2019

ANNUAL REPORT AND FINANCIAL STATEMENTS

BAMBURI CEMENT LIMITED

www.lafarge.co.ke

ANNUAL REPORT AND FINANCIAL STATEMENTS 2019

BAMBURI CEMENT LIMITED
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CementBamburi BamburiCement

A member of LafargeHolcim

Bamburi cement

From the start

Welcome to our 2019 report

Our Vision

To be the undisputed leader and the preferred partner by providing innovative solutions for nation buidling.

Our Strategy: BUILDING FOR GROWTH based on 4 pillars

Growth

Grow faster than the market by capturing opportunities from the Big 4 agenda

Performance

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

People

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

Sustainability

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

Contents

Report theme: This year's report celebrates our natural capital and showcases Bamburi"s commitment to sustainability and environmental leadership

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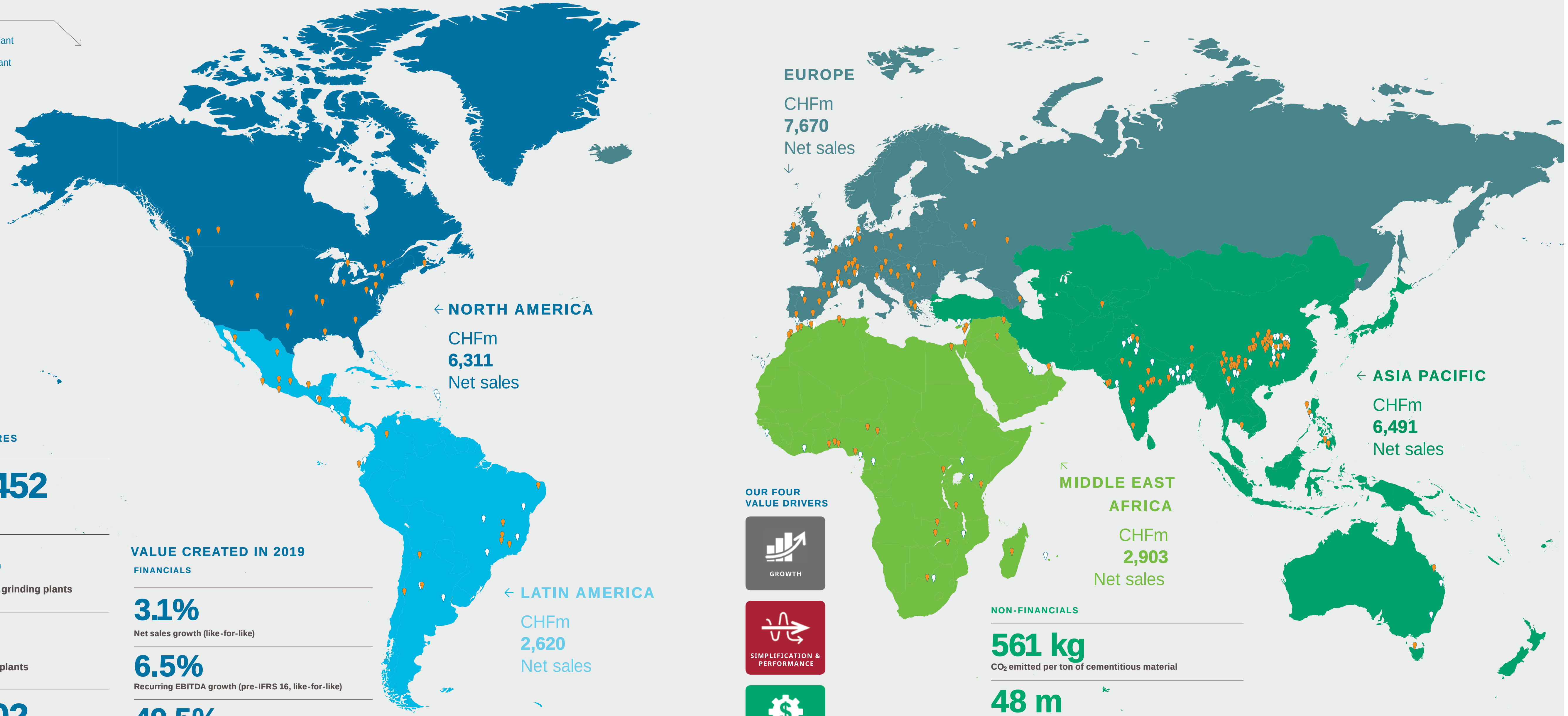
2019 OVERVIEW

Karst caves, at Bamburi Quarry, are naturally created when rainwater dissolves the limestone as it percolates to the ground. The caves have been used by local communities for centuries. Bamburi Cement preserves them as a cultural heritage site.

About LafargeHolcim

LARGEST FOOTPRINT IN BUILDING MATERIALS



KEY FIGURES

72,452
Employees

264
Cement and grinding plants

649
Aggregates plants

1,402
Ready-mix concrete plants

VALUE CREATED IN 2019

FINANCIALS

3.1%
Net sales growth (like-for-like)

6.5%
Recurring EBITDA growth (pre-IFRS 16, like-for-like)

49.5%
Free cash flow to Recurring EBITDA (pre-IFRS 16)

7.6%
Return on invested capital (pre-IFRS 16)

OUR FOUR VALUE DRIVERS

- GROWTH
- SIMPLIFICATION & PERFORMANCE
- FINANCIAL STRENGTH
- VISION & PEOPLE

NON-FINANCIALS

561 kg
CO_2 emitted per ton of cementitious material

48 m
Tons of waste reused in operations

299 l
Freshwater withdrawn per ton of cementitious material

5.9 m
People benefiting from our community investments

About Bamburi Cement Group

KENYA

Bamburi Cement Ltd

A subsidiary of LafargeHolcim, the world leader in building materials. Bamburi has two plants in Mombasa and Athi River.

Bamburi Special Products Ltd

Wholly owned subsidiary that supplies Ready Mix Concrete and Precast concrete blocks.

Lafarge Eco Systems Ltd

Wholly owned subsidiary of the Company whose focus is on sustainable land use and quarry rehabilitation

Binastore Ltd

A one-stop shop where one can find a wide range of construction products, services and expertise for their construction needs

UGANDA

Hima Cement Ltd

A subsidiary of Bamburi Cement Ltd. with two plants in Kasese and Tororo.

Bonastore Ltd

A one-stop shop where one can find a wide range of construction products, services and expertise for their construction needs

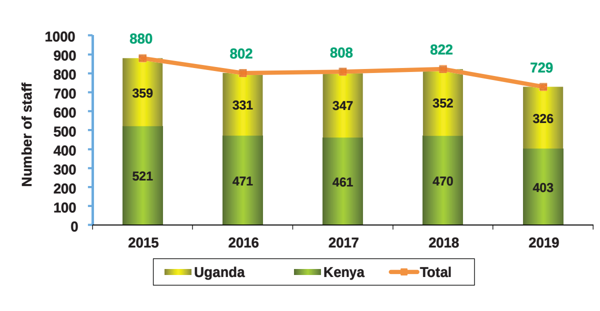
RWANDA

Hima Cement Rwanda

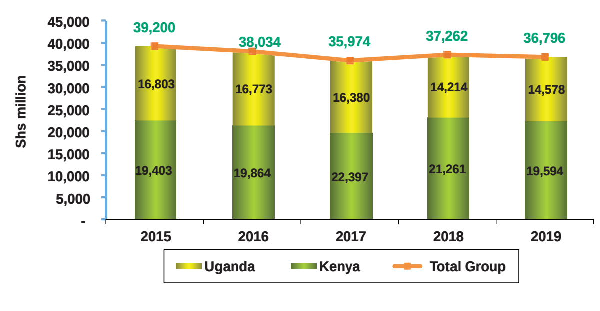
A subsidiary of Hima Cement Ltd. It is the preferred supplier of high quality cement and Ready Mix concrete solutions to the market.

Group - Key financial highlights

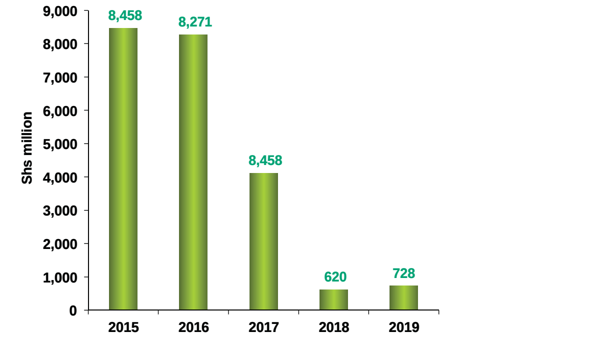
Employees



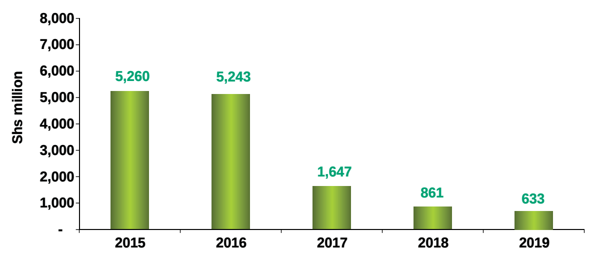
Group Turnover



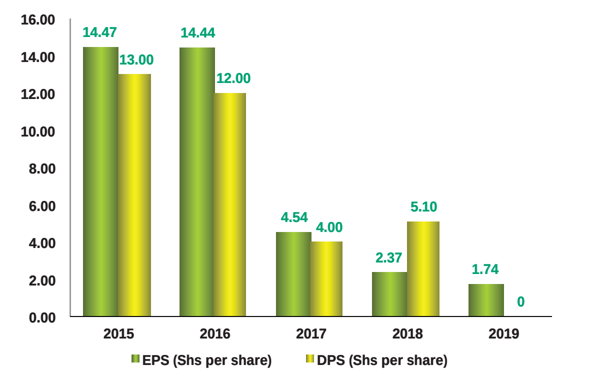
Group Profit before tax



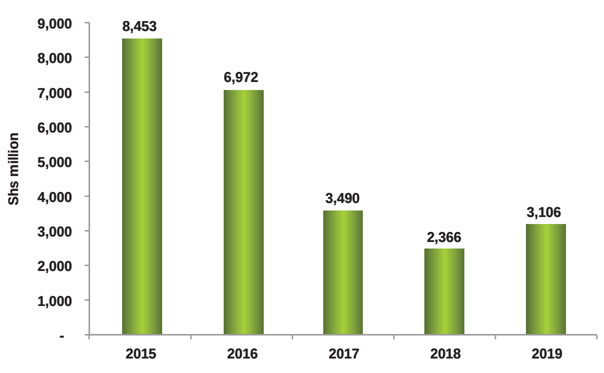
Group Profit attributable to shareholders



Group Earnings/ Dividend per Share



Group Cash and Cash Equivalents



Value added statement

Customers
37,117M

Customers are at the heart of our business. We understand our local markets and strive to exceed our customers' expectations. We are concerned with providing our customers with the highest quality products and respond appropriately to their concerns.

Banks
60M

We create value for our financial services providers through the financial product and services we access from them enabling us to finance our operations and investments.

Payment to Governments
3,461M

By working closely with both National and County governments, we bring the benefits of private sector operation; providing revenue for the exchequer through various taxes and payments and influencing practices in the construction sector through policy dialogue and sharing of our experience and expertise.

Shareholders (Dividend)
-

We provide shareholders with open and transparent information and encourage two-way communication while observing the highest standards of corporate governance and ethical business practices.

Suppliers
29,953M

We work collaboratively with several strategic suppliers. We cascade our high business conduct through these relationships. We ensure that we treat our suppliers with the utmost respect and encourage co-creation.

Our Employees
3,230M

Our employees drive our business. We strive to create a diverse and inclusive workplace where all our colleagues can reach their full potential while providing competitive remuneration and benefits and prioritizing their health and safety

Communities
45M

We seek to create social, environmental and economic benefits for communities where we operate.

Capital Expenditure
1,340M

We are consistently improving our productive capacity through investments in machinery, equipment, technology and other assets so as to maintain our competitive advantage.

Retained for Sustainable Growth
1,334M

Cash retained for sustainable operations in our business.

Chairman’s Statement

“The Group is now well positioned to exploit opportunities in the next phase of our growth to solidify our market leadership position going forward”

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

Investing for future growth through the capacity expansion

In 2018, Bamburi Cement Limited (Bamburi Cement) commissioned an additional 0.9 million tonnes of cement grinding capacity per year. The additional capacity, bringing our total installed grinding capacity to 3.2 million tonnes per year, has solidified our market leadership position in Kenya. As a result, Bamburi is well placed to address increasing demand in both domestic and regional markets driven by growth in the construction sector.

Similarly, Hima Cement Limited (Hima Cement) also commissioned additional cement grinding capacity in Eastern Uganda in mid-2018, which increased our grinding capacity by 0.8 million tons of cement per annum. As result, our production capacity for Hima increased from 0.9 million tonnes to 1.7 million tonnes annually. The investment has also placed Hima on the path to future growth as it is now able to service the growing market in Uganda and the greater East African region.

With optimal cement grinding capacity (Phase 1) in place, The Group has now embarked on the second phase of investing for Growth, which entails the building of a new clinker line to increase our clinker production capacity so we can be 100% self-sufficient. The project will deliver a state-of-the-art greenfield clinker plant in Kenya.

With Phase 1 of investing for growth completed, and Phase 2 now underway, The Group is now well positioned to exploit opportunities in the next phase of our growth to solidify our market leadership position going forward.

Bamburi Haller Park

Chairman's Statement

Economic Environment in our main East African markets

The Kenyan economy remained resilient in 2019, with strong GDP growth at 5.7%. This growth was supported by a stable macroeconomic environment, favourable political environment, continued implementation of the Big 4 agenda and growth in the services sector.

In Uganda, the economic growth was supported by increased infrastructure investment, foreign direct investment in the oil and mining subsectors, and reforms to improve the business environment. These factors are expected to continue driving economic growth in future over the short to medium term.

Rwandan economic growth remains robust, estimated to have grown at 7.8% in 2019. The growth in Rwanda was supported by export growth (thanks to the "Made in Rwanda" campaign), continued investments in public sector infrastructure like airport, and the country's strong record of implementing reforms to achieve its long-term development goals.

Energy and Power prices

Energy prices in 2019 remained volatile due to global uncertainties driven by continuing geopolitical and trade tensions amongst key players. Despite the government's efforts to reduce prices by investing in cheaper alternatives like Geothermal and Wind power, power prices in Kenya are still the highest in the region and are now adversely influenced by the high fixed price tariff component that was increased in 2018. We will continue to engage the government to continue implementing power price reduction initiatives in order to make the price of power in Kenya more affordable, and in so doing, make Kenyan manufactured products competitive. Bamburi is one the biggest electricity power consumers in Kenya.

Cement Market & Competition

Kenya and Uganda cement markets recorded mixed performance over the period. In Kenya, the cement market contracted by 1.3% despite a GDP growth of 5.7%. This was largely attributed to a slow-down in construction activities in the individual home builders and infrastructure segments, coupled with unfavourable weather conditions. In addition, there has been delays in government fund disbursements to infrastructure projects. Going forward, we expect the economic growth to trickle through to private investment and for the delays in government disbursements to be smoothed out. We believe that this will catalyse growth in cement uptake, as well as growth of associated products' demand.

On the other hand, cement market in Uganda grew by 6.3% in 2019, against a background of stable interest rates in the economy and recovery in private sector credit growth. The market continues to grow as cement becomes more affordable due to increased competition. Both Kenya and Uganda cement markets are experiencing excess grinding capacity which is putting pressure on cement prices. However, the clinker production in Uganda is below capacity necessitating clinker importation to supplement local production.

Overall, our regional markets remained very competitive in 2019, with prices coming under pressure across all segments. In Uganda, the closure of Rwanda border since early 2019, has rendered inaccessible the Rwanda market which contributes about 16% of Uganda revenues with the highest export margin.

The Group is in the process of executing the "Building for Growth" strategy with key focus on commercial and customer excellence in order to grow market leadership across the region.

Performance Review

Despite market headwinds as a result of lower market demand for cement in Kenya and the inaccessibility of the Rwanda market, the Group Turnover at Shs 36.8bn (2018: Shs 37.3bn) was relatively flat indicating a resilient underlying topline performance on a like for like basis. Bamburi's market share grew by 60 basis points in a declining market.

This performance was achieved on the backdrop of strong brands, efficient logistics, and innovative product offerings across the brand portfolio, together with a strong Route to market (RTM) drive for market excellence and unparalleled customer service.

Despite the flat topline, higher depreciation charge following the commissioning of capacity expansion projects in both Kenya and Uganda in mid 2018, and the impact of suspended operations in Rwanda, Operating Profit growth in 2019 was significant at 44%. This is a testimony that the hard work the business has invested in transforming itself through cost base optimization and process efficiency is making a huge difference.

The significant Operating Profit growth is evidence that the "Building for Growth" strategic pillar of cost and efficiency optimization, when executed well, will cushion the business against adverse external market factors.

Profit before Tax for the Group at Shs 728m (2018: Shs 620m) also grew over 2018. The reduced growth in comparison with the operating profit growth is on account of significantly higher Finance Costs at Shs 436m (2018: Shs 258m) impacting the Group on account of the Shs 2bn long term debt acquired by Hima in mid 2018. The debt was used to finance Hima's capacity expansion project. The impact of the higher Finance cost notwithstanding, the Group still delivered a strong growth in Profit before Tax of 17%.

A higher Effective Tax Rate in 2019 led to a lower Profit after Tax level in comparison to 2018. In 2019, Hima did not benefit from the investment deduction allowance as was the case in 2018, the effect of the 2018 benefit creating a comparative disadvantage with 2019. Following the closure of the Uganda-Rwanda border, which has rendered the Rwanda market inaccessible to our Uganda subsidiary for the better part of 2019, the Board has taken a decision to derecognise the deferred tax asset in relation to the Rwanda operations. Additionally, the costs associated with the discontinuation of the Rwanda operations incurred in 2019 (eg the impairment of Rwanda assets) were largely disallowed for tax purposes. The result of these was a higher effective tax rate in 2019 of 50.6% (2018:7.7%). This notwithstanding, the Group has posted a much stronger underlying performance in 2019.

Execution of the "Financial Strength" Pillar of Strategy 2022 has also seen the Group deploy cash management initiatives that have contributed to the improvement in working capital. The Group's cash and cash equivalents position improved by Shs 371m in 2019 (2018: Shs 1.1bn deterioration).

The Group's financial strength remains robust with our balance sheet and liquidity position providing the support necessary to pursue new investment opportunities that will deliver shareholder value growth. We have put in place strategies that seek both to address the market and environmental challenges, and to fully seize opportunities presented to us in order to strengthen our business for the future.

2020 Outlook

Following the announcement by Kenya and Uganda of their respective first confirmed case of Covid 19 in March 2020, the Governments of the two countries have redirected their focus and resources towards combating and controlling the spread of the deadly virus within their borders. We have seen the two governments enforce emergency measures backed up by legislative strength under the Public Health Act, to counter the spread of Covid 19. The government of Kenya has in addition, enacted a supplementary budget to not only finance the Covid 19 preventive measures, but also to finance the provision of welfare relief to vulnerable citizens adversely impacted economically by the control measures against the spread of Covid 19.

Bamburi Cement Group applauds and supports the efforts of the two governments which are helping to curb the spread of the pandemic. We as a group are also playing our part in supporting the war against Covid 19. In Kenya, we have made donations in support of our partners and local vulnerable communities within Mombasa, Kilifi, Kwale, Machakos and Kajiado counties. At the time of going to publication, Bamburi has so far donated 14,800 face masks, 4,900 sanitisers and 114 water tanks. In Uganda, our Covid 19 pandemic control processes have been recognised as "best practice" by the government and at the time of going into publication, Hima is in the process of sharing with other stakeholders and partners some of our practises in a bid to aid the expanded roll out of the same. In addition, we have issued all our staff with Covid 19 care packs containing face masks, sanitisers, digital thermometers and surgical gloves, for use at home with their families.

Our outlook for the cement market in the two markets of Kenya and Uganda remains cautious in the wake of the Covid 19 pandemic outbreak. Pre Covid 19, we had envisaged growth in cement demand in Kenya, supported by a stable economic environment and the "Big Four" government agenda in the areas of affordable housing and significant investment in infrastructure projects (roads, railways, ports, special economic zones). The repeal of the interest rates cap was also expected to spur private sector credit growth and stimulate economic recovery in the country. Post Covid 19, with government expenditure refocused towards the war against Covid 19, we will need to reassess the market and the general economic situation.

In Uganda, the GDP growth was expected to be fuelled by government investment in public infrastructure especially in the oil industry, and the cement market was expected to continue growing in line with the economy. Similarly, in Uganda, the impact on the market of the prioritisation of the war on Covid 19 pandemic will need to be reassessed. In the meantime, we also hope that the two governments of Rwanda and Uganda will find an amicable resolution to the border dispute between them.

Given the stage that the two countries of Kenya and Uganda are in the war against the Covid 19 pandemic, it is too early for the Board to project the full impact of Covid 19 on the business performance going forward. We remain cautiously optimistic that as a business and as citizens of Kenya and Uganda, under the leadership of the two governments, we have the resilience it takes to overcome the challenges the pandemic has presented to us.

Appreciation

I wish to thank the management and staff of Bamburi Cement Limited Group for the hard work that has resulted in another successful year. Our employees have re-positioned the Group strategically for Growth. The Spirit of resilience that they have demonstrated, and continue to demonstrate in the face of challenges, is the spirit behind our "Building for Growth" strategy. Our efforts have been rewarded as we register improved underlying performance for the Group in the year 2019.

The Board has the confidence that the Group has the leadership and the people to exploit the opportunities presented to us, to the best advantage of our shareholders and all stakeholders.

Dr. John P N Simba
Chairman

7 May 2020

Group Managing Director's Statement

The Group is successfully implementing Strategy 2022 – "Building for Growth". We have continued to defend our market leadership position. With the completion of our capacity expansion projects, we have now embarked on a journey towards cost leadership. To reinforce our competitive edge in Kenya, the Group launched new innovative products to meet the ever changing and dynamic needs of users of our products in order to grow volumes. Additionally, the Group has also launched a transformation drive to increase cost efficiencies throughout our operations.

Bamburi Forest Trails

Group Managing Director's Statement

In 2019, Bamburi Cement Limted (Bamburi Cement) launched TEMBO CEM V composite cement and DURACEM CEM III/B-S slag cement, both with addition of blast furnace slag for the first time in our Kenya operations. In Kenya, the TEMBO composite cement has the lowest carbon footprint at low levels of CO_2 emissions while DURACEM comes second to TEMBO. These are the greenest cements in the market and they underline our commitment to sustainability.

The Group also implemented various transformation initiatives to optimise our cost base. We remain focused on the execution of our Strategy 2022 – "Building for Growth". We are going for excellence in Route to market (RTM) (RTM), logistics mastery and Industrial Cost optimisation, all in a bid to enhance the experience of our customers. In the process, we believe we will create value for all our stakeholders in the entire value chain.

We repositioned our Uganda busines, Hima Cement Limited (Hima Cement) for growth by launching two innovative products namely RAPIDSET 42.5R cement and ROADCEM. The RAPIDSET cement is one of its kind. It is made for a niche precast market previously untapped by Hima. The RAPIDSET Cement comes in a hybrid 30 kg bag which has replaced the 50 kg bag, and is superior in terms of performance. On the other hand, ROADCEM has been developed as an innovative product ideal for stabilization of road subbases as well as for extending the life of gravel roads.

The Group will continue with the drive to grow and sustain its market leadership position. Our RTM strategy is formulated to support this ambition and will further see us gain better control of our markets. This we will achieve by continuing to leverage the direct sales channel and deploying our innovative high quality products to meet the wide range of application needs in cement and value added products mainly, ready mix designs and precast formats. Our mobile laboratory service will complement our product offering by bringing on board operational execution mastery. Our innovation funnel has started churning out new building solutions to capture and create new growth opportunities going forward.

Health and Safety

Health and Safety is the Group's overarching value in its operations. Unfortunately we recorded one road fatality in Kenya and two in Uganda. An action plan anchored on achieving 'no repeats' was developed to close operational gaps in deploying of best practice in our operations in a way that guarantees the health and safety of our employees, business partners and customers. We continue to channel our efforts and focus on proactive measures to prevent accidents from happening with our Health & Safety Improvement Plans (HSIP).

In Kenya, we closed all the open HSIP actions at 99% level in 2019 against a target of 100%. The pending actions were carried forward for closure in 2020. In Uganda we closed the actions at 96%. On road safety, contracted transporters installed In-Vehicle Motoring System (IVMS) in 2019 to encourage and instil safe driving behaviours and habits amongst our contracted transporter drivers. We implemented the driver scorecard to help track and report driver compliance with agreed safe behavioral practices. Through differentiation, we can then reward or sanction individual drivers accordingly.

Operational and financial performance

The Group Turnover at Shs 36.8bn was largely in line with the level in 2018 at Shs 37.3bn. In Kenya, cement sales have been impacted by a domestic market which contracted by 1.3%. The shift of volumes previously exported to Uganda to Hima from Bamburi, following the commissioning of Hima's capacity expansion project in 2018, further shaved off volumes out of Bamburi in Kenya. In total, Bamburi registered a volume decline over prior year.

In Uganda, the closure of Rwanda border since early 2019, rendered inaccessible the Rwanda market which contributes about 16% of Uganda revenues. This notwithstanding, Hima's domestic volumes grew by 29%, partly having benefited from the shift of volumes previously exported into Uganda by Bamburi.

In Kenya, Bamburi's domestic market share grew by 60 basis points in 2019 over 2018 on a like-for-like basis.

Despite market challenges, namely; the absence both of sales to Rwanda in Hima and SGR project volumes in Bamburi, a shrinking market in Kenya, and price erosion fuelled by aggressive competitive pressure, both Bamburi and Hima grew market share while sustaining respective market leadership. This is an indication of our underlying competitive resilience.

The Group Operating Profit grew by Shs 328m in 2019 representing a 44% growth from Shs 775m in 2018 to Shs 1.1bn in 2019. The profit growth has been achieved in spite of a 1% decline in top line, and impairment of Rwanda based assets on account of the inaccessibility of the Rwanda market. Under the challenging operating environment, the business transformation and optimization pillar of our "Building for Growth" strategy has served us effectively.

By optimizing operating costs under own control and driving efficiencies, the Group has been able to more than compensate for the adverse market impact by landing significant cost savings in 2019. Thanks to the Cost Optimization pillar of our "Building for Growth" strategy that has seen us more agile than were in 2018. We are happy that we have been able to post an improvement to our operating profit in 2019 over 2018.

In 2018, our Uganda subsidiary acquired a Shs 2bn debt to finance the capacity expansion project. On account of the debt, interest cost grew by 69% in 2019 over 2018 as 2019 was impacted for the entire year by the borrowing while 2018 was impacted for half the year. Profit Before tax grew over 2018 by 17%.

Following the closure of the Uganda-Rwanda border which rendered the Rwanda market inaccessible to Hima, the Board took a decision to impair assets associated with the Rwanda operations as well as derecognise the deferred tax asset. This on account of the appreciation of the compromised going-concern status of the Rwanda business.

In 2018, both Bamburi and Hima benefited from investment deduction allowances after commissioning the capacity expansion projects. In 2019, only Bamburi continued to enjoy the residual allowances. To the contrary, Hima's benefit only impacted 2018. The absence of the investment allowance deduction benefit for Hima in 2019 similar to 2018, plus the suspension of Rwanda operations led to a higher tax charge in 2019 of Shs 369m (2018: Shs 48m), and an effective tax rate of 50.6% (2018:7.7%). The higher tax charge in 2019 is therefore a consequence of the investment deduction allowance for Hima impacting 2018 and not 2019, and the suspension of operations in Rwanda.

Aside from the impact of the exceptional event around the Rwanda business, we are pleased that the Group has posted a strong improvement in underlying operating performance on a like for like basis.

2020 Outlook

Following the outbreak of the Corona Virus (Covid 19) in early 2020, the Governments of Kenya and Uganda announced their first confirmed cases of the infection in March 2020.

The Board of directors of Bamburi Cement Limited, is alert to the threat posed by the pandemic both to the health and welfare of our employees and stakeholders, as well as to the general economy. As part of our operating governance protocol, we conduct our business in a manner that creates a healthy and safe environment for all involved, namely; our employees, contractors, communities and customers.

Our operations are grounded on a sound health and safety culture. We believe in visible leadership and personal accountability at all levels throughout our organisation. We maintain global health and safety management standards designed to continuously improve our performance and actively minimise risks in our business.

In response to the Covid 19 pandemic outbreak, the first priority of Bamburi Cement Group has been to implement all necessary measures to protect the safety and health of our employees and their families.

The second priority for the Group is to preserve the business in a sustainable manner throughout the challenging Covid 19 pandemic management period. To this extent, we have refocused the business on cost control and cash preservation.

Overall, the outbreak, which has caused a slowdown in business operations across Uganda and Kenya, and a complete lockdown in other parts of the world, may have implications on operating results in 2020. A lot will depend on the general impact at a macroeconomic level. It is therefore too early to quantify the risks or even the full financial impact on the Group in the Financial year 2020.

Before Covid 19, the East African cement markets were projected to grow in 2020 in line with GDP, but to remain highly competitive on account of the excess capacity invested in the market. The GDP growth projection for 2020 then was estimated at between 5-7% for each of the two countries. Taking Covid 19 pandemic impact into account, GDP growth rate projection for year 2020 is expected to be significantly depressed.

At the time of going into publication, both our entities in Kenya and Uganda continue to be in operation, albeit at a slower than normal pace.

Aside from Covid 19 intervention measures, the Group will continue to execute Strategy 2022 agenda, focusing on Topline Growth, Cost Optimization, People Agenda, Financial Strength and Sustainability. Renewed focus will be placed on optimizing our production costs, logistics costs for both inbound and outbound transport flows, and to reduce the cost of our raw materials and cost of service to customers.

The security risks in East Democratic Republic of Congo and South Sudan are expected to remain post Covid 19.

Conclusion

I would like to thank all our loyal customers, suppliers, hard-working staff, the community stakeholders, and the national and county governments, for the support that they continue to give us. We continue to count on this support as we embark on the "Building for Growth" transformation journey. Our commitment is to continue driving our business in a way that will create and share greater value with all our valued stakeholders. Based on the foundation of actions already taken, and actions we have in the pipeline, we believe that this is achievable.

Seddiq Hassani
Group Managing Director

7 May 2020

Board of Directors

Independent Non Executive Director

DR. JOHN P.N. SIMBA [75]

MBS EGH OGW LLB, LLD (Hon.)

John is an Advocate of the High Court of Kenya and Senior Partner at Simba & Simba Advocates. He previously worked with the Attorney General's Chambers, Industrial & Commercial Development Corporation (ICDC), National Bank of Kenya and the Executive Secretariat & Technical Unit - Parastatal Reform Program.

Additionally, he has previously served as Chairperson of the Federation of Kenya Employers (FKE), Kenya Bankers' Association (KBA), Retirement Benefits Authority (RBA), APA Insurance Company Limited as well as Kenya Hospital Association and as President of the Rotary Club of Nairobi. Currently, he is the Chairman of Sanlam Kenya Plc, Sanlam Life Insurance Limited, Choice Tea Brokers Limited, Funguo Investments Limited and Africa Energy Group Limited while serving as a director in several other companies.

John is a member of the Law Society of Kenya, East African Law Society, International Bar Association and Institute of Directors, Kenya.

John is the Chairman of the Board of Directors, Chairman of the Nomination, Remuneration & HR Committee and member of the Hima Cement Limited Board of Directors.

Independent Non Executive Director

ALICE OWUOR [61]

OGW MBA, BComm, FKIM

Alice is a career tax administrator having served at the Kenya Revenue Authority (KRA) for 31 years. She has worked in diverse areas of tax administration within varied locations in Kenya. She joined KRA in 1984 as an assessor and retired in 2016 having attained the rank of Commissioner, Domestic Taxes.

Alice was part of the KRA transformation team that spearheaded the automation revolution in tax administration that resulted in a shift from manual back office processes to the establishment of the iTax platform. She was also critically involved in the restructuring of the domestic taxes department to support devolution.

Further to sitting in various committees in KRA, Alice has also been Chairperson of the Kenya Institute of Management (KIM), Kenya liaison for Commonwealth Association of Tax Administration and founder/president of the Soroptimist International Club of Milimani. She is a Fellow of KIM while also serving as a Director at the Centre for Corporate Governance, Prudential Life Assurance Kenya and Moving the Goalposts.

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

Independent Non Executive Director

DR HELEN GICHOHI [59]

OGW MBS PhD Zoology, MSc Bio of Conservation, B. Ed (Science)

Helen is currently the Conservation Ambassador for Africa for Fauna and Flora International. From 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 AWF's first President in 2007. Helen has also worked at the Wildlife Conservation Society and African

Conservation Centre, where she was the Managing Director. She is a recipient of several awards including the Charlotte Wyman Trust's Women in Conservation Program and the Giai Environmental Award for 2012 at the WIFTs Foundation International Visionary Awards. 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 and the Kenya Wildlife Service. Her current board positions include Equity Group Holdings Limited, Ol Pejeta Conservancy and the African Wildlife Foundation. Helen also serves on the advisory boards of EAT Stockholm and the African Leadership University's School of Wildlife Conservation.

Helen is a member of the Nomination, Remuneration & HR Committee.

Independent Non Executive Director

RITA KAVASHE, [55]

MBS MBA, BEd

Rita is a captain of the automotive industry with over 20 years' experience. She joined General Motors East Africa Limited (GMEA) in 1995 as a Direct Sales Executive after which she rose through the ranks holding positions in Kenya and South Africa before being appointed Managing Director, GMEA (now known as Isuzu East Africa) in 2011.

Rita has served as a director of several Government entitles including the Privatisation Commission of Kenya, Kenya Roads Board, National Transport & Safety Board, Government Private Sector Liaison Committee together with several private entities such as Governing Council - AA of Kenya, Kenya Vehicle Manufacturers Association, Kenya Private Sector Alliance and Institute of Directors (Kenya) among others.

She is the Chair of the Kenya Roads Board while also a director of the Board of the Kenya Private Sector Alliance and Kenya Vision 2030 Delivery Secretariat.

Rita is a member of the Audit & Risk Committee.

Independent Non Executive Director

JOSEPH MUNA KIMOTE, [48]

MBA, BA Economics

Joseph is the Managing Director, National Cereals and Produce Board. Before that, he was the General Manager, Strategy, Research & Development at the National Social Security Fund (NSSF), which position he had held since 2010. He has also held several other positions including Director - Institutional Planning and Development, United States International University; Project Manager - USAID/EPC Trade Development Programme, Export Promotion Council, among others.

Joseph is a member of the Institute of Directors of Kenya, Kenya Institute of Management (KIM) and Institute of Human Resource Management.

Joseph is a member of the Audit & Risk Committee.

Independent Non Executive Director

MBUVI NGUNZE, [52]

BComm, FCA (England and Wales)

In 2018, Mbuvi returned to the Bamburi Group where he previously spent eight years from 1998 as Finance Manager, Group Finance Director and Managing Director – Hima Cement. He then worked for the wider Lafarge Group for a further five years where he held various roles including Vice President, Group Internal Communications, Audit Director and General Manager at Mbeya Cement in Tanzania.

After leaving Lafarge, Mbuvi joined Kenya Airways as Chief Operating Officer in September 2011 and was promoted to Group MD and CEO in November 2014, a position he held until May 2017.

He has been a director in Bamburi Cement Limited, Hima Cement Limited, Athi River Mining Limited, Kenya Airways PLC, Jambojet Limited, Precision Air, IATA Board of Governors and African Airlines Association. He is currently Chair of Safarilink Aviation Limited, Kenya Association of Air Operators and Mettle Solar - South Africa while also serving as Senior Advisor Operations & Strategy at Catalyst Principal Partners. Further, Mbuvi is a member of the Boards of Lewa Wildlife Conservancy, IPL and St Andrews Turi. He also provides mentorship to scale up entrepreneurs with Endeavor Kenya.

Mbuvi was appointed to the Board on 30 August 2018.

He serves on the Audit & Risk and the Nomination, Remuneration & HR Committees.

Board of Directors

Non Executive Director

PIERRE DELEPLANQUE [55]

MBA

Pierre joined Lafarge in 1997 as CFO, Lafarge Venezuela which role he held until June 2001 when he was appointed Post Merger Integration Leader following the Lafarge acquisition of Blue Circle Industries. He has since held various roles including CFO Lafarge Philippines, CEO Lafarge Ecuador, Post Merger Leader following Orascom acquisition, CEO Heracles General Cement Company in Greece and Area Manager Emerging Europe.

He was appointed Area Manager East Africa, South Africa and Indian Ocean in February 2018.

Pierre was appointed to the Board on 7 June 2018.

He is a member of the Nomination, Remuneration & HR Committee.

Non Executive Director

VASILEIOS KARALIS [46]

MSc International Banking & Finance, BSc Mathematics

Vasileois worked in PricewaterhouseCoopers, Greece for four years before joining Lafarge Greece in 2007 as an analyst within the Finance Department. He was subsequently promoted to Assistant Controller - Industrial & Capex and then Operations Controller. In 2013, he moved to Lafarge SA in France as Investment and M&A Projects Manager after which he was transferred to Lafarge Indonesia as Controlling Vice President. Following the merger, in 2016 Vasileois was appointed the Holcim Indonesia Head of Controlling. In 2018, he was appointed the Middle East & Africa Regional Controller, a position he held until beginning of 2019 when he was appointed Head of Finance, East & South Africa and Indian Ocean.

He was appointed to the Board on 21 March 2019.

Executive Director

SEDDIQ HASSANI [50]

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.

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

He is a member of the Nomination, Remuneration & HR Committee and the Hima Cement Limited Board of Directors.

Executive Director

GRACE OLUOCH [50]

BComm, CPA (K)

Grace previously worked at Unilever, which she joined in 1992 as Finance Manager. She went on to hold various positions including Controlling Director Africa Middle East & Turkey, Finance Director Nigeria, Finance Director East & South Africa and Finance Transformation Director Africa.

She is a member of the Institute of Certified Public Accountants of Kenya (ICPAK).

Grace was appointed Finance Director on 18 October 2018 and is a member of the Hima Cement Limited Board of Directors.

Executive Director

JEAN-MICHEL PONS [42]

MSc Engineering

Jean-Michel joined LafargeHolcim in 2011 as Country Business Development Director, Algeria & Serbia after which he was promoted to Innovation Director, Algeria then to Country Chief Executive Officer, Moldova. Before joining Lafarge, Jean-Michel had worked in Saint-Gobain, Russia for four years.

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

Secretary

BETTY KANYAGIA [45]

LLB, CPS (K), MCIArB

Betty practised with a law firm in Nairobi before joining PricewaterhouseCoopers, Tax and Legal Services Department as a Consultant. She joined Bamburi Cement Limited in 2003 as the Compensation and Benefits Manager, a position she held until she took over as Company Secretary in June 2007.

Betty is a Commissioner for Oaths and Notary Public. She is a member of the Law Society of Kenya, the Chartered Institute of Arbitrators, the Institute of Certified Public Secretaries of Kenya and the Commonwealth Lawyers Association.

Executive Committee Members

SEDDIQ HASSANI
Group Managing Director

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.

GRACE OLUOCH
Finance Director

KANYI GITONGA
Sales Director

IRENE NAIBO
Human Resource & Organization Director

MOSES WERE
Supply Chain Director

LAURENT NOËL
Growth Director

JACK HYUN
Plant Manager (Mom Plant)

2

BUSINESS REVIEW

What we do

We offer a wide range of application based cement products that are specially designed for different requirements in response to our customer needs

CEMENT

Application based product brands

FUNDI MC 22.5	a new masonry cement best suited for mortar works such as plastering, rendering, block laying, screed and repair works.
TEMBO 32.5	a general purpose cement with wide applications in domestic construction projects including mortar works, structural applications, low and medium strength concrete.
NGUVU 32.5 R	a rapid setting cement with wide applications from domestic concrete to large building and construction projects. It is also suited for precast concrete applications.
MULTIPURPOSE 32.5	a general purpose cement with a wide range of applications in construction, from domestic concrete to large building projects. Its good strength performance makes it suitable for both general purpose and structural concrete applications.
SUPASET 32.5	fast setting cement for precast and high early strength applications. Its high early strength and rapid setting features offers improved turnaround during production of precast products.
POWERMAX 42.5	a premium blended cement that combines excellent strength performance at all stages with versatility and enhanced durability benefits. It is best suited for projects where high concrete strengths, rapid demoulding and construction speed is required.
POWERPLUS 42.5	a pure cement with superior performance best suited for high strength concrete works.
DURACEM 42.5 LH/SR	a premium cement that is engineered for specialized applications to provide superior sulphate resistance, very low heat and excellent strength. Its applications include bridges in coastal areas, piers, wharves, deep rafts, dams and water treatment works.
RAPIDSET 42.5R	rapid hardening cement made for a niche precast concrete market. Available in 30kg bags, RAPIDSET offers benefits like speed, strength and low cost to the consumer.
POWERCRETE 52.5	an ultra-high strength cement especially ideal for applications such as pre-stressed concrete railway sleepers, skyscraper foundations, precast slabs and beams, bridges, overpasses, windmill foundations, heavy duty industrial floors and many more.

CONCRETE PRODUCTS

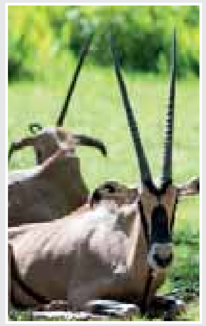
Readymix Concrete	pre-mixed concrete delivered to customer site as ready to use. Delivers on quality and convenience..
BamburiBlox	high quality precast concrete paving blocks that offer a variety of paving solutions. Variety of designs and aesthetics features to meet different tastes.
Precast Mould	a variety of moulded precast concrete products for various uses – ranging from block drainage, hollow blocks, road kerbs, edge restraints to fencing products among others.

SUSTAINABILITY

Bamburi Haller Park

Bamburi Haller Park

a world famous ecological and ecotourism showcase which was once a Bamburi quarry wasteland and was rehabilitated into a rich diverse tropical ecosystem. Haller Park is a recreational hot-spot ideal for experiential learning and serene outdoor experiences. It offers a variety of attractions to educate, raise awareness and entertain visitors; and is home to a diverse range of wild animals.



Bamburi Forest Trails

Bamburi Forest Trails

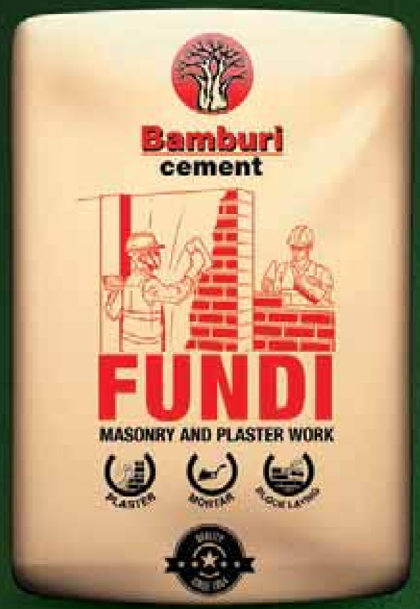
a verdant cool forest with open grasslands and fitness trails transformed from a Bamburi quarried barren landscape. It's cool, serene and fresh ambience free from noise makes it an ideal destination for outdoor activities, events and excursions. The fitness trails are used for leisure walking, jogging and cycling.

geocycle For a zero-waste future

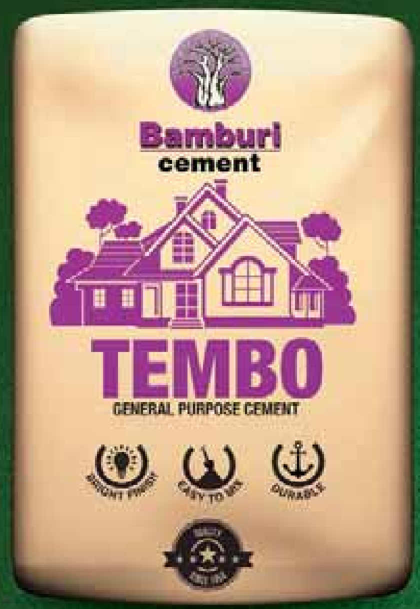
Geocycle

offering sustainable waste management solutions to industries and municipalities. Disposal through co-processing in cement kilns; a safe and more responsible solution to waste management.

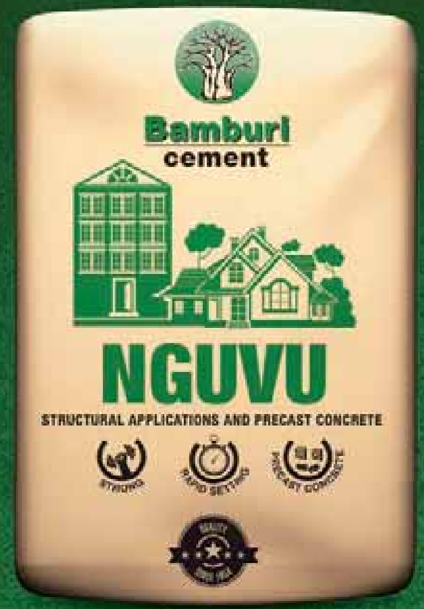
BAMBURI CEMENT. MATCHING YOUR SPECIFIC CONSTRUCTION NEEDS TO OUR VARIETY



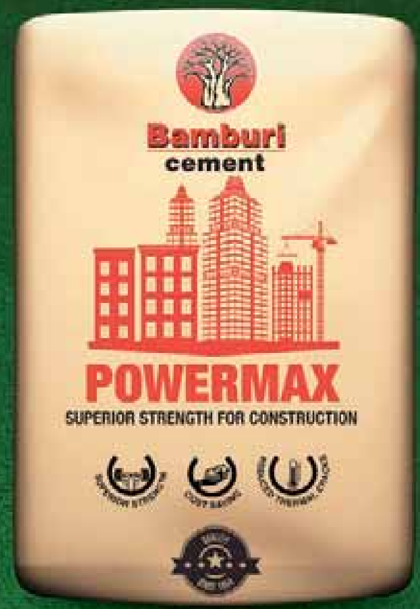
MASONRY AND PLASTER WORK



ALL PURPOSE APPLICATION



CONCRETE AND PRECAST APPLICATION



COST SAVING ON HIGH STRENGTH CONCRETE APPLICATIONS

HIGH STRENGTH FOR SULPHATE RESISTANT APPLICATIONS

HIGH STRENGTH CONCRETE APPLICATIONS

ULTRA HIGH STRENGTH CONCRETE APPLICATIONS

STYLE, VARIETY, DURABILITY GUARANTEED

CONVENIENCE DELIVERED TO SITE

Bamburi cement
Part of you. From the start

Operational Review

The Cement Market in East Africa recorded a mixed performance in 2019

Group

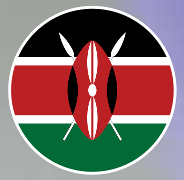
In 2019, the Group continued to execute its Strategy 2022 – "Building for Growth". Both Bamburi Cement Limited (Bamburi Cement) in Kenya and Hima Cement Limited (Hima Cement) in Uganda, enjoyed a full year benefit of the expanded grinding capacity, following the commissioning of both their capacity expansion projects in 2018.

With Hima's grinding capacity optimized in 2019, Bamburi ceased to export cement into Uganda. This resulted in a decline in Bamburi's exports volume, which in turn was compensated for by the uplift of Hima's domestic volumes in 2019.

With cement grinding capacity taken care of, the Group's main focus in 2019 was to advance the Route to market (RTM) agenda while optimizing the cost base.

The Cement Market in East Africa recorded a mixed performance in 2019. The market remained competitive throughout the year fuelled by overcapacity that further drove prices down across board.

Operational Review



Kenya

Bamburi Cement Limited

In 2019, Kenya cement market contracted by 1.3% to close at 5.83MT (2018:5.91MT) despite the economy growing at 5.7%. This was on account of slow-down in construction activities in the individual home builders and infrastructure segments. On the infrastructure front, the flagship Standard Gauge Railway (SGR) project was terminated at phase 2A which ended at Naivasha. The anticipated Phase 2B which was to extend the SGR line up to the Western Kenya town of Kisumu, and which was expected to commence in 2019, did not materialise on account of funding constraints. Cement consumption by the SGR project in 2018 during the construction of Phase 2A, was instrumental in boosting the market. The shelving of Phase 2B adversely impacted the market in 2019 relative to 2018.

In addition, the prolonged rains during the 2nd half of 2019 created unfavorable weather conditions for construction activities. Delays in disbursement of funds by the government to infrastructure projects also contributed to the slowdown on account of liquidity challenges in the market.

Apart from volumes decline, the average selling price also deteriorated in comparison to prior year on account of a diluted product mix as the higher strength cement (CEM 42.5) supplied to the SGR project commands a higher price relative to the ordinary CEM 32.5 cement.

Kenya's turnover for the year declined by 5% to Shs 22.3bn compared to 2018 (Shs 23.4bn). Domestic sales were down on 2018 due to the factors highlighted above while exports sales were impacted by the discontinuation of exports to Uganda. In 2018, Hima commissioned its own capacity expansion project which provided Hima with optimal capacity to service the domestic market in Uganda in 2019. The discontinuation of Kenyan exports into Uganda partly contributed to the uplift of volumes for Hima in 2019.

Operating profit decreased by 25% on account of lower turnover, and higher material costs, maintenance expenses and depreciation.

Bamburi Special Products Limited

This is a wholly owned subsidiary of the Group and the largest supplier of Ready-mix Concrete and Precast blocks in Kenya. Despite the prevailing challenges in the construction sector mainly market decline and competitive price pressure, Bamburi Special Product's profitability increased to Shs 42.5 million (2018: Shs 7.6 million) on account of innovation and cost restructuring.

During the year, Bamburi Special Products developed Bamburi Ultra waterproof concrete design in ready-mix format. The product has solved a critical need in the market for effective waterproofing with a wide range of applications in swimming pools, roof slabs and retaining and basement walls. In addition, the company expanded its precast product portfolio to include coloured paving blocks.

Lafarge Eco Systems Limited

This is a fully owned subsidiary of Bamburi Cement known for its professionalism in quarry rehabilitation, ecosystems development, conservation management, and in promoting education and awareness in the aforementioned fields. Over the years, the company has been rehabilitating decommissioned quarry landscapes and transforming them into exceptional nature reserves that support vibrant ecosystems. Bamburi Haller Park and Bamburi Forest Trails, are world renowned ecological showcases that demonstrate our commitment to sustainability.

Lafarge Eco Systems manages rehabilitated ecosystems and runs ecotourism facilities that are visited by both domestic and international tourists which include educational groups. It also manages Bamburi's reserve land, biofuel forest plantations and housing estates.

Bamburi Haller Park and Bamburi Forest Trails hosted over 163,000 visitors in the year. About 50% of visitation was from educational groups. Local visitors accounted for 44% of the visitations.

Operational Review

Hima Cement Limited

In Uganda, cement market grew by 7% in line with GDP growth at 6.3%. This was against a background of stable interest rates in the economy (Bank of Uganda policy rate closed at 9% in 2019), and recovery in private sector credit growth. The growth was despite the delayed implementation of road projects in the oil and gas region as well as delays in other infrastructural developments in the energy sector. Had the projects taken off as planned, we believe a higher market growth would have been registered.

The continued closure of the Uganda-Rwanda border during the year 2019, denied Hima access to its primary export market, which contributes not only 16% of total Hima volumes, but even more important, 30% of Hima profit. The Rwanda market remained inaccessible for the better part of 2019.

The turnover at Shs 15.6bn (2018: Shs14.9bn) was 4.6% higher than prior year on the account of increase in domestic volumes. The operating profit decreased on the backdrop of lower average selling prices, triggered by increased competition and the discontinuation of Rwanda exports.

Group Profitability

Group Turnover at Shs 36.8bn (2018: Shs 37.2bn) registered a decline of 1% over prior year due to the discontinuation of Rwanda exports and the shelving of Phase 2B of the Standard Gauge Railway (SGR) project in Kenya. Selling prices also declined in comparison to 2018 levels on account of competitive pressure fuelled by overcapacity in the cement market.

The Group has restated its previously reported Operating Profit for the Financial Year 2018 from Shs 835m to Shs 775m by taking an additional accrual of Shs 60m which relates to the recognition of VAT liability impacting 2018 but was not accrued then. The liability was brought to the attention of management via a management commissioned tax health check. The restatement has been done in compliance with International Accounting Standard Number 8 (IAS 8).

Despite lower volumes and lower selling prices, the Group's Operating Profit grew by 44% over 2018 from Shs 775m to Shs 1,117m (assuming the restatement had not happened, and the Shs 60m accrual had impacted year 2019 instead, the Group's operating profit for 2019 would have still recorded a growth of 26.5% or Shs 208m over 2018 position).

The operating profit growth has been achieved in spite of lower turnover and higher depreciation costs, and an asset impairment charge of Shs 120m. Owing to the closure of the border between Uganda and Rwanda, Hima assets based in Rwanda were impaired. The improved Operating Profit is testimony that the cost cutting and optimization initiative is bearing fruit. The level of cost cutting realized, more than cushioned the company from the adverse impact of market factors.

Profit before Tax for the Group at Shs 728m in 2019 (Shs 620m in 2018) was also 17% higher. The increase was despite a Shs 178m (69%) higher finance charge in 2019 on account of debt financing for the capacity expansion project in Hima.

Profit after Tax dropped by Shs 213m in 2019 resulting from the impact of a higher tax charge in 2019 by Shs 321m. The discontinuation of Rwanda operations following the closure of the border between Uganda and Rwanda in early 2019, plus the benefit of investment deduction allowance for Hima impacting 2018 and not 2019, was the driver of the higher tax charge, and by consequence a higher effective tax rate of 50.6% (2018: 7.7%).

Group Cashflow

Gross cash flow generated from operations in 2019 at Shs 3.6bn was nearly at the same level as in prior year (2018 at Shs 3.7bn). However, the Group paid lower taxes by Shs 522m in 2019 compared to 2018, owing to the investment deduction benefit arising from the commissioning of the capacity expansion projects by both Bamburi and Hima in 2018 while in 2019 the residual benefit only impacted Bamburi. To the contrary, the interest bill in 2019 of Shs 394m (Shs 197m in 2018) was double the previous year level on account of the full year impact of the cost of the debt taken by Hima to finance the capacity expansion project. The net impact of higher interest and lower taxes paid of Shs 325m, was largely the driver of the higher net cash generated from operating activities which grew by Shs 213m compared to 2018.

With the commissioning of the two major projects in both Bamburi and Hima completed in 2018, the investment by the Group on purchase of property, plant and equipment in 2019, dropped to lower than 2018 level by Shs 2.6bn. The 2019 level of Shs 1.4bn (2018: Shs 4.2bn) being the level necessary to sustain ongoing plant operations. There was also no new acquisition of limestone reserves in 2019 (2018: Shs 515m). In fact, 2019 further benefited from cash inflow from the disposal of non-core assets at Shs 321m (2018: Shs 62m). The combined impact of lower investment in plant and new limestone reserves, as well as higher proceeds from disposals in 2019, is a lower than 2018 cash outflow from investing activities at Shs 1bn (2018: Shs 4.9bn).

In 2019, the shareholders of the company approved the payment of a final dividend at Shs 1.5bn (2018: Shs 0.9bn). Shs 175m (2018: Nil) was also spent on the repayment of lease liabilities. In 2018, Hima acquired a Shs 2bn loan towards financing the capacity expansion project. Consequently, net cash outflow used in Financing activities at Shs 1.7bn (2018: Shs 1bn inflow) was Shs 2.7bn down on similar amount used in 2018.

The net increase in cash and cash equivalents for the year, inclusive of the impact of exchange rate effect is Shs 371m (2018: Shs 1bn decrease), to bring the year-end closing cash position to Shs 1.3bn (2018: Shs 0.9bn). Bamburi closed the year on a net positive cash position of Shs 2.5bn (2018: Sh 2.2bn) while Hima closed at net borrowing position of Shs 1.1bn (2018: net borrowing of Shs 1.2bn).

The Group's balance sheet remains solid with a good foundation for future leveraged growth. The Group's working capital improvement initiatives taken during the year have boosted its cash position.


PRODUCTS, SERVICES & SOLUTIONS
ROAD INTEGRATED OFFER
HYDRAULIC ROAD BINDERS AND SERVICES FOR BETTER ROADS
LAFARGE
ROADCEM
Hima cement
RAPID HARDENING HYDRAULIC ROAD BINDER
50 kg net
Hima cement
Part of you. From the start


OUR PACKAGING HAS CHANGED
OLD PACKS
Bamburi cement
NGUVU
NGUVU 32.5R
FOR GENERAL BUILDING AND STRUCTURAL USE
50 kg net
Bamburi cement
TEMBO
FOR GENERAL BUILDING AND STRUCTURAL USE
50 kg net
Bamburi cement
POWER MAX
50Kgs net
NEW PACKS
Bamburi cement
NGUVU
STRUCTURAL APPLICATIONS AND PRECAST CONCRETE
Bamburi cement
TEMBO
GENERAL PURPOSE CEMENT
Bamburi cement
POWERMAX
SUPERIOR STRENGTH FOR CONSTRUCTION
MATCH CEMENT TO YOUR APPLICATION
Bamburi cement
Part of you. From the start

Franchise Network Highlights 2019

Binastore

When the Company started trading in May 2018, the initial strategy was to operate it through branded franchise stores which would buy third party complementary products from the Binastore purchasing platform while selling Bamburi branded cement.

In 2019, there was change in strategy. The Company stopped recruiting and branding franchises and instead opened the Binastore purchasing platform to all Bamburi cement retailers. This change resulted in the Company selling third party products to more than 19 retailers during the year compared to only 5 franchise stores in 2018.

With a view of achieving better margins and reducing reliance on local suppliers, the Company also embarked on importing some products. Two shipments were successfully imported with the 1st and 2nd shipments achieving 22% and 95% of imported stock sales by the end of 2019 respectively.

Despite the change in strategy, the Company still realised an operating loss for the year of Shs 88 million against previous year's loss of Shs 103 million. This was mainly attributed to lower sales and margin compared to fixed costs in the Company's second year of operation.

Future Outlook

Binastore is optimistic on improving it's bottomline in 2020 through increased imports with better margins, increased leveraging on Bamburi sales team and active involvement in selling third party products to achieve better sales.

In view of achieving better margins and reducing reliance on local suppliers, the Company also embarked on importing some of the products.

Our Projects

Rehabilitation of Old Mombasa Road

Following the successful completion and commissioning of the capacity increase project at the Nairobi Grinding Plant (NGP) in 2018, through a strategic investment of USD 40m, an additional production capacity of 900,000 metric tons per year was injected.

This first phase of the project increased Bamburi Cement's total annual grinding capacity (of its Kenya based Plants) to 3.2 metric tonnes, addressing the projected demand in both domestic and regional markets driven by growth in the construction sector.

To effectively transport the additional capacity, the project culminated in the rehabilitation of the dilapidated 1.1km Old Mombasa Road (A104) stretch to the plant.

The rehabilitation was done through a Partnership with Kenya National Highway Authority (KenHA) to concrete surface standards.

The road was designed to withstand heavy truck traffic and storm water drainage. It is considered a best practice showcase by KenHA, complying with local and international standards.

The USD 2.6 mn road rehabilitation project was completed safely, on time and on budget in June 2019, offering unquestionable durability and low maintenance costs in comparison to bitumen roads.

Special concrete was supplied by Bamburi Special Products and improved our stakeholders' experiences, especially in reducing truck turnaround time – for both cement and raw material trucks.

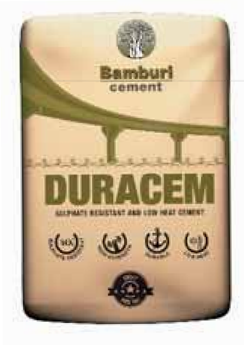
Commencement of Capacity Increase Phase II (Project Indigo)

In 2019, Bamburi embarked on Phase II of the capacity increase, code named Indigo to carry out a feasibility study to advise a clinker capacity increase strategy, following successful completion and approval of the opportunity study. The project aims at increasing clinker production capacity by constructing a state-of-the-art greenfield clinker plant in Kenya.

900,000 metric tons
additional production capacity per year was injected.

Marketing Highlights

Kenya at a glance



DURACEM launched

Bamburi introduced DURACEM (R) 42.5, a Sulphate resistant cement. Manufactured at Mombasa Plant DURACEM is engineered for specialized applications to provide superior sulphate resistance, low heat and excellent strength. The product is targeted at high strength marine projects like bridges, piers, quays, wharves, dams, windmill foundations as well as columns and slip form works.

TEMBO reformulated

The Company also reformulated its general purpose cement to include blast furnace slag making it brighter in color and enhancing its suitability for plaster and finishing. The inclusion of slag, which was done as per Kenya Bureau of Standards specification, improved uptake of TEMBO a well liked brand in a highly competitive market.

Interacting with Architects, Engineers and Developers

Bamburi continued strengthening relationships with key partners and customers whilst driving its long term agenda of improving professionalism in construction. The teams interacted with stakeholders and customers through frequent industry platforms such as the annual Architects and Engineers Convention, Property Developers Conference and forums by the National Construction Authority.

Zawadi Challenge

Zawadi in 2019 came of age attracting not only more participation by retailers but also strategic partners willing to sponsor and participate in the program such as Isuzu, Apex among others. Loyal customers continue to be recognized and rewarded through Zawadi Challenge which has gone a long way to in relationship building.

Builders Academy

Builders Academy continues to be a critical component for Bamburi to drive the agenda of Professionalism in Building across the country. Through the forum Bamburi strives to share building knowledge with a goal of improving skills of as many masons as possible.

POWERMAX at Retail

To drive uptake of POWERMAX at the Lake and Coast Regions, Marketing worked with a team of 20 Construction site advisors, who engaged foremen and contractors at medium - large construction sites educating them on POWERMAX value proposition which entailed explaining the cost saving benefit customers would enjoy on using POWERMAX. Through the Site Advisor campaign 2,648 sites were visited, 7,712 masons and 32 construction companies engaged. Over 90 leads were generated and sale of POWERMAX, NGUVU and TEMBO

Mystery Shopper Promotion

Buyers of our cement brands were instantly rewarded with a free bag of cement for every 25 bags bought. The six-week promotion involved 125 hardware stores and more than 500 masons were rewarded. The promotion led to an increase in volumes in the regions it was actived.

Marketing Highlights

Uganda at a glance

Product and Innovation - in 2019 we optimized, developed and launched new products to drive market share. We also engaged in aggressive trade marketing to build brand awareness, penetrate new markets and create a brand pull.

RAPIDSET launched

RAPIDSET is a one of its kind product in terms of mix and performance made for a niche precast market packaged in a hybrid 30 kg bag. RAPIDSET offers benefits like speed, strength and low cost to the consumer.

ROADCEM launched

ROADCEM was developed as an innovative product ideal for stabilization of road sub bases as well as extending life for gravel roads. In 2019, Hima was able to sell a total of 6,000 tons of the cement for road sub base stabilization applications.

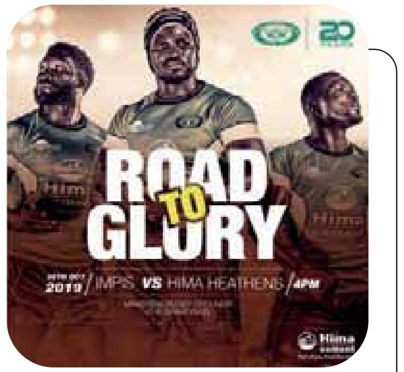
Launched FUNAMU NE HIMA Loyalty campaign

A nationwide customer loyalty campaign tagged "Funamu ne Hima" was conducted in a bid to support general trade, gain back market share and counter share loss. The ongoing campaign is set to run for 1 year with customers who meet their targets winning school fees and medical insurance for two family members.

HIMA MOBILE APP now in the market!

Through partnership with Xente, an innovative e-commerce platform, the Hima Cement App was launched in October 2019, offering customers ease in the purchase of construction materials.

Sponsorships to build brand image

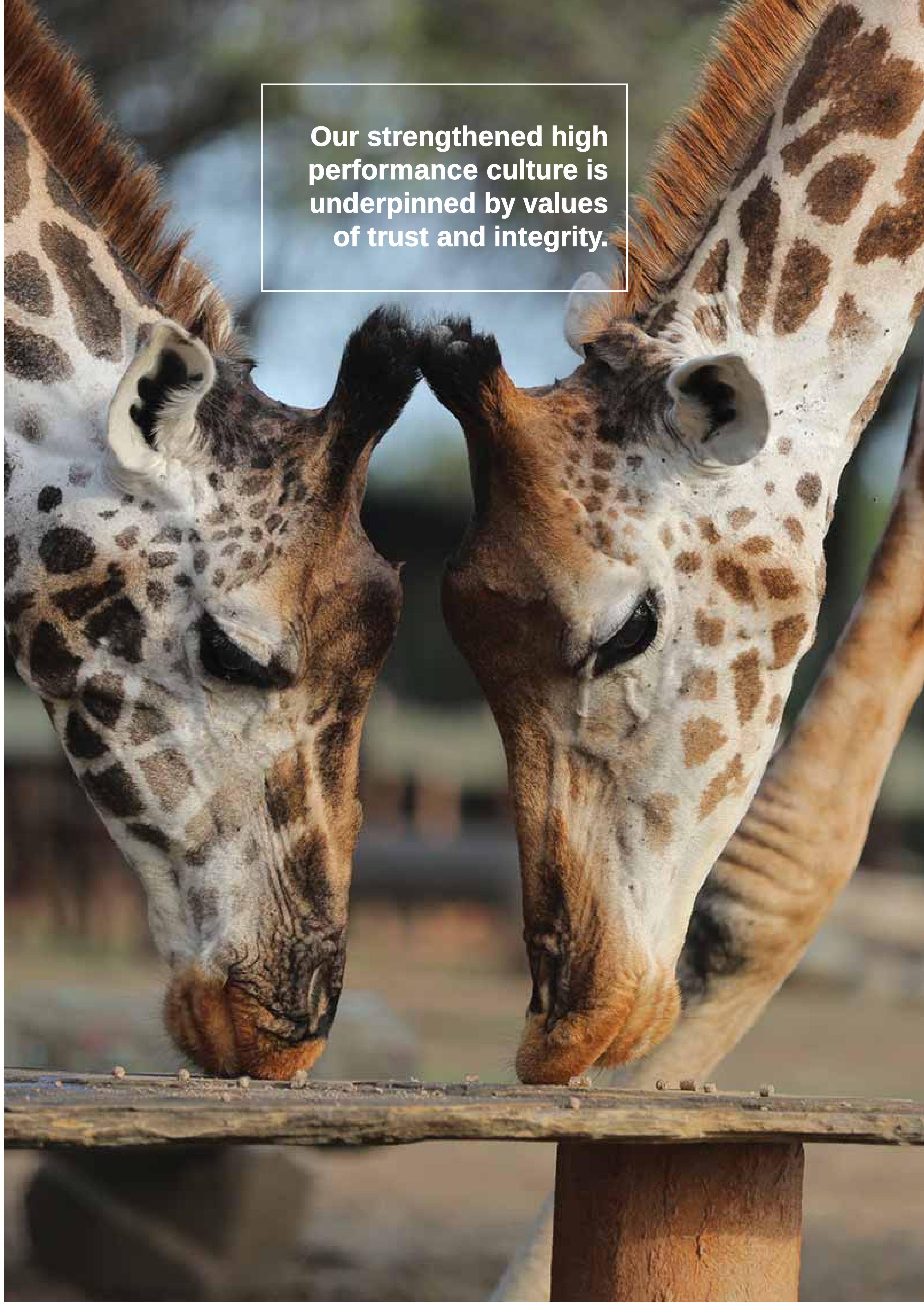


Hima Cement maintained sponsorships for top sports clubs: Hima Cement Heathens Rugby Club, Football Giants Vipers and kick boxing female ace Patricia Apolot in a bid to build brand awareness, create excitement and stay top of mind.

We continued to support stakeholders through sponsorship of the Cement and Hardware Dealers Association (CHADA) expos, regional dealer engagements where dealers were taken for a site visit of our new plant in Tororo and the top performing customers rewarded for their loyalty.

Meet the customer market storms

The commercial team and Exco continuously engaged with customers through Market Storms and Trade visits every month to build better understanding of the customer needs and improve on service delivery.



Health and Safety

Kenya

Our Health and Safety (H&S) performance was impacted by one road fatality and four Lost Time Incidents (LTIs) in our Mombasa Plant. Plans were put in place to reverse this trend in 2020 and beyond. There were some positive results such as 99% closure of actions of the strategic Health and Safety Improvement Plan (HSIP), additionally there was improvement in the quality Visible Personal Commitments (VPCs) compared to 2018.

2019 Health and Safety Improvement Plan (HSIP)

We had five strategic objectives in 2019 which were being sponsored by Exco members: Road Safety, Health, Housekeeping, Work at Height and Risk Management.

i. In Road Safety, we generated a scorecard based on the output of the In-Vehicle Monitoring System (IVMS) and used this scorecard to rate and identify safe and unsafe drivers. We then applied the reward and sanction policy on the drivers based on this scorecard positively influenced their driving behavior.

ii. In Health, some engineering controls were implemented to address ergonomics issues in lifting of bags using trolleys. To manage dust exposure to workers in the packing plant at Nairobi Grinding Plant, a hood was installed.

iii. In Housekeeping, sustainable solutions were implemented across the sites to address the housekeeping issues from the source.

iv. In Working at Height, solutions were implemented following the Hierarchy of Controls principle with focus on engineering controls aimed at reducing scaffold use across the sites. Some of the solutions implemented included installation of platforms with side protection and toe-boards.

v. In Risk Management, the Group introduced a new risk management approach and relaunched toolbox talks (Lifesaving talks) and risk assessment audits (Lifesaving audits). Over 100 safe working procedures were developed under this pillar for high frequency, high risk jobs.

Health and Safety Management System

This was a good practice that was introduced in 2016. It includes audits that are led by Exco members as a demonstration of their leadership and commitment to health and safety. We have so far carried out 16 audits across all sites with over 150 employees from the different sites being trained and involved on these audits. Over 50 level one findings have been closed in these four years; meaning elimination of potential fatalities. Our focus is now to eliminate repeat findings.

Global Health and Safety Days

In 2019, there was great mobilization during the Health and Safety Days campaign held in May and June. We focused on our five H&S rules and the consequence management policy. Fun filled activities were carried out with amazing prizes won by employees and contractor staff.

Road Safety

Road Safety Campaign

In 2019, Bamburi Cement partnered with the National Transport Safety Authority (NTSA), Machakos County Government and our transporters to mark the 12th Annual Road Safety campaign that involved sensitizing drivers, motorbike riders, pedestrians and other road users on road safety along the Northern Corridor and other roads in the country.

Bamburi Cement as one of the largest contributors to the number of vehicles on Kenyan roads with between 900 – 1,000 trucks transporting Bamburi's raw materials and products covering over 20 million kilometers per annum, launched this road safety program in 2006. The program is anchored on Driver Management, Vehicle Management, Journey Management, Load Management and Contractor Management, as well as annual training for over 1500 drivers, 500 motorcyclists and other road users on road safety and defensive driving. Each year the drivers get annual refreshers, while boda-boda riders have been trained along the Northern Corridor, contributing to the reduction of road carnage and deaths.

Transporter Partnerships

The spirit of our transporter partnerships is to ensure that our transporters remain autonomous in their operations even as we enforce compliance with our road safety policies. Through transporter site audits we support and advise transporters on how to adhere to, and meet minimum requirements. Most transporters have adopted our road transport safety policies and procedures then personalized them for improvement, contributing to overall improved safety standards and culture.

Currently we are the only business unit within LafargeHolcim's MEA region with Five Star rated transporters (currently two). We have integrated IVMS (In Vehicle Monitoring System) and truck inspection tools to ensure driver behavior is managed in real time after every trip not at end of month as was previously done. We have so far achieved over 94% IVMS compliance. In 2019 we also went live with digital journey management and piloted digital solutions like in-cabin driver alert systems in line with IVMS and Route Hazard Mapping with good success. We achieved 100% compliance in driver training and assessment.

We completed integration of the fleet management centre at Nairobi Grinding Plant with Customer Service. The same project is now ongoing at Mombasa Plant. With this, our operations are made seamless with reduced TTAT (Truck Turnaround Time). In addition, we also went live in December with the Transport Analytic Centre that provides the Logistics team with summarized reports, both safety and operations, reporting operations from both Plants with integration of IVMS with other operating systems such as SAP, LOGON and HODIM.

Health and Safety

Boda boda training

The Boda Boda (motorcyclists) road safety awareness campaign was initiated by Bamburi Cement and partner organizations in 2006. The main idea was to sensitize Boda Boda riders on road safety and make them better road users. Boda Boda related accidents in Kenya have been on the increase with high fatalities recorded.

The program involves a 3-hour classroom Defensive Rider Training for the Boda Boda Operators, and is done across the northern corridor in specific towns. They are then assessed and certified. In addition, we also involve traffic police and NTSA (National Transport and Safety Authority) to share regulatory requirements such as licensing of the unlicensed and training.

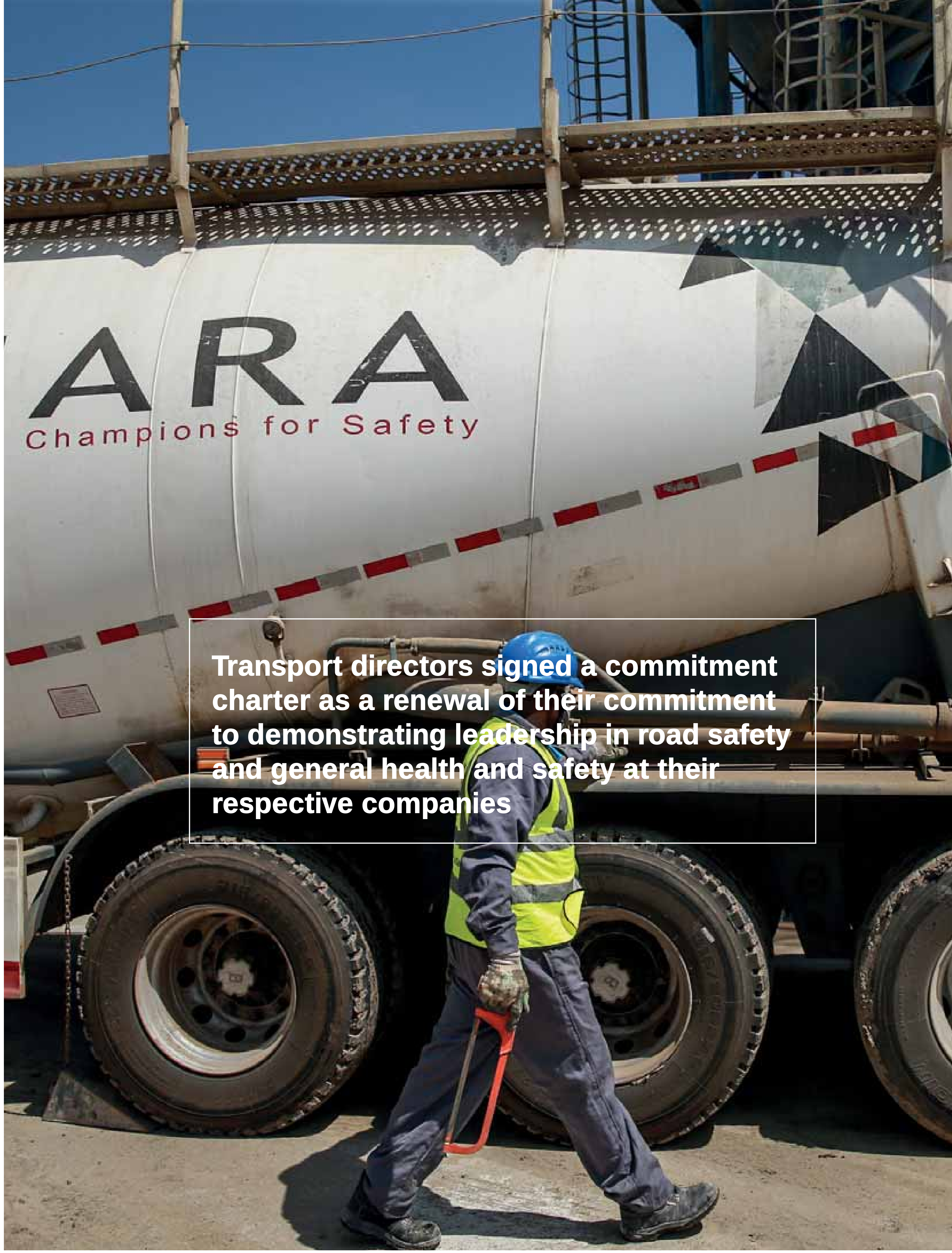
Bamburi has trained over 6,000 motorcyclists on road safety and defensive riding over the past 14 years. This has contributed to the reversal of the unfortunate trend in road carnage and loss of lives. Accidents also result to economic loss to the victims and their families. In addition, behaviour change have been witnessed among those trained, with most riders ensuring use of helmets, reflective vests and carrying not more than one pillion passenger.

Transport Directors Meeting

In 2019, we hosted our contracted transporters for our Annual Transporters Directors Meeting, coinciding with launch of our Health & Safety Days campaign. During the meeting, the five H&S rules and the consequence management policy were revisited. The directors then signed a commitment charter as a renewal of their commitment to demonstrating leadership in road safety and general health and safety at their respective companies. It was also an opportunity to review our road safety performance.

What Next?

Our HISP for 2020 is ready and we shall be focusing on Road Safety, Health, Working at Height, Leadership and Accountability, and Competency.



Transport directors signed a commitment charter as a renewal of their commitment to demonstrating leadership in road safety and general health and safety at their respective companies

Health and Safety

Uganda

In 2019, fortunately, the business did not register any fatality on-site as a result of our operations. However, five LTIs were registered up from four in the previous year.

As at end of 2019, the business recorded a final score of Lost Time Injury Frequency Rate (LTIFR) of 2.53 against a target of 1.23. This implies that for every one million hours worked, 2.53 lost time injuries were recorded. To curb the increasing number of LTIs, an action plan anchored on driving 'Ambition Zero' was developed to close any gaps in the health and safety management system.

Hima Cement automated monitoring of road transporters through implementation of In-Vehicle Monitoring System (IVMS). This contributed to reduction of road fatalities by 66% (three fatalities in 2019 against nine in 2018). Following the installation, 58% of vehicles were IVMS compliant by close of 2019 and 70% of drivers were approved based on the LafargeHolcim standards.

One out of the three road fatalities were not recordable since it was caused by a third party road user. Continuous refresher defensive driving trainings were conducted to improve driving skills.

The key programs in 2019 were:

2019 HSIP Implementation

In 2019, the Company achieved 96% closure rate of Health Safety Improvement Plan (HSIP) against a target of 90%. The only pending action was completion of transporter audit that will focus on a new risk based audit protocol to be released by LafargeHolcim in 2020.

Engagement Forums

Hima Cement implemented awareness campaigns including biweekly communications to FTEs and HOD's participation in toolbox talks, area ownership programs to manage housekeeping issues and leadership teams sharing key lessons on critical safety incidents. This will support influence the mindset of employees to achieve a zero harm culture.

Ebola Response Plan

On 11th June 2019, the Ministry of Health declared the 6th outbreak of Ebola Virus Disease (EVD) in Kasese district in South Western Uganda. The business developed an emergency preparedness and response plan to deal with the outbreak of Ebola. This included all employees, contractors, truck drivers and the neighbouring community on the infection and prevention control measures. Hima Cement installed handwashing facilities, automatic hand sanitizers and enforced use of temperature guns at all site entry points. We successfully conducted Ebola simulation drills in all its sites while in crisis level 2 to determine the effectiveness of the Ebola Response and Preparedness Plan.

Transporter and Road Safety Development

The Transport Analytical Centre (TAC) tool was tested and fully rolled out to analyse driver behaviour with the primary aim of improving compliance to road safety, tracking cycle time, facilitating incident investigations, capturing road safety Key Performance Indicators (KPIs) and implementing reward and consequence management.

Vehicle inspection and Track Turnaround Time (TTAT) tool roll out started in July to ensure daily review of all vehicle movements and physical inspection of vehicles. Additionally, configurations were made to GPS to receive notifications of any occurrence of tampering, power disconnects and recording failures to prevent reoccurrence of accidents linked to tampering.

Way Forward For 2020: 'No Repeats'

Hima Cement has achieved strong and visible improvements on Road Safety. However, the H&S culture in our plants (particularly in Kasese) has deteriorated over the last 2 years. Our main focus for 2020 is to achieve 'Ambition Zero' across all industrial sites in order to eliminate repeat critical incidents through execution of key controls and leveraging on key lessons from similar incidents across the Group.

We are already embarking on continuous engagement of all employees in selected, trainings, onboarding and evaluation to assess the level of awareness of the risks and the possible consequences ("consequence matrix") in the event of a violation of H&S rules. As such, leadership teams will be facilitating regular safety caf sessions across the sites to achieve a zero harm culture.

Hima Cement has steadily reduced the amount of dust and material spillages through continuous replacement of bag filters in the packing plant and cement mills and shifting Minecem production from jumbo bag handling to Granulated Blast Furnace Slag (GBFS) in Namave Blending Station. Nevertheless, major improvements are expected in 2020.

On the road, we will accelerate our focus on driver refresher training, consistently applying consequence management, extension of IVMS to inbound vehicles, implementing trip segregation and conducting risk based transporter audits.

Our People and Systems

People

Kenya

2019 was a transitional year in our business in our efforts to drive a performance culture at all levels within a dynamic business environment. The People Agenda was a key priority to ensure we equip and develop our people to support achievement of business objectives.

Headcount

Head Office	107
Nairobi Grinding Plant (NAI Plant)	52
MOM Plant	179
Bamburi Special Products (BSP)	38
Lafarge Eco Systems (LES)	18
Binastore	8
Total	403

Training and Development

The Group has identified learning as a key building block for delivering outstanding performance. At the same time our Plant School has been identified as the LafargeHolcim Middle East & Africa (MEA) regional industrial learning and development centre and is now training industrial and management teams across the region. This comes as an advantage to Kenya staff, who will benefit from continuous development.

In 2019 we worked to define the competencies pertinent for individual employees, departments and the entire organization to increase performance. The learning programs carried out aimed at addressing both local and regional needs and the knowledge acquired is already being applied by employees.

Some of the training included:

BE READY Program

This is a LafargeHolcim induction program for new engineers in cement plants and graduate recruits with no significant cement manufacturing experience. It was launched in 2018 and has equipped learners with skills in different technologies and processes in cement production, while raising awareness on safety and environment aspects, quality and cost impact challenges.

Pipeline Development

To develop competencies for our future organizational success, we have partnered with local learning institutions including universities and technical colleges, as well as the Kenya Association of Manufacturers (KAM) and Government bodies on different programs. We have developed competencies in industrial functions and also trained through our structured graduate trainees program, internship and apprenticeship. In 2019, we provided internship and apprenticeship opportunities to 60 students, both ongoing students and recent graduates. These opportunities cut across all our business segments and functions and provided learning in industrial, environmental, ecological, conservation and management. We are on track in developing a good database of future leaders.

Technical training

A number of these were conducted including:

- Quarry Scheduling Optimization (QSO) – Quarry managers and planners were trained on a LafargeHolcim standard tool for optimizing quarry extraction. This was to support the Minerals Deposits Evaluation and Quarry Planning phase of the Cement Industrial Framework (CIF).
- Central Control Room Operations (CCRO) certification – a performance development and competencies improvement program that includes monthly post certification performance checks by a production coach. The certification is awarded when an operator can demonstrate performance within 80% of operating targets and capable of managing certain incidents.
- Geo Statistics, Block Modelling & Leapfrog software training – to enhance skills in geological statistics and block model creation
- Technical Information System (TIS) training
- Professional Interview Preparations (PIP) – a one day training hosted by the Institute of Engineers of Kenya (IEK) attended by our engineers.

Virtual Learning at Plant School

Part of the Group's strategy is in exploring new opportunities within the disruptive digital technologies. In line with this, we introduced virtual learning in our Plant School based on interactive 3D model of a cement plant and supported by HTC Vive Focus, a first-of-its-kind virtual reality system. This has been identified as a cost efficient alternate to face-to-face training.

Shutdown management workshop

To improve efficiencies in organizing and executing major repairs in the plants, technical teams were updated on necessary actions to be performed during the entire cycle of a shutdown according to the Cement Industrial Framework order to achieve the business objectives.

Capex Project Management (CPM)

Training for CPM champions and key Capex personnel to boost their competencies, drawing participants from LafargeHolcim subsidiaries in Kenya, Zimbabwe, Zambia, Nigeria and South Africa. They were also empowered to train other teams in their countries.

Our People and Systems

Pre-retirement planning and preparedness training

Bamburi Cement endeavors to support our staff across the various stages of their work-life. This training targeted employees above 50 years old and covered how to prepare well, practically and psychologically, for their retirement.

Resilience training

Facilitated by international author, speaker and resilience expert Zaheen Nanji, sessions were hosted for Bamburi female staff in both Mombasa and Nairobi to offer them real time tools on empowerment for resilience. Simple tools were applied to link the training to our operations and soft skills.

Employee development

In an aim to continue to provide a balanced approach to development, we offered open programs for staff on financial wellness, career management leadership and technical development.

Health and safety training

- Risk Assessment: to align Managers and Supervisors to the new LafargeHolcim Risk Assessment standards. We expect to see improvements in the quality of the risk assessments done in the Plants.
- Hot Material Safety training: in which we targeted 100% training to the management team, shift teams and the mechanical staff. The objectives were to address exposure of workers to hot materials and minimize risk of injury.

Diversity and Inclusion

Since its founding in the year 2015, the Diversity and Inclusion program continues to be a strategic initiative to ensure we provide a safe, fair and inclusive work environment across our business.

These initiatives were done in 2019:

Balance for Better

On the Global International Women's Day, we launched our Bamburi Balance for Better Initiative (BBBI). A staff campaign was carried out where staff shared ideas on programs to implement, from which three were selected. BBBI is now an initiative with three key pillars that champions for an inclusive work environment. These are:

- Mentorship
- Prevention of Sexual Harassment
- STEM (Science, Technology, Engineering & Mathematics)

Men's Day Celebration

The objective was to celebrate positive male role models and to raise awareness of challenges faced by men such as mental health and financial security.

Support Forum

We also launched an online community that spans across the LafargeHolcim Group that connects both the women and men within the Group with information, articles and contacts to support their careers and personal growth.

Staff health and wellness programs

Bamburi Cement's health and wellness program seeks to promote healthier lifestyles among its employees. We have now also integrated employees' family members and sub-contracted workers into the various wellness initiatives, with a belief that the workplace provides the most conducive environment to promote and embed a culture of health, translating to empowered employees, families and communities.

The health and wellness program has incorporated various approaches including:

- A wellness program;
- Employee assistance program;
- Workplace HIV program;
- Addiction support program;
- A comprehensive medical cover;
- Retirees, parents and siblings medical cover;
- Annual health assessments;
- Health promotion activities; and
- HR policies that support health and wellbeing like a working mothers' policy, flexible working hours, bereavement policy, confinement leave for parents who have to take care of their sick children in hospital among others.

Union negotiations

Bamburi Cement always endeavours to and has been able to maintain sound industrial relations and relationships with all stakeholders. We concluded the Lafarge Eco Systems Collective Bargaining Agreement (CBA) successfully and closed the 2017-2019 and 2019 -2021 agreements amicably.

Employee Engagement and Outreach – *Let's Talk*

As we worked to bring our employees closer to the organization and support engagement, there was realized a need for staff to be well updated on all programs and policies that affect their work and workplace. In line with this, we introduced a HR themed newsletter *Let's Talk* that keeps staff well updated on critical HR topics ranging from benefits and compensation, training and development, health and wellness, compliance, employee recognition, performance management, achievements, employee relations among others.

M-Bamburi app

The M-Bamburi mobile application first launched in 2018 was enhanced to enable easy access and use. The app is now a preferred tool that delivers employee communication to all staff instantly through their mobile phones, giving all staff the opportunity to be informed in a timely manner at the same time despite where they are working from. This is in recognition of the diversity of our employees; from office based, to market/ field based and technical industrial staff.

Awards

Employer of the Year Awards

Bamburi was recognized as among the top 10 best employers in the 2019 annual Employer of the Year Awards. In 2019 some 135 companies participated and Bamburi Cement came in sixth. The Employer of the Year Awards (EYA) is an annual initiative organized by the Federation of Kenya Employers (FKE) geared towards promoting and encouraging best practices in Corporate Performance, People Management and Industrial Relations amongst employers in Kenya. This is in a bid to raise and sustain productivity, enterprise performance and responsibility.

Gender Equality in Kenya Ranking

Bamburi was ranked 22 out of 60 listed companies in Kenya on gender equality. Equileap partnered with the Nairobi Securities Exchange (NSE) and New Faces New Voices to assess all listed companies in Kenya on gender equality in the workplace. For the evaluation, they used the Equileap Scorecard™, the most comprehensive methodology for evaluating gender equality in the workplace. The Scorecard has 19 criteria, including gender balance across the workforce, the gender pay gap, paid parental leave and anti-sexual harassment policies.

Our People and Systems

People

Uganda

Through our Talent Management strategy, the business had an assured pipeline of 70% 'Ready Now' talent for all critical positions. Work continues to reach at least 85% 'Ready Now' talent pipeline for all roles in the organization.

Talent Management

Through our Talent Management strategy, the business had an assured pipeline of 70% 'Ready Now' talent for all our critical positions. Work continues to be done to reach at least 85% 'Ready Now' talent pipeline for all roles in the organization.

As a result of our robust talent management strategy, 12% of our staff had a lateral move or a promotion. Voluntary turnover was at 5% and we recruited 27 external people to strengthen our Commercial and Operations teams.

Diversity and Inclusion

Under the Diversity and Inclusion agenda we rolled out 'Girls for Girls' (G4G) programme across the organization. A total of 46 female staff enrolled in the programme and 33 of these were certified. The programme was to equip female staff with tools to grow as leaders in the organization. Subsequently, 24% of women in the organization changed roles and 3.4% of these women moved into leadership positions.

Capability

Our focus on capability is based on the 70:20:10 rule: that is 70% on-the-job learning, 20% coaching and mentoring, and 10% classroom training. The focus in 2019 was on-the-job training.

In 2019, we received a grant from the Private Sector Foundation of Uganda (PSFU) worth Ushs133 million. The award was based on our deliberate efforts to upskill employees especially on the technical part of the organization. The grant will be utilized to develop different skills within the Industrial business function.

We launched Percipio, an e-learning platform that enables employees to have access to more than 500 leadership and functional courses at a click of a button, at their convenience.

We optimized and created efficiencies through the Cement Industrial Framework (CIF) as well as identifying opportunities for improvement and developing our technical Industrial competences across the plants.

In Kasese, we implemented the Graduate Engineering Program with 9 graduate engineers in Quality (*2), Production (*2), Maintenance (*4) and Quarry (*1) who have so far joined the execution teams.

We introduced Commercial team's monthly review and coaching sessions to improve our sales staff' commercial acumen across the business function.

Organisation Effectiveness (OE)

Our desire as a business is to establish and create fit-for-purpose organizational structures that are simple, agile, efficient and effective and are mirrored to business priorities.

We have deliberately reduced our back office staff numbers and increased front office numbers to a rate of 40% and 60% respectively.

We also enhanced the Finance Department to solve back logs in different areas of operation especially in collections and redesigned Logistics to ensure better, faster services to the customer.

Through our productivity initiatives, we delivered 20% savings on the personnel costs and 7% savings on headcount.

Culture

Our aspiration is to embed the "Winning Everyday" culture to drive high performance – one where we all "Execute Excellently, Every Time, Everywhere".

We conducted an engagement survey across the organization as a first step to gauge elements of Employee Engagement, Employee Enablement, Brand and Company Affiliation and Manager NPS. We are currently working on action plans with the different functions, focusing on the different areas of opportunities that were identified in the survey. Our aim is to ensure that employees learn to – love the brand, recommend the company to friends and relatives, are highly engaged and happy to come to work every day, have the right tools to do their jobs well, as well as having an amazing line manager.

Information systems

The business model applications which have been running since January 2017 continue to support our business processes and achievement of business objectives, as well creating value for our customers and stakeholders.

The Group undertook the following projects in 2019:

- Implemented and configured sending of electronic and digitally signed customer invoices with tax compliant electronic signatures to our customers. This improved the efficiency of the customer invoicing process, through more real time invoice sending and reduction in printing costs. It has enhanced the customers' experience in trading with us by assuring them of timely receipt of their invoices.
- Implemented Lead Retail mobile application, a customer mobile application that enables our customers to place cement orders, query their customer balances, track delivery of products and view recent transaction history using their mobile phones. Lead Retail is integrated with the business model applications which provides up to date status of their transactions. This has provided efficiency in the customer ordering process and improved customers experience in trading with us.
- On infrastructure, provided IT infrastructure expansion and connectivity to the new office locations at Kitui road and Nairobi Grinding Plant offices, which provides business continuity and uninterrupted operations.

Our focus in 2020 will be to enhance our control environment by enforcing an IT governance framework and support process that aims at increasing the value from business model applications, enabling alignment and reducing business risks.

Risk and Control

Business Risk Management

Management acknowledges that risk is an inherent part of the business and that effective risk management is integral to the achievement of business objectives and strategy. Management is therefore continuously developing and enhancing its risk and control procedures to improve the mechanisms for risk identification, evaluation, monitoring and management.

The Group conducted a comprehensive risk assessment in 2019 of our business risks and opportunities. The output was a risk and opportunities mapping with action plans to mitigate the risks and exploit the opportunities.

It is the Board's opinion that the system of business risk management in place provides reasonable assurance that business risk management for the Group is adequate and sound.

Internal Control Risk Management

Internal Control risks are risks that affect the effectiveness and efficiency of internal controls and thus affect the achievement of business objectives. They are a part of operational and compliance risk.

The Board is dedicated to the identification of key internal control risks and providing assurance to the shareholders that the risks are fully understood and managed.

For the year under review, the Board has conducted a review of internal policies and internal control of significant risks and of material systems.

It is the opinion of the Board that the system of risk management and internal controls is in place and was adequate and effective in 2019.

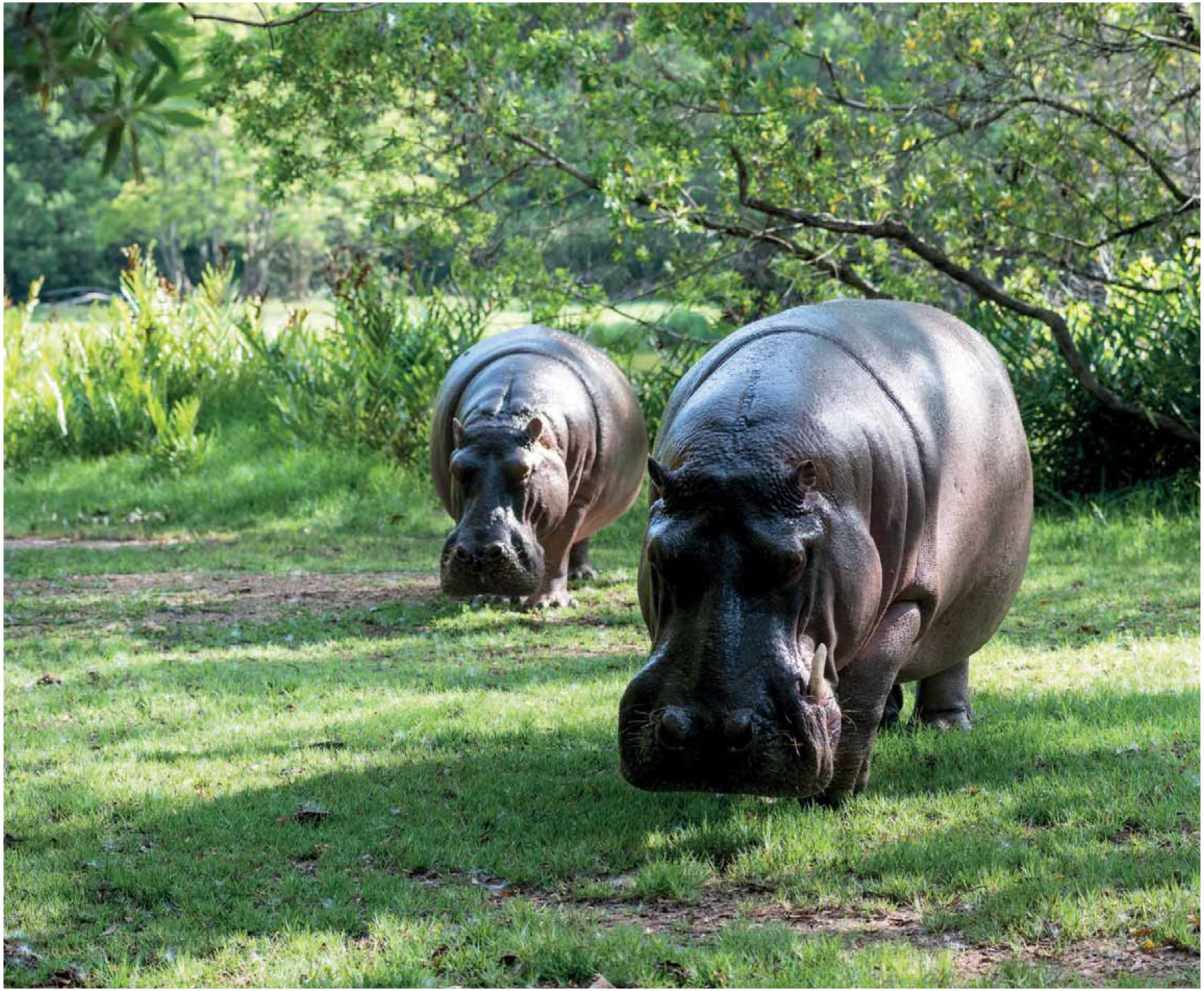
Internal Controls

Internal Controls comprise of methods and procedures adopted by Management to provide reasonable assurance in safeguarding assets, prevention and detection of error, accuracy and completeness of accounting records together with reliability of financial statements.

The Group has in place sixty (60) mandatory Minimum Control Standards (MCS's). These encompass controls from Governance and Compliance, Accounting, Financial Reporting, Health & Safety, Security, Human Resources, Inventory, Expenditure, Fixed Assets and Information Technology. Each Executive Committee member is responsible for a set of minimum control standards and is appointed Control Process Owner for their respective area.

These MCSs are mandatory for all our operations across the Group and are tested for compliance in a two year cycle. For 2019, Management has made an assessment of existing gaps and defined action plans to ensure full operation of these MCSs.

The Board through the Audit and Risk Committee has reviewed the implementation of the MCSs as well as the internal audit reports within the year and is satisfied that the control environment is adequate to ensure efficient business operations and detection of material errors.



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SUSTAINABILITY REVIEW

Our Sustainability Framework

As Bamburi Cement Group, we are convinced that sustained economic growth cannot occur without social progress, respect for local communities and environmental protection.

Our sustainability agenda is underpinned by LafargeHolcim's overarching sustainability intention to "create shared value with society" and the LafargeHolcim's 2030 plan, with a set of clear commitments and targets that are supportive of the United Nations Sustainable Development Goals (SDGs) and encapsulated four pillars namely:

Climate

Circular Economy

Water & Nature

People & Communities

From its inception, the Group has been at the forefront of investing in community programs and Corporate Social Responsibility (CSR) initiatives to forge community engagements and create shared value through sustainable business practices and strategic partnerships. We endeavour to conduct our activities professionally and responsibly, carefully managing business sustainability risks in order to protect our employees, local communities and the natural environment in which we operate while creating value for our customers and stakeholders.

People and Communities

Kenya

Stakeholder engagement

Our commitment both at a local and global level is to operate at the highest standard of corporate conduct while making a net positive contribution to society.

Consequently, stakeholder engagement is an essential aspect of our business operations that enables us deliver on our values and commitments. We engage and work with stakeholders at different points and levels of our operations and to build and maintain relationships of mutual respect and trust.

In Kenya, we interact with our stakeholders both at National and Local level. Some of the stakeholders we interact with include the Ministry of Mining, Parliamentary Audit Committee, National Environment Management Authority (NEMA), Kenya Association of Manufacturers (KAM), Kenya Private Sector Alliance (KEPSA), Kenya Revenue Authority (KRA), Ministry of Industry, Trade and Cooperatives, Kenya Bureau of Standards (KEBS), National Transport and Safety Authority (NTSA), Directorate of Occupational Safety & Health Services (DOSHS), National Construction Authority (NCA), Kenya National Highways Authority (KeNHA), Kilifi, Kajiado and Kwale County governments. With these agencies, we engaged on development projects, environmental conservation, promotion of road safety, industry concerns, regulatory and trade issues amongst others.

Matuga community in Kwale, is one of the local communities we interacted with in the process of conducting a feasibility study for the Clinker capacity expansion project. With the support of the community, we conducted a robust community needs assessment. Findings indicated that while a majority of previous CSR actions undertaken by Bamburi, were still visible and well recognized by the community, there was still an opportunity to build on this goodwill going forward.

The local community at Kajiado County is another important stakeholder. In 2019, we held regular engagement sessions with the Ngurunga community through Barazas. We also organised for the Community leaders to tour of our cement grinding plant, taking the opportunity to share insights about our operations and environmental sustainability initiatives with our guests. In preparation for the signing of the Community Development Agreement (CDA) the community leaders were also enlightened on the 2017 regulations of the Mining Act. In a recent audit conducted by the Kajiado County government, Bamburi attained a 100% score on compliance with mining regulations and was cited as best practice.

Corporate Social Responsibility

1. Education

In 2019, we supported communities through cash and in-kind donations. We donated 32 tons cement to 21 schools in Matuga Constituency for flooring of dilapidated classrooms. A total 20 tons of cement was donated to Ng'ombeni and Denyenye Primary Schools for wall construction in addition to 200 seedlings donated to Ng'ombeni Primary School.

Cash donations were targeted at health and education and included Shs 500,000 to Wema Centre for the support of rehabilitation and training of street children and other vulnerable members of the Mombasa community. Shs 451,000 was donated to Matuga Youth Empowerment Centre for the construction of a basketball pitch and purchase of sports kits.

Through our partnership with Kengen Foundation and Better Globe Forestry for the Green Initiative Challenge, we constructed classrooms for Vondeni Primary School and Mwea Primary School in 2019. In addition, we continue to pay school fees and support mentorship programmes for best performing students from the areas. Students and teachers from the top performing schools under the program were treated to an Environmental educational tour of Bamburi Haller Park.

2. Health

Mother and Child

The Mother and Child Health is a Bamburi initiative that focuses on promoting the wellbeing and health of expectant mothers and children below the age of 5 years. It a program of our Bamburi Staff Clinic in Mombasa, targeting the neighbouring community. Two key services under the Program continue to make significant impact in the community, namely:

- Pregnant Mothers – services provided include health education about safe motherhood, nutritional counselling, relevant laboratory test services, unborn child health monitoring, promotion of prevention measures against malaria infection in a bid to protect both mother and the unborn child, HIV testing and counselling, referral linkages for high risk pregnancies, and counselling Teen mothers are also counselled and connected to a support group.
- Children Under Five – Administration of approved vaccinations, growth monitoring, nutritional counselling deworming, and treatment for malaria, pneumonia and diarrhoea to counter early child mortality

In 2019, the clinic attended to 3,555 children, 440 and a total of 429 visits for HIV services.

Cancer and Polio

In 2017 Bamburi established an ultra-modern cancer centre at the Coast General Hospital through a public-private partnership program (PPP). The Cancer Centre is now the heart of Mombasa County's healthcare system. From inception to 2019, the facility has provided service to over 15,000 patients and serves as a centre of excellence for the wider Coastal region.

Cancer is one of the major non communicable diseases (NCDs) and ranks third in Kenya as a leading cause of death. This is in addition to the already existing challenges with communicable diseases such as malaria resulting in a 'double burden of disease. A key element to cancer management is palliative care, which is crucial in supporting the patients attain a high quality of life despite.

During the year Bamburi staff visited patients at Bamburi Cement Cancer Centre and Hospice.

2019, we donated, Shs 100,000 to the Rotary Club of Malindi in support of its Polio eradication campaign.

3. Baobab Trust

In 2019, Bamburi continued to support the Baobab Trust. Baobab Trust focuses on Environmental awareness, community education and health and Farmer Training.

i. Environmental awareness, education and conservation

Nguuni Nature Sanctuary, in 2019 hosted 7,600 visitors comprising local and international tourists, school tours, campers and photography sessions. Sanctuary infrastructure maintenance including access road and electric fences were done. Oryx translocation was completed to increase species variety for environmental and conservation education programs.

Tree Planting and Beach Clean Up, in June the Baobab Trust team, together with the Jitegemee CBO, Nguu Tatu and neigh boring community school - Shamaa Academy took part in a tree planting event and in September alongside other volunteers participated in the annual beach clean-up, at Bamburi beach.

ii. Education

The Education centre at Nguuni is enjoyed by many local students as it creates an appropriate environment for students to revise and do their homework. In 2109, new revision books and CD Set Books Plays were added for the current curriculum, while different projects were organized for school holidays such as mini Easter treasure hunt, essay competition, tyre culture and pottery classes for children and Christmas card making for families. The team also donated books to community schools.

People and Communities

The Library, in 2019 hosted 8,700 readers while 509 students became annual members enjoying additional activities.

The Auditorium built in 2013, has a seating capacity of 120 children, film screening facilities and a stage. It offers children an outdoor reading facility that has a cool, safe and inviting learning atmosphere; it is also an ideal setting for interactive educational talks and has been used continuously to educate the local community on environmental awareness, conservation and community health.

In 2019 the facility was renovated and new equipment installed including projectors, speakers, lighting, seating, and ventilation wall fans so as to continue serving local community needs.

iii. Health

The clinic at Nguuni, in 2019, attended to over 4,000 patients. This was through programs for mother and child care, children vaccination and lab services. The team also maintained collaboration with the Ministry of Health (MOH) on continuous family planning projects, the Ministry also sponsored a mass polio vaccination program which was hosted at our centre and162 children were vaccinated.

In conjunction with Bomu Hospital a health talk and screening on urinary fistula was held at the clinic whereby one patient was provided further treatment.

A community outreach was also done at Jipe Moyo Marimani community, where we attended to patients with hypertension and diabetes, who were treated accordingly. Baobab Trust team also distributed Nutritional supplements (porridge flour) supplied by USAID to Jitegemee and Jipe Moyo communities.

iv. Farmer training

164 farming students were hosted and trained at Mtopanga Farm, subjects covered included assorted vegetable farming, poultry and fish farming.

Youth Farmers Project, a gardening concept that allows for hands-on training for school children, was successfully run in 2109 marking its second year. 4 schools registered with 30 students each. Students attended weekly practical lessons on transplanting, pest control, planting methods, water conservation, composting and weeding. At the end of the month every child had the privilege of taking home some harvest.

Open Farmers' day, Baobab Trust team in September, hosted an Open farmers' day under the theme: Empowering Farmers through Information, Innovation and Technology. A total 265 visitors, including school children and community members attended and enjoyed the following highlights:

- Students from the Youth Farmers project presented their crops and shared knowledge with other members of the community. It gave the attendees a chance to see first-hand the working of our aquaponics system and fish farming which can be adopted and implemented in the communities.
- The clinic team showcased a variety of crops with health benefits, encouraging farmers to grow, the crops include Artemisia - to help treat Malaria, Turmeric for infections and asthmatic patients and Aloe Vera for burns and inflammation.
- A refresher course for the community was also held covering topics in horticulture and poultry production, fish farming, tree planting and Apiculture.

UGANDA

Stakeholder Management

We continued robust active engagement with various stakeholders at both National and local level. This included Umeme to improve our power supply at the Hima Plant, the Directorate of Geological Survey and Mines, Uganda Revenue Authority among others. Hima cement was represented, through Legal and Corporate Affairs office, on the technical committee for mining for the President's Investors Round Table which was instrumental in polishing the Mining Bill, which is due in Parliament in 2020.

Corporate Social Responsibility

In 2019, Hima Cement contributed to programs covering education, health, and environmental protection, livelihoods development through agribusiness and skilling, with over 100,000 beneficiaries. Our community programs are delivered in line with our values.

1. Education

Hima continued to support education of communities around our operations, providing opportunities to the most disadvantaged. In 2019, we extended our community scholarship to two new districts, namely Kabarole and Tororo and increased the total number of beneficiaries of a full secondary school education scholarship to 70 students.

Through our partnership with SOS Children's Villages in Kabarole, we supported 10 youth to join vocational training institutes to study carpentry, welding, tailoring and hairdressing.

In addition, we constructed a four classroom block for Hima Army Primary School, thereby providing a fresh environment for over 600 pupils, in addition we donated sanitary facilities to St Joseph's Primary School and 300 desks to 3 other schools in Kasese District.

2. Health

HIV

Hima Cement, is one of the first private companies in Uganda certified by the Ministry of Health to operate a community HIV treatment clinic at Hima, Kasese in 2005. To date we provide anti-retroviral therapy to over 400 people living with HIV. Through the Post-Test Club we reach and sensitize approximately 200 people monthly on the importance of testing and counselling, living positively and seeking treatment if infected.

Ebola

The Ebola outbreak in neighbouring the Democratic Republic of the Congo (DRC) posed a considerable risk to Hima Cement plant in Western Uganda which is only 70km away from the DRC border. Through a concerted effort in collaboration with local government and other health authorities, we carried out Ebola emergency response drills and sensitization road shows in all neighbouring communities on the prevention of Ebola.

3. Local community empowerment

Through our partnership with SOS Children's Villages in Kabarole, over 500 households in the artisanal mining community of Harugongo have been empowered through the forming of micro-credit structures, also known as Village Savings and Lending Associations. By forming groups of 30 people, they are able to pool and save small amounts of money every week, over a year and get access to small loans to finance their small businesses in order to improve their standards of living. They also receive basic training in business and entrepreneurship through this self-sustaining approach.

Climate

1. Green Initiative Challenge (GIC): reversing climate change through afforestation

The GIC program is a ten-year initiative that is designed to combat desertification through afforestation. It seeks to support greening of arid and semi-arid areas, changing the culture of communities to be environmental protection ambassadors by minimizing environmental degradation and improving livelihoods.

Through a partnership between Bamburi Cement, KenGen Foundation and Better Globe Forestry, the program targets schools around the 7-Forks hydropower stations in Embu, Kitui and Machakos counties. GIC was designed to inspire and empower schools and students participate in environmental activities by developing small forests and woodlots within their compounds for multiple benefits via sustainable management of woodlots. The sustainable management and harvesting of tree seedlings, provides schools with renewable source of wood fuel thereby reducing pressure on surrounding forest resources, contributing to the reduction of greenhouse gases through carbon sequestration and securing water catchment areas by controlling soil erosion.

The overall goal of the program is to enrol 1,000 schools and green 460 acres with 324,300 tree seedlings and 113,956 fruit seedlings by the year 2023.

In 2019, GIC worked with 100 schools, 200 teachers and over 30,000 students in capacity building and tree growing. Part of Bamburi's sponsorship of the program went towards scholarship and mentorship of bright and needy students who proved to be environmental ambassadors. We also hosted the winning students, teachers and education officers at our globally acclaimed conservation showcase Bamburi Haller Park.

2. Quarry rehabilitation and maintenance

Lafarge Eco Systems (the environmental arm of Bamburi Cement) contributes towards combating climate change through the rehabilitation of Bamburi Cement's quarries and biodiversity conservation. Greening actions contribute to pollution control through the absorption of CO_2 emissions and release of oxygen, vital for human wellbeing. 48 years of consistent quarry rehabilitation programme has resulted in rehabilitation of more than 300 ha of land; resulting in forest plantations that play a major role in maintaining hydrology.

In 2019, the Rehabilitation team at Lafarge Eco Systems, concluded pioneer planting of 5 Ha of quarry rehabilitation in Vipingo Quarry, with over 50,000 pioneer Casuarina equisetifolia seedlings being planted during the rainy season. The team also conducted the first phase of maintenance for a young 15 ha casuarina forest plantation. Plantation maintenance, is part of quarry rehabilitation process and involves staking, replacing mortalities, pruning and thinning. Young plantations, with trees ranging between 3.5 meters to 5 meters in height, undergo continuous monitoring and maintenance.

3. Environmental conservation education and awareness

In line with LafargeHolcim sustainability ambitions, Lafarge Eco Systems plays a key role in promoting adoption of Sustainable Development Goal 4 through Environmental conservation education.

In 2019, Lafarge Eco Systems reviewed its approaches to interactively and effectively teach, inspire and delight young scientists, resource managers and enthusiasts in environmental conservation through interpretation of Bamburi environmental responsibility. Over 100 students from Kenyan universities were hosted to tailor-made scientific field excursions on environmental conservation at restored forest plantations. This is an inspiring approach for young scientist students to engage in practical solutions preparing them become better managers and to care for the environment.

Capacity Building, Lafarge Eco Systems, continued with an internal staff training program on Conservation to build internal capacity within the framework of mining and environmental management. The program is tailor-made to cater to the requirements of our operations and visitors who include educational groups. Activities include interactive park tours, environmental talks and presentations.

Staff from Lafarge Eco Systems, in collaboration with National Museums of Kenya and Nature Kenya, participated in the Annual Waterfowl census in Watamu and Malindi. The exercise is used to provide baseline data against which changes in waterbird numbers can be assessed it also serves as an early warning of deterioration in ecological status of wetlands in Kenya. Further training was also done in close collaboration with the Kenya Marine and Fisheries Research Institute (KMFRI) to increase internal capacity in aquaculture operations, at the fish farm in Bamburi Haller Park.

In 2019, to create awareness of experiences offered at Bamburi Forest Trails, the team hosted an Intermedia Fitness Challenge at Bamburi Forest Trails that brought together 450 participants to Bamburi Forest Trails.

4. Green cement by Bamburi

As part of the LafargeHolcim Group, Bamburi Cement remains firmly committed to running carbon efficient operations, and that includes reducing our net carbon emissions per tonne of cement. We plan to achieve this mainly through reduction of clinker to cement ratio, consuming less fossil energy per tonne of cement, as well as using alternative fuels.

In 2019 Bamburi Cement made significant milestones by launching the 'greenest' cement products in Kenya. The two cement brands, namely TEMBO CEM V composite and DURACEM CEM III/B-S slag cement, have an addition of blast furnace slag, thereby reducing the amount of clinker used to produce them. These two products are first slag cements and greenest in the market, underscoring Bamburi Cement's commitment to sustainability through provision of low carbon cements.

Water and Nature

Kenya

1. Biodiversity Conservation

Lafarge Eco Systems has for more than four decades been restoring, protecting and promoting sustainable use of terrestrial ecosystems, managing forests and halting biodiversity loss, in line with United Nations SDG 15. The rehabilitated quarried landscapes that have been transformed into exceptional nature reserves supporting vibrant ecosystems, Bamburi Haller Park and Bamburi Forest Trails, bear evidence to this.

Functional ecosystems have been created with over 400 species of indigenous trees, shrubs and lianas being introduced into the rehabilitated quarries. A total of 64 of these species listed are on the International Union for Conservation of Nature (IUCN) Red Data List, 22 of them as critically endangered, endangered or vulnerable and are an attraction to botanist. Many of the indigenous varieties are now reproducing in the restored ecosystems and forming populations that positively impact ecosystems services. The diversity of vegetation is considerable, from mangrove palms and majestic indigenous shade trees to coastal forests.

Animals of all kinds including 34 mammal and 26 reptile species, 89 butterfly and 17 dragonfly species occupy the diverse habitats in the verdant restored forests. More than 180 species of birds have been recorded, 2 of them listed as endangered both of them are seasonal or occasional visitors to the site. 14 amphibian species have been recorded on the sites, of which 13 are categorized in the IUCN Red List.

Several animal species such as monkeys, bush babies and antelopes are intentionally used as seed dispersers, they distribute seeds of their favourite food plants through their droppings while butterflies, insects and others act as pollinators. While, diverse insects, millipedes and other arthropods as well as fungi act as de-composers in the ecosystem, turning the former quarry into a functional ecosystem.

This rich biodiversity makes these parks ideal learning grounds for a variety of conservation lessons with a cross-section of resources available to visitors to interact with and derive as much value as possible from them.

2. Wildlife integration

We have created a functional ecosystem over the years. This includes the introduction of animals, many of them larger mammals, which were introduced as orphans or rescued, while other animals were brought in to occupy specific niches in the ecosystem.

Bamburi Haller Park is home to a wide range of wild animals including monkeys, bush babies, elands, oryx, waterbucks, bushbucks, sunis, hippos, buffalos, rothschild giraffes, aldbra tortoises and hundreds of small mammals. It hosts birds of all kinds such as weaver birds, kingfisher, storks, herons, egrets, owls, eagles, kites, cranes, ibis and sandpipers among many others.

Bamburi Haller Park offers a variety of attractions to educate, raise environmental awareness and entertain visitors such as the Butterfly Pavilion, the Game Sanctuary, Palm Gardens, Reptile Park, Fish Farm and activities such as Giraffe and Crocodile feeding.

Bamburi Forest Trails, is lush green forest plantations of indigenous trees, with open grasslands, lakes and streams, palm groves and an integrated wetland system that provides a conducive environment for flora and fauna to thrive. The beautiful scenic views and grounds at Bamburi Forest Trails are enjoyed by for a wide range of outdoor and social events. It has four outdoor trails specially designed to cater for outdoor fitness enthusiasts. One can either take a leisurely walk, cycle, jog or exercise as they enjoy interacting with friendly animals like Sunis and Duiker antelopes, herds of Eland and Oryx.

Bamburi Forest Trails

Bamburi Haller Park

Uganda

Environment: Promoting better land use

In 2019, we continued our partnership with World Wide Fund for Nature (WWF) to promote better land use practices by farmers through payment for Watershed Services Scheme in the River Mubuku catchment area in Western Uganda. Over 400 farmers, who are upstream land users, were empowered to adopt better land management practices like agroforestry, establishment of grass strips/ terraces, reduced use of fertilizers, among others, in order to protect riverbanks and improve downstream water quantity and quality.

Our employees at Tororo Grinding Station organized a tree planting drive around the plant in Tororo and our quarry in Kapchorwa, planting 4,100 trees in one week in addition we donated over 20,000 tree seedlings to communities around our operations.

Circular Economy

Geocycle provides sustainable waste management solutions and safe disposal of industrial and agricultural wastes, through co-processing at cement kilns.

Kenya

Waste continues to be a major challenge demanding urgent attention globally, with countries struggling to find sustainable solutions to managing waste of different forms, from Municipal Solid Waste (MSW) to agricultural waste, pharmaceutical and various types of industrial waste. Kenya is no exception.

In Kenya, illegal waste management practices that stem from improper administration of dumpsites have become the norm, with county governments grappling to manage ever-growing volumes of municipal solid waste that end up in various dumpsites across the country.

Since inception in 2016, Geocycle Kenya has continued to offer waste management services to waste producers in various sectors of the economy. The Geocycle team continues to tap into the expertise and knowledge from LafargeHolcim Group to provide economical and sustainable solutions to the waste management challenge within Kenya.

Geocycle sources for various types of waste which Bamburi Cement disposes off through our cement kilns, leaving no-residues while achieving both energy and/or materials recovery.

Geocycle has engaged like-minded organizations and caucuses to encourage responsible handling and treatment of waste in order to protect the environment, utilizing these forums to share best practices along with increasing awareness on the benefits of waste management through co-processing in cement kilns.

Co-processing is a safe and more responsible solution to waste management with various benefits.

- Co-processing of waste in cement kilns offers a superior environmentally friendly solution to waste management leaving zero residue and no waste
- It reduces greenhouse gas emissions as waste is used to replace fossil fuels and raw materials
- Due to use of waste as alternative fuel or raw materials, Geocycle contributes to the preservation of fossil fuels and other natural resources that would normally be mined and used in cement production.

Circular Economy

In 2019, some of the initiatives that came of age include:

- The Safe Waste Oil Disposal (SWOD) initiative, this is a partnership between Geocycle Kenya and the Petroleum Institute of East Africa (PIEA). SWOD is aimed at preventing waste oil from being recycled and sold to motorists as inferior lubricants, that would not only damage the vehicles of motorists but also the environment. When poorly managed, waste oil may also end up being spilled on the ground therefore contaminating our waters and soils. Through SWOD Geocycle has processed in excess of 1 million litres of waste oil
- Co-processing of agricultural waste from millers and exporters of agricultural produce and local farming communities, and ensuring disposal of milling waste such as rice husks and tea sweepings
- Offering waste disposal services to government agencies for condemned goods designated for destruction as well as disposal of hazardous and non-hazardous waste for various industries and sectors
- Growing consumption of waste tyres from transporters, fleet owners and recyclers
- Engagements with National Environmental Management Authority (NEMA) to support efforts that ensure waste free environment through policy implementation and enforcing best practices in waste management.

In 2019 Bamburi Cement's Mombasa Plant achieved a thermal substitution rate (TSR) of 10.2% while the Nairobi Grinding Plant achieved a substitution rate of 66%.

Uganda

Geocycle provides sustainable waste management solutions and safe disposal of industrial and agricultural wastes, through co-processing at cement kilns.

The alternative fuels consumed in 2019 at Hima Plants include coffee husks, crushed palm kernels, rice husks, groundnuts husks, sawdust. Carbon black and distillation residues from tyre pyrolysis factories were also consumed. Sawdust impregnation with waste oil was also a success.

In 2019, Geocycle Uganda achieved a Gross Added Value (GAV) of Shs 830 million against a budget of Shs 650 million and a global thermal substitution rate (TSR) performance of 61.4% against a target of 60%.

Improved performance on thermal substitution rate (TSR) was on account of:

- better net calorific value,
- strong collaboration between stakeholders;
- Optimal AF mix design that considered quality and cost
- Good sourcing strategy.
- Stable plant operations.
- Top management support.
- Improved Geocycle AF supply chain.

In 2019, the cost of AF improved slightly compared to 2018 due to better calorific value and fair prices of locally sourced agricultural residue (coffee husks).

Geocycle projects

1. In 2019, CAPEX for Carbon black feeding system project was approved. The project targets to improve carbon black consumption and AF cash cost. Project commissioning is scheduled for early 2020.
2. Biomass dryer project also got CAPEX approval in 2019. On completion it will ensure a secure source of biomass at a cheaper cost and better clinker factor. Next steps include design and layout approval and selection of qualified supplier with a target to commissioning in September 2020.
3. Manufacture of the Chemical chute equipment was completed in 2019, the project will ensure that Geocycle utilizes the kilns for revenue generation.

Geocycle Uganda performance trend was strong in H1 of 2019 but was however impacted by unstable plant performance in H2. With improved usage of light diesel oil from tyre pyrolysis, furnace oil shall be substituted during plant start-ups, thus improving TSR and cost of start-ups. Currently the main focus is cost reduction and sustaining a better TSR.

With the approval of Geocycle Uganda CAPEX projects, the biomass dryer and installation of the new carbon black feeding system, there will be improved performance for the achievement of our 2020 objectives in terms of thermal substitution rate (65%), AF cost reduction and higher Gross Added Value.

4

GOVERNANCE

Corporate Governance Statement

The Board of Directors of Bamburi Cement Limited remains firm in its belief that good corporate governance is critical for the long term success of the Group ensuring sustainable returns for investors and stakeholders.

This statement provides necessary information to enable investors evaluate how the Company has applied the principles of The Capital Markets Authority, The Code of Corporate Governance Practices for Issuers of Securities to The Public 2015 (the Code) and other global best practices and should be read together with the wider corporate governance report on the Company website.

In line with the guidelines issued by the Capital Markets Authority in 2019, having undertaken a governance audit for the year 2018 and demonstrated proactive implementation of the audit findings, the Company was not required to carry out a governance audit for the year under review.

Board

Mandate

The Board of Directors main roles are providing leadership and stewardship for the Group.

Its operations are governed by the Company's Articles of Association, the Board Charter, the Board Annual Work Plan and the Board Manual as well as statutory provisions under the laws of the Republic of Kenya.

To ensure the obligations of the Board are clear to all, the Board has developed a Schedule of Matters Reserved for the Board, which are matters that only the Board itself or through its committees can handle. Any issues outside these, the Board has delegated to Management through the Schedule of Matters Delegated by the Board.

For other matters, the Board is supported by three committees - the Audit & Risk Committee, the Nomination Remuneration & HR Committee and the Executive Committee.

The Board has developed charters for itself and its committees as well as documented all policies necessary for furtherance of its mandate. These documents and all governance documents are reviewed regularly to ensure they remain relevant and applicable in these every-changing times.

Membership and Size

Since the last report, Nicolas George resigned as the Hima Managing Director and was replaced by Jean-Michel Pons.

The Board composition remained the same with five independent non-executive directors, three non-executive directors and three executive directors representing four different nationalities and diverse professional backgrounds.

With over 70% comprising of non-executive directors, the Board is able to effectively provide independent oversight on strategy, keep Management in check, leverage on their network of outside contacts for the Group's benefit while ensuring proper risk management within the parameters deemed acceptable for the Group.

For the year under review, the Directors are satisfied with the effectiveness of the Board and its Committees.

Operations

With the support and assistance from the Group Managing Director and the Secretary, the Chairman is responsible for the operations of the Board including, without limitation, setting agenda, presiding over the meetings as well as providing leadership and guidance.

The Board's operations are guided by the Annual Work Plan as well as any demands that may arise.

To adequately cover the Board's annual work plan, meeting dates are agreed in November of the preceding year. In 2019, the Board held eight meetings, three more than the usual number due to exigencies of duty, including a special meeting and a session to discuss the findings of its first performance evaluation conducted by an external consultant, which meeting also developed action plans from the identified issues.

Meeting venues are chosen to ensure the Board visits as many of the Group's sites as possible and interacts with employees at these sites.

While the Group does not specify a time requirement that each director must dedicate for the business of the Group, 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 fourteen days in advance, the Directors are expected to be sufficiently prepared for and fully participate in all meetings. The attendance report for the year under review is contained in the table below.

Director	Category	Board	Audit & Risk Committee	NR&HR Committee	AGM
John Simba	Non-executive	8/8	-	2/2	1/1
Seddiq Hassani	Executive	8/8	7/7	2/2	1/1
Alice Owuor	Non-executive	8/8	7/7	2/2	1/1
Grace Oluoch	Executive	8/8	6/7	-	1/1
Helen Gichohi	Non-executive	7/8	-	2/2	1/1
Jean-Michel Pons	Executive	4/5	1/2	-	1/1
Joseph Kimote	Non-executive	8/8	7/7	-	1/1
Mbuvi Ngunze	Non-executive	8/8	7/7	2/2	1/1
Nicolas George	Executive	2/3	2/5	-	-
Rita Kavashe	Non-executive	7/8	7/7	-	0/1
Pierre Deleplanque	Non-executive	5/8	-	0/2	0/1
Vasileios Karalis	None-executive	6/7	-	-	1/1

NOTE: numbers are attendance/number of meetings entitled to attend

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

During the year, the Company introduced sessions for the independent non-executive Directors before/after each Board and/or Committee meeting in the absence of Management. The Directors can also have online discussions facilitated by the Group's E-Board software, which also ensure security of the information.

Director Compensation

Director compensation is reviewed annually by the Board and approved by the Shareholders. The details of the Director compensation are contained in the Directors' Remuneration Report which is contained elsewhere in this Annual Report.

The executive Directors and the LafargeHolcim 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 Managing Director 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 Group in interactions with stakeholders.

The Managing Director 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.

Corporate Governance Statement *(continued)*

Training & Evaluation

Induction and Training

The Board has set the principles on induction 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 2019, there were no new independent non-executive directors appointed but induction for one appointed in 2018 was concluded.

Continuous development training requirements are determined by the Board, the changing environment, business needs and/or regulatory changes. During the year, the Board attended corporate governance training, feedback sessions with the CMA, IFRS regulatory changes training and training on new legislation.

Information

Together with their letters of appointment, incoming Directors are provided with a reference manual containing all information on legal obligations the Directors should be aware of. The manual includes documents such as the Board & Committee Charters, Articles of Association, Schedules of matters reserved for and those delegated by the Board, Board policies together with corporate governance regulations.

As provided for by law and the Board Charter, the Directors received timely, accurate and complete information on all matters the Board is responsible for. Board packs are circulated at least 14 days in advance while Committee packs are circulated at least 7 days in advance. The documents are circulated via E-Board which allows updating of documents, real time access as well as annotation of documents by the Directors which has enriched discussions as the Directors can easily track their concerns when reviewing the documents.

Further, the Chairman, Managing Director and the Company Secretary are available to the Board members at all times. The Board can also seek independent professional advice at the expense of the Group and have access to any internal resources that may be required.

Performance Evaluation

The Board carried out a performance evaluation on itself, the Chairman and the individual directors, which evaluation covered board mandate, size, composition, meetings, stakeholder/shareholder relations, independence, induction & training, Management relations, legal & ethic duties etc. The Board also reviewed the efficiency and composition of its Committees.

The evaluations were undertaken by each director, the Chairman, the Managing Director and the Company Secretary and included director self assessments. The consultant who conducted the performance evaluation held feedback sessions with each individual director, each Committee and with the full Board.

The Group is pleased to confirm that each board member continues to perform effectively and to demonstrate full commitment to their role on the Board.

The Board is satisfied that all independent non-executive directors met the criteria for independence.

Board Committees

Each Board Committee is governed by a charter developed by the Board. The Charters set out the parameters of responsibility as well as the operational elements of each Committee.

The reports of the Audit & Risk Committee and the Nomination, Remuneration & HR Committee are tabled before the Board for adoption while the Executive Committee reports are included in Management reports.

Board members who are not members of any specific committee are welcome to attend meetings.

The Board and the Committees are satisfied that the Committees have met their mandates as provided for in the respective Charters, which was also confirmed by the findings of the performance evaluation.

Audit & Risk Committee

The Audit & Risk Committee comprises independent and non-executive directors including a member with accounting qualification in compliance with the law.

The current membership of the audit committee was appointed by the Shareholders at the 2019 general meeting.

The Committee invites the Group Managing Director, Managing Director - Hima, Group Finance Director and the Audit & Risk Director/Head of Internal Audit 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 seven meetings 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 Authorities claims, internal audit work plan, special audit reports, the CMA corporate governance reporting tool feedback, the integrity line reports. The Committee also met with the auditors in the absence of Management and attended feedback sessions with CMA as part of their corporate governance role.

For the year under review, no potential conflict of interest was brought before the Committee. However, the Committee reviewed several related party transactions.

The Audit & Risk Committee reviewed and was satisfied with the independence of the current auditors. The Committee is also satisfied that their effectiveness while having the requisite expertise and resources to carry out their mandate.

The Committee is also satisfied that the Internal Audit Department is adequately sourced, has requisite support from Management and was effective in 2019.

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

The composition of the Committee fully complies with the requirements of The Capital Markets Authority and The Code of Corporate Governance Practices for Issuers of Securities to The Public 2015 (the Code). It has six members, four of whom are independent non-executive directors.

The NRHRC is responsible for nomination of appointments to the Board and its Committees. In 2019, the Committee managed the recruitment of the Hima Managing Director following the resignation of the incumbent. It also held a meeting with LafargeHolcim officials to better understand the LH regional strategy and how the Group would contribute to that strategy.

During the year, the Committee reviewed staff remuneration including validation of the 2018 bonus objectives achievements and review/approval of the remuneration proposals for 2019 for both Kenya and Uganda.

Following mandate given by the shareholders, the Committee undertook a remuneration survey on directors' fees. Details of the changes arising from the review are specified in the Remuneration Report contained elsewhere in this Report.

Executive Committee

The day to day business and operations of the Group are delegated to the Executive Committee (ExCo). Its members are appointed by the Group Managing Director and the Committee consists of individuals responsible for the key business sections of HR, Finance, Supply Chain, Operations, Growth & Strategy, Commercial and Transformation.

The ExCo meets at least twice a month or as frequently as necessary and the agenda focuses specifically on delivery of performance objectives approved by the Board.

Company Secretary

The Secretary acts as secretary to the Board as well as the Audit & Risk and NR&HR Committees of the Board.

The Secretary is the custodian of the Board documents and is responsible for advising the Board on all governance matters, Board induction and training, timely and appropriate dissemination of information, together with compliance with statutory and regulatory requirements.

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

Policies

Integrity Line

The 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 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.

During the year, the Group carried out training for all staff to reinforce this and carried out a campaign to familiarise all individuals with the available modes of reporting which include a toll free telephone line or through online reporting and the individuals making the reports have the option of remaining anonymous.

Further, review of the integrity line reports was included on the agenda of each Audit & Risk Committee, which reports include details of each report, findings and actions taken, if any.

Corporate Governance Statement *(continued)*

IT Policy

The Board has adopted the LafargeHolcim Group IT policy.

The Policy aims to create value as 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 processes.

Procurement Policy

The Board has adopted the LafargeHolcim Group IT policy.

The Policy aims to create value as 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 processes.

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.

The Board also reviewed the related party transactions policy as well as the recommendations of the Audit & Risk Committee on each transaction.

All related party transactions are declared elsewhere in this report.

Share Trading

The Board applies the statutory provisions as well as the LafargeHolcim Trade Restriction Market Disclosure Directive in respect of share dealings.

Before the end of each year, the Company Secretary communicates the blackout periods during which the Directors and identified relevant employees are not authorised to trade in Company shares.

Communication

The Board's communication strategy aims to provide shareholders with the highest standards of disclosure and financial transparency. The Board announces its achievements and prospects to shareholders by way of interim and full year results. Significant matters are disseminated to the market through announcements to the regulators, publication in the newspapers and posting on the Group's website.

During the year, the Group Managing Director held several sessions with the media to discuss topical issues. Lafarge Eco Systems Limited's sustainability efforts were also featured in the local media.

The Group values the opinions of private investors and continued to engage them throughout the year. The Group Managing Director and Finance Director met with and received feedback from analysts and institutional shareholders.

The Group encourages individual shareholder with enquiries to forward them, which are then managed by the Chair, the Managing Director and/or the Company Secretary.

Annual General Meeting

The Group held its Annual General Meeting (AGM) on 7 June 2019 in Mombasa, the Group's home base. Other than the Shareholders, the Directors were also present and used it to meet and interact with the Shareholders present. The meeting was also attended by a representative from Deloitte, the external auditors.

Financial Results

The Group announces its financial results every six months. The half year and full year results are released through publication in two daily newspapers and the Group's website. The Group 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.

The shareholders also get a copy of the annual report, which contains the full year results, other reports and information on the Group.

Significant matters are disseminated to the market through announcements to the regulators, publication in the newspapers and posting on the Group's website.

Remuneration Report

This Report is compiled in compliance to Division 6 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 auditors - Deloitte.

During the Annual General Meeting held on 7 June 2019, the shareholders unanimously approved the Directors' Remuneration Report for the year ended 31 December 2018.

The Board has developed a Remuneration Policy, which forms the basis of remuneration of the members of the Board of Directors (both non-executive and executive) and the Group as a whole.

The Nomination, Remuneration & Human Resources Committee is pleased to present its Remuneration Report for the year ended 31 December 2019.

Board Changes

On 21 March 2019, Olivier Guitton resigned as a non-executive Director and was replaced by Vasileios Karalis.

Further, Nicolas George resigned as the Managing Director, Hima Cement Limited and was replaced by Jean-Michel Pons on 4 June 2019. The remuneration contained in this report is pro-rated to reflect the time actual served.

Executive Directors and LafargeHolcim Representative Directors

It is a policy of the LafargeHolcim Group that executive directors and any non-executive directors appointed as representatives of the Group on the Board of Directors do not receive any payment by virtue of their membership on the Board.

As a result, for executive directors their remuneration is only that provided for under the Remuneration Policy covering remuneration for salaried/management employees.

Remuneration Outcomes 2018 - 2019: 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:

Name	Date of Contract	Duration	Notice Period
Seddiq Hassani	9 February 2018	3 years	3 months
Nicolas George	1 March 2018	Resigned on 7 June 2019	N/A
Grace Oluoch	19 October 2018	Open ended	3 months
Jean-Michel Pons	1 June 2019	3 years	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 period.

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

The Company does not have any long term incentives or share option schemes.

Salary Review

The executive director salaries review was undertaken in line with the overall company salary review. The salary review took into consideration the overall budget for increase and individual performance for the year 2018.

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

Name	2019	2018
Seddiq Hassani	1.5%	None
Nicolas George	2%	None
Grace Oluoch	None	None
Average staff salary increase Kenya	4.5%	2%
Average staff salary increase Uganda	10%	6%

Performance Bonus 2018

All employees participate in the Group's short term incentive program where the bonus paid is discretionary and based on Company and individual performance. For the Group Managing Director, the short term incentive program also includes LafargeHolcim Middle East Africa region objectives. Overall bonus performance for Kenya and Uganda was 62.5% and 10% respectively.

The bonus achievements for the Group Managing Director, the Managing Director Hima and the Group Finance Director were 30%, 10% and 50% respectively.

The performance bonuses were paid to the employees, including the executive directors in March 2019. The performance bonus for the year 2019 will be paid in 2020.

Name	Salary		Bonus		Allowances		Non-Cash Benefits[1]		Pension/Social Security		Total	Total
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Eric Kironde	-	9,340	-	825	-	4,030	-	2,575	-	1,077	-	17,847[2]
Seddiq Hassani	54,648	33,227	3,514	-	3,466	7,587	720	9,368	715	6,279	63,064	56,461
Nicolas George	9,684	13,899	4,256	-	4,158	994	6,616	17,142	878	1,721	25,592[2]	33,755
Grace Oluoch	18,000	3,677	574	-	3,257	655	1,511	791	1,262	-	24,604	5,124
Jean- Michael	7,186	-	-	-	1,797	-	6,285	-	1,437		16,705[3]	-
TOTAL	**71,260**	**60,143**	**8,344**	**825**	**17,153**	**13,266**	**22,030**	**29,876**	**12,144**	**9,077**	**129,965**	**112,577**

[1] *includes, where applicable, school fees, home travel, insurance covers, house, car, driver*
[2] *covers the period to 30 June 2019*
[3] *covers the period from 18 October 2018*

Remuneration Outcomes 2018 - 2019: Non-Executive Directors

Terms of Employment

The non-executive Directors (including the Chairman) are appointed by letters of appointment, which do not contain fixed term period, which appointment is subject to performance review and re-election by the shareholders at annual general meetings.

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

Name	Date of contract
Dr John Simba	29 November 2012
Joseph Kimote	6 June 2016
Alice Owuor	10 March 2017
Helen Gichohi	10 March 2017
Rita Kavashe	10 March 2017
Pierre Deleplanque	7 June 2018
Mbuvi Ngunze	30 August 2018
Vasileios Karalis	21 March 2019

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

Following authorisation of the shareholders, the NRHRC carried out a survey to benchmark fees with comparable companies. The findings of the survey were that the fees paid by the Company were significantly behind the market median, the fee target range. The Board proposed at the General Meeting and it was agreed to implement the increase over two years, the first of which was approved by the Shareholders at the Annual General Meeting held on 7 June 2019 and implemented thereafter.

Remuneration Report

The Directors are paid an annual fee, paid bi-annually, and meeting attendance fees. The fees paid in 2019 were:

Non-Executive Director Remuneration						
Name	Annual Fees	Sitting Allowance[1]	Total 2019	Annual Fees	Sitting Allowance	Total 2018
Dr John Simba	1,554,114	2,151,849	3,705,963	1,195,472	2,452,125	3,647,597
Alice Owuor	691,080	2,032,299	2,723,379	493,628	1,878,917	2,372,545
Helen Gichohi	691,080	1,075,923	1,767,003	493,628	1,042,088	1,535,716
Joseph Kimote	691,080	1,912,752	2,603,832	493,628	1,759,370	2,252,998
Mbuvi Ngunze	691,080	2,032,299	2,723,379	164,543	836,829	1,001,372[2]
Rita Kavashe	691,080	1,793,205	2,484,285	493,628	1,759,370	2,252,998
Total Fees	**5,009,514**	**10,998,327**	**16,007,841**	**3,334,527**	**9,728,699**	**13,063,226**

[1] Must be read together with the attendance register for purposes of the sitting allowance
[2] Appointed August 2018

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 non-executive directors.

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

On behalf of the Board,

Dr John P N Simba
Chairman, Nomination, Remuneration & HR Committee

7 May 2020

Shareholder Profile

Top 10 Shareholders as at 31 December 2019

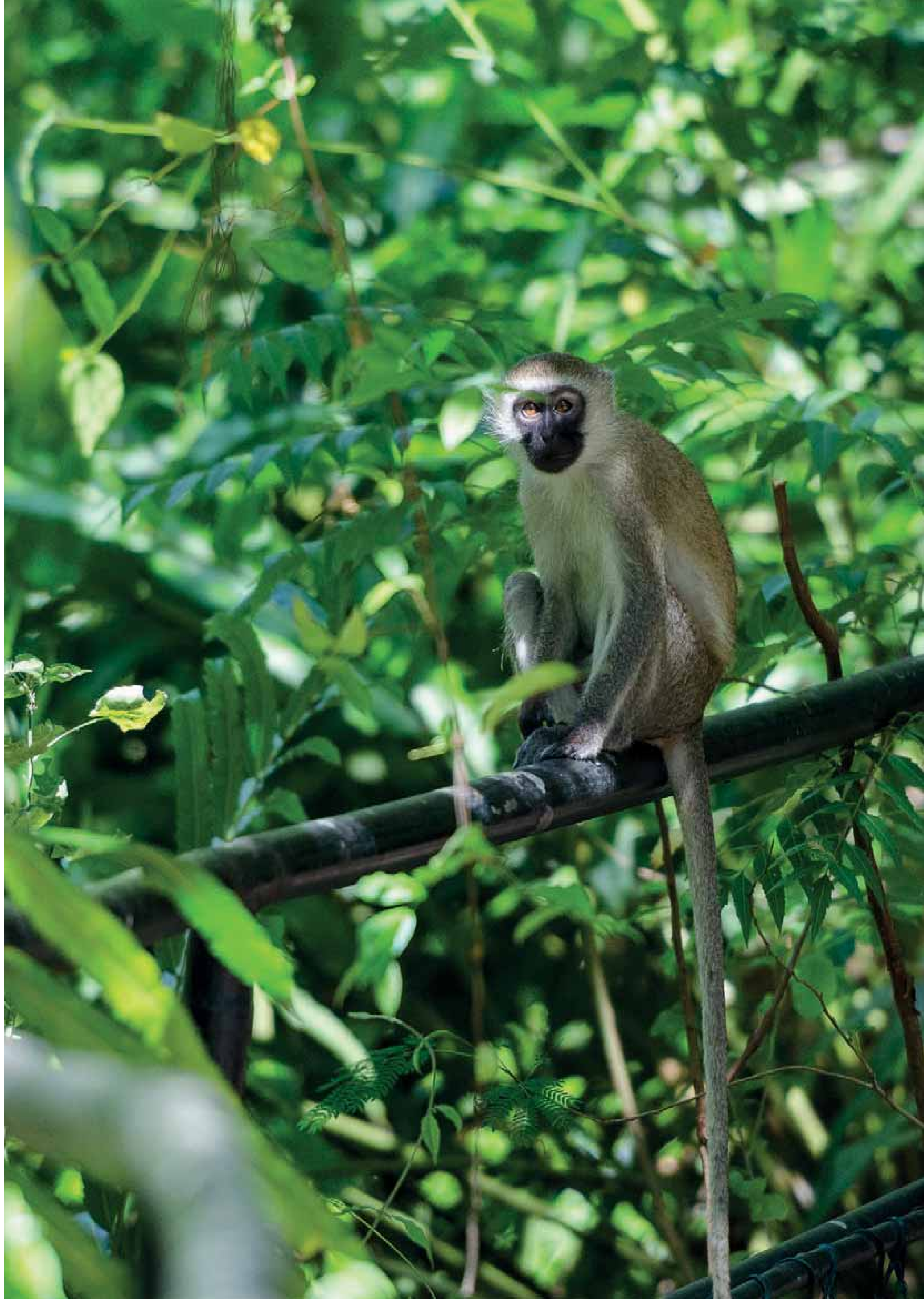
Rank	Name of Shareholder	Shares	%
1	Fincem Holding Ltd	106,360,798	29.30%
2	Kencem Holding Limited	106,360,797	29.30%
3	Standard Chartered Nominees RES A/C KE11396	56,906,640	15.68%
4	Standard Chartered Kenya Nominees Ltd A/C KE002382	10,790,425	2.97%
5	Amarjeet Baloobhai Patel & Baloobhai Chhotabhai Patel	7,026,790	1.94%
6	Standard Chartered Kenya Nominees Ltd A/C KE11993	2,607,700	0.72%
7	ICEA Lion Life Assurance Company Ltd – Pooled	1,949,215	0.54%
8	Standard Chartered Nominees A/C 9230	1,931,479	0.53%
9	Standard Chartered Nominees Non-Resd A/C 9661	1,743,200	0.48%
10	NIC Custodial Services A/C 016	1,200,895	0.33%

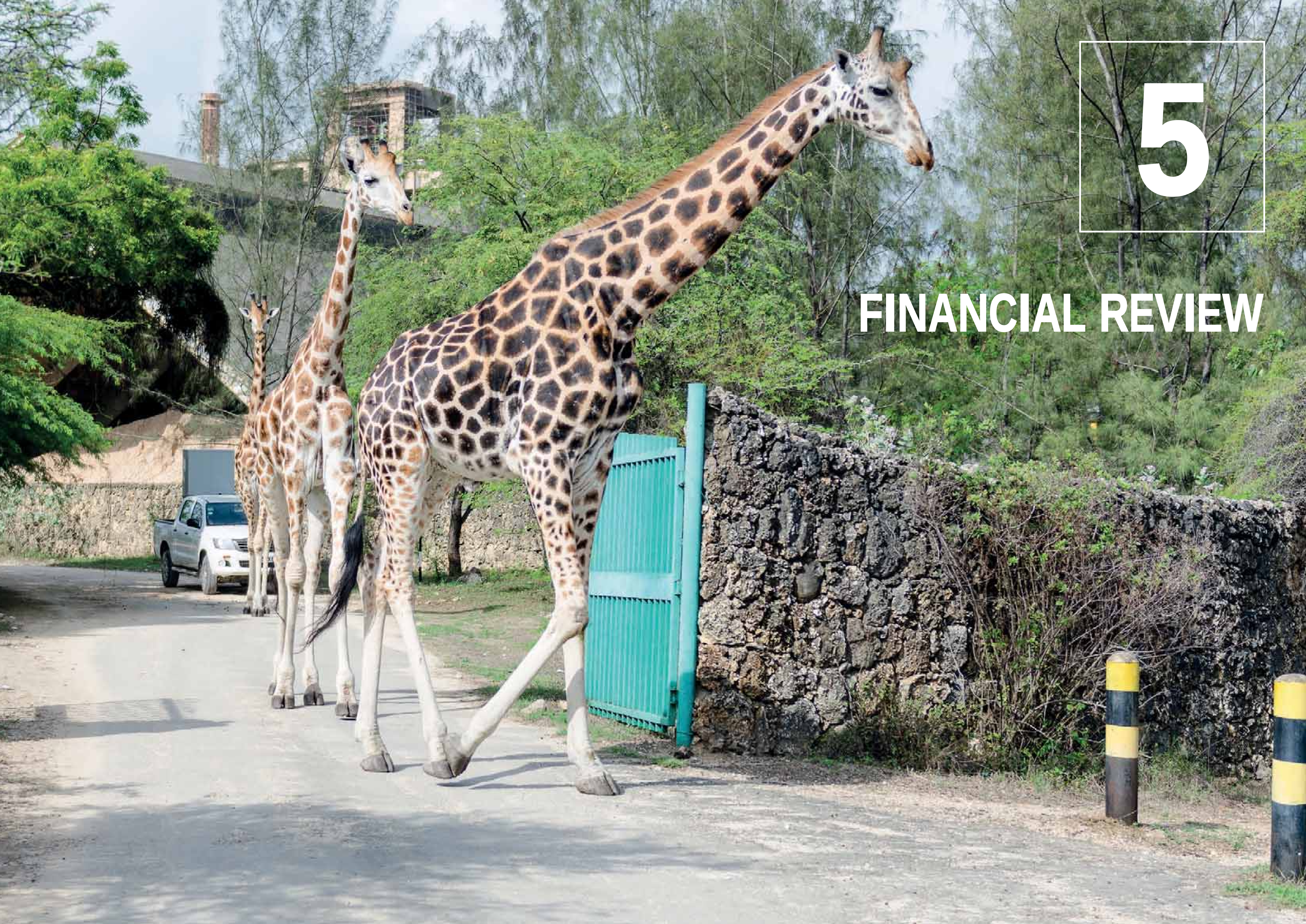
Share Analysis by Domicile as at 31 December 2019

DOMICILE	NUMBER OF SHARES	%	NUMBER OF HOLDERS
Foreign Institutions	232,122,071	63.95%	29
Foreign Individuals	510,241	0.14%	65
Local Institutions	115,358,529	31.78%	682
Local Individuals	14,968,434	4.13%	2,645
TOTAL	**362,959,275**	**100.00%**	**3,421**

Share Analysis by volume as at 31 December 2019

VOLUME	NUMBER OF SHARES	%	NUMBER OF HOLDERS
1 – 500	260,766	0.07%	1,448
501 – 5,000	2,361,287	0.65%	1,201
5,001 – 10,000	1,479,013	0.41%	209
10,001 – 100,000	14,077,370	3.88%	404
100,001 – 1,000,000	43,642,459	12.02%	145
> 1,000,000	301,138,380	82.97%	14
TOTAL	**362,959,275**	**100.00%**	**3,421**





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FINANCIAL REVIEW

Corporate information

DIRECTORS	**Executive**		
	S Hassani	(Moroccan)	
	N George	(French)	Resigned 7 June 2019
	G Oluoch	(Kenyan)	
	JM Pons	(French)	Appointed 7 June 2019
	Non-executive		
	J Simba	(Kenyan)	Chairman
	J M Kimote	(Kenyan)	
	A Owuor	(Kenyan)	
	H Gichohi	(Kenyan)	
	R Kavashe	(Kenyan)	
	P Deleplanque	(French)	
	M Ngunze	(Kenyan)	
	V Karalis	(Hellenic)	

SECRETARY
B Kanyagia
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
Deloitte &Touche
Deloitte Place
Waiyaki Way, Muthangari
P. O. Box 40092 - 00100
Nairobi, Kenya

PRINCIPAL BANKERS

Citibank N A
Citibank House, Upper Hill
P. O. Box 30711 - 00100
Nairobi, Kenya

Citibank NA 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

Report of the Directors

for the year ended 31 December 2019

The directors have the pleasure of presenting their annual report together with the audited financial statements of Bamburi Cement Limited (the "Company) and its subsidiaries (together the "Group") for the year ended 31 December 2019, 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. RESULTS

	2019 Shs' million	Restated 2018 Shs' million
Group profit before tax	728	620
Tax charge	(369)	(48)
Group profit for the year	359	572
Attributable to:		
Owners of the parent Company	633	861
Non-controlling interests	(274)	(289)
	359	572

During the year the Uganda Revenue Authority (URA) carried out a VAT compliance audit covering the period August 2017 to April 2019, this resulted in Hima Cement the Uganda subsidiary being levied additional taxes amounting to Shs 276m relating to the prior years (Shs 60 million relating to 2018 and Shs 216 million relating to the financial year ended 2017) as disclosed in note 36 of these financial statements on prior year adjustments.

3. DIVIDENDS

During the year, the Directors did not recommend payment of an interim dividend. In 2018 Shs 1.00 per ordinary share amounting to Shs 363 million was paid at interim while a dividend of Shs 4.10 per ordinary share amounting to Shs 1,488 million was paid at final. The directors do not recommend the payment of a dividend in respect of the year.

4. DIRECTORS

The directors who served during the year and up to the date of approval of this report are disclosed on page 92.

5. AUDITORS

Deloitte & Touche, having expressed their willingness, continue in office in accordance provisions of section 719 (2) of the Kenyan Companies Act, 2015. The directors monitor the effectiveness, objectivity and independence of the auditor. The directors also approve the annual audit engagement contract, which sets out the terms of the auditor's appointment and the related fees.

6. DISCLOSURE OF INFORMATION TO AUDITORS

Each director at the date of approval of this report confirms that, so far as he/she is aware, there is no relevant audit information of which the Group's and Company's auditors are unaware and that each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Group's and Company's auditors are aware of that information.

By Order of the Board

B Kanyagia
Secretary

7 May 2020

Statement of Directors' Responsibilities

for the year ended 31 December 2019

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 of 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 the Company, and for taking reasonable steps for the prevention and detection of fraud and errors.

The directors accept responsibility for the preparation and presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the 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 then 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 the Company's ability to continue as going concerns, except for the events associated with COVID-19 as disclosed in note 42 of the financial statements, the directors are not aware of any material uncertainties related to events or conditions that may cast doubt upon the Group and the 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 7 May 2020 and signed on its behalf by:

Dr John P.N Simba
Chairman

Seddiq Hassani
Group Managing Director

Independent Auditors' Report

To the members of Bamburi Cement Limited

Report on the audit of the consolidated and company financial statements

Our opinion

We have audited the accompanying financial statements of Bamburi Cement Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 99 to 195 comprising the consolidated and company statements of financial position at 31 December 2019 and consolidated and company statements of profit or loss and other comprehensive income, consolidated and company statements of changes in equity and consolidated and company statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and company financial statements give a true and fair view of the financial position of the Group and of the Company at 31 December 2019 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the 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 company 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' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated and company 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 company financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditors' Report
To the members of Bamburi Cement Limited (continued)

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

Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of Trade Receivables Due to the level of judgement and estimation relating to the impairment assessment of trade receivables by directors in accordance with the requirements of IFRS 9: *financial instruments*, the valuation of trade receivables is considered to be a key audit matter. As disclosed in note 22(a) of the consolidated and company financial statements, the Group's and Company's trade receivables amounted to Shs 2.2 billion and Shs 661 million as at 31 December 2019 respectively. Key judgements and estimation in respect of the timing and measurement of expected credit losses (ECL) include: • Determining the appropriate customer groupings based on credit risk characteristics and historical credit loss experience; • Determining the period over which the observed historical loss rates are appropriate; and • Adjusting the historical loss rates with forward looking macro-economic factors. Other matters considered in determining expected losses include: • Completeness and accuracy of data used to calculate the ECL; and • Accuracy and adequacy of the financial statement disclosures. Refer to note 2 of the consolidated and company financial statements for critical accounting judgements and key sources of estimation uncertainty. Also refer to note 37 (ii) for details on the estimated credit loss disclosure.	To respond to the key audit matter, we performed the following procedures: • Tested the design, implementation and operating effectiveness of key controls across the processes relevant to the ECL governance, data accuracy and completeness and individual provisions and production of journal entries and disclosures. • Assessed the appropriateness of customer groupings by verifying the historical data and assumptions adopted as a basis for the groupings • Assessed whether forecasted macroeconomic variables were appropriate. • Assessed whether the period over which the observed historical loss rates was appropriate in developing the expected loss rates. • Tested the data used in the ECL calculation for accuracy and completeness. • Validated the completeness and appropriateness of the related disclosures through assessing the disclosure of trade receivables and expected credit loss provision in notes 2, 22(a) and 37 (ii) of the consolidated and company financial statements. Based on the evidence obtained, we are satisfied that trade receivables ECL provisions are reasonable and in accordance with the requirements of IFRS 9. In addition, the disclosures in the financial statements in respect of trade receivables ECL provisions were found to be appropriate.

Independent Auditors' Report
To the members of Bamburi Cement Limited (continued)

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

Other Information

The Directors are responsible for the other information. The other information comprises the Report of the Directors and as required by the Kenyan Companies Act, 2015, the Chairman's statement, the Group Managing director's statement, Corporate governance statement, the Operational review report and the Sustainability report which were obtained prior to date of this report. The other information does not include the consolidated and company financial statements, the remuneration report and our auditors' report thereon.

Our opinion on the consolidated and company financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and company 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 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 company financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015, and for such internal control as the Directors determine are necessary to enable the preparation of consolidated and company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and company financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company and/or its subsidiaries 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 company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 company 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 company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for 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.

Independent Auditors’ Report
To the members of Bamburi Cement Limited (continued)

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)

- 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 auditors’ report to the related disclosures in the 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 auditors’ report. However, future events or conditions may cause the Group and the Company to cease to continue as going concerns.
- Evaluate the overall presentation, structure and content of the consolidated and company financial statements, including the disclosures, and whether the consolidated and company 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 Board Audit and Risk Committee 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 Board Audit and Risk Committee 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 Board Audit and Risk Committee, we determine those matters that were of most significance in the audit of the consolidated and company 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

Report of the Directors

In our opinion, the information given in the report of directors’ report on page 93 is consistent with the financial statements.

Directors’ remuneration report

In our opinion, the auditable part of the directors’ remuneration report on pages 84 to 86 has been properly prepared in accordance with the Kenyan Companies Act, 2015.

Deloitte & Touche

Certified Public Accountants (Kenya)

Nairobi, Kenya
7 May 2020

CPA Fred Aloo, Practising certificate No. 1537.
Signing partner responsible for the independent audit

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2019

	Notes	2019 Shs’million	2018 (Restated)* Shs’million
Revenue	4	36,796	37,262
Cost of goods sold	5	(27,737)	(26,526)
Cost of transport service	5	(3,755)	(4,001)
Gross profit		**5,304**	**6,735**
Marketing and sales expenses	9(i)	(862)	(1,002)
Administration expenses	9(ii)	(2,085)	(3,033)
Impairment losses on financial assets	22(b)	(132)	(52)
Impairment of other assets	9(iii)	(75)	(49)
Other income	7(i)	24	47
Other gains / (losses)	8	125	(255)
Other operating expenses	10(a)	(1,182)	(1,463)
Restructuring costs	10(b)	-	(153)
Operating profit		**1,117**	**775**
Finance income	7(ii)	60	103
Finance costs	7(iii)	(449)	(258)
Finance (cost) – net		(389)	(155)
Profit before income tax	**11(a)**	**728**	**620**
Tax charge	12(a)	(369)	(48)
Profit for the year		**359**	**572**
Other comprehensive (loss)/income not to be reclassified to profit or loss in subsequent periods:			
Actuarial losses/(gains)	28	(20)	21
Income tax effect	12(a)	6	(6)
		(14)	15
Gains on property revaluation	15(a)	-	1,814
Income tax effect	12(a)	-	(544)
		-	1,270
Fair value loss on investments in equity instruments designated as at FVTOCI	19(b)	(17)	(125)
Gain on sale of quoted equities	19(b)	-	4
Income tax effect		-	-
		(17)	(121)
Net other comprehensive (loss) / income not to be reclassified to profit or loss in subsequent periods		**(31)**	**1,164**
Other comprehensive income /(loss) to be reclassified to profit or loss in subsequent periods:			
Exchange income /(loss) on translation of foreign operations		22	(388)
Net other comprehensive income /(loss) to be reclassified to profit or loss in subsequent periods		**22**	**(388)**
OTHER COMPREHENSIVE (LOSS)/ INCOME FOR THE YEAR, NET OF TAX		**(9)**	**776**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		350	1,348
Profit for the year attributed to:			
Owners of the parent Company		633	861
Non-controlling interest	18(b)	(274)	(289)
		359	572
Total comprehensive income attributed to:			
Owners of the parent Company		615	1,372
Non-controlling interest	18(b)	(265)	(24)
		350	1,348
Earnings per share – basic and diluted	13	1.74	2.37

* See note 36 for details regarding the restatement.

Company Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2019

	Notes	2019 Shs'million	2018 Shs'million
Revenue	4	21,211	22,310
Cost of goods sold	5	(15,608)	(15,744)
Cost of transport service	5	(1,880)	(1,910)
Gross profit		**3,723**	**4,656**
Marketing and sales expenses	9(i)	(349)	(428)
Administration expenses	9(ii)	(1,019)	(1,407)
Impairment losses on financial assets	22(b)	(48)	(35)
Impairment of other assets	9(iii)	(35)	-
Other income	7(i)	24	47
Other gains/ (losses)	8	14	(25)
Other operating expenses	10(a)	(836)	(887)
Restructuring costs	10(b)	-	(119)
Impairment of investment in subsidiaries	18(a)	(191)	-
Operating profit		**1,283**	**1,802**
Finance income	7(ii)	59	103
Finance costs	7(iii)	(50)	(53)
Finance income - net.		9	50
Profit before tax	**11(a)**	**1,292**	**1,852**
Tax charge	12(a)	(284)	(207)
Profit for the year		**1,008**	**1,645**
Other comprehensive (loss)/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)	(17)	(125)
Gain on sale of quoted equities	19(b)	-	4
Income tax effect	12(a)	-	-
		(17)	(121)
Actuarial (losses)/gains	28	(31)	17
Income tax effect	12(a)	9	(5)
		(22)	12
Net other comprehensive loss not to be reclassified to profit or loss in subsequent periods		(39)	(109)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		(39)	(109)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		969	1,536

Consolidated Statement of Financial Position

as at 31 December 2019

	Notes	2019 Shs'million	31 December 2018 (Restated)* Shs'million	1 January 2018 (Restated)* Shs'million
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	15(a)	35,003	36,224	32,502
Prepaid operating lease rentals	16(a)	-	124	136
Right of use assets	16(b)	588	-	-
Intangible assets	17	139	244	43
Equity investments	19(a)	163	180	317
Other long term investments	18(c)	-	-	10
Biological assets	34(a)	335	399	471
Limestone reserves	17(b)	521	525	-
Goodwill	20	217	217	217
		36,966	37,913	33,696
CURRENT ASSETS				
Inventories	21	5,821	6,862	5,422
Biological assets	34(b)	136	72	-
Trade and other receivables	22(a)	2,515	2,653	4,379
Corporate tax recoverable	12(c)	514	280	65
Cash and cash equivalents	23(a)	3,106	2,366	3,490
		12,092	12,233	13,356
Assets classified as held for sale	37	27	-	-
TOTAL ASSETS		**49,085**	**50,146**	**47,052**
EQUITY AND LIABILITIES				
EQUITY				
Share capital	24	1,815	1,815	1,815
Asset revaluation reserve	25(a)	11,664	11,906	11,263
Fair value reserve		-	-	102
Translation reserve	25(c)	(2,027)	(2,042)	(1,771)
Retained earnings		17,251	17,897	17,857
Equity attributable to owners of the Company		28,703	29,576	29,266
Non-controlling interests		3,429	3,694	3,783
Total equity		32,132	33,270	33,049
NON-CURRENT LIABILITIES				
Deferred tax liability	26	4,915	4,675	4,456
Provisions	27	285	289	921
Employees' defined benefit liabilities	28	468	479	493
Long term borrowings	33(d)	2,056	2,010	-
Lease liabilities	35	448	-	-
		8,172	7,453	5,870
CURRENT LIABILITIES				
Unclaimed dividends	14(a)	1	1	6
Bank overdrafts	23(c)	1,772	1,403	1,450
Lease liability	35	47	-	-
Provisions	27	89	69	52
Employees' defined benefit liabilities	28	47	42	80
Trade and other payables	29	6,655	7,815	6,096
Corporate tax payable	12(c)	170	93	449
		8,781	9,423	8,133
TOTAL EQUITY AND LIABILITIES		**49,085**	**50,146**	**47,052**

The financial statements on pages 99 to 195 were approved and authorised for issue by the Board of Directors on 7 May 2020 and were signed on its behalf by:

Dr John P.N Simba
Chairman

Seddiq Hassani
Group Managing Director

*See note 36 for details regarding the restatement.

Company Statement of Financial Position

as at 31 December 2019

	Notes	2019 Shs'million	2018 Shs'million
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	15(b)	19,469	19,731
Intangible assets	17(a)	85	148
Investments in subsidiaries	18(a)	1,809	2,000
Equity investments	19(a)	163	180
Biological assets	34(a)	335	399
Loan to subsidiary	33 (c)	-	25
		21,861	22,483
CURRENT ASSETS			
Inventories	21	3,366	3,475
Biological assets	34(b)	136	72
Loan to subsidiary	33(c)	25	29
Trade and other receivable	22(a)	1,640	1,994
Corporate tax recoverable	12(c)	57	-
Cash and cash equivalents	23 (a)	2,289	2,161
		7,513	7,731
TOTAL ASSETS		**29,374**	**30,214**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	24	1,815	1,815
Asset revaluation reserve	25(a)	10,431	10,662
Retained earnings		9,775	10,063
Total equity		22,021	22,540
NON-CURRENT LIABILITIES			
Deferred tax liability	26	2,870	2,620
Provisions	27	253	257
Employees' defined benefit liabilities	28	411	421
		3,534	3,298
CURRENT LIABILITIES			
Unclaimed dividends	14(a)	1	1
Provisions	27	57	29
Employees' defined benefit liabilities	28	45	38
Trade and other payables	29	3,716	4,252
Corporate tax payable	12(c)	-	56
		3,819	4,376
TOTAL EQUITY AND LIABILITIES		**29,374**	**30,214**

The financial statements on pages 99 to 195were approved and authorised for issue by the Board of Directors on 7 May 2020 and were signed on its behalf by:

Dr John P.N Simba
Chairman

Seddiq Hassani
Group Managing Director

Consolidated Statement of Changes in Equity

for the year ended 31 December 2019

	Share capital Shs'million	Asset revaluation reserve Shs'million	Translation reserve Shs'million	Retained earnings Shs'million	Owners of the Company Shs'million	Non-controlling interests Shs'million	Total equity Shs'million
Year ended 31 December 2019	Note 24	Note 25(a)	Note 25(c)				
At 1 January 2019- As previously reported	1,815	11,906	(2,042)	18,032	**29,711**	**3,752**	33,463
Prior year adjustments net of tax (note 36)	-	-	-	(135)	**(135)**	**(58)**	(193)
At 1 January 2019- As restated	1,815	11,906	(2,042)	17,897	**29,576**	**3,694**	33,270
Profit /(loss) for the year	-	-	-	633	**633**	**(274)**	359
Other comprehensive income / (loss) for the year	-	-	15	(33)	**(18)**	**9**	(9)
Total comprehensive income for the year	-	-	15	600	**615**	**(265)**	350
Transfer of excess depreciation (net of tax)	-	(242)	-	242	**-**	**-**	-
Dividends: (Note 14(b))							
- Final dividends for 2018 declared and approved	-	-	-	(1,488)	(1,488)	**-**	(1,488)
At 31 December 2019	**1,815**	**11,664**	**(2,027)**	**17,251**	**28,703**	**3,429**	**32,132**

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 2018

	Share capital Shs'million	Asset revaluation reserve Shs'million	Fair value reserve Shs'million	Translation reserve Shs'million	Retained earnings Shs'million	Owners of the Company Shs'million	Non-controlling interests Shs'million	Total equity Shs'million
Year ended 31 December 2018	Note 24	Note 25(a)	Note 25(b)	Note 25(c)				
At 1 January 2018- As previously reported	1,815	11,263	102	(1,771)	17,963	29,372	3,828	33,200
Prior year adjustments (note 36)	-	-	-		(106)	(106)	(45)	(151)
At 1 January 2018- As restated	1,815	11,263	102	(1,771)	17,857	29,266	3,783	33,049
IFRS 9 transition adjustment	-	-	-	-	(155)	(155)	(65)	(220)
Profit for the year (restated see note 36)	-	-	-	-	861	861	(289)	572
Other comprehensive income (loss) for the year	-	889	(121)	(271)	14	511	265	776
Total comprehensive income/ (loss) for the year	-	889	(121)	(271)	875	1,372	(24)	1,348
Loss on fair value of quoted securities	-	-	19	-	(19)	-	-	-
Transfer of excess depreciation (net of tax)	-	(246)	-	-	246	-	-	-
Dividends: (Note 14(b))								
- Final dividends for 2017 declared and approved	-	-	-	-	(544)	(544)	-	(544)
- Interim dividends for 2018 declared and approved	-	-	-	-	(363)	(363)	-	(363)
	-	-	-	-	(907)	(907)	--	(907)
At 31 December 2018	1,815	11,906	-	(2,042)	17,897	29,576	3,694	33,270

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 2019

Year ended 31 December 2019	Share capital Shs'million	Asset revaluation reserve Shs'million	Retained earnings Shs'million	Total equity Shs'million
	Note 24	Note 25(a)		
At 1 January 2019	1,815	10,662	10,063	22,540
Profit for the year	-	-	1,008	1,008
Other comprehensive loss for the year	-	-	(39)	(39)
Total comprehensive income for the year	-	-	969	969
Transfer of excess depreciation (net of tax)	-	(231)	231	-
Final dividends for 2018 declared and approved (Note 14(b))	-	-	(1,488)	(1,488)
At 31 December 2019	1,815	10,431	9,775	22,021

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

for the year ended 31 December 2018

Year ended 31 December 2018	Share capital Shs'million	Asset revaluation reserve Shs'million	Fair value reserve Shs'million	Retained earnings Shs'million	Total equity Shs'million
	Note 24	Note 25(a)	Note 25(b)		
At 1 January 2018	1,815	10,899	102	9,019	21,835
Gain on intercompany asset transfer	-	-	-	76	76
Profit for the year	-	-	-	1,645	1,645
Other comprehensive (loss) / income for the year	-	-	(121)	12	(109)
Loss on fair valuation of quoted equities	-	-	19	(19)	-
Total comprehensive income for the year	-	-	(102)	1,638	1,536
Transfer of excess depreciation (net of tax)	-	(237)	-	237	-
Dividends: (Note 14(b))					
- Final dividends for 2017 declared and approved	-	-	-	(544)	(544)
- Interim dividends for 2018 declared and approved	-	-	-	(363)	(363)
				(907)	(907)
At 31 December 2018	1,815	10,662	-	10,063	22,540

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 2019

	Notes	2019 Shs'million	2018 Shs'million
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	32	3,659	3,712
Interest received	7(ii)	60	103
Interest paid		(327)	(197)
Tax paid	12(c)	(273)	(795)
Net cash generated from operating activities		3,119	2,823
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	15(a)	(1,327)	(4,205)
Purchase of intangible assets	17	(13)	(315)
Acquisition of limestone reserves		-	(515)
Proceeds from sale of quoted equities		-	16
Proceeds from disposal of property, plant and equipment		321	62
Net cash used in investing activities		(1,019)	(4,957)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid to shareholders	14(b)	(1,488)	(907)
Proceeds from borrowings	33(d)	-	1,983
Repayment of lease liabilities	35	(253)	-
Net cash generated (used in) / from financing activities		(1,741)	1,076
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		359	(1,058)
MOVEMENT IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at the beginning of the year		963	2,040
Net increase / (decrease) in cash and cash equivalents during the year		359	(1,058)
Effects of exchange rate changes on cash held in foreign currencies		12	(19)
Cash and cash equivalents and at end of the year	23(b)	1,334	963

Company Statement of Cash Flows

for the year ended 31 December 2019

	Note	2019 Shs'million	2018 Shs'million
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	32	2,641	2,999
Interest received	7(ii)	59	103
Tax paid	12(c)	(138)	(107)
Net cash generated from operating activities		2,562	2,995
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	15(b)	(962)	(2,215)
Purchase of intangible assets		(13)	(214)
Proceeds from sale of quoted equities		-	16
Loans repayments	33(c)	29	29
Net cash used in investing activities		(946)	(2,384)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid to the shareholders	14(b)	(1,488)	(907)
Increase in investment in subsidiaries		-	(100)
Net cash used in financing activities		(1,488)	(1,007)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		128	(396)
MOVEMENT IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at the beginning of the year		2,161	2,557
Net increase/ (decrease) in cash and cash equivalents during the year		128	(396)
Cash and cash equivalents at the end of the year	23(b)	2,289	2,161

Notes to the Financial Statements

for the year ended 31 December 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Basis of preparation

The 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 (Shs' 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)

(i) Relevant new standards and amendments to published standards effective for the year ended 31 December 2019

Impact of initial adoption of IFRS 16 Leases

In the current year, the Group has applied IFRS 16 Leases (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The impact of the adoption of IFRS 16 on the Group's consolidated financial statements is described below.

The date of initial application of IFRS 16 for the Group is 1 January 2019.

The Group applied the new standard in accordance with the modified retrospective approach without restatement of the comparative period in accordance with the transitional provisions of IFRS 16.

The Group has recognized lease liabilities at the date of initial application for leases previously classified as an operating lease applying IAS 17. The lease liabilities have been measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application.

The Group has recognised a right-of-use asset at the date of initial application for leases previously classified as an operating lease applying IAS 17. The Group has, on a lease-by-lease basis, measured the right-of-use asset at its carrying amount as if the Standard had been applied since the commencement date, but discounted using the Group's incremental borrowing rate at the date of initial application.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

i) Relevant new standards and amendments to published standards effective for the year ended 31 December 2019 (Continued)

Impact of initial application of IFRS 16 Leases (Continued)

(a) Impact of the new definition of a lease

The Group has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those contracts entered or modified before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4.

The Group applies the definition of a lease and related guidance set out in IFRS 16 to all contracts entered into or changed on or after 1 January 2019. In preparation for the first-time application of IFRS 16, the Group has carried out a review of all the lease contracts. The review has shown that the new definition in IFRS 16 will not significantly change the scope of contracts that meet the definition of a lease for the Group.

(b) Impact on Lessee Accounting

(i) Former operating leases

IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet.

Applying IFRS 16, for all leases (except as noted below), the Group:

a) Recognises right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of the future lease payments;
b) Recognises depreciation of right-of-use assets and interest on lease liabilities in profit or loss;
c) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the statement of cash flows.

Lease incentives (e.g. rent-free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses generally on a straight-line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

(ii) Former finance leases

The main differences between IFRS 16 and IAS 17 with respect to contracts formerly classified as finance leases is the measurement of the residual value guarantees provided by the lessee to the lessor. IFRS 16 requires that the Group recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17. This change did not have a material effect on the Group's financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

i) Relevant new standards and amendments to published standards effective for the year ended 31 December 2019 (Continued)

Impact of initial application of IFRS 16 Leases (Continued)

(c) Impact on Lessor Accounting

IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, IFRS 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets.

The Group is not a lessor in any lease arrangement therefore there is no impact on lessor accounting.

(d) Financial impact of the initial application of IFRS 16

The weighted average lessees incremental borrowing rate applied to lease liabilities recognised in the statement of financial position on 1 January 2019 is 13.5%

The following table shows the operating lease commitments disclosed applying IAS 17 at 31 December 2018, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the statement of financial position at the date of initial application.

	GROUP Shs'million
Operating lease commitments at 31 December 2018	850
Effect of lease terminations	(9)
Effect of discounting the above amounts	(145)
Effect of Value Added Tax (VAT) elimination	(11)
Lease liabilities recognised at 1 January 2019	685

Impact on assets, liabilities and equity as at 1 January 2019

	As previously reported Shs'million	IFRS 16 adjustments Shs'million	After IFRS 16 Adjustments Shs'million
Right-of-use assets (Note 16(b))	685	-	685
Lease liabilities (Note 35)	(685)	-	(685)
Retained earnings	-	-	-

For tax purposes, the depreciation expense and finance cost in respect of the right-of-use assets and lease liabilities respectively have not been treated as tax allowable deductions. The application of IFRS 16 has an impact on the statement of cash flows of the Group. Under IFRS 16, lessees must present cash payments for the principal portion for a lease liability, as part of financing activities.

Under IAS 17, all lease payments on operating leases were presented as part of cash flows from operating activities.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 2019 (Continued)

In the current year, the Group has applied a number of amendments to IFRS Standards and Interpretations issued by the IASB that are effective for an annual period that begins on or after 1 January 2019. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to IFRS 9 Prepayment Features with Negative Compensation

The Group has adopted the amendments to IFRS 9 for the first time in the current year. The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the 'solely payments of principal and interest' (SPPI) condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, financial assets with prepayment features with negative compensation do not automatically fail SPPI.

Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures

The Group has adopted the amendments to IAS 28 for the first time in the current year. The amendment clarifies that IFRS 9, including its impairment requirements, applies to other financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture. The Group applies IFRS 9 to such long-term interests before it applies IAS 28. In applying IFRS 9, the Group does not take account of any adjustments to the carrying amount of long term interests required by IAS 28 (i.e., adjustments to the carrying amount of long term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).

Annual Improvements to IFRS Standards 2015–2017 Cycle Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs

The Group has adopted the amendments included in the *Annual Improvements to IFRS Standards 2015–2017 Cycle* for the first time in the current year. The Annual Improvements include amendments to four Standards:

IAS 12 Income Taxes

The amendments clarify that the Group should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the Group originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

IAS 23 Borrowing Costs

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

IFRS 3 Business Combinations

The amendments clarify that when the Group obtains control of a business that is a joint operation, the Group applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be remeasured includes any unrecognised assets, liabilities and goodwill relating to the joint operation.

IFRS 11 Joint Arrangements

The amendments clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the Group does not remeasure its PHI in the joint operation.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 2019 (Continued)

Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement

The Group has adopted the amendments of IAS 19 for the first time in the current year. The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position). IAS 19 is now clear that the change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is determined in a second step and is recognised in the normal manner in other comprehensive income.

The paragraphs that relate to measuring the current service cost and the net interest on the net defined benefit liability (asset) have also been amended. The Group will now be required to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. In the case of the net interest, the amendments make it clear that for the period post plan amendment, the net interest is calculated by multiplying the net defined benefit liability (asset) as remeasured under IAS 19:99 with the discount rate used in the remeasurement (also taking into account the effect of contributions and benefit payments on the net defined benefit liability (asset)).

IFRIC 23 *Uncertainty over Income Tax Treatments*

The Group has adopted IFRIC 23 for the first time in the current year. IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires the Group to:

- determine whether uncertain tax positions are assessed separately or as a group; and
- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:

  – If yes, the Group should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
  – If no, the Group should reflect the effect of uncertainty in determining its accounting tax position using either the most likely amount or the expected value method.

ii) New and revised IFRS Standards in issue but not yet effective for the year ended 31 December 2019

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 for annual periods beginning on or after*
IFRS 17-*Insurance*	1 January 2021, with earlier application permitted
Amendments to IAS 10 and IAS 28 *Sale or Contribution of Assets between an investor and its Associate or Joint Venture*	Yet to be set, however earlier application permitted
Amendments to IFRS 3 *Definition of a business*	1 January 2020, with earlier application permitted
Amendments to IAS 1 and IAS 8- *Definition of material*	1 January 2020, with earlier application permitted
Conceptual Framework: *Amendments to References to the Conceptual Framework in IFRS standards*	1 January 2020, with earlier application permitted

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, except as noted below:

1. 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 2019 (continued)

IFRS 10 and IAS 28 (amendments) 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 remeasurement 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 IASB; however, earlier application of the amendments is permitted. The directors of the Group anticipate that the application of these amendments may have an impact on the financial statements in future periods should such transactions arise.

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

Amendments to IFRS 3 Definition of a business

The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

Additional guidance is provided that helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early 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 if necessary.

Amendments to IAS 1 and IAS 8 Definition of material

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'.

The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term 'material' to ensure consistency.

The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, 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 if necessary.

1. 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 2019 (continued)

Amendments to References to the Conceptual Framework in IFRS Standards

Together with the revised Conceptual Framework, which became effective upon publication on 29 March 2018, the IASB has also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised *Conceptual Framework*. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASC *Framework* adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised *Framework* of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised *Conceptual Framework.*

The amendments, where they actually are updates, are effective for annual periods beginning on or after 1 January 2020, with early application permitted.

iii) Early adoption of standards

The Group did not early-adopt any new or amended standards in 2019.

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 2019. 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.

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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Basis of Consolidation

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.

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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Business combinations and goodwill (Continued)

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.

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.

Notes to the Financial Statements (continued)

for the year ended 31 December 2019

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Revenue recognition

The Group recognises revenue from 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
A 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
A Group recognizes revenue when it satisfies a performance obligation by transferring service to a customer (which is when the customer obtains control 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.

Interest income
For all financial instruments measured at amortised cost and interest bearing financial assets classified as available-for-sale, 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.

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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2019, 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 noncancellable 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.

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.

Notes to the Financial Statements (continued)

for the year ended 31 December 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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:

Land and mineral reserves	Not depreciated
Buildings and Installations	20-35 years
Heavy machines and installations	20 - 30 years
Other machines	10 - 20 years
Furniture, vehicles and tools	3-10 years

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.

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(p) 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 Shs 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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(p) 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.

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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Tax (continued)

- 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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Financial instruments (continued)

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.

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.

Notes to the Financial Statements (continued)

for the year ended 31 December 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Financial instruments(continued)

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

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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Financial instruments(continued)

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.

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;

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Financial instruments(continued)

(i) Significant increase in credit risk (Continued)

- 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:

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Financial instruments(continued)

(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.

(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.

Notes to the Financial Statements (continued)

for the year ended 31 December 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Financial instruments(continued)

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.
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.

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 35.

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

Notes to the Financial Statements (continued)

for the year ended 31 December 2019

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.

2. 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.

Segments are reported in a manner consistent with the internal reporting provided to the Group Managing Director (the "MD"). The MD makes strategic decisions and is responsible for allocating resources and assessing performance of the operating segments (see note 3).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

u) Fair value measurement

The Group measures financial instruments such as available-for-sale 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 38(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:

- 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

u) Biological assets

Biological assets comprise of eucalyptus, Casuarina, Cassi siamea and Neem plantations.

Eucalyptus Casuarina, Cassi siamea and Neem plantations are measured on initial recognition and at each reporting date at fair value less costs to sell. Any gains or losses arising on initial recognition of biological assets and from subsequent changes in fair value less costs to sell are recognised in the statement of comprehensive income in the year in which they arise. Additions and replanting of biological assets include cost of planting and upkeep until they mature. Subsequently all costs of upkeep and maintenance of mature biological assets are recognised in the income statement in the period in which they are incurred.

v) Comparatives

Where necessary comparatives have been adjusted to conform with changes in presentation in the current year.

w) Non-current assets held for sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment in an associate or, a portion of an investment in an associate, the investment, or the portion of the investment in the associate, that will be disposed of is classified as held for sale when the criteria described above are met.

The Group then ceases to apply the equity method in relation to the portion that is classified as held for sale. Any retained portion of an investment in an associate that has not been classified as held for sale continues to be accounted for using the equity method.

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 no are the 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.

2. CRITICAL ACCOUNTING JUDGEMENTS AND 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 last revalued on 1 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 38, 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.

2. CRITICAL ACCOUNTING JUDGEMENTS AND 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.

For available-for-sale financial assets, the Group assess at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as available–for-sale financial assets, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. The determination of what is 'significant' or 'prolonged' requires judgement. The Group treats 'significant' generally as 20% and 'prolonged' generally as greater than six months. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost. Further disclosures on this class of assets are done in Note 19, to the financial statements.

2. CRITICAL ACCOUNTING JUDGEMENTS AND 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.

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 arm's length sales between the segments are made at prices that approximate market prices.

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 2019 - All figures in millions of Kenya Shillings

	Kenya	Uganda	Adjustments and eliminations	Consolidated
Revenue				
External customers	22,218	14,578	-	36,796
Inter-segment (Geographical)	72	-	(72)	-
Total revenue	22,290	14,578	(72)	36,796
Cost of sales	(18,397)	(13,167)	72	(31,492)
Gross profit	3,893	1,411	-	5,304
Gross profit margin	18%	10%	-	14%
Other income	24	-	-	24
Finance income	54	6	-	60
Finance costs	69	375	-	435
Profit/(loss) before tax	1,590	(862)	-	728
Income tax expense	(318)	(51)	-	(369)
Profit/(loss) for the year	1,272	(913)	-	359
Segment assets	29,874	20,096	(958)	49,012
Segment liabilities	7,646	9,279	(45)	16,880
Depreciation and amortisation	1,416	1,253	-	2,669
Impairment of Property, Plant and Equipment (including limestone reserves)	35	40	-	75

3. SEGMENT INFORMATION (continued)

Year ended 31 December 2018 - All figures in millions of Kenya Shillings

	Kenya	Uganda	Adjustments and eliminations	Consolidated
Revenue				
External customers	23,048	14,214	-	37,262
Inter-segment	380	-	(380)	-
Total revenue	23,428	14,214	(380)	37,262
Cost of sales	(18,647)	(12,260)	380	(30,527)
Gross profit	4,781	1,954	-	6,735
Gross profit margin	21%	14%	-	18%
Other income	47	-	-	47
Finance income	96	7	-	103
Finance costs	51	197	-	248
Restructuring costs	153	-	-	153
Profit/(loss) before tax	1,730	(1,110)	-	620
Income tax expense	(199)	151	-	(48)
Profit/(loss) for the year	1,531	(959)	-	572
Segment assets	29,640	21,476	(974)	50,142
Segment liabilities	4,998	6,077	(148)	10,927
Depreciation and amortisation	1,206	805	-	2,011
Impairment of capital work in progress	-	39	-	39

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, corporate tax and deferred taxation.

Information about major customers:

Included in the Group's revenues of Shs 36,756 million (2018: Shs 37,262 million) are approximately Shs 73 million (2018: Shs 380 million) which arose from sales to the Group's largest customer arising from the Kenyan segment.

Notes to the Financial Statements (continued)

for the year ended 31 December 2019

4. REVENUE

	GROUP		COMPANY	
	2019 Shs'million	2018 Shs'million	2019 Shs'million	2018 Shs'million
Cement (Note 6)	33,668	33,956	20,253	20,919
Precast products	648	625	-	-
Ready mix	903	923	-	-
Other*	93	62	-	-
Transport services	1,484	1,696	958	1,391
Net sales	36,796	37,262	21,211	22,310

**The other revenue includes mainly service delivery income from tourism activities earned by Lafarge Eco Systems Limited, a subsidiary of Bamburi Cement Limited.*

5. COST OF SALES

	GROUP		COMPANY	
	2019 Shs'million	2018 (Restated) Shs'million	2019 Shs'million	2018 Shs'million
Distribution costs				
Cost of transport services	3,755	4,001	1,880	1,910
Packaging materials	1,463	1,286	683	652
Diesel	106	68	2	1
Depreciation of right-of-use assets	51	-	-	-
Other distribution expenses	875	1,671	658	1,012
Total distribution cost	**6,250**	**7,026**	**3,223**	**3,575**
Production cost of goods sold				
Elimination of cost of sales-intra-group	(750)	(1,079)	-	-
Cost of finished goods purchased	4,431	4,704	1,674	2,424
Third party raw materials costs	5,998	5,133	2,459	1,951
Production materials	787	830	306	371
Energy	2,855	3,015	1,910	1,940
Electricity	3,466	3,509	2,536	2,539
Staff costs (Note 11(b))	2,265	2,163	1,311	1,299
Other production expenses	2,385	2,519	1,945	2,034
Maintenance expenses	1,653	1,385	856	814
Changes in inventory	(121)	(428)	182	(315)
Depreciation	2,181	1,706	1,084	1,022
Depreciation of right-of-use assets	80	-	-	-
Amortisation	12	44	2	-
Total production cost of goods sold	**25,242**	**23,501**	**14,265**	**14,079**
Cost of sales	**31,492**	**30,527**	**17,488**	**17,654**
Cost of goods sold	27,737	26,526	15,608	15,744
Transport service costs	3,755	4,001	1,880	1,910
Cost of sales	**31,492**	**30,527**	**17,488**	**17,654**

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		COMPANY	
	2019 Shs'million	2018 Shs'million	2019 Shs'million	2018 Shs'million
Rebates	**1,218**	892	**630**	932

7. OTHER INCOME AND FINANCE INCOME/COSTS

i) Other income

Rental income	24	47	24	47
Total other income	**24**	**47**	**24**	**47**

ii) Finance income

Interest income-cash deposits with local banks	60	103	55	96
Interest income-Group	-	-	4	7
Total finance income	**60**	**103**	**59**	**103**

iii) Finance costs

Interest payable on borrowings	327	197	-	-
Interest on lease liabilities	63	-	-	
Interest cost on employee benefit liabilities	59	61	50	53
Total finance costs	**449**	**258**	**50**	**53**

8. OTHER GAINS AND LOSSES

Gain on disposal of assets	196	2	-	-
Foreign exchange losses	(649)	(257)	-	(25)
Foreign exchange gains	578	-	14	-
	(71)	(257)	14	(25)
Total other gains and losses	**125**	**(255)**	**14**	**(25)**

9 OPERATING EXPENSES

(i) Marketing and sales expenses

Marketing and sales expenses comprise mainly third party services with respect to advertising; Route to market (RTM) expenses; builders academy training costs; promotional; and customers loyalty program expenses. The total amount incurred during the year for the Group was Shs 862 million (2018: Shs 1,002 million) and for the Company Shs 349 million (2018: Shs 428 million). Included in the marketing and sales expenses is Shs 79 million for depreciation of right-of-use assets for the Group.

(ii) Administration expenses

	GROUP		COMPANY	
	2019 Shs'million	2018 Shs'million	2019 Shs'million	2018 Shs'million
Staff costs (Note 11(b))	965	1,030	549	538
Third party services	322	844	188	490
Other administration expenses	514	872	93	173
Bank charges	19	25	10	21
Depreciation	146	176	105	107
Depreciation of right-of-use assets	11	-	-	-
Amortisation prepaid operating lease	8	9	-	1
Amortisation of intangible assets	108	77	74	77
Total administration expenses	**2,085**	**3,033**	**1,019**	**1,407**

(iii) Impairment of other assets

Property, plant & equipment (Note 15(a))	71	39	35	-
Limestone reserves (Note 17(b))	4	-	-	-
Impairment of joint venture – Note 18(a)	-	10	-	-
	75	**49**	**35**	**-**

9 OTHER OPERATING EXPENSES

	GROUP		COMPANY	
	2019 Shs'million	2018 Shs'million	2019 Shs'million	2018 Shs'million
(a) Technical fees (Note 33 (a))	1,182	1,463	836	887
(b) Restructuring costs	-	153	-	119

In order to achieve operational efficiency in 2018, the Group undertook rationalization of the staff which resulted in restructuring of the group. The restructuring costs which are a one off, principally represent packages for employees' redundancies.

11. (a) PROFIT BEFORE TAX

	GROUP		COMPANY	
	2019 Shs'million	2018 Shs'million	2019 Shs'million	2018 Shs'million
Profit before tax is arrived at after charging				
Staff costs (Note 11(b))	3,230	3,193	1,860	1,837
Depreciation on property, plant and equipment (Note 11(c))	2,327	1,882	1,189	1,129
Amortisation of intangible assets (Note 17)	120	121	76	77
Amortisation of prepaid lease rentals (Note 16(a))	-	9	-	1
Depreciation on right-of use-of asset (Note 16(b))	221	-	-	-
Directors' fees (Note 33)	16	13	16	13
Auditors' remuneration	16	11	9	5
And after crediting:				
Interest income (Note 7)	60	103	59	103
Gain on disposal of plant and equipment (Note 8)	196	2	-	-
Net foreign exchange (losses)/gains (Note 8)	(71)	(255)	14	(25)

(b) STAFF COSTS

Salaries and wages	1,728	1,950	1,022	981
Retirement benefits costs	266	246	134	129
Staff welfare costs	1,236	997	704	727
	3,230	3,193	1,860	1,837
Presented as:				
Cost of sales (Note 5)	2,265	2,163	1,311	1,299
Administration expenses (Note 9)	965	1,030	549	538
	3,230	3,193	1,860	1,837

11. (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	
	2019 Shs'million	2018 Shs'million	**2019 Shs'million**	2018 Shs'million
Depreciation				
Cost of production (Note 5)	2,181	1,706	1,084	1,022
Administration expenses (Note 9 (ii))	146	176	105	107
	2,327	**1,882**	**1,189**	**1,129**
Amortization				
Cost of production (Note 5)	12	44	2	-
Administration expenses (Note 9 (ii))	108	77	74	77
	120	**121**	**76**	**77**
Depreciation of right-of-use assets				
Cost of production (Note 5)	131	-	-	-
Marketing and sales expenses (Note 9(i))	79	-	-	-
Administration expenses (Note 9(ii))	11	-	-	-
	221	**-**	**-**	**-**

12 TAX

	COMPANY			
	2019 Shs'million	2018 (Restated) Shs'million	**2019 Shs'million**	2018 Shs'million
(a) Tax charge				
Current tax based on the adjusted profit at 30%	125	110	25	43
Income taxation - previous years	-	114	-	-
	125	**224**	**25**	**43**
Deferred tax charge / (credit) (Note 26):				
-current year	244	(249)	259	78
-prior years	-	73	-	86
	244	(176)	259	164
Tax charge	369	48	284	207
Other comprehensive income charge/ (credit)				
Actuarial (gain) / loss (Note 28)	6	(6)	9	5
Revaluation of property plant and equipment	-	544	-	-

12 TAX (continued)

(b) Reconciliation of expected tax based on accounting profit to tax charge:

	GROUP		COMPANY	
	2019 Shs'million	2018 Shs'million (Restated)	**2019 Shs'million**	2018 Shs'million
Profit before tax	728	620	1,292	1,852
Tax calculated at the domestic rates applicable of 30%	218	186	388	556
Tax effect of expenses not deductible for tax purposes	354	172	99	62
150% investment deduction	-	(497)	-	(497)
Power rebate	(203)	-	(203)	-
Under provision of deferred tax in prior years	-	73	-	86
Income tax prior years	-	114	-	-
Tax charge	**369**	**48**	**284**	**207**

(c) Corporate tax (recoverable) / payable

	GROUP		COMPANY	
	2019 Shs'million	2018 Shs'million	**2019 Shs'million**	2018 Shs'million
At the beginning of the year	(196)	449	56	120
Prior year adjustment (Note (36)	-	(65)	-	-
Restated balance beginning of the year	(196)	384	-	-
Tax charge -Current	125	110	25	43
-Prior years	-	114	-	-
Tax paid	(237)	(538)	(130)	(96)
Withholding tax paid	(36)	(257)	(8)	(11)
At end of the year	**(344)**	**(187)**	**(57)**	**56**
Comprising:				
Tax payable	170	93	-	56
Tax recoverable	(514)	(280)	(57)	-

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 2019 and as at 31 December 2018.

	GROUP	
	2019 Shs'million	2018 Shs'million
		Restated
Profit for the year attributable to owners of the parent Company (Shs million)	633	861
Weighted average number of ordinary shares (million)	363	363
Basic and diluted earnings per share (Shs)	1.74	2.37

14. DIVIDENDS

	GROUP	
	2019 Shs'million	2018 Shs'million
(a) Unclaimed dividends		
At beginning of year	1	6
Write back of Dividends	-	(5)
Declared and approved during the year –[Note 14 (b)]	1,488	907
Dividends claimed/paid in the year	(1,488)	(907)
At end of year	1	1
(b) Dividends declared/approved during the year 2019 and 2018:		
Final dividends for previous year	1,488	544
Interim dividends for current year	-	363
	1,488	907
(c) Dividends declared/proposed in respect of the year		
Interim dividend - paid in the year	-	363
Proposed for approval at the annual general meeting (not recognised as a liability as at 31 December)	-	1,488
	-	1,851
Dividends per share (based on 363 million shares)	-	Shs 5.10

During the year, the Directors did not recommend payment of an interim and final dividend. In 2018 Shs 1.00 per ordinary share amounting to Shs 363 million was paid at interim while a dividend of Shs 4.10 per ordinary share amounting to Shs 1,488 million was paid at final.

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%.

15. PROPERTY, PLANT AND EQUIPMENT

a) GROUP

Year ended 31 December 2019

	Freehold land and residential buildings	Plant and machinery	Office equipment and tools	Capital work-in-progress **	Total
	Shs'million	Shs'million	Shs'million	Shs'million	Shs'million
Cost or valuation					
At 1 January 2019	13,036	47,490	2,092	1,665	64,283
Transfers from capital work in progress	604	456	80	(1,140)	-
Additions	1	23	78	1,225	1,327
Assets classified as held for sale (Note 37)	-	(32)	(3)	-	(35)
Disposals	(125)	-	(45)	-	(170)
Assets written off***	-	(140)	(7)	(3)	(150)
Translation difference*	1	9	(2)	1	9
At 31 December 2019	13,517	47,806	2,193	1,748	65,294
Depreciation					
At 1 January 2019	1,951	24,372	1,736	-	28,059
Charge for the year	310	1,926	91	-	2,327
Assets classified as held for sale (Note 37)	-	(7)	(1)	-	(8)
Elimination of depreciation on disposal	-	-	(15)	-	(15)
Eliminated on write offs***	-	(77)	(2)	-	(79)
Translation difference *	2	6	(1)	-	7
At 31 December 2019	2,263	26,220	1,808	-	30,291
NET BOOK VALUE	**11,254**	**21,586**	**385**	**1,748**	**35,003**

* The foreign exchange adjustments arise from the translation of the carrying amounts of assets held by a subsidiary, Himcem Holdings Limited into the Group's reporting currency.

** 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. See Note 9 (iii) for details on impairments.

*** During the year, management carried out a review of the working condition of the Group's plant and machinery, office equipment and tools. This review resulted in the write off of assets, whose cost was Shs 150 million and had a carrying value of Shs 71 million.

15. PROPERTY, PLANT AND EQUIPMENT

a) GROUP

Year ended 31 December 2018

	Freehold land and residential buildings	Plant and machinery	Office equipment and tools	Capital work-in-progress **	Total
	Shs'million	Shs'million	Shs'million	Shs'million	Shs'million
Cost or valuation					
At 1 January 2018	12,036	38,250	1,853	6,749	58,888
Additions	769	1,856	125	1,455	4,205
Revaluations	-	1,814	-	-	1,814
Transfers from capital work in progress	290	5,900	129	(6,319)	-
Transfer to intangible assets	-	-	-	(13)	(13)
Disposals	-	(61)	(8)	-	(69)
Write offs***	-	(17)	(108)	(39)	(164)
Translation differences*	(59)	(252)	101	(168)	(378)
	-	-	-	-	
At 31 December 2018	13,036	47,490	2,092	1,665	64,283
Depreciation					
At 1 January 2018	1,796	23,087	1,819	-	26,736
Charge for the year	222	1,570	90	-	1,882
Eliminated on disposal	-	-	(4)	-	(4)
Write offs***	-	(17)	(108)		(125)
Translational differences*	(67)	(268)	(61)	-	(430)
At 31 December 2018	1,951	24,372	1,736	-	28,059
NET BOOK VALUE	**11,085**	**23,118**	**356**	**1,665**	**36,224**

*The translation adjustments arise from the translation of the carrying amounts of assets held by a subsidiary, Himcem Holdings Limited.

** 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.

*** These assets (NBV Shs 39 million) were written off following a fixed assets verification exercise during the year.

15. PROPERTY, PLANT AND EQUIPMENT (continued)

b) COMPANY

Year ended 31 December 2019

	Freehold land and residential Buildings	Plant and machinery	Office equipment and tools	Capital-work-in-progress	Total
	Shs'million	Shs'million	Shs'million	Shs'million	Shs'million
Cost or valuation					
As at 1 January 2019	9,018	29,187	1,510	733	40,448
Assets written off**	-	(30)	(7)	-	(37)
Transfers from capital WIP	320	311	56	(687)	-
Additions	-	-	-	962	962
At 31 December 2019	9,338	29,468	1,559	1,008	41,373
Depreciation					
As at 1 January 2019	964	18,440	1,313	-	20,717
Eliminated on write off**	-	-	(2)	-	(2)
Charge for the year	67	1,076	46	-	1,189
At 31 December 2019	1,031	19,516	1,357	-	21,904
Net carrying amount					
At 31 December 2019	8,307	9,952	202	1,008	19,469

Year ended 31 December 2018

	Freehold land and residential Buildings	Plant and machinery	Office equipment and tools	Capital-work-in-progress	Total
	Shs'million	Shs'million	Shs'million	Shs'million	Shs'million
Cost or valuation					
As at 1 January 2018	9,519	25,752	1,404	2,400	39,075
Transfers from capital WIP	-	2,312	57	(2,369)	-
Additions	337	1,123	53	702	2,215
Disposals	-	-	(4)	-	(4)
Transfer to a subsidiary*	(838)	-	-	-	(838)
At 31 December 2018	9,018	29,187	1,510	733	40,448
Depreciation					
As at 1 January 2018	895	17,438	1,255	-	19,588
Charge for the year	69	1,002	58	-	1,129
Eliminated on disposal	-	-	-	-	-
At 31 December 2018	964	18,440	1,313	-	20,717
Net carrying amount					
At 31 December 2018	8,054	10,747	197	733	19,731

* This relates to land transferred to Diani Estates Limited, a subsidiary company at Net Book Value of Shs 838 million.
**These assets (NBV Shs 35 million) were written off following a fixed assets verification exercise during the year.

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	
	2019 Shs' Millions	2018 Shs' Millions	**2019 Shs' Millions**	2018 Shs' Millions
COST				
Land	1,371	1,371	533	528
Buildings and installations	6,085	4,300	2,502	1,944
Machines	28,342	25,362	12,307	11,640
TOTAL	**35,798**	**31,033**	**15,342**	**14,112**
ACCUMULATED DEPRECIATION				
Land	(1)	-	(1)	-
Buildings and installations	(1,802)	(1,242)	(704)	(554)
Machines	(13,126)	(9,841)	(7,380)	(6,550)
TOTAL	**(14,929)**	**(11,083)**	**(8,085)**	**(7,104)**
Net carrying amount	**20,869**	**19,950**	**7,257**	**7,008**

The Group's and the Company's land, buildings, plant, and machinery were last re-valued on 1 December 2017 (Hima Cement Limited on 1 December 2018). 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.

Freehold land and residential buildings at cost include land with a carrying amount of Shs 528 million (2018: Shs 528 million) located in Mombasa and Athi River.

15. PROPERTY, PLANT AND EQUIPMENT (continued)

d) IMPACT OF THE ENACTMENT OF THE LAND REGISTRATION ACT NO. 3 2012 ON THE COMPANY'S LAND HOLDING STATUS

The current 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.

The Company is waiting for the National Land Commission to issue guidelines that will operationalise the provisions of the constitution and the revised land laws. The Company will continue to reassess the impact of the revised land laws to the financial statements as the guidelines are issued.

16.(a) PREPAID OPERATING LEASE RENTALS

	GROUP		COMPANY	
	2019 Shs'million	2018 Shs'million	**2019 Shs'million**	2018 Shs'million
Cost				
At 1 January	194	200	3	3
Transfer to Right-of-use Asset (Note 16(b))	(194)	-	(3)	-
Foreign exchange adjustments*	-	(6)	-	-
At 31 December	-	194	-	3
Amortisation				
At 1 January	70	64	3	2
Transfer to Right-of-use Asset (Note 16(b))	(70)	-	(3)	-
Foreign exchange adjustments*	-	(3)	-	-
Charge for the year	-	9	-	1
At 31 December	-	70	-	3
Net carrying amount	-	124	-	-

Notes to the Financial Statements (continued)

for the year ended 31 December 2019

16.(b) RIGHT OF USE ASSETS- GROUP

	Land	Buildings	Machinery & equipment	Furniture & equipment	Motor vehicles	Total
	Shs'million	Shs'million	Shs'million	Shs'million	Shs'million	Shs'million
COST						
At 1 January as previously reported	-	-	-	-	-	-
Adjustment on adoption of IFRS 16	-	117	13	54	501	685
Transfer from prepaid operating lease (Note 16(a))	194	-	-	-	-	194
Foreign exchange adjustments*	(3)	-	-	-	-	(3)
Additions	-	-	-	-	-	-
At 31 December 2019	191	117	13	54	501	876
ACCUMULATED DEPRECIATION						
At 1 January 2019	-	-	-	-	-	-
Transfer from prepaid operating lease (Note 16(a))	70	-	-	-	-	70
Foreign exchange adjustments*	(3)	-	-	-	-	(3)
Charge for the year	8	44	13	30	126	221
At 31 December 2019	75	44	13	30	126	288
NET CARRYING VALUE						
At 31 December 2019	116	73	-	24	375	588

The operating lease rentals relate to leasehold land, mainly raw materials quarries, located in Mombasa and Athi River in Kenya and Kasese in Uganda.

*The foreign exchange adjustments arise from the translation of the carrying amounts of assets held by a subsidiary, Himcem Holdings Limited into the reporting currency.

The Right-of-use Asset transferred from prepaid operating lease for the Company was Shs' 3 million with an accumulated amortization of Shs' 3 million. The net carrying amount for this land is Shs Nil as at 31 December 2019.

17.(a) INTANGIBLE ASSETS – COMPUTER SOFTWARE

	GROUP		COMPANY	
Cost	2019 Shs'million	2018 Shs'million	2019 Shs'million	2018 Shs'million
At 1 January	771	528	596	382
Additions	13	315	13	214
Impairment of software	-	(82)	-	-
Transfer from WIP	2	13	-	-
Foreign exchange adjustments	-	(3)	-	-
At 31 December	786	771	609	596
Amortisation				
At 1 January	527	491	448	371
Impairment of software	-	(82)	-	-
Charge for the year	120	121	76	77
Foreign exchange adjustments	-	(3)	-	-
	647	527	524	448
Net carrying amount	139	244	85	148

(b) LIMESTONE RESERVES

	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
Cost				
At 1 January	673	156	-	-
Additions	-	515	-	-
*Foreign exchange adjustments	1	2	-	-
Impairment	(4)	-	-	-
At 31 December	670	673	-	-
Amortisation				
At 1 January	148	152	-	-
Charge for the year	1	1	-	-
*Foreign exchange adjustments	-	(5)	-	
	149	148	-	-
Net carrying amount	521	525	-	-

*The foreign exchange adjustments arise from the translation of the carrying amounts of assets held by a subsidiary, Himcem Holdings Limited into the Group's reporting currency.

18. INVESTMENTS IN SUBSIDIARIES

a) Information about subsidiaries

The consolidated financial statements of the Group include investment in subsidiaries as below.

These investments are unquoted and held at cost less accumulated impairment loss.

	Principal place of business	Holding	COMPANY 2019	COMPANY 2018
		%	Shs'million	Shs'million
Bamburi Special Products Limited	Kenya	100	20	20
Bamburi Cement Limited, 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)	-
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)	-
Kenya Cement Marketing Limited*	Kenya	50	-	-
Portland Mines Limited*	Kenya	50	-	-
			1,809	2,000

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 Limited - Uganda and Portland Mines Limited is below Shs 1,000,000.

Movement in the diminution of investments	2019 Shs'million	2018 Shs'million
At beginning of year	2,000	2,000
Charge to profit or loss- Impairment	(191)	-
At end of year	1,809	2,000

During the year, 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.

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	2019	2018
Hima Cement Limited	Uganda	30%	30%

	2019 Shs'million	2018 Shs'million
		Restated
Accumulated balances of material non-controlling interest	3,429	3,694
Loss for the year allocated to material non-controlling interest	(274)	(299)
Other comprehensive income	9	265
Total comprehensive loss allocated to material non-controlling interest	(265)	(34)

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	2019 Shs'million	2018 Shs'million
		Restated
Revenue	14,578	14,214
Cost of goods sold	(11,316)	(10,064)
Cost of transport service	(1,851)	(2,196)
Gross profit	**1,411**	**1,954**
Marketing and sales expenses	(446)	(584)
Administration expenses	(940)	(1,329)
Other gains and losses	(54)	(231)
Other operating expenses	(464)	(731)
Operating (loss)/profit	**(493)**	**(921)**
Finance income	6	7
Finance costs	(375)	(197)
Net finance costs	(369)	(190)
Loss before tax	**(862)**	**(1,111)**
Tax credit / (charge)	(51)	115
Loss for the year	**(913)**	**(996)**
Other comprehensive income , net of tax	18	1,270
Total comprehensive (loss) /profit for the year	(895)	274

18. INVESTMENTS IN SUBSIDIARIES (continued)

b) Material partly-owned subsidiary (Continued)

Summarised statement of financial position as at 31 December	2019 Shs'million	2018 Shs'million
		Restated
Non-current assets	15,528	16,001
Property, plant and equipment and other non-current assets		
Current assets	4,075	4,556
Inventories and cash and bank balances and other current assets		
Current liabilities	(4,528)	(4,898)
Trade and other payables and other current liabilities		
Non-current liabilities	(4,578)	(4,166)
Total equity and reserves	10,497	11,493
	7,074	7,799
Equity holders of parent	3,423	3,694
Non-controlling interest		
	10,497	11,493
Summarised cash flow information for year ending 31 December		
Operating cash in (out) flows	477	(129)
Investing cash out flows	(261)	(2,491)
Financing cash outflow	(132)	1,983
Net increase /(decrease) in cash and cash equivalents	84	(637)

c) Long-term investment

Hima Cement Rwanda Limited, a 100% owned subsidiary of Hima Cement Limited entered into a joint venture November 2015 to undertake manufacture of soil stabilized bricks. The Joint Venture was to be carried out in phased approach.

As at 31 December 2018, the project had not taken off and therefore the investment of Shs 10 million was impaired because there was very low likelihood of continuing with this project.

19. EQUITY INVESTMENTS –FVTOCI

These represent investments in Equity instruments designated as at FVTOCI which are carried at fair value.

a) Movement in the equity investments

	GROUP AND COMPANY 2019 Shs'million	2018 Shs'million
East African Portland Cement Limited		
At 1 January	180	305
Fair value loss (Note 19(b))	(17)	(125)
At 31 December	163	180
Kenya Oil Company Limited		
At 1 January	-	12
Fair value gain (Note 19(b))		4
Elimination on disposal		(16)
At 31 December	-	-
Total equity investment as at 31 December	163	180

b) Analysis of the equity investments

Quoted investments	Number of shares: At 1.1.2019 units	additions/ (disposals) units	At 31.12.2019 units	Valuation: At 1.1.2019 Shs' million	Additions/ (disposals) Shs' Million	increase/ (decrease) in market value Shs' million	At 31.12.2019 Shs' million
East African Portland Cement Limited	11,265,068	-	11,265,068	180	-	(17)	163
Kenya Oil Company Limited	500	(500)	-	-	-	-	-

Quoted investments	Number of shares: At 1.1.2018 units	additions/ (disposals) units	At 31.12.2018 units	Valuation: At 1.1.2018 Shs' million	Additions/ (disposals) Shs' Million	increase/ (decrease) in market value Shs' million	At 31.12.2018 Shs' million
East African Portland Cement Limited	11,265,068	-	11,265,068	305	-	(125)	180
Kenya Oil Company Limited	905,500	(905,000)	500	12	(16)	4	-
				317	(16)	(121)	180

20. GOODWILL

	GROUP	
	2019 Shs'million	2018 Shs'million
At beginning and end of the year	217	217

The goodwill amounting to Shs 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 16 years from the year 2014. This is based on the expected life of the plant. The cash flows from the cash generating unit are based on expected return on capital invested of 8% and a stable market share. 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.

A 10 % underperformance against budgeted dividend receivable would reduce the headroom by 17% and would therefore not result in any impairment charge.

21. INVENTORIES

	GROUP		COMPANY	
	2019 Shs'million	2018 Shs'million	2019 Shs'million	2018 Shs'million
Raw materials	2,623	3,348	891	711
Semi-finished and finished products	1,136	1,501	862	1,170
Fuels	526	529	526	529
Parts and supplies	2,302	2,224	1,355	1,259
Provision for obsolete inventory (Parts and supplies)	(766)	(740)	(268)	(194)
Parts and supplies net of provision	1,536	1,484	1,087	1,065
	5,821	6,862	3,366	3,475

During 2019, Shs 17.8 billion (2018: Shs 13.2 billion) and Shs 10.8 billion (2018: Shs 7.7 billion), for the Group and the Company, respectively, was recognised as an expense for inventories. This is recognised in cost of sales.

22. TRADE AND OTHER RECEIVABLES

(a) Analysis of trade and other receivables:

	GROUP		COMPANY	
	2019 Shs'million	31 December 2018 (Restated)* Shs'million	2019 Shs'million	2018 Shs'million
Trade receivables	2,279	2,292	661	776
Other receivables*	262	232	212	85
Loss allowance	(633)	(547)	(199)	(151)
Net trade and other receivables	1,908	1,977	674	710
Prepayments	435	510	152	612
Receivables from related companies [Note 33 (b)]	172	166	814	672
	2,515	2,653	1,640	1,994

(b) Movement in loss allowances

	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
At beginning of year	547	225	151	116
IFRS 9 day one adjustment	-	273	-	-
Foreign exchange adjustments	(1)	(3)	-	-
Bad debts written offs	(45)	-	-	-
Increase in loss allowance charged to profit or loss (Note 9)	132	52	48	35
At end of year	633	547	199	151

*The other receivables include advances to staff, insurance recoverable and accrued interest.
** See note 36 for details regarding the restatement.

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	
	2019 Shs'million	2018 Shs'million	2019 Shs'million	2018 Shs'million
Cash at bank and on hand	3,106	1,663	2,289	1,458
Short term bank deposits	-	703	-	703
	3,106	2,366	2,289	2,161

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	
	2019 Shs'million	2018 Shs'million	2019 Shs'million	2018 Shs'million
Bank and cash balances: - Note 23(a)	3,106	2,366	2,289	2,161
Bank overdrafts (Note 23(c))	(1,772)	(1,403)	-	-
Balances per statement of cash flows	1,334	963	2,289	2,161

(c) Analysis of bank overdrafts

Citibank NA	108	45	-	-
Standard Chartered Bank Uganda Limited	203	188	-	-
Citibank Uganda Limited	1,029	895	-	-
Stanbic Bank Uganda	432	275	-	-
	1,772	1,403	-	-

Bank overdrafts are unsecured and have been classified as current liabilities. The bank overdraft at Standard Chartered Bank Uganda Limited was in Uganda shillings (UGX) and at average interest rates of 15.5% p.a. The bank overdraft at Citibank was in multicurrency denominated in Uganda shillings (UGX), Euros (EURO) and United States dollar (US$) at an average interest rate of 9.8% p.a. The bank overdraft at Stanbic Bank Uganda was in Uganda shillings (UGX) at an average interest rate of 14% p.a.

The bank overdraft with Citibank NA is unsecured and denominated in USD with effective interest rate of 14.5% p.a.

The Group does not have an unconditional settlement of the liability for at least 12 months after the reporting period.

(d) Short term deposits

	GROUP		COMPANY	
	2019 Shs'million	2018 Shs'million	2019 Shs'million	2018 Shs'million
Call deposits-at amortised cost	-	703	-	703

The weighted average interest rates earned on the cash deposited with local banks during the year were as shown below:

	GROUP		COMPANY	
	2019	2018	2019	2018
Local currencies	-	4.06%	-	4.06%
Foreign currencies	-	0.66%	-	0.66%

(e) Non-Cash transactions-Company

In 2018, the company transferred land with a net book value of Shs 838 million to its subsidiary company, Diani Estate Limited at a consideration of Shs 838 million in the shares of the subsidiary company.

24. SHARE CAPITAL

	GROUP AND COMPANY	
	2019 Shs'million	2018 Shs'million
Authorised		
366,600,000 ordinary shares of Shs 5 each	1,833	1,833
100,000, 7% redeemable cumulative preference shares of Shs 20 each	2	2
	1,835	1,835
Issued and fully paid		
362,959,275 ordinary shares of Shs 5 each	1,815	1,815

Fully paid ordinary shares, which have a par value of Shs 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) Fair value reserves

The fair value reserve represents accumulated gains and losses arising on the revaluation of equity instruments designated as at FVTOCI .The cumulative gain or losses is not to be reclassified to profit or loss when those assets have been disposed of or are determined to be impaired instead it is transferred to retained earnings.

	GROUP AND COMPANY	
	2019 Shs'million	2018 Shs'million
At 1 January	-	102
Net (loss)/gain arising on revaluation of equity investments (Note 19(b))	-	(121)
Recognized through retained earnings*	-	19
Income tax effect	-	-
At 31 December	-	-

*The loss on revaluation of the equity investment has been recognized through OCI up-to the maximum available amount in the fair value reserve. The balance has been recognized directly in retained earnings through the statement of changes in equity, FVTOCI treatment has been irrevocably elected for adoption of IFRS 9

c) 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.

26. DEFERRED TAX LIABILITY

Deferred taxes are calculated on all temporary differences under the liability method using a principal tax rate of 30% (2018: 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 2019 Shs'million	Profit or (loss) (Note 12(a)) Shs'million	Other comprehensive income (Note 12(a)) Shs'million	Foreign exchange adjustment/ other Shs'million	At 31 December 2019 Shs'million
Property, plant and equipment	6,977	(1,014)	-	-	5,963
Provision for site restoration and litigation costs	(35)	(8)	-	-	(43)
Bonus payable	(61)	(2)	-	-	(63)
Foreign exchange (losses) / gains	(55)	42	-	-	(13)
Provision for staff gratuity, long service awards and leave	(210)	22	(6)	-	(182)
Provision for obsolete inventories	(218)	(12)	-	-	(230)
Provision for bad debts	(176)	(14)	-	-	(190)
Provision for customer rebates	(18)	(21)	-	-	(39)
Provision for restructuring	(30)	30	-	-	-
Tax losses	(1,355)	558	-	-	(797)
Foreign currency translation (losses)/ gains on translations	(9)	-	-	2	(7)
Provision for Petcoke and slag	(10)	10	-	-	-
Provision for site inventory	(59)	-	-	-	(59)
Other provisions		(98)			(98)
Revaluation surplus	-	673			673
Provision for non recoverable costs	(66)	66	-	-	-
	4,675	244	(6)	2	4,915

As at 31 December 2019, the Group had a deferred tax asset amounting to Sh 220 million (2018 – Sh 1,351 million) arising from tax losses which has been recognised in the financial statements. The group has is of the view that the deferred assets will be recoverable using the estimated future taxable income based on the approved business plans and budgets.

26. DEFERRED TAX LIABILITY (continued)

GROUP	At 1 January 2018 Shs'million	Profit or (loss) (Note 12(a)) Shs'million	Other comprehensive income (Note 12(a)) Shs'million	Foreign exchange adjustment/ other Shs'million	At 31 December 2018 Shs'million
Property, plant and equipment	4,938	1,495	544	-	6,977
Provision for staff gratuity, long service awards and leave	(183)	(33)	6	-	(210)
Bonus payable	(68)	7	-	-	(61)
Net foreign exchange gain	30	-	-	-	30
Net foreign exchange loss	8	(93)	-	-	(85)
Provision for site restoration and litigation costs	(47)	12	-	-	(35)
Provision for bad debts	(60)	(24)	-	(92)	(176)
Tax losses	(5)	5	-	-	-
Provision for obsolete inventories	(171)	11	-	(58)	(218)
Provision for Petcoke and slag	(13)	3	-	-	(10)
Provision for site inventory	36	(95)	-	-	(59)
Provision for customer rebates	(23)	5	-	-	(18)
Provision for wage increment	(12)	12	-	-	-
Foreign currency translation (gain)/loss on translations	14	-	-	-	(9)
Fair value on asset held for sale	12	(12)	-	-	-
Provision for non recoverable costs	-	(66)	-	-	(66)
Provision for restructuring	-	(30)	-	-	(30)
Tax losses	-	(1,355)	-	-	(1,355)
	4,456	(158)	550	(155)	4,675

*The foreign exchange adjustments arise from the translation of the carrying amounts of deferred tax held by a subsidiary, Himcem Holdings Limited.

26. DEFERRED TAX LIABILITY (continued)

COMPANY	At 1 January 2019 Shs'million	Profit or loss (Note 12 (a)) Shs'million	Other comprehensive income Shs'million	At 31 December 2019 Shs'million
Property, plant and equipment	3,639	(325)	-	3,314
Provision for site restoration and litigation costs	(25)	(3)		(28)
Bonus payable	(32)	4	-	(28)
Foreign exchange (losses) / gains	(2)	9	-	7
Provision for staff gratuity, long service awards and leave	(181)	38	(9)	(152)
Provision for obsolete inventories	(68)	(13)	-	(81)
Provision for bad debts	(45)	(15)	-	(60)
Provision for customer rebates	(10)	(1)	-	(11)
Provision for restructuring	(28)	28	-	-
Tax losses	(628)	537	-	(91)
	2,620	259	(9)	2,870

COMPANY	At 1 January 2018 Shs'million	Profit or loss (Note 12 (a)) Shs'million	Other comprehensive income Shs'million	At 31 December 2018 Shs'million
Property, plant and equipment	2,798	841	-	3,639
Provision for site restoration and litigation costs	(28)	3	-	(25)
Bonus payable	(44)	12	-	(32)
Foreign exchange gains/ (losses)	9	(11)	-	(2)
Provision for staff gratuity, long service awards and leave	(167)	(19)	5	(181)
Provision for obsolete inventories	(83)	15	-	(68)
Provision for bad debts	(22)	(23)	-	(45)
Provision for customer rebates	(24)	14	-	(10)
Provision for restructuring	-	(28)	-	(28)
Fair value on asset held for sale	12	(12)	-	-
Tax losses	-	(628)	-	(628)
	2,451	164	5	2,620

As at 31 December 2019, the Company had a deferred tax asset amounting to Sh 91 million (2018 – Sh 628 million) arising from tax losses which has been recognised in the financial statements. The Company has is of the view that the deferred assets will be recoverable using the estimated future taxable income based on the approved business plans and budgets.

27. PROVISIONS

Year ended 31 December 2019

GROUP	Site restoration and litigation Shs' million	Leave pay Shs' million	2019 Total Shs' million
At beginning of year	289	69	358
Additional provisions	12	22	34
Utilised during the year	(4)	(14)	(18)
At end of year	**297**	**77**	**374**
Categorised as:			
Current portion	12	77	89
Non-current portion	285	-	285
	297	**77**	**374**
COMPANY			
At beginning of year	**257**	**29**	**286**
Additional provisions	12	18	30
Utilised during the year	(4)	(2)	(6)
At end of year	265	45	310
Categorised as:			
Current portion	12	45	57
Non-current portion	253	-	253
At end of year	265	45	310

Year ended 31 December 2018

GROUP	Site restoration and litigation Shs' million	Leave pay Shs' million	2018 Total Shs' million
At beginning of year	921	52	973
Additional provisions	128	29	157
Utilised during the year	(760)	(12)	(772)
At end of year	**289**	**69**	**358**
Categorised as:			
Current portion	-	69	69
Non-current portion	289	-	289
	289	69	**358**
COMPANY			
At beginning of year	**614**	**29**	**643**
Additional provisions	6	8	14
Utilised during the year	(363)	(8)	(371)
At end of year	257	29	286
Categorised as:			
Current portion	-	29	29
Non-current portion	257	-	257
	257	**29**	**286**

The provision for site restoration and litigation relates to future outflows that will be required to settle related liabilities.

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 2019

	Group			Company		
	Long service award Shs'million	Gratuity Shs'million	Total Shs'million	Long service award Shs'million	Gratuity Shs'million	Total Shs'million
Opening employee benefit obligation	41	480	521	22	437	459
Current service cost- charged to profit or loss cost of sales	4	21	25	2	18	20
Benefits payments	(6)	(104)	(110)	(5)	(99)	(104)
Interest cost - charged to profit or loss cost	6	53	59	3	47	50
Actuarial loss-charged to other comprehensive income	(9)	29	20	(1)	32	31
Closing employee benefit obligation	36	479	515	21	435	456
Categorised as:						
Current portion	8	39	47	6	39	45
Non-current portion	28	440	468	15	396	411
Total	36	479	515	21	435	456

28. EMPLOYEE BENEFIT LIABILITIES (continued)

Year ended 31 December 2018

	Group			Company		
	Long service award Shs'million	Gratuity Shs'million	Total Shs'million	Long service award Shs'million	Gratuity Shs'million	Total Shs'million
Opening employee benefit obligation	40	533	573	22	492	514
Current service cost- charged to profit or loss cost of sales	6	38	44	3	36	39
Benefits payments	(9)	(126)	(135)	(5)	(125)	(130)
Interest cost - charged to profit or loss cost	6	55	61	3	50	53
Actuarial gain-credited to other comprehensive income	(2)	(19)	(21)	(1)	(16)	(17)
Translation gains	-	(1)	(1)	-	-	-
Closing employee benefit obligation	41	480	521	22	437	459
Categorised as:						
Current portion	6	36	42	5	33	38
Non-current portion	35	444	479	17	404	421
Total	41	480	521	22	437	459

The principal actuarial assumptions used in determining service gratuity and long service awards obligations for the Group's plans are shown below:

	2019		2018	
	Kenya	Uganda	Kenya	Uganda
	%	%	%	%
Interest rate	10.5%	15.9%	12.1%	12.3%
Future salary increases	8.5%	13.9%	10.1%	10.3%
Long service award escalation rate	5.5%	10.9%	7.1%	7.3%

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.

28. EMPLOYEE BENEFIT LIABILITIES (continued)

Other disclosures (continued)

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. 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 2019 is as shown below:*

Group	Interest rate		Future salary increases rate		Award escalation rate	
	+1/2%	-1/2%	+1/2%	-1/2%	+1/2%	-1/2%
	Shs'million	Shs'million	Shs'million	Shs'million	Shs'million	Shs'million
Gratuity	454	472	472	455	463	463
Long service awards	47	49	48	48	49	46
Total	501	521	520	5 03	512	509

Company	Interest rate		Salary escalation rate		Award escalation rate	
	+1/2%	-1/2%	+1/2%	-1/2%	+1/2%	-1/2%
	Shs'million	Shs'million	Shs'million	Shs'million	Shs'million	Shs'million
Gratuity	415	430	430	415	422	422
Long service awards	23	23	23	23	24	23
Total	438	453	4 53	438	446	445

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 Company'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 2019 of 12.3% (2018 12.3%) per annum and 14.9% (2018-14.9%) 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 5 years and with a yield of 10.5% per annum. At this yield, the bond and the liabilities had discounted mean term of 3.69 years and the yield is thus considered appropriate discount rate. In Uganda, the longest bond had an outstanding term of approximately 15 years and with a yield of 15.9% per annum. It was considered appropriate to use the yield on the longest bond available as the valuation interest rate.

29. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2019 Shs'million	2018 Shs'million	2019 Shs'million	2018 Shs'million
Trade payables	2,819	2,682	1,640	1,734
Accrued expenses	1,667	2,146	521	608
Other payables	821	674	153	409
Payable to related companies - Note 33 (b)	1,348	2,313	1,402	1,501
	6,655	7,815	3,716	4,252

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.

30. CONTINGENT LIABILITIES

a) Guarantees

	GROUP		COMPANY	
	2019 Shs'million	2018 Shs'million	2019 Shs'million	2018 Shs'million
Guarantees and bonds issued by the Group's bankers in favour of Kenya Revenue Authority and Uganda National Roads Authority	101	101	101	101
Guarantees and bonds issued by the Group's bankers in favour of other parties	138	173	8	43
At end of year	239	274	109	144

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 counter-indemnities 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 - Mining lease

This Appeal arises from Misc. Cause 88 of 2012 in the High Court. Hima Cement Limited 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 Hima Cement is operating. In the event of an adverse ruling, Hima Cement 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 Ushs 295 million (USD 80,000). 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 2019 have been prepared on a going concern basis.

Notes to the Financial Statements (continued)

for the year ended 31 December 2019

30. CONTINGENCIES (continued)

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 prior year the company reached an agreement with the Kenya Revenue Authority on a tax assessment relating to prior years which the company had disputed. A full settlement of the agreed principal tax amounting to Shs 161 million relating to corporate tax, Value Added Tax (VAT) and PAYE and Shs 171 million relating to management and technical fees was paid in 2018. Management has applied for a waiver of interest and penalties accrued amounting to Shs 288 million, the Directors are of the opinion that the waiver will be granted.

d) Borrowing facilities

At the end of the year, the Group had working capital facilities amounting to total of Shs 5.5 billion (2018 - Shs 5.6 billion), out of which the undrawn facilities amounted to Shs 4.7 billion (2018 – Shs 4.8 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	
	2019 Shs'million	2018 Shs'million	2019 Shs'million	2018 Shs'million
Commitments for the acquisition of property, plant and equipment	1,023	419	221	218

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	
	2019 Shs'million	2018 Shs'million	2019 Shs'million	2018 Shs'million
Commitments for the acquisition of property, plant and equipment	-	-	234	-

32. CASH GENERATED FROM OPERATIONS

Reconciliation of profit before tax to cash generated from operations:

GROUP	Notes	2019 Shs'million	2018 Shs'million Restated
Profit before tax		728	680
Adjustments for:			
Depreciation on property, plant and equipment	15(a)	2,327	1,882
Amortisation of intangible assets	17	120	121
Depreciation of right-of-use assets	16(b)	221	-
Amortisation of prepaid lease rentals	16(a)	-	9
Amortisation of limestone reserves		1	1
Impairment of property, plant and equipment	15(a)	71	39
Impairment of limestone reserves	17(b)	4	-
Interest income	7(ii)	(60)	(103)
Interest on lease liability	35(c)	63	-
Interest on borrowings		327	197
(Gain) / loss on disposal of property, plant and equipment	8	(196)	2
Impairment of joint venture		-	10
Net foreign exchange losses / (gains)		44	(115)
Actuarial gains on Employees defined benefit Pension Obligations		(20)	-
Operating profit before working capital changes		3,630	2,723
Changes in working capital balances:			
(Increase)/decrease in inventories		1,041	(1,440)
Decrease in employees' benefit liabilities		(6)	(52)
IFRS 9 transition adjustment		-	(298)
Decrease in trade and other receivables		138	1,666
Decrease/(increase) in provisions		16	(615)
Decrease/(increase) in trade and other payables		(1,160)	1,728
Cash generated from operations		3,659	3,712

32. CASH GENERATED FROM OPERATIONS

Reconciliation of profit before tax to cash generated from operations:

COMPANY	Notes	2019 Shs'million	2018 Shs'million Restated
Profit before tax		1,292	1,852
Adjustments for:			
Depreciation on property, plant and equipment	15(b)	1,189	1,129
Amortisation of intangible assets	17	76	77
Amortisation of prepaid operating lease		-	1
Assets written off		35	-
Diminution of investments in subsidiaries		191	-
Interest income	7	(59)	(103)
Loss on disposal of property, plant and equipment	8	-	4
Actuarial gains on Employees defined benefit Pension Obligations		(31)	
Net foreign exchange losses/(gains)		-	14
Operating profit before working capital changes		2,693	2,974
Changes in working capital balances:			
(Increase)/decrease in inventories		109	(647)
Decrease in employees' benefit liabilities		(3)	(52)
Decrease/(increase) in trade and other receivables		354	370
Decrease in provisions		24	(286)
Increase in trade and other payables		(536)	640
Cash generated from operations		2,641	2,999

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 Limited through common shareholdings and directorships.

(a) Related party transactions

The Company receives technical assistance from the majority shareholder, LafargeHolcim Ltd, 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 Shs'million	Purchases of goods and services Shs'million	Interest received Shs'million
GROUP				
Entity with significant influence over the Group:				
Lafarge SA (technical services)	2019	-	1,182	-
	2018	-	1,463	-
Other related companies				
Lafarge-Holcim Trading	2019	-	1,505	-
	2018	-	3,085	-
Lafarge Energy Solutions	2019	-	1,268	-
	2018	-	1,991	-
COMPANY				
Entity with significant influence over the Group:				
Lafarge SA	2019	-	836	-
	2018	-	887	-
Subsidiaries:				
Hima Cement Limited	2019	73	-	-
	2018	380	-	-
Bamburi Special Products Limited	2019	723	-	4
	2018	604	-	7
Other Related parties				
Lafarge-Holcim Trading	2019	-	1,494	-
	2018	-	2,020	-
Lafarge Energy Solutions	2019	-	1,268	-
	2018	-	1,643	-

(b) Outstanding balances arising from sale and purchase of goods and services to/from related companies at the year-end.

33. RELATED PARTY TRANSACTIONS (continued)

(a) Related party transactions (continued)

RECEIVABLES FROM RELATED PARTIES

	GROUP		COMPANY	
	2019 Shs'million	2018 Shs'million	**2019 Shs'million**	2018 Shs'million
Receivables from related parties				
Lafarge France	10	10	10	10
Lafarge South Africa	5	5	5	5
Lafarge Technical Centre Europe	2	8	1	6
Chilanga Cement Plc Zambia	6	6	6	6
Malawi Portland Cement	10	8	8	8
Ashaka Cement Co.	-	2		2
Lafarge Cairo	7	7	7	7
Lafarge MEA IT services	31	46	26	32
Other related parties	101	74	62	103
	172	166	125	179

	GROUP		COMPANY	
	2019 Shs'million	2018 Shs'million	**2019 Shs'million**	2018 Shs'million
Receivables from subsidiaries				
Hima Cement Limited	-	-	28	61
Bamburi Special Products Limited	-	-	290	240
Lafarge Eco Systems Limited	-	-	207	151
Binastore Limited	-	-	147	69
Diani Estate Limited	-	-	17	(28)
	-	-	689	493
Total receivables [Note 22(a)]	172	166	814	672
Payables to related parties				
Holcim Technology Limited	348	508	348	371
Lafarge France	270	405	164	275
Lafarge Eco Systems Limited	-	-	206	162
Other related parties	730	1,400	684	693
Total payables (Note 29)	1,348	2,313	1,402	1,501

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 2019 the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2018: 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.

33. RELATED PARTY TRANSACTIONS (continued)

(c) Loan to a subsidiary

As at the end of the year, the balance due to the Company in respect of a loan to its subsidiary, Bamburi Special Products Limited, amounted to Shs 25 million (2018 - Shs 54 million). The loan is unsecured and the effective interest on the loan was 10% (2018 – 10%). The loan repayment period is 10 years from January 2011. The loan comprises:

	COMPANY	
	2019 Shs'million	2018 Shs'million
Current portion	25	29
Non-current portion	-	25
	25	54
The movement in loan to subsidiary is as shown below:		
At 1 January	54	83
Paid during the year	(29)	(29)
At 31 December	25	54
Interest charged on the above loan (Note 7(ii))	4	7

(d) Loan due to a subsidiary company-Non-current liability.

In 2018, Hima Cement Limited, a subsidiary of Bamburi Cement Limited, received USD 20 million from Cemasco B. V, a related company. The term of the loan is 5 years with a moratorium of 3 years. The loan is unsecured and attracts interest of 6 Month USD LIBOR + 3.5%.

	GROUP	
	2019 Shs'million	2018 Shs'million
At 1 January	2,010	-
Loan received during the year	-	1,983
Foreign exchange loss	44	27
Translation loss	2	-
At 31 December	2,056	2,010

Notes to the Financial Statements (continued)

for the year ended 31 December 2019

33. RELATED PARTY TRANSACTIONS (continued)

(e) Key management personnel compensation

The remuneration of directors and members of key management during the year was as follows:

	GROUP AND COMPANY	
	2019 Shs'million	2018 Shs'million
Fees for services as a director		
Executive	-	-
Non-executive	16	13
Total directors' fees	**16**	**13**
Emoluments for directors		
Salaries and bonuses	79	61
Short term employee benefits	39	43
Post-employment pension-defined contribution	12	9
Total emoluments for directors	**130**	**113**
Guaranteed loans to executive directors	**-**	**1**
Emoluments for key management personnel (excluding the directors):		
Salaries and bonuses	119	115
Short term employee benefits	40	40
Post-employment pension-defined contribution	9	6
Total emoluments for key management personal	**168**	**161**
Total emoluments for directors and other key management personnel	**314**	**288**

	GROUP AND COMPANY	
	2019 Shs'million	2018 Shs'million
Guaranteed long-term loans to key management staff	31	1
Guaranteed long-term loans to executive directors and key management personnel	31	2

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 from Citibank. The Company acts as the guarantor for these loans. Any guaranteed loans that exceed Shs. 1.5 million require a security from all staff. The loans are at a company-negotiated rate.

34. BIOLOGICAL ASSETS (GROUP AND COMPANY)

Biological assets comprise eucalyptus, casuarina, cassi siamea and neem tree plantations. These are carried at fair value less costs to sell. The fair values of the trees plantations is determined by company's internal valuation experts based on recent market transaction prices.

The company commenced harvesting of the wet mass for drying during the year. The wet mass is not significantly different from the tree plantation.

The fair value of the tree plantation has remained the same as prior year due to minimal biological transformation as the trees have matured. In addition the market price for these biological assets has relatively remained the same as last year.

(a) Non-current assets

Changes in carrying amounts of non-current biological assets comprise:

	2019 Shs'million	2018 Shs'million
Year ended 31 December 2019		
At start of year	399	471
Transfer to current assets	(64)	(72)
At end of year	335	399

(c) Current assets

Growing biological assets ready for use as at the reporting date		
At start of year	72	-
Transfer from noncurrent assets	64	72
At end of year	136	72

The following table presents the Company's biological assets that are measured at fair value at 31 December 2019;

	Level 1 Shs'million	Level 2 Shs'million	Level 3 Shs'million
Biological assets-trees	-	471	-

There were no transfers between any levels during the year.

35. LEASES LIABILITY

	Group 2019 Shs'million
Lease Liability	
Current	47
Non-current	448
	495
The movement in the lease liabilities is as follows:	
At 1 January 2019	685
Additional lease liabilities	-
Interest on lease liabilities	63
Payment of lease liabilities	(253)
At 31 December 2019	495

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.

Maturity analysis of operating lease payments:

	Group 2019 Shs'million
Year 1	47
Year 2	43
Year 3	48
Year 4	143
Year 5	214
Year 6 onwards	-
	495

36. PRIOR YEAR ADJUSTMENTS-GROUP

The prior year adjustment is attributable to errors in accounting for VAT in 2018 and 2017. In 2019 the Uganda Revenue Authority (URA) carried out a VAT compliance audit covering the period August 2017 to April 2019. The outcome of the audit revealed that Hima Cement Limited a subsidiary of Bamburi Cement limited had inadvertently not accounted for VAT as per the requirements of applicable VAT regulations in Uganda. This led to the subsidiary writing off Shs 276 million (Shs 60 million relating to 2018 and Shs 216 million relating to the financial year ended 2017) in 2019 which has now been recorded as a prior adjustment.

	As previously reported At 31 December 2018 Shs' Million	Adjustment Shs' million	As restated At 31 December 2018 Shs' million	As previously reported At 31 December 2017 Shs' million	Adjustment Shs' million	As restated At 1 January 2018 Shs' million
Trade and other receivables	2,929	(276)	2,653	4,595	(216)	4,379
Corporate tax recoverable	215	65	280	-	65	65
Total assets	**50,357**	**(211)**	**50,146**	**47,203**	**(151)**	**47,052**
Deferred tax liability	4,693	(18)	4,675	4,456	-	4,456
Total liabilities	**16,894**	**(18)**	**16,876**	**14,003**	**-**	**14,003**
Retained earnings	18,032	(135)	17,897	17,963	(106)	17,857
Non -controlling interests	3,752	(58)	3,694	3,828	(45)	3,783
Total equity	**33,463**	**(193)**	**33,270**	**33,200**	**(151)**	**33,049**
Total Equity and Liabilities	**50,357**	**(211)**	**50,146**	**47,203**	**(151)**	**47,052**

Result for the year

	2018 Shs' million Total	2018 Shs' million Owners of company	2018 Shs' million Non controlling interest
Profit / (loss) for the year as previously reported	614	890	(276)
Prior period adjustments	(42)	(29)	(13)
Profit for the year as restated	572	861	(289)
Earnings per share (EPS) - basic and diluted			
EPS for the year as previously reported for 2018		2.45	
EPS for the year as restated for 2018		2.37	

37. ASSETS HELD FOR SALE

During the Board meeting of the Group held on 7 June 2019, the directors approved disposal of assets held by a subsidiary whereby the subsidiary will sell plant, machinery, furniture and equipment to a third party.

	2019 Shs' million
Assets classified as held for sale	
Plant and machinery (Note 15(a))	25
Furniture and equipment (Note 15(a))	2
	27

38. 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 makes 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 Shs 256 million (2018: Shs 245million) and Shs 129 million (2018: Shs 129 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).

39. 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 available for sale investments.

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.

39. FINANCIAL RISK MANAGEMENT (continued)

Risk Management Framework (continued)

The Corporate Treasury function reports quarterly to the LafargeHolcim 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.

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 Shs'million	Denominated in USD Shs'million	TOTAL Shs'million
31 December 2019:			
Assets			
Trade and other receivables	50	347	397
Bank balances	619	243	862
Total assets	669	590	1,259
Liabilities			
Trade and other payables	(761)	(981)	(1,742)
Bank Overdraft	(822)	(210)	(1,032)
Net exposure position	(914)	(601)	(1,515)
31 December 2018:			
Assets			
Trade and other receivables	40	119	159
Bank balances	-	411	411
Total assets	40	530	570
Liabilities			
Trade and other payables	(100)	(3)	(103)
Bank Overdraft	(1)	-	(1)
Net exposure position	(61)	527	466

39. FINANCIAL RISK MANAGEMENT (continued)

(i) Market risk (continued)

a) Foreign currency risk management (continued)

Company foreign currency risk:

	Denominated in EUR Shs'million	Denominated in USD Shs'million	TOTAL Shs'million
31 December 2019:			
Assets			
Trade and other receivables	41	67	108
Bank balances	619	53	672
Total assets	660	120	780
Liabilities			
Trade and other payables	543	710	1,253
Net exposure position	117	(590)	(473)
31 December 2018:			
Assets			
Trade and other receivables	40	114	154
Bank balances	23	410	433
Total assets	63	524	587
Liabilities			
Trade and other payables	99	-	99
Net exposure position	(36)	524	488

39. FINANCIAL RISK MANAGEMENT (continued)

(i) Market risk (continued)

a) Foreign currency risk management (continued)

Foreign currency sensitivity analysis

The following sensitivity analysis shows how profit and equity would change if the Kenya Shilling had depreciated against the other currencies by 5% (2018: 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.

The following sensitivity analysis shows how profit and equity would change if the Kenya Shilling had depreciated against the other currencies by 5% (2018: 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	
	2019 Shs' million	2018 Shs' million	**2019 Shs' million**	2018 Shs' million
GROUP				
EUR	(46)	(3)	(32)	(2)
USD	(30)	26	(21)	18
	(76)	23	(53)	16
COMPANY				
EUR	6	(2)	4	(1)
USD	(30)	26	(21)	18
	24	24	17	17

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% (2018:5%) increase/decrease of the annual interest rate would have resulted in an increase/decrease in pre-tax profit of Shs 35 million (2018: Shs 35 million) and an increase/decrease in equity of Shs. 33 million (2018: Shs. 33 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 2019, if the prices at the Nairobi Securities Exchange had appreciated/depreciated by 5% with all other variables held constant would have resulted in an increase/decrease on other comprehensive income and equity for the Group and Company of Shs 8 million (2018- Shs 9 million) as a result of changes in fair value of available-for-sale shares.

39. FINANCIAL RISK MANAGEMENT (continued)

(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.

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

39. FINANCIAL RISK MANAGEMENT (continued)

(ii) Credit risk (continued)

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

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

39. FINANCIAL RISK MANAGEMENT (continued)

(ii) Credit risk (continued)

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

31 December 2019	Note	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount	Loss allowance	Net Carrying Amount	Classification
					Shs Millions	Shs Millions	Shs Millions	
Equity investments	19	Marked to Market-NSE*	N/A	Performing	180	(17)	163	FVTOCI*
Bank balance	23	AAA/BBB	N/A	Lifetime ECL (simplified approach -SPPI)	3,106	-	3,106	Amortized cost
Due from related a company	22	N/A	Performing	Lifetime ECL not credit-impaired	172	-	172	Amortized cost
Trade receivables	22	N/A	Doubtful	Lifetime ECL not credit-impaired	2,279	(633)	1,646	Amortized cost
					5,720	(650)	5,087	

31 December 2018	Note	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount	Loss allowance	Net Carrying Amount	Classification
					Shs Millions	Shs Millions	Shs Millions	
Equity investments	19	Marked to Market-NSE*	N/A	Performing	305	(125)	180	FVTOCI*
Bank balance	23	AAA/BBB	N/A	Lifetime ECL (simplified approach -SPPI)	2,366	-	2,366	Amortized cost
Due from related a company	22	N/A	Performing	Lifetime ECL not credit-impaired	166	-	166	Amortized cost
Trade receivables	22	N/A	Doubtful	Lifetime ECL not credit-impaired	2,292	(547)	1,745	Amortized cost
					5,129	(672)	4,457	

* NSE: Nairobi Securities Exchange

39. 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

31 December 2019	Note	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount	Loss allowance	Net Carrying Amount	Classification
					Shs Millions	Shs Millions	Shs Millions	
Equity investments	19	Marked to Market-NSE*	N/A	Performing	180	(17)	163	FVTOCI*
Bank balance	23	AAA/BBB	N/A	Lifetime ECL (simplified approach -SPPI)	3,106	-	3,106	Amortized cost
Due from related a company	22	N/A	Performing	Lifetime ECL not credit-impaired	172	-	172	Amortized cost
Trade receivables	22	N/A	Doubtful	Lifetime ECL not credit-impaired	2,279	(633)	1,646	Amortized cost
Loan due to a subsidiary	33 (iii)	N/A	Performing	Lifetime ECL (simplified approach -SPPI)	54	-	54	Amortized cost
					5,720	(650)	5,087	

31 December 2018	Note	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount	Loss allowance	Net Carrying Amount	Classification
					Shs Millions	Shs Millions	Shs Millions	
Equity investments	19	Marked to Market-NSE*	N/A	Performing	305	(125)	180	FVTOCI*
Bank balance	23	AAA/BBB	N/A	Lifetime ECL (simplified approach -SPPI)	2,366	-	2,366	Amortized cost
Due from related a company	22	N/A	Performing	Lifetime ECL not credit-impaired	166	-	166	Amortized cost
Trade receivables	22	N/A	Doubtful	Lifetime ECL not credit-impaired	2,292	(547)	1,745	Amortized cost
Loan due to a subsidiary	33 (iii)	N/A	Performing	Lifetime ECL (simplified approach -SPPI)	54	-	54	Amortized cost
					5,129	(672)	4,457	

* NSE: Nairobi Securities Exchange

39. FINANCIAL RISK MANAGEMENT (continued)

(ii) Credit risk (continued)

(i) The loss allowance on quoted equities (available for sale assets) measured at FVTOCI is recognized through other Comprehensive Income and accumulated in the investment revaluation (fair value) reserve. See note 19. FVTOCI has been irrevocably elected and applies because the shares are held neither for sale nor are they contingent for business combination

(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) 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.

(iv) 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, 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.

39. FINANCIAL RISK MANAGEMENT (continued)

(ii) Liquidity risk (continued)

GROUP – Financial liabilities:

	Total amount Shs'million	0-30 days Shs'million	31-90 days Shs'million	91-120 days Shs'million	120 days and above Shs'million
31 December 2019:					
Trade payables	2,819	1,523	740	215	342
Related party payables	1,945	83	811	63	987
Borrowings	2,056	-	-	-	2,056
Other payables	311	100	36	68	108
Accrued expenses	1,348	965	184	170	396
31 December 2018:					
Trade payables	2,682	1,022	865	476	319
Related party payables	2,313	871	549	380	513
Borrowings	2,010	-	-	-	2,010
Other payables	684	379	30	-	-
Accrued expenses	2,155	1,306	589	81	179

COMPANY – Financial liabilities:

	Total amount Shs' million	0-30 days Shs' million	31-90 days Shs' million	91 - 120 days Shs' million	120 days and above Shs' million
31 December 2019:					
Trade payables	1,640	1,040	123	173	304
Related party payables	1,402	38	297	135	932
Other payables	138	19	34	85	
Accrued expenses	521	201	98	65	157
31 December 2018:					
Trade payables	1,732	1,212	346	173	-
Related party payables	1,501	120	630	750	-
Other payables	409	379	30		
Accrued expenses	608	346	81	49	130

40 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.
- To maintain a strong capital base to support the current and future development needs of the business.

The capital structure of the Group consists of debt, which includes borrowings, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

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. As at 31 December 2019, the Group and Company were in net cash position hence not geared (2018: net cash position).

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	
	2019 Shs'million	31 December 2018 (Restated) Shs'million	1 January 2018 (Restated) Shs'million	2019 Shs'million	2018 Shs'million
Equity	32,132	33,270	33,463	22,021	22,540
Debt					
Borrowings	2,056	2,010	-	-	-
Lease liabilities	495	-	-	-	-
Bank overdrafts	1,772	1,403	1,450	-	-
Less: Cash and cash equivalents	(3,106)	(2,366)	(3,490)	(2,289)	(2,161)
Net debt	1,217	1,047	(2,040)	(2,289)	(2,161)
Net debt to equity ratio	4%	3%	N/A	N/A	N/A

41. 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	
Financial assets		2019 Shs'million	2018 Shs'million	2019 Shs'million	2018 Shs'million
Other equity investments	19	163	180	163	180
COMPANY					
Financial assets					
Other equity investments	19	163	180	163	180

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)

41. FAIR VALUE OF ASSETS AND LIABILITIES (continued)

b) Fair value hierarchy (Continued)

	Level 1 Shs'million	Level 2 Shs'million	Level 3 Shs'million
GROUP			
31 December 2019			
Assets			
Property, plant and equipment			
-Freehold land and buildings		-	11,253
-Plant and machinery			21,570
Biological assets		471	-
Fair value designated at FVTOCI - equity securities	163	-	-
31 December 2018			
Assets			
Property, plant and equipment			
-Freehold land and buildings	-	-	11,054
-Plant and machinery	-		23,152
Biological assets	-	471	-
Fair value designated at FVTOCI - equity securities	180	-	-
COMPANY			
31 December 2019			
Assets			
Property, plant and equipment			
-Freehold land and buildings		-	8,307
-Plant and machinery		-	9,952
Biological assets		471	-
-Other quoted investments	163	-	-
31 December 2018			
Assets			
Property, plant and equipment			
-Freehold land and buildings	-	-	8,624
-Plant and machinery	-	-	8,314
Biological assets	-	471	-
-Other quoted investments	180	-	-

41. FAIR VALUE OF ASSETS AND LIABILITIES (continued)

b) Fair value hierarchy (continued)

There were no transfers between levels 1, 2 and 3 in the year.

The Group's freehold land, buildings, plant, and machinery were last revalued on 1 December 2017 for the parent company and December 2018 for Hima Cement Limited.

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.

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.

41. FAIR VALUE OF ASSETS AND LIABILITIES (continued)

b) Fair value hierarchy (continued)

Description of valuation techniques used and key inputs to valuation of assets and liabilities

	Valuation technique	Significant observable inputs	Range (weighted average) Interest rate
LEVEL 2	-	-	-
LEVEL 3			

	Valuation technique	Significant unobservable inputs	Range (weighted average)	Sensitivity of the input to fair value
Land	Market Comparable Approach	Price per acre	Between Shs 1 million and Shs 30 million	0.5% (2018: 0.5%) increase (decrease) would result in an increase/(decrease) in fair value by Shs 56.23 million.
Buildings	Market Comparable Approach	Estimated rental value per square meter per month.	Shs 30 per square meter	0.5% (2018: 0.5%) increase (decrease) would result in an increase/(decrease) in fair value by Shs 2.0 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 Shs 1,358 million and Shs 2,729 million.	0.5% (2018: 0.5%) increase (decrease) would result in an increase/(decrease) in fair value by Shs 107.9 million.
Biological assets	Market Price	Price for sawdust	N/A	N/A

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.

42. EVENTS AFTER THE REPORTING DATE

Background

From the beginning of 2020, the global economy has been adversely affected by the outbreak of the Coronavirus (COVID-19) pandemic. The pandemic is affecting economic and financial markets, and virtually all industries are facing challenges associated with the economic conditions resulting from efforts to address it.

As the pandemic increases in both magnitude and duration, entities are experiencing conditions often associated with a general economic downturn. This includes, but is not limited to, financial market volatility and erosion, deteriorating credit, liquidity concerns, further increases in government intervention, increasing unemployment, broad declines in consumer discretionary spending, increasing inventory levels, reductions in production because of decreased demand and layoffs, and other restructuring activities.

The Group has operations in Kenya and Uganda, with Kenya contributing approximately 61% of the Group revenue and Uganda contributing 39%. The first coronavirus positive case was reported in East Africa in March 2020 and the number of positive cases in Kenya and Uganda has increased to approximately 600 cases to date.

As a result of the COVID-19 pandemic, Uganda is currently on lockdown until 5th May while Kenya has imposed a ban on movement in and out of certain counties/areas of the country. In addition, Kenya has imposed a nationwide curfew from 7 pm to 5 am and both countries have closed borders to foreigners.

The pandemic has affected the Group's business in the two markets and has resulted in reduced sales.

However, production in both countries continue with strict adherence to COVID-19 health measures as communicated by heath authorities and government in both countries. Some of the measures undertaken by the Group to address cash flow issues during the COVID-19 pandemic period include reducing trade receivable credit risk exposure, delaying non critical projects and expenditure and revision of inventory levels in proportion to the projected sales.

Going Concern

Following a review of the Group's cash flow projections for the next 12 months, the Directors have concluded that the Group has adequate resources to continue its operations for the foreseeable future. A Key assumption included in the forecasts is an expectation that the negative impact of COVID-19 pandemic on the Groups operations will begin to ease in early June 2020 with a gradual increase in sales from early June and reaching 80% of the pre -COVID sales in December 2020. The financial statements, therefore, have been prepared on a going concern basis.

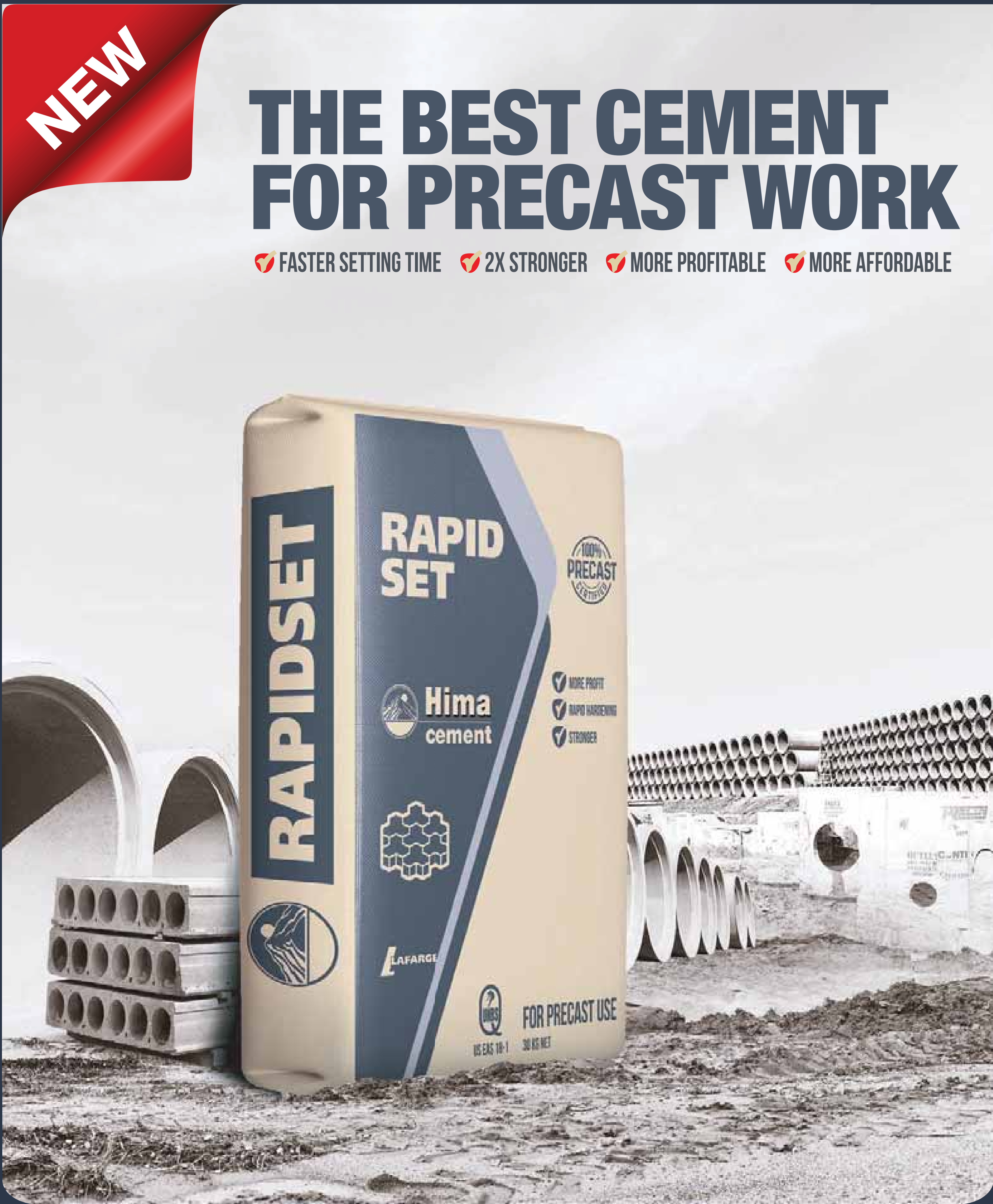
Financial impact on the financial statements

In accordance with IAS 10 on Events after the Reporting Period, events arising from COVID-19 pandemic are considered non-adjusting events and the Directors have therefore not adjusted amounts recognised in the financial statements to reflect the COVID-19 impact.

The Directors have, however, determined that events resulting from COVID-19 pandemic may have an impact on amounts recognised in the financial statements mainly in relation to provision for expected credit losses on trade receivables and employee benefits liability. The effects of the pandemic may influence the timing and collectability of some of the amounts included in the trade and other receivables balance and assumptions adopted in determining the provision for employee benefit liability. The Directors do not expect other amounts recognised in the financial statements as at 31 December 2019 to be affected. An estimate of the financial impact on the amounts recognised in the financial statements as at year end cannot be made due the uncertainty associated with the pandemic and events that continue to evolve.

43. COUNTRY OF INCORPORATION

The Company is incorporated and domiciled in Kenya under the Kenyan Companies Act, 2015. The ultimate parent of the Group is LafargeHolcim Ltd, incorporated in Switzerland.



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