paid for under a five-year agreement.

The following transactions were carried out with related parties during the year.

		Sales of goods and services Kes'million	Purchases of goods and services Kes'million	Interest received Kes'million
GROUP				
Entity with significant influence over the Group:				
Lafarge SA (technical services)	2022	-	904	-
	2021	-	859	-
Other related companies				
Lafarge-Holcim Trading	2022		4,295	
	2021	-	4,234	-
Lafarge Energy Solutions	2022		-	
	2021	-	30	-
Holcim International Finance	2022			17
	2021	-	-	7
COMPANY				
Entity with significant influence over the Company:				
Lafarge SA (technical services)	2022	-	494	-
	2021	-	516	-
Subsidiaries:				
Hima Cement Limited	2022	204	-	-
	2021	-	52	-
Bamburi Special Products Limited	2022	402	-	-
	2021	489	-	-
Other Related parties				
Lafarge-Holcim Trading	2022	-	1,726	-
	2021	-	3,070	-
Lafarge Energy Solutions	2022	-	-	-
	2021	-	29	-
Holcim International Finance	2022		-	17
	2021	-	-	7

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022

33. RELATED PARTY TRANSACTIONS (Continued)

(b) Outstanding balances arising from sale and purchase of goods and services to/from related companies at the year-end.

	GROUP		COMPANY	
	2022 Kes'million	2021 Kes'million	2022 Kes'million	2021 Kes'million
Receivables from related parties				
Lafarge France	10	10	10	10
Lafarge South Africa	5	5	5	5
Chilanga Cement Plc Zambia	6	6	6	6
Malawi Portland Cement	8	58	8	8
Lafarge Cairo	7	7	7	7
Lafarge MEA IT services	5	5	5	5
Other related parties	93	64	89	64
	134	155	130	105
Receivables from subsidiaries				
Hima Cement Limited	-	-	158	7
Bamburi Special Products Limited	-	-	326	281
Lafarge Eco Systems Limited	-	-	385	320
Binastore Limited	-	-	235	229
Diani Estate Limited	-	-	-	232
	-	-	1,104	1,069
Total receivables (note 22(a))	134	155	1,234	1,174
Payables to related parties				
Holcim Technology Limited	19	38	-	24
Lafarge France	86	52	-	-
Lafarge Holcim Trading	-	1,147	1	1,149
Lafarge Eco Systems Limited	-	-	351	298
Other related parties	270	113	214	93
Total payables (note 29)	375	1,350	566	1,564

Terms and conditions of transactions and balances with related parties

The sales to and purchases from related parties are made on terms as specified in the transfer pricing arrangement between the Group companies. Outstanding balances at the year-end are unsecured and interest free. For the year ended 31 December 2022 the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2021: Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates. There have been no guarantees or commitments provided or received for any related party receivables or payables.

(c) Loan due to a related company-Non-current liability.

As at the end of the year, the balance due to Cemasco B. V, a related company, from Hima Cement Limited, a subsidiary of Bamburi Cement Plc amounted Kes 2,508 million (2021 – Kes 2,273 million). The term of the loan is 5 years with a moratorium of 3 years. The loan is due for repayment in 2023.

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022

33. RELATED PARTY TRANSACTIONS (Continued)

(c) Loan due to a related company-Non-current liability (continued)

The loan is unsecured and attracts interest at 3 month USD LIBOR + 4%.

	GROUP	
	2022 Kes'million	2021 Kes'million
At 1 January	2,273	2,191
Foreign exchange (gain)/loss	153	(89)
Translation loss	82	171
At 31 December	2,508	2,273
Interest charged on the above loan (Note 7(ii))	140	93

(d) Short term financial deposits

During the year the company invested a USD denominated Short Term Deposit Kes 2.5 billion (2021 - Kes 3.5 billion) with Holcim International Finance Ltd, a related party by virtue of common shareholding and/or directorship. The deposit attracts interest of 3-months USD LIBOR plus margin of 0.03%. Interest earned from the deposit in the year amounted to Kes17 million (2021-Kes 7 million).

(e) The remuneration of directors and members of key management during the year was as follows:

	GROUP AND COMPANY	
	2022 Kes'million	2021 Kes'million
Fees for services as a director		
Executive	-	-
Non-executive	13	13
Total directors' fees	**13**	**13**
Emoluments for Executive directors		
Salaries and bonuses	168	128
Short term employee benefits	38	35
Post-employment pension-defined contribution	19	17
Total emoluments for Executive directors	**225**	**180**
Guaranteed loans to executive directors	-	-
Emoluments for key management personnel (excluding the directors):		
Salaries and bonuses	102	86
Short term employee benefits	39	33
Post-employment pension-defined contribution	8	6
Total emoluments for key management personal	**149**	**125**
Total emoluments for directors and other key management personnel	**387**	**318**
Guaranteed long-term loans to key management staff	53	41
Guaranteed long-term loans to executive directors and key management personnel	-	-

Terms and conditions of the guaranteed long-term loan

The long-term loans to executive directors and key management staff are issued as part of the employee benefit from the general loans for unsecured loans and mortgages from various banks. The Company has negotiated for favourable terms on these loans for all qualified staff.

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022

34. BIOFUELS (GROUP AND COMPANY)

Biofuels comprise eucalyptus, casuarina, cassi siamea and neem tree plantations. These are carried at lower of cost and net realisable value. The net realisable values of the tree plantations are determined by company's internal valuation experts based on recent market transaction prices.

The biofuels were fair valued in 2020 and were recorded at the net realisable values. In 2020, during the Covid-19 pandemic period, the Group implemented cash conservation measures as necessitated by the rationalisation of capital expenditure projects. One of the projects affected was the modification the Mombasa Plant alternative fuel feeder equipment. The modification being a prerequisite for the usage of the biofuel meant that the Company impair the intrinsic value of these assets to their most recent market valuation.

In 2022, the Board has approved the capital expenditure on the modification of the Mombasa Plant alternative fuel feeder equipment and also approved the Matuga Plant that is expected to utilize these biofuels. Management has therefore reversed the impairment amounts booked in prior years.

Changes in carrying amounts of biofuels comprise:

	2022 Kes'million	**2021 Kes'million**
At start of year	119	471
Reversal of impairment/impairment in the year	352	(352)
At end of year	471	119

The biofuels are included in inventories note (21) whereas the reversal of impairment/impairment in the year are included in Cost of sales in note (5).

The following table presents the Company's biofuels measurement at fair value at 31 December 2022 (see Fair Value disclosures under Note 40):

	Level 1 Kes'million	**Level 2** Kes'million	**Level 3** Kes'million
Biofuels - trees			
Year ended 31 December 2022		-	-
Year ended 31 December 2021	-	119	-

There were no transfers between any levels during the year.

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022

35. LEASE LIABILITIES – GROUP

a) Amounts recognised in Profit and loss:

	2022 Kes'million	2021 Kes'million
Depreciation on right of use assets	243	174
Interest on lease liabilities	80	68
At the end of the year	323	242

b) Lease liabilities

	2022 Kes'million	2021 Kes'million
Current	42	20
Non-current	742	454
	784	474
The movement in the lease liabilities is as follows:		
At 1 January	474	450
Additional lease liabilities	516	221
Interest on lease liabilities	80	68
Lease repayments (including interest)	(312)	(245)
Ended contracts	(2)	(55)
Translation gains	28	35
As at 31 December	784	474

To determine the incremental borrowing rate, the Group uses the rate of interest that the lessee would have to pay to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar payment terms (i.e. consistent with the lease term) and security (i.e. collateral) in a similar economic environment.
Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.
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.
The group does not face a significant liquidity risk with regards to its lease liabilities. Lease liabilities are monitored within the group's treasury function.

c) Maturity analysis of operating lease payments:

	2022 Kes'million	2021 Kes'million
Year 1	42	20
Year 2	122	68
Year 3	151	183
Year 4	191	188
Year 5	278	15
Year 6 onwards	-	-
	784	474

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022

36. RETIREMENT BENEFITS SCHEME

The Group operates a defined contribution retirement plan for the non-unionised employees. The assets of the plans are held separately from those of the Group in funds under the control of trustees. The scheme is administered by an independent administration Company and is funded by contributions from the Group companies and employees. The Group's obligations to the staff retirement benefits plans are charged to profit or loss as they fall due and as they accrue to each employee.

The Group also made Kes contributions to the statutory defined contribution schemes in the two countries where its operations are based. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

The total expense recognised in profit or loss of Kes 233 million (2021: Kes 230 million) and Kes 133 million (2021: Kes 128 million) represents contributions payable to these plans by the Group and Company, respectively, at rates specified in the rules of the plans. The expense has been included within the retirement benefits costs under staff costs in Note 11(b).

37. FINANCIAL RISK MANAGEMENT

Introduction and overview

The Group's principal financial liabilities are trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations.

The Group's principal financial assets include trade and other receivables, and cash and short-term deposits that derive directly from its operations. The Group also holds financial assets at fair value through other comprehensive income..
The Group is exposed to;

- market risk;
- credit risk; and
- liquidity risk.

The Group's overall risk management programme focuses on the unpredictability of changes in the business environment and seeks to minimise potential adverse effects of such risks on its financial performance within the options available in Kenya and Uganda by setting acceptable levels of risks.

Risk Management Framework

Financial risk management is carried out by Group's Corporate Treasury Department under policies approved by the Board of Directors. The Group's Corporate Treasury function identifies, evaluates and manages financial risks in close cooperation with operating units. The board provides written principles for overall risk management, as well as written policies covering specific areas such as credit risk, liquidity risk, foreign exchange risk, interest rate risk and price risk. The Group does not enter into or trade in financial instruments, including derivative financial instruments, for speculative purposes.

The Corporate Treasury function reports quarterly to the Holcim risk management committee, an independent body that monitors risks and policies implemented to mitigate risk exposures.

The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below:

(i) Market risk

Market risk is the risk arising from changes in market prices, such as interest rates, equity prices and foreign exchange rates which will affect the Group's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Group Finance Director. The Group's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Group Finance Director) and for the day to day implementation of those policies.

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022

37. FINANCIAL RISK MANAGEMENT (Continued)

Risk Management Framework (continued)

(ii) Market risk (continued)

There has been no change to the Group's exposure to market risks or the manner in which it measures and manages the risk.

a) Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies. Therefore, exposures to exchange rate fluctuations arise. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities. The group manages foreign exchange risk by converting its foreign currency collections into local currency on an ongoing basis to cater for its operational requirements. The group raises some bills in foreign currency and receives the settlements in the same currency to avoid the effect of swinging currency exchange rates.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of the reporting period are as follows:

Group foreign currency risk:

	Denominated in EUR Kes'million	Denominated in USD Kes'million	TOTAL Kes'million
31 December 2022:			
Assets			
Trade and other receivables	14	151	165
Bank balances	46	1,108	1,154
Total assets	60	1,259	1,319
Liabilities			
Trade and other payables	(2)	(783)	(785)
Net exposure position	58	476	534
31 December 2021:			
Assets			
Trade and other receivables	4	366	370
Bank balances	29	3,658	3,687
Total assets	33	4,024	4,057
Liabilities			
Trade and other payables	(74)	(3,842)	(3,916)
Bank Overdraft			
Net exposure position	(41)	182	141

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022

37. FINANCIAL RISK MANAGEMENT (continued)

(i) Market risk (continued)

a) Foreign currency risk management (continued)

Company foreign currency risk:

	Denominated in EUR Kes'million	Denominated in USD Kes'million	TOTAL Kes'million
31 December 2022:			
Assets			
Trade and other receivables	14	158	172
Bank balances	1	614	615
Total assets	15	772	787
Liabilities			
Trade and other payables	(2)	(79)	(81)
Net exposure position	13	693	706
31 December 2021:			
Assets			
Trade and other receivables	4	297	301
Bank balances	8	3,372	3,380
Total assets	12	3,669	3,681
Liabilities			
Trade and other payables	(63)	(1,248)	(1,311)
Net exposure position	(51)	2,421	2,370

The following sensitivity analysis shows how profit and equity would change if the Kenya Shilling had depreciated against the other currencies by 5% (2021: 5%) on the reporting date with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant. This is mainly attributable to the change in value of foreign exchange receivables, payables and bank balances.

	Effect on profit or loss before tax		Effect on equity	
	2022 Kes' million	2021 Kes' million	2022 Kes' million	2021 Kes' million
GROUP				
EUR	3	(2)	2	(1)
USD	24	9	17	(6)
	27	7	19	7
COMPANY				
EUR	(1)	(3)	-	(2)
USD	35	121	24	85
	34	118	24	83

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022

37. FINANCIAL RISK MANAGEMENT (continued)

(i) Market risk (continued)

b) Interest rate risk

The Group and the Company also holds cash deposits with financial institutions. The interest rates on the cash deposits are fixed and agreed upon in advance.

Management closely monitors the interest rate trends to minimise the potential adverse impacts of interest rate changes. Deposits are placed at fixed interest rates and management is therefore able to plan for the resulting income. For the facilities with variable rates, the Group and the Company is in regular contact with the lenders in a bid to obtain the best available rates.

During the year, a 5% (2021: 5%) increase/decrease of the annual interest rate would have resulted in an increase/decrease in pre-tax profit of Kes 3.4 million (2021: Kes 3.9 million) and an increase/decrease in equity of Kes 2.3 million (2021: Kes 2.7 million). The assumed movement in interest rate sensitivity analysis is based on the currently observable market environment. This is the amount by which interest rates generally fluctuate by.

c) Price risk

Quoted investments are valued at their market prices. These values are subject to frequent variations and adverse market movements. This risk is mitigated by the fact that equity investments are held for strategic rather than trading purposes. The Group and the Company do not actively trade in equity investments.

At 31 December 2021, if the prices at the Nairobi Securities Exchange had appreciated/depreciated by 5% with all other variables held constant, it would have resulted in an increase/decrease in the other comprehensive income and equity for the Group and Company of Kes 4 million (2021 - Kes 4 million) as a result of changes in fair value of equity instruments at FVTOCI.

(ii) Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Group and the Company. The Group and the Company have adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Group's and the Company's exposure and the credit rating of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the management annually.

GROUP AND COMPANY

Trade Receivables

The average credit period on sales of goods is 30 days. No interest is charged on outstanding trade receivables.

The Group and Company always measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Group has recognized a loss allowance of 100% against all receivables over 365 days past due because historical experience has indicated that these receivables are generally not recoverable where they are not fully or partially secured by a bank guarantee.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022

37. FINANCIAL RISK MANAGEMENT (continued)

(ii) Credit risk (continued)

GROUP AND COMPANY (continued)

Trade Receivables (continued)

The Group/Company's write off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over 365 days past due, whichever occurs earlier. The write off will be the excess of the amount owing over the security of the bank guarantee required of the credit customers. In case of unsecured debtors, who are predominantly in the contractors' segment, the write off will be the entire amount owing to the Company.

The following tables detail the risk profile of trade receivables based on the Group/Company's provision matrix. As the group and company's historical credit loss experience shows significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is further distinguished between the Group's different customer bases

The Group's current credit risk grading framework comprises the following categories:

Contractors:

Category	**Description**	**Basis for recognizing Expected credit loss (ECL)**
Performing	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL
Under watch	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition	Lifetime ECL
Doubtful	Amount is >90 days past due and there is evidence indicating the asset is credit-impaired	Lifetime ECL - credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group/Company has no realistic prospect of recovery unless the Company is holding a bank guarantee covering the amount and or the amounts are subject to court proceeding and the adverse probable outcome is ranked high.	Amount is written off

Distributors:

Category	**Description**	**Basis for recognizing Expected Credit Loss (ECL)**
Performing	The counterparty has a low risk of default and does not have any past-due amounts.	Lifetime ECL
Under watch	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL
Doubtful	Amount is >90 days past due and there is evidence indicating the asset is credit-impaired, and there no security held.	Lifetime ECL - credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery of any amounts above the bank guarantee value and or the amounts are subject to court proceeding and the adverse probable outcome is ranked high..	Amount is written off

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022

37. FINANCIAL RISK MANAGEMENT (continued)

(ii) Credit risk (continued)

Cash customers, predominantly retail

Category	**Description**	**Basis for recognizing Expected Credit Loss (ECL)**
Doubtful	There is evidence indicating that cash customers have stopped trading despite them having a debit balance in their account. An indicator of probable lapse on systems credit checks or overriding of controls.	Lifetime ECL - credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery of any amounts above the bank guarantee value and or the amounts are subject to court proceeding and the adverse probable outcome is ranked high.	Amount is written off

The tables below detail the credit quality of the Group's financial assets and the Group's maximum exposure to credit risk by credit risk rating grades:

Group

Financial asset 31 December 2022	**Note**	**External rating**	**Internal rating**	**12-month lifetime ECL**	**Gross carrying amount Sh'million**	**Loss allowance Sh'million**	**Net carrying amount Sh'million**	**Classification**
Bank balance	23	AAA/BBB	N/A	Lifetime ECL(simplified approach SPPI	3,436	-	3,436	Amortized cost
Call deposit with local bank	23	AAA/BBB	N/A	Performing	304	-	304	Amortized cost
Short term financial receivable from related party	23	N/A	Performing	Performing	543	-	543	Amortized cost
Trade receivable-Third party (Excl.Customer creditors)	22	NA	Doubtful	Lifetime ECL not credit impaired	1, 595	(683)	912	Amortized cost

Financial asset 31 December 2021	**Note**	**External rating**	**Internal rating**	**12-month lifetime ECL**	**Gross carrying amount Sh'million**	**Loss allowance Sh'million**	**Net carrying amount Sh'million**	**Classification**
Bank balance	23	AAA/BBB	N/A	Lifetime ECL(simplified approach SPPI	3,353	-	3,353	Amortized cost
Short term financial receivable from related party	23	N/A	Performing	Performing	3,581	-	3,581	Amortized cost
Trade receivable-Third party (Excl.Customer creditors)	22	NA	Doubtful	Lifetime ECL not credit impaired	1,649	(742)	907	Amortized cost

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022

37. FINANCIAL RISK MANAGEMENT (continued)

(ii) Credit risk (continued)

The tables below detail the credit quality of the Company's financial assets and the Company's maximum exposure to credit risk by credit risk rating grades:

Company

Financial asset 31 December 2022	**Note**	**External rating**	**Internal rating**	**12-month lifetime ECL**	**Gross carrying amount Sh'million**	**Loss allowance Sh'million**	**Net carrying amount Sh'million**	**Classification**
Bank balance	23	AAA/ BBB	N/A	Lifetime ECL (simplified approach - SPPI)	1,801	-	1,801	Amortized cost
Call deposits with local banks	23	AAA/BBB	N/A	Performing	304	-	304	Amortized cost
Short Term Financial Receivables from related party	23	N/A	Performing	Performing	543	-	543	Amortized cost
Trade receivables – Third party (Excl. Customer Creditors)	22	N/A	Doubtful	Lifetime ECL not credit-impaired	868	(247)	621	Amortized cost

Financial asset 31 December 2021	**Note**	**External rating**	**Internal rating**	**12-month lifetime ECL**	**Gross carrying amount Sh'million**	**Loss allowance Sh'million**	**Net carrying amount Sh'million**	**Classification**
Bank balance	23	AAA/ BBB	N/A	Lifetime ECL (simplified approach - SPPI)	1,522	-	1,522	Amortized cost
Short Term Financial Receivables from related party	23	N/A	Performing	Performing	3,581	-	3,581	Amortized cost
Trade receivables – Third party (Excl. Customer Creditors	22	N/A	Doubtful	Lifetime ECL not credit-impaired	789	(225)	635	Amortized cost

* NSE: Nairobi Securities Exchange

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022

37. FINANCIAL RISK MANAGEMENT (continued)

(ii) Credit risk (continued)

ii) The Banks used by the Company are either determined or approved by the ultimate Parent's Corporate Finance and Treasury (CFT) department in Zurich. The Banks are classified as either Relationship Banks or Niche Banks. Relationship banks are preferred to Niche Banks, any banks outside the Bank List require written approval from CFT in Zurich.

iii) The short term deposits held with Holcim International Finance, a related party, are carried at amortised cost. The carrying amount of the short term deposits at FVTPL as disclosed in note 23(d) best represents their maximum exposure to credit risk. The Group holds no collateral over any of these balances.

iv) For trade receivables, the Group/Company has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL (which in the case of the Group/Company is the same as the 12-month ECL). The Group determines the expected credit losses on these items by using a provision matrix, estimate based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix. Notes 19, 22, 23 and 33 include further details on the loss allowance for these assets respectively.

v) For the loan to related parties, the gross carrying amount represents the maximum amount the Company expects to receive in principal payments from its subsidiary - Bamburi Special Products Limited, and the net carrying amount represents the amortized cost of the loan receivable without discounting given that the discounting yields an immaterial difference in the carrying amounts.

(iii) Liquidity risk

This is the risk that the Group will encounter difficulties in meeting its financial commitments from its financial liabilities that are settled by delivering cash or another financial asset. Prudent liquidity risk management includes maintaining sufficient cash to meet the group's obligations.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has developed and put in place 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 table analyses the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows and exclude the impact of netting agreements.

Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022

37. FINANCIAL RISK MANAGEMENT (continued)

(iii) Liquidity risk (Continued)

GROUP – Financial liabilities:

	Total amount Kes'million	0-30 days Kes'million	31-90 days Kes'million	91-120 days Kes'million	120 days and above Kes'million
31 December 2022:					
Trade payables	4,697	1,931	878	1,063	825
Related party payables	375	17	11	146	201
Borrowings	-	-	-	-	2,508
Other payables	522	131	148	69	174
Accrued expenses	1,166	426	278	184	278
31 December 2021:					
Trade payables	4,130	1,758	948	698	726
Related party payables	1,350	74	1,167	44	65
Borrowings	2,273	-	-	-	2,273
Other payables	828	401	109	89	229
Accrued expenses	1,105	648	178	72	207

Maturity analysis on the gross undiscounted lease liabilities :

	Total amount	Year 1 Kes Million	Year 2 Kes Million	Year 3 Kes Million	Year 4 Kes Million	Year 5 Kes Million
Lease liabilities	1,026	349	287	198	126	66

COMPANY – Financial liabilities:

31 December 2022:					
Trade payables	1,812	753	464	311	284
Related party payables	547	14	168	19	346
Other payables	345	128	45	46	126
Accrued expenses	773	245	107	164	257
31 December 2021:					
Trade payables	2,190	558	842	452	338
Related party payables	1,564	51	1,123	7	383
Other payables	611	195	126	75	215
Accrued expenses	341	125	24	32	160

38 CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are:

- To ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance.

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022

38 CAPITAL RISK MANAGEMENT (Continued)

The Board of Directors reviews the capital structure on a regular basis. As part of this review, the board considers the cost of capital and the risks associated with each class of capital. Based on the review, the Group analyses and assesses the gearing ratio to determine the level and its optimality.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents. The Group's policy is to keep the gearing ratio between 20% and 40%, where applicable.

There have been no material changes in the Group's management of capital during the year.

The constitution of capital managed by the Group is as shown below:

	GROUP		COMPANY	
	2022	31 December 2021	2022	2021
	Kes'million	Kes'million	Kes'million	Kes'million
Equity	38,275	35,253	26,086	23,109
Debt				
Borrowings	2,508	2,273	-	-
Lease liabilities	784	474	-	-
Bank overdrafts	316	245	-	-
Less: Cash and cash equivalents	(4,283)	(6,934)	(2,344)	(5,103)
Net debt	(675)	(3,942)	(2,344)	(5,103
Net debt to equity ratio	N/A	N/A	N/A	N/A

39. FAIR VALUE OF ASSETS AND LIABILITIES

a) Comparison by class of the carrying amount and fair values of the financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability taKes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The table below sets out the Group's classification of each class of financial assets and liabilities, and comparison of the carrying amount and their fair (excluding accrued interest):

GROUP

	Notes	Carrying amount		Fair Value	
		2022	2021	**2022**	2021
Financial assets		**Kes'million**	Kes'million	**Kes'million**	Kes'million
Other equity investments	19	77	75	77	75

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022

39. FAIR VALUE OF ASSETS AND LIABILITIES (Continued)

a) Comparison by class of the carrying amount and fair values of the financial instruments (Continued)

	Notes	Carrying amount		Fair Value	
		2022 Kes'million	2021 Kes'million	**2022 Kes'million**	2021 Kes'million
COMPANY					
Financial assets					
Other equity investments	19	77	75	77	75

Other equity investments are quoted shares at the Nairobi Securities Exchange. Fair value of the quoted shares is based on price quotations at the reporting date.

Management assessed that the fair value of trade receivables, receivables from related companies, cash and cash equivalents, trade payables and payables to related companies approximate their carrying amounts largely due to the short-term maturities of these instruments.

The carrying values of the Company's loan to subsidiary is determined by using Discounting Cash Flows (DCF) method at discount rate that reflects the market interest rate as at the end of the reporting period.

b) Fair value hierarchy

The table below shows an analysis of all assets and liabilities measured at fair value in the financial statements or for which fair values are disclosed in the financial statements by level of the fair value hierarchy. These are grouped into levels 1 to 3 based on the degree to which the fair value is observable.

i. Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

ii. 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 a price) or indirectly (i.e. derived from prices); and

iii. 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)

	Level 1 Kes'million	Level 2 Kes'million	Level 3 Kes'million
GROUP			
31 December 2022			
Assets			
Property, plant and equipment (Note 15(a))			
-Freehold land and buildings	-	-	11,523
-Plant and machinery	-	-	25,793
Fair value designated at FVTOCI - equity securities	77	-	-

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2022

39. FAIR VALUE OF ASSETS AND LIABILITIES (continued)

b) Fair value hierarchy (Continued)

	Level 1 Kes'million	Level 2 Kes'million	Level 3 Kes'million
GROUP (Continued)			
31 December 2021			
Assets			
Property, plant and equipment (Note 15(a))			
-Freehold land and buildings	-	-	11,342
-Plant and machinery	-	-	21,566
Fair value designated at FVTOCI - equity securities	75	-	-
COMPANY			
31 December 2022			
Assets			
Property, plant and equipment (Note 15(b))			
-Freehold land and buildings	-	-	8,816
-Plant and machinery	-	-	13,696
Biofuels	-	119	-
	-	(119)	-
Fair value designated at FVTOCI - equity securities	77	-	-
31 December 2021			
Assets			
Property, plant and equipment (Note 15(b))			
-Freehold land and buildings	-	-	8,449
-Plant and machinery	-	-	9,189
Biofuels	-	119	-
Other quoted investments	75	-	-

There were no transfers between levels 1, 2 and 3 in the year.

The Group's freehold land, buildings, plant, and machinery were revalued during the year in line with the group policy of carrying out a revaluation after every 5 years.

The valuations were based on market value as follows:

Comparable method for valuation of land and buildings

Fair value of the properties was determined by using market comparable method. This means that valuations performed by the valuer are based on active market prices, significantly adjusted for difference in the nature, location or condition of the specific property.

The properties' fair values were based on valuations performed by Knight Frank Valuers Limited, an accredited independent valuer.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

39. FAIR VALUE OF ASSETS AND LIABILITIES (continued)

b) Fair value hierarchy (continued)

Depreciated replacement cost for plant and machinery

Plant and machinery were revalued on a depreciated replacement cost basis using a valuation model prescribed by engineers and consultants at the technical centre of the ultimate shareholder.

In using the depreciated replacement cost basis the engineers and consultants at the technical centre of the ultimate shareholder ensures that this is consistent with methods of measuring fair value as per the requirements of IFRS 13.

The engineers and consultants ensure that:

1) The highest and best use of the property and machinery is its current use, and
2) The principal market or in its absence, the most advantageous market, exit market, for the property and machinery is the same as the market in which the property and machinery was or will be purchased, entry market.

In addition, the engineers and consultants ensure that the resulting depreciated replacement cost is assessed to ensure market participants are willing to transact for the property and machinery in its current condition and location at this price. The inputs used to determine replacement cost are consistent with what market participant buyers will pay to acquire or construct a substitute the property and machinery of comparable utility. The replacement cost has also been adjusted for obsolescence that market participant buyers will consider.

Description of valuation techniques used and key inputs to valuation of assets and liabilities

	Valuation technique	Significant unobservable inputs	Range (weighted average)	Sensitivity of the input to fair value
Land	Market Comparable Approach	Price per acre	Between Kes 1 million and Kes 30 million	0.5% (2021: 0.5%) increase (decrease) would result in an increase/(decrease) in fair value by Kes 57.62 million.
Buildings	Market Comparable Approach	Estimated rental value per square meter per month.	Kes 30 per square meter	0.5% (2021: 0.5%) increase (decrease) would result in an increase/(decrease) in fair value by Kes 2,92 million.
		Rent growth p.a.	5%	
Plant and machinery	Depreciated replacement cost for plant and machinery	Capital expenditure for a model plant at above capacity assuming supply from China.	Between Kes 1,358 million and Kes 2,729 million.	0.5% (2021: 0.5%) increase (decrease) would result in an increase/(decrease) in fair value by Kes 128.97 million.

39. FAIR VALUE OF ASSETS AND LIABILITIES (continued)

b) Fair value hierarchy (continued)

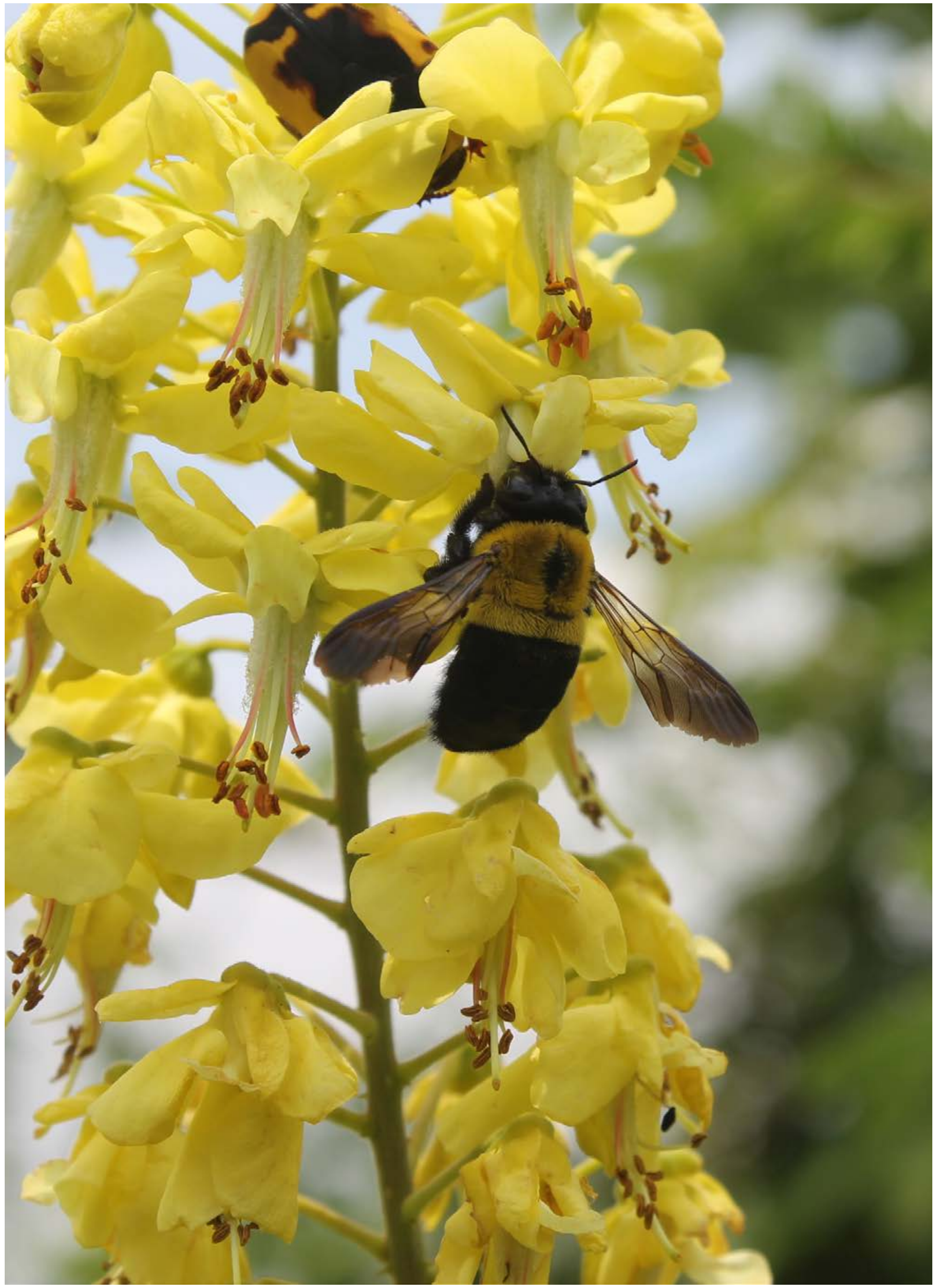
The significant unobservable inputs used in the fair value measurement of the Group and the Company's property and equipment are price per acre, estimated rental value per square meter per month and capital expenditure for a model plant at above capacity assuming supply from China. Significant increases/(decreases) in any of those inputs in isolation would result in a significantly lower (higher) fair value measurement.

40. EVENTS AFTER THE REPORTING DATE

As at the date of approval of these financial statements for issue, there were no other material adjusting or non-adjusting events that would require disclosure.

41. COUNTRY OF INCORPORATION

The Company is incorporated and domiciled in Kenya under the Kenyan Companies Act, 2015. The ultimate parent of the Group is Holcim Ltd, incorporated in Switzerland.



50 YEARS OF SUSTAINABILITY

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