PART OF YOU FROM THE START

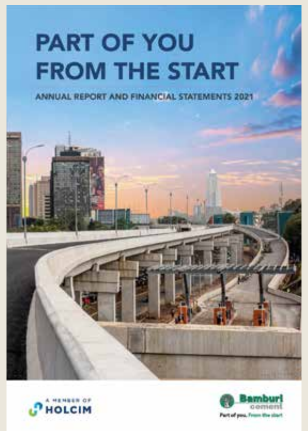
ANNUAL REPORT AND FINANCIAL STATEMENTS 2021

A MEMBER OF HOLCIM

Bamburi cement

Part of you. From the start

Our history speaks for itself, and we take pride in the trust our customers and partners place in us to bring their dreams to life, as we continue to explore new, innovative and sustainable ways to build the nation
#BuiltbyBamburi



Annual & Financial Reporting:
This report applies the principles of Integrated Reporting to show how we manage the company sustainably, as well as the financial and non-financial value we created in 2021.

2021 OVERVIEW
Confirming our resilience and business continuity *Pg 16 - 32*

BUSINESS OVERVIEW
Partnering with customers to bring their ambitions to life *Pg 34 - 69*

SUSTAINABILITY
Creating value for the business, people and the planet *Pg 70 - 96*

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WHO WE ARE

As a leading cement and concrete producer in Eastern Africa, Bamburi Cement is at the forefront of innovation in construction, driven through high performance, new technologies, and sustainable building and construction products and solutions. Our products and solutions build nations.

VISION

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

OUR STRATEGY

Our Building for Growth Vision is based on 4 Pillars:

GROWTH

Profitable Growth ahead of market

PERFORMANCE

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

PEOPLE

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

SUSTAINABILITY

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

BAMBURI CEMENT PLC

Industry captain and member of the Holcim Group

- **Started in 1954**, Bamburi Cement is a leading cement and concrete producer in Eastern Africa, and is listed on the Nairobi Securities Exchange.

- **A member of Holcim**, the global leader in innovative and sustainable building solutions. Holcim builds progress for people and the planet, from where Bamburi draws its best practice inspiration.

- **Bamburi Cement** is shaping a world that works for **People** and the **Planet**. It offers the widest and most innovative range of application-based cement and concrete products; and leads the industry in technical capacity.

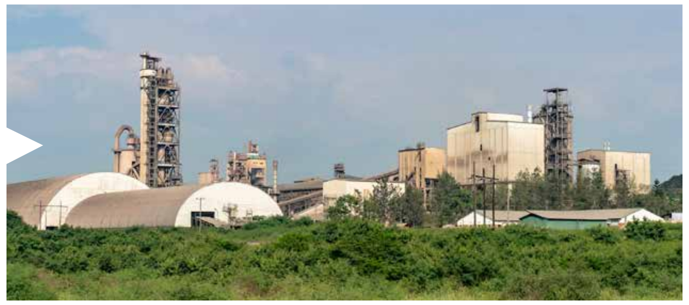
With a rich history in **environmental rehabilitation, conservation and biodiversity**, our commitment to sustainability aims to build progress for people and planet.

BAMBURI CEMENT PLC

4 SUBSIDIARIES

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

Hima cement



Bamburi Special Products Limited
The leading supplier of Readymix concrete and Precast concrete blocks with operations in Nairobi and Mombasa.

Bamburi special products Ltd

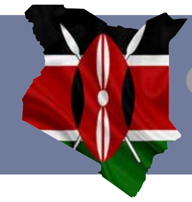
Lafarge Eco Systems Limited
The environmental arm of Bamburi Cement whose operations are in sustainable land use and quarry rehabilitation.

LAFARGE ECO SYSTEMS

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

OUR PLANTS

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



Operate 2 Plants in Kenya

Integrated Plant (Clinkering and Cement) in Mombasa

Grinding Plant (Cement) in Athi River

Operate 3 Plants in Uganda

Integrated Plant (Clinkering and Cement) in Kasese, Western Uganda

Grinding Plant (Cement) in Tororo

Blending Station in Namanve

PART OF YOU FROM THE START

ABOUT HOLCIM

OUR GLOBAL PRESENCE

We have the largest global footprint in our industry with a presence in around 60 countries across the world.

OUR BUSINESS SEGMENTS

CEMENT
16.4BN
SALES (CHF)
2020: 15.0BN

AGGREGATES
4.0BN
SALES (CHF)
2020: 3.7BN

READY-MIX CONCRETE
5.2BN
SALES (CHF)
2020: 4.6BN

SOLUTIONS & PRODUCTS
3.6BN
SALES (CHF)
2020: 1.9BN

NORTH AMERICA
NET SALES (CHF)
7,316M
2020: 5,749M

LATIN AMERICA
NET SALES (CHF)
2,611M
2020: 2,225M

EUROPE
NET SALES (CHF)
8,032M
2020: 7,061M

MIDDLE EAST & AFRICA
NET SALES (CHF)
2,430M
2020: 2,349M

ASIA PACIFIC
NET SALES (CHF)
5,947M
2020: 5,243M

ABOUT HOLCIM

MEGATRENDS AND OPPORTUNITIES

With today's megatrends, from the rise in population and urbanization to improving living standards, the construction sector has never been more attractive.

SIX MEGATRENDS

POPULATION GROWTH

From ~8 billion today to ~10 billion by 2050

BETTER LIVING STANDARDS

Increased demand for better living standards and more efficient infrastructure

URBANIZATION AND MEGACITIES

Approximately 2.5 billion more people are expected to live in cities by 2050

SUSTAINABLE CONSTRUCTION SOLUTIONS

Higher demand for sustainable construction solutions due to resource scarcity & climate change

INNOVATION-DRIVEN BUILDING

Accelerated by light and modular construction solutions

REPAIR & REFURBISHMENT

More repair & refurbishment driving urban demand

STRATEGY 2025 – ACCELERATING GREEN GROWTH

OUR FOUR STRATEGIC PRIORITIES

On our way to becoming the global leader in innovative and sustainable building solutions

STRATEGIC PRIORITIES	VALUE CREATED IN 2021
ACCELERATING GROWTH	**FINANCIAL**
EXPANDING SOLUTIONS & PRODUCTS	CHF **26,834 M** Net sales (+11.3% growth like-for-like)
LEADING IN SUSTAINABILITY & INNOVATION	CHF **4,612 M** Recurring EBIT (+ 25.7% growth like-for-like)
DELIVERING SUPERIOR PERFORMANCE	CHF **3,264 M** Free Cash Flow after leases

FINANCIAL

CHF **26,834 M**
Net sales (+11.3% growth like-for-like)

CHF **4,612 M**
Recurring EBIT (+ 25.7% growth like-for-like)

CHF **3,264 M**
Free Cash Flow after leases

8.9%
Return on invested capital

NON-FINANCIAL

553 KG
CO_2 emitted per ton of cementitious material

54 M
Tons of waste recycled in operations

259 L
Freshwater withdrawn per ton of cementitious material

CHF 43 M
Contribution in social initiatives

PART OF YOU FROM THE START

OUR BRANDS

MATCHING YOUR SPECIFIC CONSTRUCTION NEEDS TO OUR VARIETY

Through our plants in Kenya and Uganda, we offer the widest range of innovative application-based products and solutions specifically designed to meet different construction requirements, in response to our customer needs.

Hima cement

Bamburi cement

OUR BRANDS

BAMBURI READYMIX CONCRETE 1.

Pre-mixed concrete delivered to customer sites as ready to use construction products.

BAMBURI BLOX 2.

High quality precast concrete paving blocks that offer quality paving solutions. We have a variety of designs and aesthetics to cater for different tastes.

BAMBURI PRECAST MOULD 3.

A variety of precast mould concrete products for different applications ranging from block drainage, hollow blocks, road kerbs, edge restraints to fencing products among others.

BAMBURI HALLER PARK 4.

A world famous ecological and ecotourism showcase which was once a Bamburi quarry wasteland and was rehabilitated into a rich diverse tropical ecosystem.

geocycle

GEOCYCLE 6.

Offers sustainable waste management solutions to industries and municipalities.

BAMBURI FOREST TRAILS 5.

A verdant cool forest with open grasslands and fitness trails transformed from a Bamburi quarried barren landscape.

Jenga Sasa Maskani

Maskani 1.

The Maskani initiative is a value added service by Bamburi where home builders are supported with technical assistance, including construction advice, and introduced to building materials and services providers, to make the construction journey easier.

Bamburi Mobile Concrete Laboratory 2.

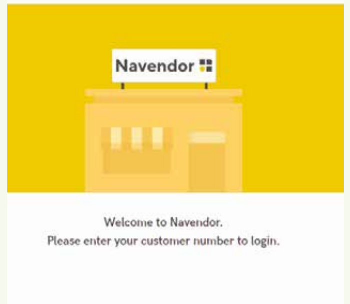
Part of Bamburi's innovative technical support solutions, the mobile lab supports customers in testing construction material on site and technical advice provided to achieve quality construction.

HOUSES OF TOMORROW

Houses of Tomorrow 3.

A 'Green' solution by Bamburi Cement which supports customers keen on cutting down carbon emissions in their overall construction, through actions like their house design and construction materials used.

> We are always on a continuous journey of excellence to serve our customers better every day



Navendor

Navendor Customer Service App 4.

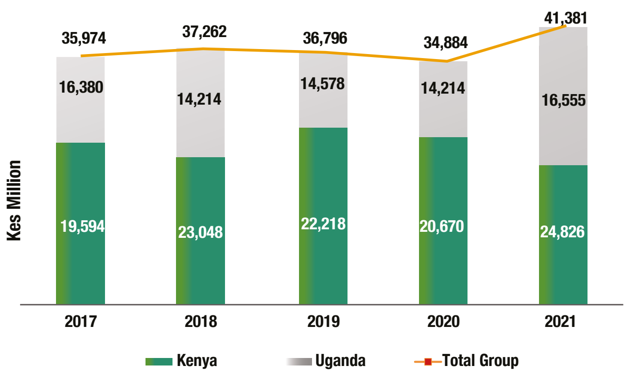
Navendor (Lead Retail app) is a web based technology platform that facilitates seamless transactions between Bamburi and its customers. Customers can order, track, make payments and check balances; making the experience of buying cement as simpler, faster and easier.

We delight in serving our customers with Excellence, by understanding their needs and providing innovative solutions.

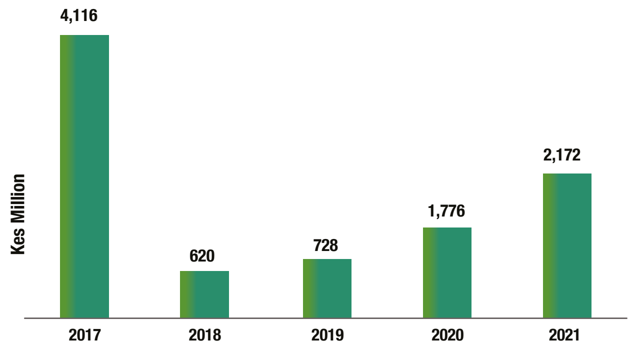
2021 Overview

GROUP – KEY FINANCIAL HIGHLIGHTS

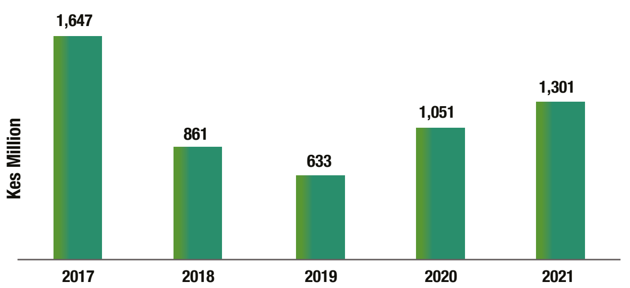
Group Turnover - Kes Millions



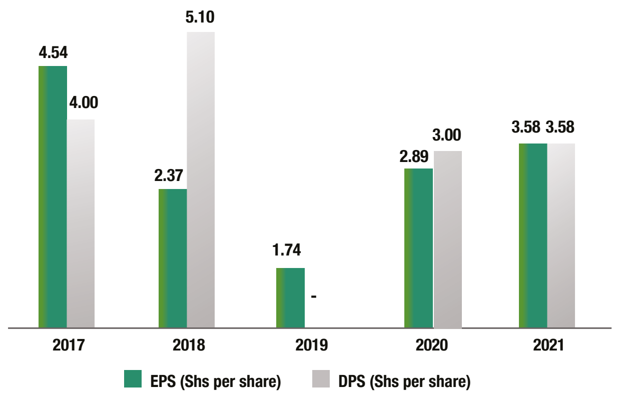
Group Profit before tax - Kes Million



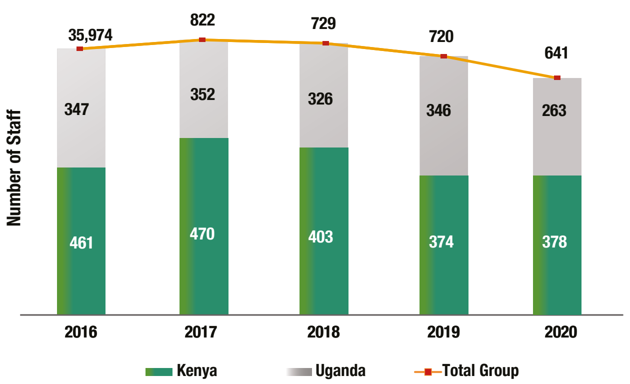
Group Profit attributable to shareholders - Kes Million



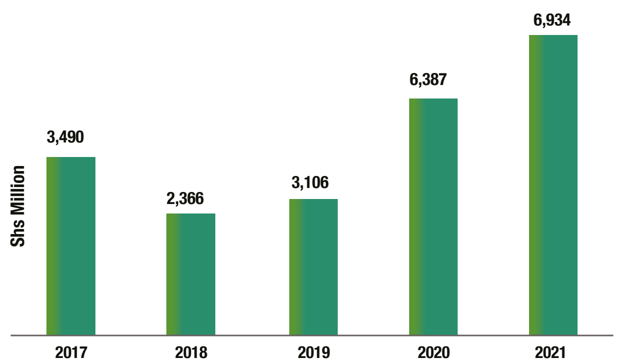
Group Earnings/Dividend per Share



Employee Numbers



Group Cash and cash equivalents

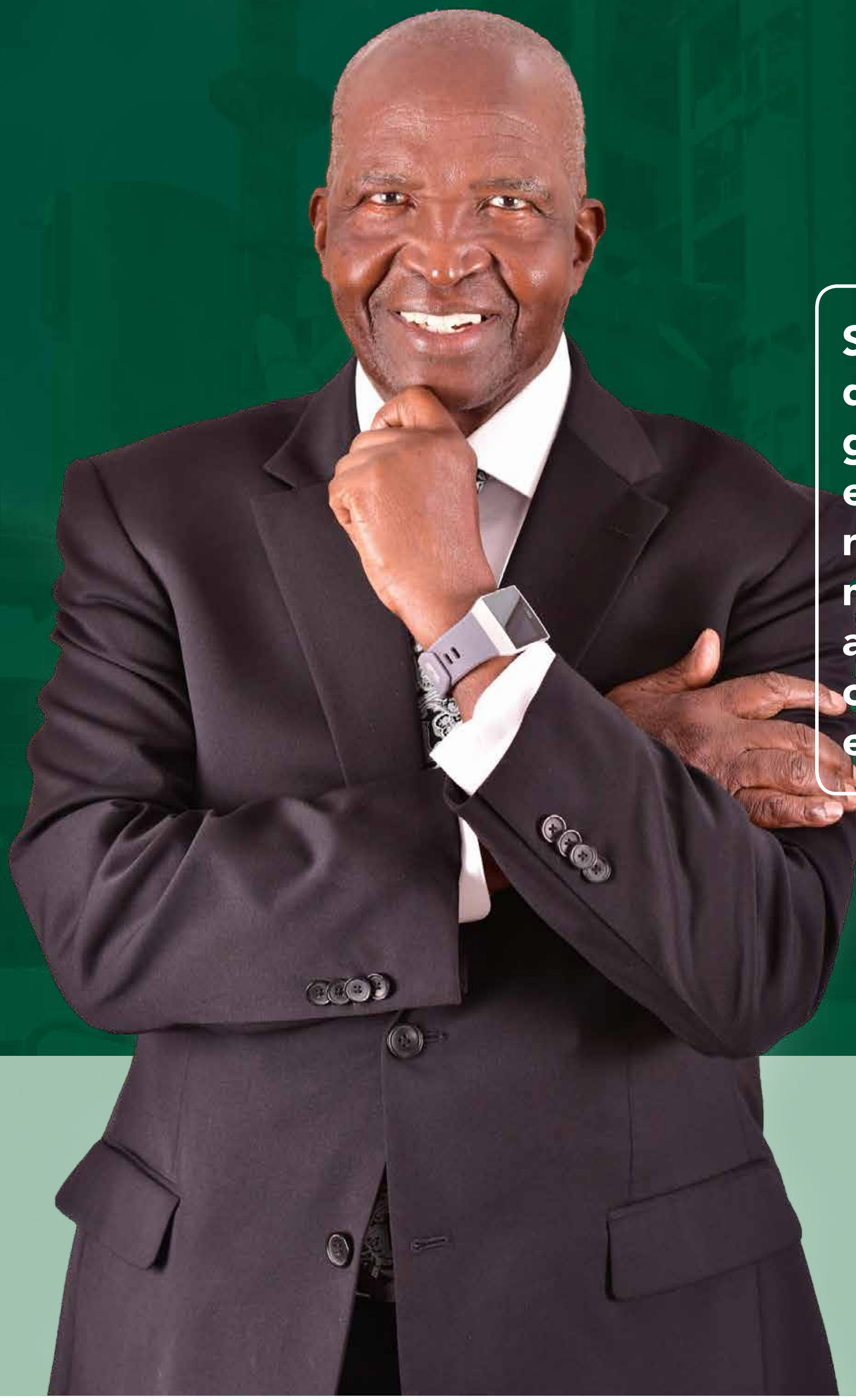


VALUE ADDED STATEMENT

in MKes

CUSTOMERS 41,603	BANKS & LESSORS 85	PAYMENTS TO GOVERNMENT 3,762
SHAREHOLDERS (DIVIDEND) 1,301	SUPPLIERS 32,453	OUR EMPLOYEES 2,992
COMMUNITIES 43	CAPITAL EXPENDITURE 1,688	RETAINED FOR SUSTAINABLE GROWTH 6,689

CHAIRMAN'S STATEMENT



Strong performance driven by net sales growth, operational excellence and robust cost management in a challenging operating environment.

Dr John Simba
Group Chairman

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

Overview

Bamburi Group has delivered a strong performance in a challenging operating environment. The Group's full-year financial results demonstrate the great resilience of our business. The significant growth in volume, our product innovation, the improved price performance along with the continued benefit from "HEALTH, COST & CASH" management action plan, which adopted at the onset of the Covid-19 pandemic in 2020, were the key drivers of 2021 performance.

Net sales of Kes 41.4 bn for the full year 2021 were up 19% on a like-for-like basis (LFL) compared to prior year. This significant increase was driven by volume growth in both Kenya and Uganda on account of strong performance in retail and key accounts segments. This also reflects the continued economic recovery from the Covid-19 pandemic impact. Group's overall average selling price improved compared to prior year on account of Kenya's higher proportion of premium products sales and targeted price actions in the retail segment. On the contrary, in Uganda the average selling price was negatively affected by the product mix and decrease of exported volumes.

Bamburi Group registered an impressive 22% year on year profit before tax growth despite the significant cost inflation on energy and imported clinker. Cash flow generated from operations at Kes 4.5 bn was lower compared to prior year by 35% reflecting the additional investment in working capital on account of a higher level of business operations in the current year. The Group's liquidity and balance sheet remains strong and is a sure foundation for future growth.

In fiscal year 2021, Bamburi Group weathered through storm by rapid execution of our "HEALTH, COST & CASH" action plan, effectively driving cost savings, while managing to deliver healthy free cash flow. Through agile and effective crisis management, the company's action plan launched in March 2020, has successfully safeguarded the health and safety of its partners and communities, while mitigating the financial impact of the Covid-19 pandemic.

Economic Environment in East African markets

The Kenyan economy continued with recovery in 2021, with GDP growth estimated at 5.6%. This growth was supported by a stable macroeconomic and political environment, continued governmental spending in infrastructure projects and recovery in the service sector following the ease of Covid-19 pandemic as a result of the mass vaccination campaigns. The implementation of the Big 4 agenda, where affordable housing is one of the key pillars, continues to provide much needed reassurance on government focus on infrastructure spending and housing where there still exists a huge gap for growth.

2021 Uganda's economic growth was estimated at 4.7% driven by increased infrastructure investment, foreign direct investment in the oil and mining subsectors, and a conducive business environment. These factors are expected to continue driving economic growth in future over the short and medium term.

Rwandan economic growth remains robust and estimated at 5.1% in 2021. The growth in Rwanda was supported by increased exports ("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.

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

Global Supply Chain, Raw Materials, Energy and Power prices

Energy prices in 2021 remained volatile due to steady rise in oil prices, global uncertainties mainly driven by continuing global supply chain challenges and geopolitical and trade tensions amongst the key players. Global supply chain has also been disrupted by the pandemic and compounded by

2021 OVERVIEW

CHAIRMAN'S STATEMENT

the Suez Canal incident that has had long term effect on shipping costs. This has led to inflation of prices of imported raw materials and energy costs especially on our coal and clinker imports thus eroding the margins.

Higher power tariffs adversely impacted our performance though a downward review plan in Kenya was implemented by the government effective January 2022. The power prices remained high in Kenya. Going forward, to address the challenge of increasing electric power cost, the group has signed a Power Purchase Agreement (PPA) with an Independent Power Producer, to set up two Solar Plants adjacent to the company's Mombasa Plant and Nairobi Grinding Plant. The project which aims to save on power costs as well as contribute to Net Zero carbon emissions by switching to renewable energy, is set to deploy solar power systems with a total capacity of 14.5MW and 5MW for Bamburi's Mombasa Plant and Nairobi Grinding Plant respectively. This will account for up to approximately 40% of Bamburi's total power supply. The group is switching to more affordable and clean energy that will not only lead to a significant reduction in power costs but also bring us closer to our goal of achieving Net Zero carbon emissions. The construction of the solar power plants is scheduled to begin end of 2022, after requisite regulatory approvals with expected completion within a year.

Market Highlights for the Financial Year

Kenya and Uganda cement markets recorded positive performance over the period. In Kenya, the cement market growth was largely attributed to infrastructure investments during the year and recovery in construction activities in the individual house builders segment. We have witnessed significant activity in government funded infrastructure projects. Going forward, we expect in the coming year a moderate growth in anticipation of the presidential elections. We believe that the elections will not significantly affect cement uptake and the market will recover eventually slightly above 2021 levels.

In Uganda cement market also grew in 2021, against a background of stable interest rates in the economy and recovery in the construction industry. The market continues to grow as cement becomes more affordable due to increased supply. Both the cement markets in Kenya and Uganda have excess cement grinding capacity putting pressure on cement prices.

2022 Outlook

In East Africa, we envisage growth in cement demand supported by a stable economic environment. In Kenya, the big four government agenda in the areas of recognisable sustainable housing projects and significant investments in infrastructure projects in the pipeline is expected to fuel the growth of the cement market. The Eastern European conflict is expected to have an adverse impact on the global economy and especially on freight and imported raw material prices. In addition, the impact of the coming general election is an unquantified risk factor which potentially might affect market dynamics. In Uganda, cement demand is expected to be fuelled by greater investment in public infrastructure especially in the oil industry.

Overall, the East Africa markets are projected to remain highly competitive. To sustain our market leadership growth momentum, the Group will execute its Strategy 2025 – "Accelerating Green Growth" to become the market leader in innovative and sustainable building solutions. With "Accelerating Green Growth," Bamburi Group will achieve profitable growth across all its businesses, fuelled by sustainability and innovation. It will accelerate the expansion of its Solutions & Products business, positioning itself in the most attractive segments of the construction value chain with new technologies. With our strategy 'Accelerating Green Growth' we are ready to seize the opportunities ahead, on our way to become the market leader in innovative and sustainable building. Bamburi's "Strategy 2025 - Accelerating Green Growth" has four value drivers: accelerating growth, expanding solutions & products, leading in sustainability and innovation and delivering superior performance.

Appreciation

I wish to thank the management and staff of Bamburi Group for the hard work that you have put

in, and which has resulted in another successful year. You have re-positioned the Group strategically for Growth. The Spirit of resilience that you have demonstrated, in the face of challenges, and which is the spirit behind our "Strategy 2025 - Accelerating Green Growth" has been rewarded as we register sound growth in both top line and profitability for the Group in the year 2021.

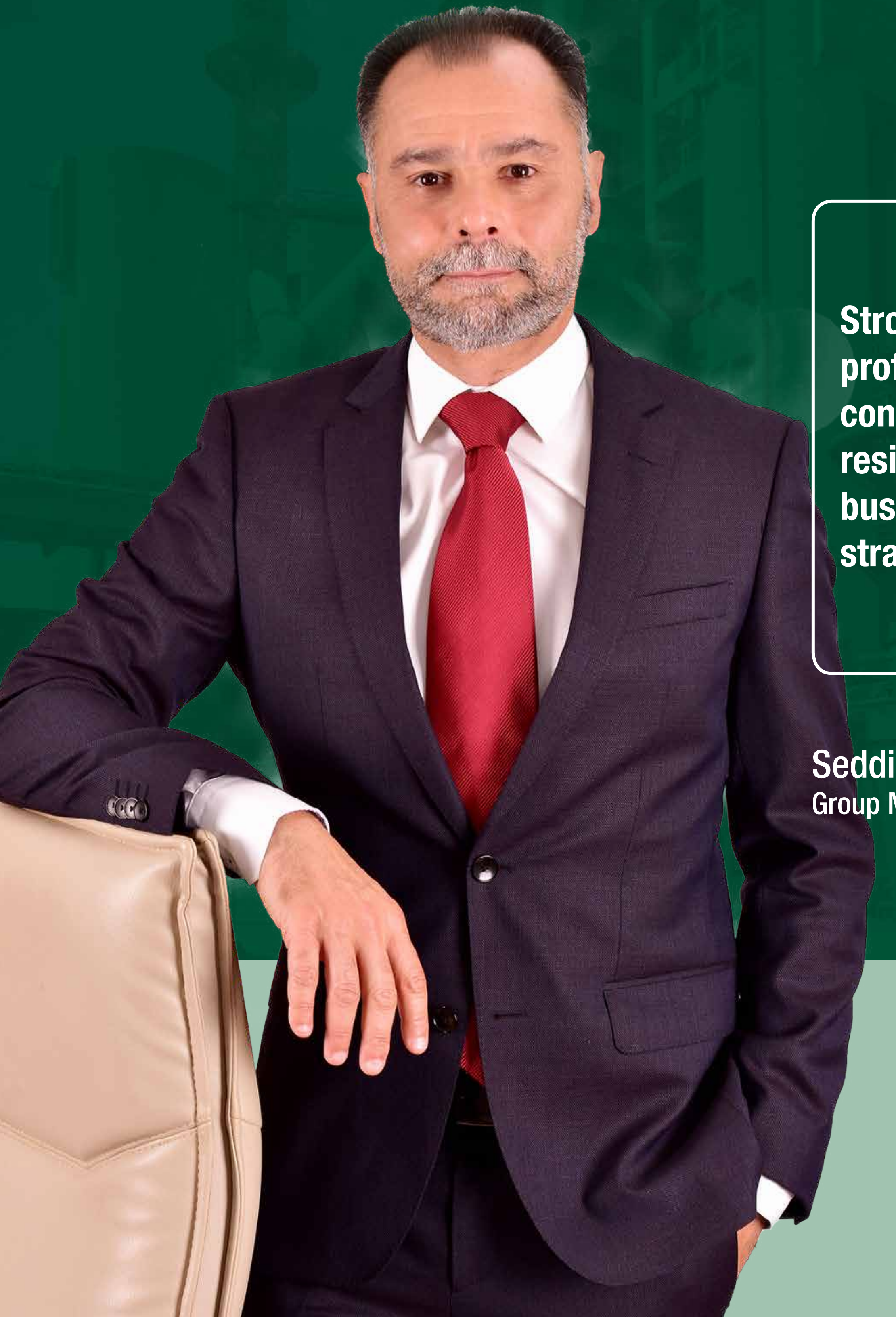
I am confident that we will continue to see further acceleration of our momentum. The Board has the confidence that the Group has the leadership and the people to exploit the opportunities presented to us, to the best advantage of our shareholders and all stakeholders.

Dr. John Simba
Chairman

26 April 2022

2021 OVERVIEW

MANAGING DIRECTOR'S STATEMENT



Strong sales & profitable growth confirming our resilience and business continuity strategy.

Seddiq Hassani
Group Managing Director

Overview

2021 was our first full year operating in an unprecedented global pandemic but we have demonstrated remarkable organizational resilience and character to emerge stronger. The group achieved a record topline and profitability growth thanks to Bamburi family for their exceptional resilience as they continue to successfully navigate the challenges posed by the pandemic in a dynamic business environment. On the back of this solid performance, the group kept its focus on its key long-term value creation drivers to become the global leader in innovative and sustainable building solutions.

The Group recorded significant growth in sales volumes and turnover driven by accelerated government infrastructure projects and good growth momentum for retail and export markets. We have continued playing a major role in supplying construction solutions for key projects in various sectors like rail, power, roads, ports and water as the East Africa community continues to offer attractive investment opportunities. Going forward, in 2022, Kenya's domestic cement demand is expected to remain flat over prior year while the exports are expected to grow thanks to the opening up of opportunities in the greater eastern Africa market including Rwanda, Burundi, DRC and Zanzibar. In Uganda, Cement demand for 2022 is projected to increase as major Oil and Gas projects are expected to commence after agreements were signed between Total E&P, CNOOC and the Government of Uganda.

In Uganda, the group continued to reposition the business for growth and innovation while adopting to our customer needs by launching a new Masonry cement "FUNDI 22.5X" in February 2021 for Central, East and northern markets as well as in July for the Western and Export Markets. Hima cement also reformulated Minecem making it the greenest cement in the region with 89% CO2 reduction.

Digitalization of our business is the way forward. During the year, we created sustained value for our stakeholders through an adaptable and resilient IT business model, accelerating our digital transformation journey to deliver enhanced value to the business and our customers. For instance, Kenya implemented FIRE-Q and ROOTs, cloud based quality and customer ordering, scheduling and dispatching systems for Ready Mix business. In Uganda, Hima launched the Kafluu Chatbot that allows customers to buy cement countrywide using the WhatsApp social platform.

In 2021, the group finalized a feasibility study for a 5000tpd state-of-the-art Greenfield project for the construction of an integrated cement plant. Facing strong and resilient demand growth with a positive outlook for the long term future, Bamburi Cement is pursuing its clinker capacity development options located in the South East of Kenya, along the coast in Matuga. The feasibility study has carefully considered environmental, business and market studies as well as various technical and design concepts to ensure that the new clinker line will be efficient, sustainable and will positively contribute to Kenya's and Matuga's development.

The Group will continue to execute Strategy 2025 – "Accelerating Green Growth" with the drive to grow and sustain its market leadership position. Going forward, the group will continue to leverage on the direct sales channel, product innovation, robust cost management and value added products in ready mix and precast formats, supported by a mobile laboratory. The group is well positioned to capture and create new growth opportunities going forward.

at 89%
CO_2 Reduction, MINECEM is the greenest cement in the Region.

17% GROWTH
The Group Operating Profit grew to Kes 2,315m in 2021.

Kes 2,172M
Our Profit before income tax

2021 OVERVIEW

MANAGING DIRECTOR'S STATEMENT

Health and Safety

Health and Safety is the Group's overarching value in its operations. In Kenya, 2021 was a good year with great improvement compared to 2020. In the leading indicators, Kenya achieved 100% closure of the strategic Health, Safety and Environment (HSE) Improvement Plan; Process Management Actions (PSM) were closed at 100%, as well as 100% closure of Health, Safety Management Systems (HSMS) audit actions. However, in the lagging indicators registered two Lost Time Injuries (LTIs) (one in Mombasa Plant (MOM) and one in Nairobi Grinding Plant (NAI), one Modified Work Duty in NAI, and two Medical Injuries in MOM.

In Uganda, Hima Cement recorded a good HSE performance, registering no LTI, which set the best record in the last five years, of 749 days without an LTI. All HSE improvement plans were fully achieved at 100% closure rate.

In 2021, Bamburi Group also launched an exciting program called Boots on the Ground (BoG), supported by a digital platform, where managers and supervisors spend time with workers in their operational areas, to have conversations around health and safety and monitor appropriate implementation of our HSE policies. The program has produced great results, playing a big role in proactive identification of any gaps and their timely closure before they resulted in incidents.

Operational and Financial Performance

The Group Turnover at Kes 41.4bn was 19% above 2020 at Kes 34.9bn. In Kenya, turnover grew by 20% driven by recovery in the retail sector after Covid-19 restrictions in 2020, higher volume sold to government funded infrastructure projects in the year and growing export sales to new markets in the region. In Uganda, the turnover grew by 17% on account of increased volume to the local and exports markets despite the Covid-19 pandemic impact.

The overall average selling prices for the group were better than prior year. Kenya recorded better average selling price thanks to a higher proportion of sales of premium products compared to prior year and price action in the retail segment. However, in Uganda, the average selling price was negatively impacted by product mix composed of lower infrastructure projects which consumes high end products and exports.

The Group Operating Profit grew to Kes 2,315m in 2021 representing a 17% growth driven by growth in turnover, robust cost management through various cost initiatives and operational efficiencies. This solid performance was achieved despite increase in coal prices, power prices, imported clinker and global fuel prices which continued to adversely affect our cost base.

Profit before income tax at Kes 2,172m (2020: Kes 1,776m) was up by 22%. On top of the better operating performance, we saw a decrease of the net cost of finance by Kes 64m or 31% from Kes 207m in 2020 to Kes 143m in 2021.

Total Comprehensive income for the year grew by 19% from Kes 1,919m in 2020 to Kes 2,291m in 2021 driven by higher profit for the year and a registered exchange gain in retranslation of Uganda shillings into Kenya Shillings at Kes 942m (2020: Kes 807m).

Cash flow

The cash flow generated from operations declined by 35% from Kes 6,787m in 2020 to Kes 4,390m in 2021 driven by growth in receivables and inventories. This reflects additional investment in working capital required due to a higher level of business operations in the current year compared to prior year in addition to the strong material and energy price increases towards the end of 2021. The Group's liquidity and balance sheet remains strong and is a sure foundation for future growth.

Going forward, the group will continue to preserve cash through optimization of its working capital requirements. This will involve rigorous credit management on trade receivables, optimal inventories holding levels through co-shipment initiatives and extension of supplier payment terms through various trade finance instruments and extend supplier payment days over the budget period.

2022 Outlook

The group is cautiously optimistic that the headwinds

of the Covid-19 pandemic will soon be behind us, and our business model and strategy are resilient to deliver the targets of the business in the medium and long-term. Post covid market recovery, the cement demand is expected to be impacted by national elections in August 2022.

The group will remain a true partner with regional governments in major development projects. We will continue to support the Big 4 Agenda in Kenya specifically the construction of affordable housing, we also support new technologies (3D printing) and key infrastructure projects such as dams, the expressway, bypasses and road interchanges. In Uganda we will also continue to focus on supplying key strategic projects including the Oil sector and new markets in Tanzania as well as the Democratic Republic of Congo Mining industry with a 5 year contract worth 500 kt of cement signed with Barrick Gold.

Overall, the Group is optimistic as it maximizes topline opportunities and continues to drive robust cost management initiatives to optimize its cost base. The group is well positioned for growth to create value for all our stakeholders in the medium to long term. The Group's priority continues to be the implementation of necessary measures to enhance business resilience and to protect the health and safety of our employees and their families during the Covid-19 pandemic.

Appreciation

I would like to recognize and celebrate loyal customers, suppliers, community stakeholders, as well as national and county governments, for the support they continue to accord to us. We continue to count on your support as we embark on our Accelerating Green Growth strategy and give our commitment to you of generating and sharing greater value with you all. I would also wish to recognize and celebrate our Management and employees for their continued agility and resilience throughout these difficult times. They have demonstrated deep commitment to the business, agility in a time of uncertainty, and the creativity and innovation that has enabled the business to adapt and take lessons from the experiences of the pandemic. We have no doubt that we will emerge stronger and with confidence to look forward to a better future.

Seddiq Hassani
Managing Director

26 April 2022

2021 OVERVIEW

BOARD OF DIRECTORS

DR. JOHN SIMBA [76]

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

John is an Advocate of the High Court of Kenya and Senior Partner at Simba & Simba, Advocates. Previously he has worked with the Attorney General's Chambers, and also as Executive Director /CEO of Industrial & Commercial Development Corporation (now Kenya Development Corporation), Executive Director of the Technical Unit of the Parastatal Reform Program and Executive Chairman/CEO of National Bank of Kenya.
Additionally, he has previously served as Chairman; Federation of Kenya Employers, Kenya Bankers' Association, Retirement Benefits Authority, University of Nairobi Council and as President of the Rotary Club of Nairobi. Currently, he is Chairman of Sanlam Kenya Plc., Choice Tea Brokers Limited, Funguo Investments Limited. He also serves as a director in other companies including Hima Cement Ltd. in Uganda and Almasi Beverages Limited a Coca-Cola Beverages Africa Ltd subsidiary and Africa Energy Group Ltd.

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

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

John was appointed to the Board on 29 November 2012.

SEDDIQ HASSANI [52]

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

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

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

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

DR HELEN GICHOHI [61]

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

Helen is currently the Conservation Ambassador for Africa for Fauna and Flora International. From December 2012 to January 2017 she served as Equity Group Foundation's Managing Director. Prior to that, she led the African Wildlife Foundation (AWF) for 11 years having joined AWF as its first Director of the Heartlands Program in 2001 and rising to become the Vice President for Programs in 2002 and AWFs first President in 2007. Helen has 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 Ltd, Ol Pejeta Conservancy and the African Wildlife Foundation.

Helen serves on the Nomination, Remuneration & HR Committee.

She was appointed to the Board on 9 March 2017.

PART OF YOU FROM THE START

RITA KAVASHE [57]

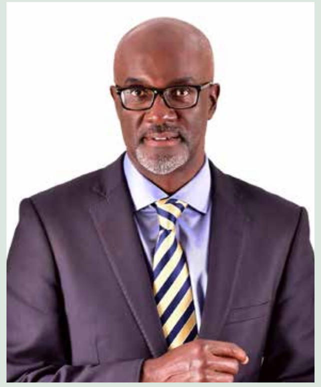
INDEPENDENT NON-EXECUTIVE DIRECTOR | *MBS, MBA, BEd*

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

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

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

She was appointed to the Board on 9 March 2017.



MBUVI NGUNZE [54]

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

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

He is currently a part time Senior Advisor- Strategy and Operations for Catalyst Principal Partners, an Eastern Africa focused PE fund, where he spends his time driving operational excellence and mentoring executives. He re-joined the Board of Bamburi Cement as a non-Executive Director, and is Chairman of both the Safarilink Aviation Limited and Sustainable Power Solutions (a Pan African solar company) Boards. As part of his paying it forward, Mbuvi sits on the Board of Lewa Wildlife Conservancy, the foremost conservancy organisation in Kenya as Vice Chairman, and Chair of the Audit and Risk Committee and the Board of Northern Rangeland Trust. He is also Chair of the Board of St Andrews School Turi, Chair of the Kenya Association of Air Operators, and provides mentorship to scale up entrepreneurs with Endeavor Kenya.

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

Mbuvi was appointed to the Board on 30 August 2018 and serves on the Audit & Risk and the Nomination, Remuneration & HR Committees.

JOHN STULL [61]

NON-EXECUTIVE DIRECTOR | *BSCHE, Management (Harvard)*

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

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

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

2021 OVERVIEW

BOARD OF DIRECTORS

AUSTIN A.O. OUKO [40]

NON-EXECUTIVE DIRECTOR | *JSM, LL.M, LL.B*

Austin A. O. Ouko is the Ag. General Manager (Corporate Affairs/Corporation Secretary) at the National Social Security Fund (NSSF) and has over 10 years' experience in transactional, corporate and commercial law in both public and private companies. He was previously the Manager Legal at NSSF and before that, Senior Legal Officer with The Standard Group Limited.

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

He is an Advocate of the High Court of Kenya, a Fellow of the Chartered Institute of Arbitrators-UK, a Certified Public Secretary-Kenya, and an accredited Governance Auditor with the Institute of Certified Secretaries, Kenya.
Austin serves on the Audit & Risk Committee.

Austin was appointed to the Board on 28 August 2020.

VASILEIOS KARALIS [48]

EXECUTIVE DIRECTOR | *Msc International Banking & Finance, Bsc Mathematics*

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

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

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

Vasileios was appointed to the Board on 21 March 2019.

ALICE OWUOR [63]

INDEPENDENT NON-EXECUTIVE DIRECTOR | *OGW, MBA, BCom, FKIM*

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

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

Alice is the Chair of the Audit & Risk Committee and a member of the Nomination, Remuneration & HR Committee. She also serves as a member of the National Civil Aviation Administrative Review Tribunal.

Alice was appointed to the Board on 9 March 2017.

JEAN-MICHEL PONS [44]

EXECUTIVE DIRECTOR | *Msc Engineering*

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

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

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

WAENI NGEA [41]

COMPANY SECRETARY | *LL.B, CPS(K)*

Waeni Ngea joined Bamburi Cement PLC in July 2020 as Head of Legal & Compliance and Company Secretary. She is a practicing advocate experienced in legal and corporate governance matters and an accredited governance auditor. Prior to joining the Company, she worked with British American Tobacco Kenya plc as Head of Legal & Company Secretary for East & Central Africa and before that with Unilever Kenya Limited as Legal Counsel, supporting the East Africa Area.

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

2021 OVERVIEW

EXECUTIVE COMMITTEE

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.

SEDDIQ HASSANI
Group Managing Director

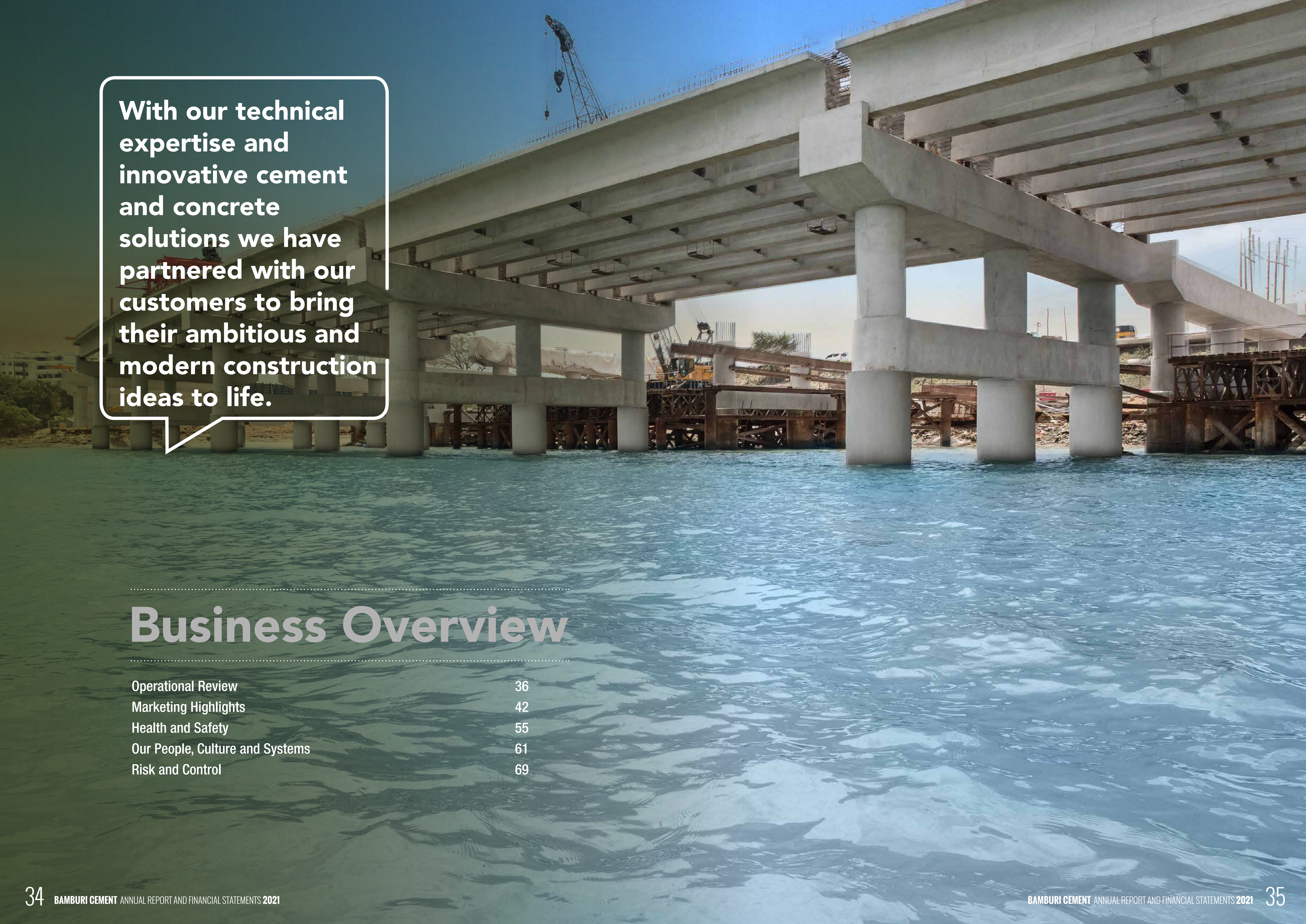
VASILEIOS KARALIS
Group Finance Director

KANYI GITONGA
Sales Director

IRENE NAIBO
People, Organization and Sustainability Director

MOSES WERE
Supply Chain Director

HYUN SU AN
Plant Manager - Mombasa



With our technical expertise and innovative cement and concrete solutions we have partnered with our customers to bring their ambitious and modern construction ideas to life.

Business Overview

BUSINESS OVERVIEW

OPERATIONAL REVIEW

GROUP

Our strong financial results in 2021 demonstrates Bamburi Group's business resilience amidst the continued impact from Covid-19 pandemic. The operating environment improved as the country eased on the strict containment measures to deal with the pandemic. The Group responded to the new realities by exploiting good market momentum in retail, export and key accounts segments.

Furthermore, we continued our focus on cost management through our "Health, Cash and Cost" strategy to deliver a strong performance. This was done through various initiatives to improve our operational efficiencies, optimize costs despite a high cost inflationary environment and improve our realized prices through differentiated product offerings.

The Cement Market in East Africa recorded a solid performance in 2021. The market remained highly competitive throughout the year fueled by the overcapacity. In this challenging environment, we have improved our prices through several actions in the retail segment and the increased proportion of premium products sales compared to prior year.

KENYA

BAMBURI CEMENT PLC (BCP)

In 2021, Kenya's cement market have grown driven by the increased government infrastructure construction activities and a relatively vibrant home builder segment, as Covid-19 pandemic disruptions has been eased following the mass vaccination campaign. Additionally, government investment in key infrastructure projects like the Expressway and a more vibrant growth in the home builders segment have enhanced this growth. Despite this positive development, the increasing competitive landscape continued to put pressure on prices.

Bamburi Cement Plc registered a 20% growth in revenues with turnover standing at Kes 24 billion (2020: Kes 20.1 billion). The domestic sales volumes grew by 17% during the year under review while export volume remained flat. The growth was largely driven by the direct sales to key infrastructure projects and an improved average selling price The good average selling price is due to a better product mix in the year.

There was a continued ramp up in our masonry cement volumes, launched in 2020, which caters for plastering and walling needs of our customers. The company also continued to fast tract the adoption of

BUSINESS OVERVIEW

OPERATIONAL REVIEW

the lead retail app that offers customers convenience of placing and tracking their orders with ease from the comfort of their businesses or at home. We continue to streamline our Route to market and customer loyalty program in order to better serve our customer's evolving needs. In addition, the direct sales channel is focused on meeting the growing needs of the infrastructure segment through innovative solutions in cement and ready mix solutions. We continued to play a major role in the implementation of the governments' big four (4) agenda through the affordable housing pillar by providing sustainable and affordable solutions to bridge the ever growing housing gap.

In 2021, BCP registered record clinker production in Mombasa which reached a record 1 million tonnes reflecting operational excellence in our plants.

Bamburi Cement Plc profit before tax for the year 2021 was flat at Kes 1,671m compared to Kes 1,672m in prior year. The solid performance was achieved through continued efforts to increase our revenues and managing our costs in an increasingly difficult operating environment were our key materials input prices (imported clinker, coal, fuel and power) continued to rise disproportionally.

BCP Cash flow generated from operations closed at Kes 4.1bn which was higher than prior year by 36% reflecting optimal working capital management. The solid performance is attributable to strict receivables management coupled with exemplary inventory planning supporting free cash flow generation.

*In 2021, BCP registered record clinker production in Mombasa which reached a record **1 million tonnes** reflecting operational excellence in our plants.*

BAMBURI SPECIAL PRODUCTS (BSP)

Bamburi Special Products is a wholly owned subsidiary of the group and the preferred supplier of Precast and Ready Mix Concrete products and solutions in the domestic market. The business operates in a very fragmented market environment with aggressive competition.

During the period under review, the performance of the company saw a marked improvement in Ready Mix volume growth of 43 % against previous year and revenue growth of 33%. The business continued to expand its range of product offering customized solutions to serve complex projects requiring special classes of concrete with great success.

The Business also experienced an improved operating profit compared to previous year. The BSP turnaround strategy paid dividends and presented a strong business case for the Company's special products niche market. A multi-pronged approach was necessary including the streamline of fleet and pump operations, an aggressive go-to market strategy, optimization of raw materials mixes and prudent cost management while the key focus was the regaining of market share in the post-Covid restrictions period.

The business will continue to market its range of Ready-mix Ultra Series and Value Added products to capitalize on this specialized segment, along with a strong focus on service delivery in order to differentiate itself in a very fragmented market. Quality and logistics remains a strong selling point for Bamburi Special Products' Ready–mix and Concrete and will remain the major point of focus in 2022 and beyond.

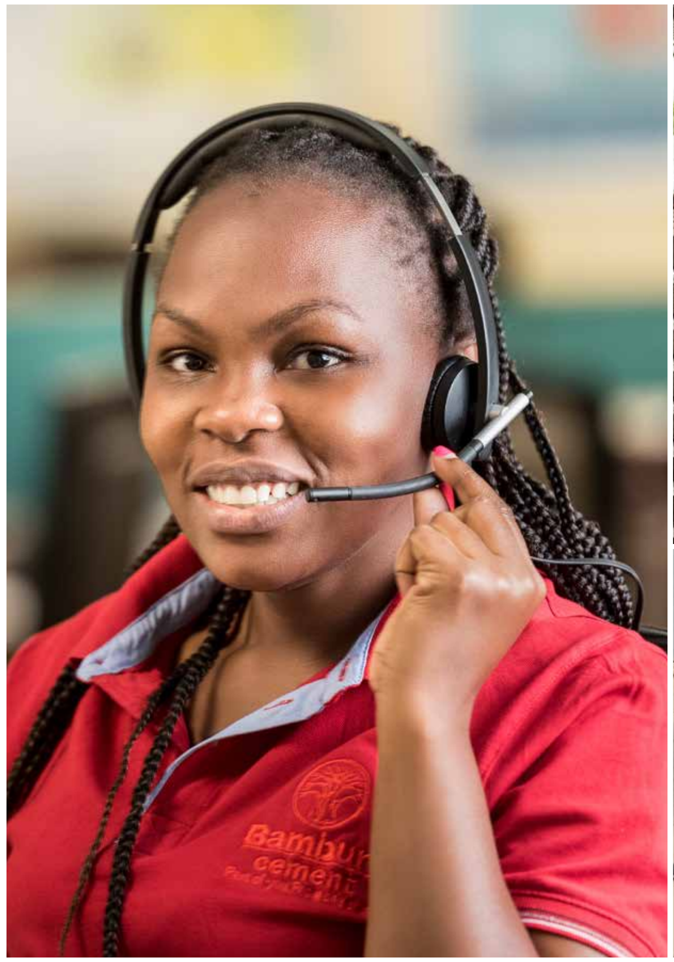
Going forward, BSP will continue to participate in ongoing key infrastructure projects and enhance its presence on the building segment to drive uptake of both Ready Mix and Precast volumes. Despite 2022 being an election year we expect business normalcy except for the month of the elections where sales volumes may be lower than other months.

The Management remains positive that the business will continue to grow its volumes in the coming year.

LAFARGE ECOSYSTEMS LIMITED (LES)

Lafarge Eco Systems Limited (LES) is a fully owned subsidiary of Bamburi Cement known for its professionalism in quarry rehabilitation, ecosystems development and management, conservation education and community sensitization

Over the years, Lafarge Eco Systems has been rehabilitating quarried landscapes in Mombasa and Kilifi Counties in Kenya and transforming them into exceptional conservation sites for diverse flora and fauna. Bamburi Haller Park, and Bamburi Forest



BUSINESS OVERVIEW

OPERATIONAL REVIEW

Trails in Mombasa are examples of rehabilitated quarries which delivers ecosystem services impacting the local community.

The two are world renowned ecological showcases that demonstrate our commitment to environmental sustainability. LES also manages reserve land, rehabilitated ecosystems, forest plantations and housing estates. It also supports communities and local agencies in wildlife rescue, care provision of rescued and orphaned animals as well as education and awareness in human wildlife conflicts. We continue to participate in International environmental conservation events including Bird Census in the region where our restored ecosystems have been identified as hot spot for biodiversity on the world map, hosting important bird species including Madagascar Pond Heron (Ardeola idea).

As a unique tourist attraction in its own merit, a substantive part of LES revenues originates from Bamburi Haller Park ecotourism and education visit fees. As a result, the Company's Net Sales - Third Parties stood at Kes 38.8 M (2020: Kes 22.6 m). In 2020 the company was adversely impacted by the Covid-19 pandemic, where Bamburi Haller Park and Forest Trails experienced low visitation, this pattern changed in 2021 where the company had registered 93% increase in visitation in comparison to the prior year. The Park received a total of 87,987 visitation in the year.

UGANDA

HIMA CEMENT LTD (HCL)

In 2021, the Uganda cement market is approximated to have grown by +10% compared to prior year. The growth was registered despite heightened infection rate of the Covid-19 Delta variant that came with the second lock down during the year which eventually eased as the year came to a close.

Overall, the company registered a good growth momentum of the domestic and the export markets. New growth opportunities included the commencement of supply to new markets like Burundi and the North Tanzania gold mines. However, the Rwanda-Uganda political tensions continued to affect trade relations between the two countries. Positive signs of border reopening has been observed at the beginning of 2022.

In 2021, the company implemented various commercial digital solutions to provide solutions to our customers. This included use of LEAD RETAIL APPLICATION, the MAQER accelerator program with major focus on influencing customer purchasing behavior and sales through Jumia application.

Operating profit declined by 12% attributable to reduction in the average selling prices due to brand mix composed of lower projects and exports and increase in distribution costs.

The company has maintained a positive cash position at Kes 1,158 m which is a drop of 31% from prior year. The drop is attributed to changes in payment terms for key materials as a result of the continued impact of Covid-19. The company continues to focus free cash flow management strategies in addition to traction of the various procurement initiatives such as supplier finance, extension of supplier payment terms as well as a control of the capital expenditure.

Cement demand is projected to increase in 2022 as major Oil and Gas projects are expected to commence after all agreements were signed between Total E&P, CNOOC and the Government of Uganda.

Bamburi Haller Park & Bamburi Forest Trails registered increase in visitation by
93%

In 2021, the Uganda cement market is approximated to have grown by
+10%

The company has maintained a positive cash position at
Kes 1,158M

Hima Cement is already working with different contractors to take up any opportunities that will materialize in Oil & Gas through cement supply, ready-mix, aggregates, waste management to mention but a few. We will continue to position the brand strategically to take up any other opportunities that may arise in this regard.

GROUP PROFITABILITY

The Group Turnover at Kes 41.4bn was 19% above 2020 at Kes 34.9bn. In Kenya, turnover grew by 20% driven by recovery in the retail sector after Covid-19 restrictions in 2020, higher volume sold to government funded infrastructure projects in the year and growing export sales to new markets in the region. In Uganda, the turnover grew by 17% on account of increased volume to the local and exports markets despite the Covid-19 pandemic impact.

The overall average selling prices for the group were better than prior year. Kenya recorded better average selling price thanks to a higher proportion of sales of premium products compared to prior year and price action in the retail segment. However, in Uganda, the average selling price negatively impacted by product mix composed of lower infrastructure projects which consumes high end products and exports.

The Group Operating Profit grew to Kes 2,316m in 2021 representing a 17% growth driven by growth in turnover, robust cost management through various cost initiatives and operational efficiencies.

This solid performance was achieved despite increase in coal prices, power prices, imported clinker and global fuel prices which continued to adversely affect our cost base.

Profit before income tax at Kes 2,172m (2020: Kes 1,776m) was up by 22%. On top of the better operating performance, we saw a decrease of the net cost of finance by Kes 64m or 31% from Kes 207m in 2020 to Kes 143m in 2021.

Total Comprehensive income for the year grew by 19% from Kes 1,919m in 2020 to Kes 2,291m in 2021 driven by higher profit for the year and a registered exchange gain in retranslation of Uganda shillings into Kenya Shillings at Kes 942m (2020: Kes 807m).

GROUP CASHFLOW

The cash flow generated from operations declined by 35% from Kes 6,787m in 2020 to Kes 4,390m in 2021 driven by growth in receivables and inventories. This reflects additional investment in working capital required due to a higher level of business operations in the current year compared to prior year.

The group closed the year with a positive cash balance of Kes 6,689m a testimony that the Group's liquidity and balance sheet remains strong and is a sure foundation for future growth. Going forward to preserve cash, the group will maintain the aggressive accounts receivables collections drive and prudent credit management. The group will further optimize inventory levels coupled with various procurement initiatives such supplier finance and extension of supplier payment terms.

BUSINESS OVERVIEW

MARKETING HIGHLIGHTS

143,000
Masons in the **B-Zawadi Consumer** Loyalty Program

7,200
tonnes of cement sold in the **Loyalty Program**

19,790
construction sites visited & educated on product benefits

KENYA

Partnering with Masons

Masons play an important role as our brand ambassadors and recommending our products, and solutions. That is why it is important to keep them in our database so that we can continue to inform and educate them on our products and offers; as well as build their technical skills on an ongoing basis.

In 2021 we clocked over 143,000 masons in our database, which was boosted by our B-Zawadi Consumer loyalty program. We use the database for regular two-way communication with the masons which also allows us to receive direct feedback on our products and their performance in the market.

They also share customer pain points so that we can provide the solutions.

B-Zawadi Customer Loyalty Program

The B-Zawadi program also boosted the sale of our Nguvu and Fundi brands with over 7,200 tonnes of cement sold within the campaign period which lasted seven months. These sales were garnered from over 200 new retail accounts and 19,790 construction sites visited and customers educated on our products' benefits and applications.

Over 3,300 hardware shops across 48 towns in Kenya were also visited within the period.

We look forward to amplify the program for bigger benefits in 2022.

A brand ambassador engages a mason at a site in Sotik

Rewarding Hardware Counter Staff

Bamburi Cement rolled out a 4 month pilot counter staff promotion in the Lake region, western Kenya; targeted at select large stores with high consumer traffic.

The promotion succeeded in increasing our engagement with counter sales staff, created brand ambassadors and increased purchase consideration of Bamburi brands such as Fundi and Nguvu through education on application-based cements. The promotion rewarded counter sales staff with shopping vouchers for every incremental volume achieved. It also provided unique insights in indicating to us influencers in the consumer purchase decision, drivers of brand stock preference, as well as the need for us to continue communicating on the unique quality and performance of the Bamburi brands at retail.

The insights from this activity will guide development of a suitable countrywide counter staff loyalty program.

Flier encouraging retail counter staff to participate in the reward program

Demystifying Construction: Educating the Home Owner through Builders and Co-creators Facebook Group

In a bid to further promote Bamburi's affordable housing agenda, the company partnered with Builders and Co-creaters a Kenyan Facebook group with an audience of 524,000 members; to debunk the myths surrounding home ownership; including but not limited to the cost of construction at each stage, sourcing of raw materials, compliance and financing.

The three month partnership resulted in almost 1 million views, guaranteeing that Bamburi's continued objective to educate and decrease the knowledge gap is achieved one step at a time.

The partnership also led to the launch of 'Lipia Simiti Pole Pole' initiative, under our Maskani program, which seeks to support the homeowner to build savings towards purchase of cement for their construction.

Lipia Simiti Pole Pole allows builders' to pay for cement in small and incremental quantities which is converted to an equivalent number of cement bags or any of the Bamburi Cement Plc's products. Through the initiative 522 individuals signed up, and are now in the process of contributing towards the construction of their dream homes and projects. The program will be officially launched to the public in 2022.

Sample posts posted to the *Builders and Co-creaters Group* page

BUSINESS OVERVIEW

MARKETING HIGHLIGHTS (continued)

Green Cements: Preaching the Sustainable Construction Gospel

Bamburi Cement took advantage of the annual Architects Convention and the Engineers Conference which took place on 22nd-25th September and 9th-12th November respectively to engage over 2300 architects and engineers on the importance of sustainable construction. Bamburi continues to offer unique offerings to enable builders,contractors, architects and even homebuilders to reduce their carbon footprint through green cements. Brands such as Duracem, Fundi, Tembo and Nguvu are lower carbon impact cements as a result of the production and process improvements that the Bamburi Plants are able to offer.

Stephen Arrowo, Bamburi Environment & Energy Optimization Manager speaks to delegates in attendance at the convention

The use of alternative fuels like industrial waste, biomass, used tyres, and waste oil also guarantee the reduction of carbon emissions.

Engagements such as these play a key role in the pushing forward the Net Zero agenda, as well as partnering with developers and projects keen on 'green construction'; giving Bamburi an edge over its competitors.

Maskani Initiative

The Maskani initiative in 2021 continued with its provision of technical support to Individual Home Builders (IHBs), contractors and developers.

In 2021, the initiative grew by an impressive 60% in volume and 55% value created as compared to the previous year.

This performance was largely attributed to a rebound in the construction sector following the easing of containment measures occasioned by the Covid-19 pandemic.

Maskani Initiative grew in 2021 **by**

+60%
in volume and

+55%
value compared to 2020

A total of 591 new customers were served, cumulatively accounting for 978 new housing units under construction/ constructed in the year. The Maskani technical team carried out 742 site visits over the year, providing personalized construction advice and quality assurance to contractors, fundis and Masons.

742
Nº of site visits by **Maskani Technical Team** in the year **2021**

Bamburi Recognized through Awards

Bamburi continued to be recognized as an industry captain through recognition of its business practises in various awards programs.

Fire Awards

On 17th December 2021, **Bamburi was awarded 1st Runner Up** in both the Industrial Commercial & Services Category and in the Listed Category during *#FiReAwards2021*.

Tax Payer Award

During *Taxpayers Day 2021* on 29th October 2021, Diani Estate Ltd, a subsidiary of **Bamburi Cement PLC, was awarded as Top Taxpayer Southern Region** in a ceremony hosted by KRA and graced by **H.E. President Uhuru Kenyatta** who presented the award to a Bamburi representative.

Go Green Awards

On December 12, 2021, **Bamburi was awarded in the Construction Sustainability** category at the *Go Green Awards*, an initiative of the Optiven Group Foundation that recognizes individuals, institutions, and organizations working to make the planet a better place through environmental initiatives that make a difference in society.

Most Admired Sales Award 2020

Bamburi won in the Most Admired Sales Awards under the *Home and Building Products* category. This was a new award program in Kenya where winners were voted through an independent survey with the general public.

Here is to many more recognitions in the coming year!

BUSINESS OVERVIEW

MARKETING HIGHLIGHTS (continued)

Innovation leadership: Bamburi preferred supplier to demanding construction projects

In the year Bamburi Cement continued to reinforce its market leadership in both products quality and technical expertise.

The combination of functionality and aesthetics makes many building and construction projects challenging, and architects and engineers look for solutions with a variety of qualities: resistance to compression, low porosity, sulphate resistance, longevity, eco-efficiency and aesthetics among others. With our range of solutions and technical expertise, backed by Holcim's first of its kind Research and Development (R&D) in Lyon, France; we continue to enable architects and engineers to turn their imagination into beautiful and durable iconic buildings and structures.

It is on the strength of this that in 2021 Bamburi continued to be the preferred cement and concrete partner in majority of ongoing projects in infrastructural development and affordable housing, as we continued to also serve individual home builders and housing investors.

Among major projects we supplied to in Kenya include: the Nairobi Expressway, Dongo Kundu Bypass, Lamu Port, Kenya Navy Shipping Yard, Mombasa Port extension, Kipevu oil terminus project, Thwake Dam, Makupa Bridge in Mombasa, Baricho Bridge in Malindi, affordable housing projects in towns like Nairobi and Athi river, Mau Mau road and majority of other ongoing roads across the country. This was building on earlier completed projects we have supplied to in previous years including the SGR. From Uganda we also served oil and gas projects in the Albertine region, Western Uganda, and gold mines in the Democratic Republic of Congo (DRC).

At Bamburi we know that innovation is permanent and fast, and to make sure we stay ahead of the pack, we are continously developing our capabilities to deliver the latest trends in line with the needs of our partners, including governments, contractors and differentiators in the building and construction sector, and to support them realize their dreams.

BAMBURI-EQUITY PARTNERSHIP- SIMITI EAZZY

This revolutionary working capital financing facility borne out of a collaboration between Bamburi Cement PLC and Equity Bank (Kenya) Limited, supports our mutual retail customers in making cement purchases.

The tailor-made facility has been a significant boost to our customers and provides them an automated and seamless process to access credit to purchase Bamburi cement.

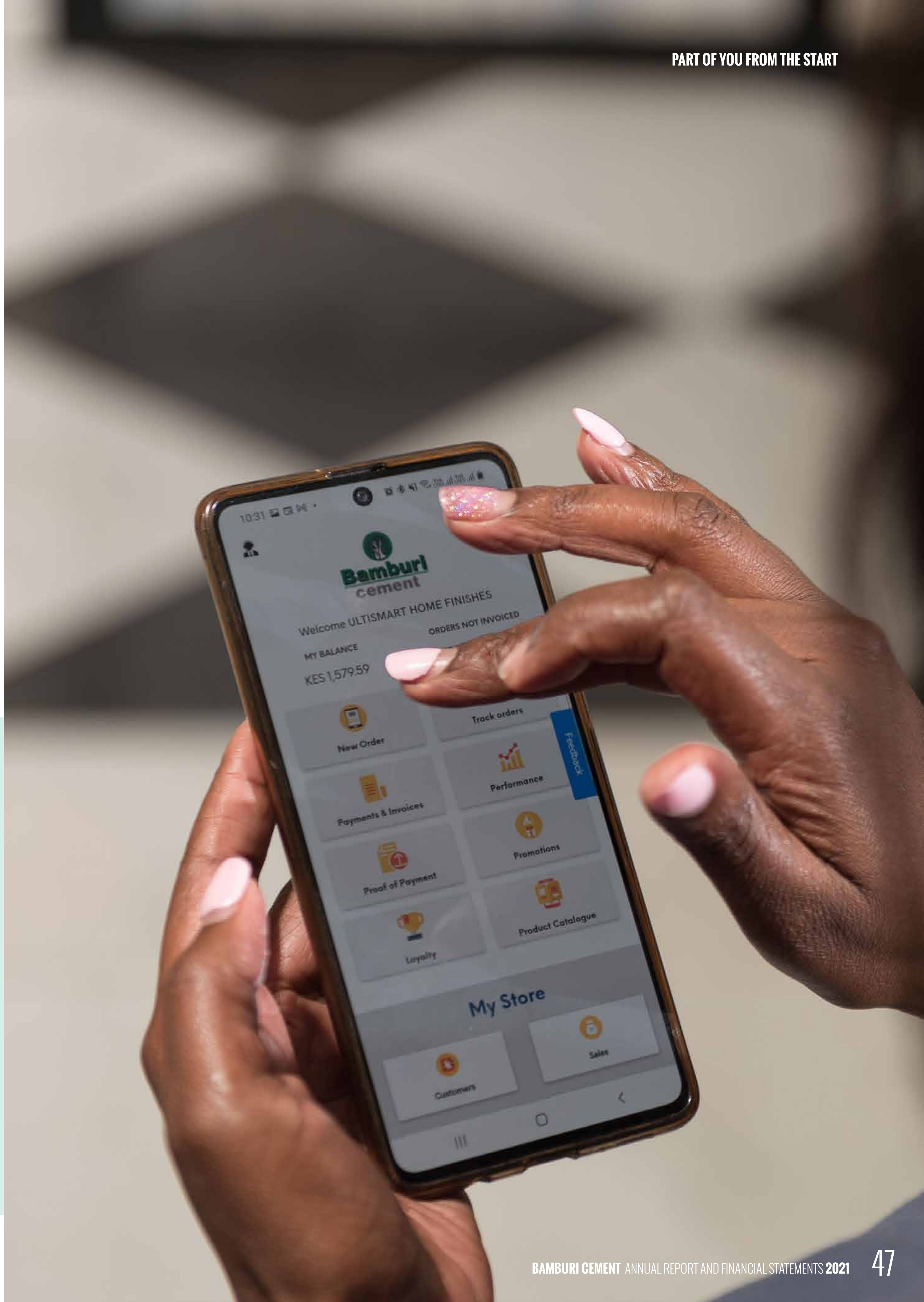
The retailers make their cement orders directly to Bamburi and the corresponding loan amounts are drawn out of their set facility limits.

The SIMITI EAZZY Program
onboarded
162 retailers
& processed
6,217 loans
amounting to
Kes. 2.4Bn

At the end of the credit cycle, the customer makes payment directly to their operative account at Equity Bank and the funds are used to pay off the loan.

By the end of 2021, the program had onboarded 162 retailers and processed 6,217 loans amounting to Kes. 2.4 Billion.

We look forward to supporting more of our customers in their working capital needs in 2022.



BUSINESS OVERVIEW

MARKETING HIGHLIGHTS (continued)

UGANDA

Innovation & Marketing Highlights 2021

Hima makes big strides into green cements

In 2021 Hima Cement continued to position itself as a leader in sustainable construction in the Uganda market, through efforts to diversity its green cement offering.

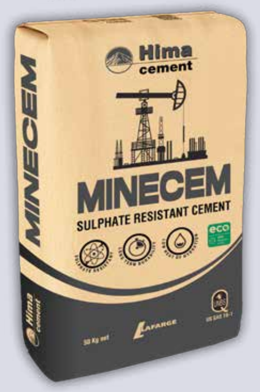
First was launch of a new masonry cement "FUNDI 22.5X" in February 2021 for Central, East and northern markets as well as in July for the Western and Export Markets. Fundi is now the greenest cement in the general trade market with 54% reduction in CO2 compared to other Ordinary Portland Cement (OPC) brands. The brand has successfully penetrated the market.

In the same year, the company also reformulated Minecem, a cement brand targeted at the mining sector, from a 30% clinker content to 10% clinker content; making Minecem the greenest cement in the region with 89% CO2 reduction.

This is a demonstration of our continued investment in sustainable construction.

New look cement bags with Eco Label 'green cement' mark

To help customers be able to easily distinguish the low carbon brands from the rest, Hima Cement relaunched its 'green' cements' packaging to carry the Eco Label mark.



The Eco Label was introduced by Holcim in 2020 to help communicate on the sustainability properties of products, and is applied to Holcim's products and solutions worldwide that represent low CO2 emissions and/or a high proportion of recycled content.

Hima's Minecem, Multipurpose and Fundi cements fall under this category, and so were awarded the Eco Label. For cement products, Eco Label is used to reflect lower carbon emissions when cement emits at least 30% less CO2 than the local industry average for Ordinary Portland Cement (OPC); or on the circular side, when cement contains at least 30% recycled materials.

The bags rebrand exercise in 2021, implemented on a total of 8 brands, also adopted a new look with descriptive features, to make it easy for customers to understand their application.

New markets: Tanzania mines

Hima created new opportunities by signing a 5 year contract with Barrick Gold, a gold mining company in Tanzania. This is at the back of our success providing the Minecem cement to the mining sector in the Democratic Republic of Congo; and opens it up to more opportunities in the larger East Africa region.

New chatbot to simplify customer service

As part of the company's efforts towards continuing to improve on customer experience, Hima launched a new service, the Kafluu Chatbot which allows customers to buy cement countrywide using the Whatsapp social platform.

The digital sales platform has been well received by customers as providing convenience and simplifying the cement ordering process.

Hima sponsored Vipers FC Uganda Cup Winners 2021

Hima Cement's sponsored Vipers Football Club demonstrated their might by clinching the 2021 Uganda Cup title in style. This was after the Kampala based club bet Bul FC, becoming the first team in history to score five goals in the final of the Uganda Cup, securing a 4-0 first half lead before scoring a similar number after resumption. We remain proud of the team that has represented the Hima brand quite well, supporting our brand equity.

Dealer Engagement

To continue to build on customer loyalty, we carried forward our various engagements with our retail partners in Uganda. Among these included a countrywide engagement to reward outstanding dealers and retailers in the month of December. The program will go into 2022 to continue supporting our volumes.

BUSINESS OVERVIEW

OUR PROJECTS

Project Indigo: 5000tpd Greenfield Clinker Plant

State-of-the-art clinker plant feasibility studies completed and project in approval pipeline

Facing strong and resilient demand growth with a positive outlook for the long term future, Bamburi Cement is pursuing its clinker capacity development options located in the South East of Kenya, along the coast in Matuga.

Domestic demand has grown at a steady rate in the region fostered by infrastructure projects in Kenya and Oil & Gas development in Uganda. Further supported by Uganda and Kenya's population growth, the future shows good prospects given the low cement consumption per capita.

The state of the art 5000tpd greenfield clinker line feasibility study has carefully considered business and market studies as well as various technical and design concepts tin alignment with EU Taxonomy "Climate Adaptation" criteria for Scope 1 and Scope 2 mainly driven by improved thermal heat and electrical consumption and low carbon fuels.

The design also includes an alternative fuels pre-processing and firing facility and Waste Heat Recovery (WHRS) technology as well as a futuristic layout provision for a Carbon Capture Plant as part of the journey to Net Zero emission. This will ensure that the new clinker line will be a worthwhile and sustainable investment, and contribute positively to Kenya's and Kwale County development.

To date, we have completed the call for tender and financial modeling documentation and the study is currently under review.

The objective was to complete feasibility studies and launch approval to construct the plant within two years with projected plant commissioning and first clinker output in the first half of 2024.

Other completed activities which involved multi-sectoral agencies both at National and Kwale County level and respective communities included;

- Geological investigations for the Plant as well all raw materials. This included; geotechnical and seismic surveys for plant design, hydrogeological studies, topography and aerial surveys, exploratory drilling, validation of raw materials quantities, chemical composition and environmental analysis.
- Obtaining consents for Shale (secondary material) land acquisition
- Resettlement Action Plan (RAP) process preparations involving all project affected persons (PAPs) and based on socio-economic survey study.
- Completion and gazettement of Environmental Social Impact Assessments (ESIAs) for Clinker Plant, Limestone and shale mining.
- Applications of mining licences for limestone and shale mining
- High voltage power supply studies
- Formation of multisectoral Matuga Sub-County liaison and Community Liaison committees.

Bamburi worked closely with the Ministry of Mining and Petroleum, Ministry of Land & Settlement, National Environmental and Management Authority (NEMA), Kenya Power & Lighting Co. (KPLC), Kwale County Government, National and Local Administration, Communities Project Affected People (PAPs) Committee and Land owners for respective processes.

The Kenya team also worked closely with Holcim Group stakeholders and was acknowledged for best practice in stakeholder and community engagement during the feasibility study in accordance with the Holcim Human Rights Policy and Directive.

Corporate Social Investment (CSI) activities also undertaken during the feasibility study included the launch of a Bamburi Scholarship program for secondary education. Nineteen students received scholarships for secondary education. Bamburi entered into multiple partnerships with schools on water and sanitation support, employment as well as provided health support towards Covid-19 prevention.

19 Secondary **School students** that received **Scholarships.**

Solar PV – Island Captive Power Project

Project background and objectives

The building sector has an essential role to play to accelerate our world's transition to net-zero, from the materials used in construction, all the way to a building's efficiency throughout its lifecycle.

As part of the Holcim Group we are committed to building a net-zero future that works for people and the planet. We are taking a rigorous science-driven approach on this journey, working with the Science Based Targets initiative (SBTi).

The SBTi has approved Holcim's commitment to reduce scope 1 GHG emissions by 10% per ton of cementitious materials by 2030 from a 2018 base year. Holcim also commits to reduce scope 2 GHG emissions from purchased electricity by 65% within the same timeframe.

Holcim's targets are adequate and consistent with the global effort to keep temperatures below the '1.5°C' threshold as agreed at the COP21 world climate conference in Paris. As part of Holcim's Net Zero Ambition and in support of Kenya government's pledge to reduce emissions, Bamburi Cement has embarked on vigorous strategy on sustainability manufacturing and related processes for both scope 1 and Scope 2 – GreenHouse Gas Emission reductions.

Today Bamburi Cement is one of the leading power consumers in the country, with power costs constituting up to 25% of its manufacturing costs.

To reduce the greenhouse gases emissions and reduce the operational costs, we have signed a power purchase Agreement with MOMNAI Energy Limited for supply of electricity to our Mombasa and Athi River manufacturing Plants.

BUSINESS OVERVIEW

OUR PROJECTS (continued)

Further the proposed new clinker plant in Kwale County has an option for a Solar Plant Power Purchase Agreement (PPA) as part of the technical concept.

Project Description

Solar PV onsite project located next to Mombasa Plant (14.5 MW) and Nairobi Grinding Plant (5 MW). It is financed by an Energy Developer through a Power Purchase Agreement (PPA) where Bamburi commits to consuming the electricity produced by the PV Plant for 10 years; No Capex investment is required; LH Corporate Energy Team has negotiated over 300 MW of similar projects worldwide.

Scope of Work

- Term Sheet Development, done
- Power Purchase Agreement (PPA) negotiation, done
- Land Lease agreement (LLA) and Connection facilities agreement (CFA) with the selected Energy Developer, ongoing
- Permitting and generation license application, ongoing
- Construction of Solar Power Photovoltaic Plants on land next to Bamburi Mombasa Plant and Nairobi Grinding Plant – from November 2022 and expected completion within one year

The development, financing, installation, operation and maintenance are entirely the responsibility of the selected energy developer.

OPERATIONAL REVIEW

HEALTH AND SAFETY

KENYA

The year 2021 was a good year for Kenya with great improvement compared to 2020 in the leading indicators. In the lagging indicators however we had two Lost time Injuries (LTIs) (one in Mombasa Plant (MOM) and one in Nairobi Grinding Plant (NAI), one Modified Work Duty in NAI, and two Medical Injuries in MOM.

In the leading indicators, Kenya achieved 100% closure of the strategic Health, Safety and Environment (HSE) Improvement Plan; Process Management Actions (PSM) and of Health, Safety Management Systems (HSMS) audit actions.

BOOTS ON THE GROUND

In 2021 we launched an exciting program called Boots on the Ground (BoG) where managers and supervisors spend time with workers in their operational areas, to have conversations around health and safety and monitor appropriate implementation of our HSE policies. The program has produced great results, playing a big role in proactive identification of any gaps and their timely closure and prevents incidents.

Despite the Covid-19 pandemic, the team outperformed the set targets on time under the BOG program – with a total of 38,232 hours spent in the field engaging on health and safety. Over 4,800 Visible Personal Commitments (VPCs) were done in 2021 where leaders engaged teams and individuals on HSE good practices and suggested areas of improvement. Additionally 14,693 Hazards were identified and closed in 2021. Kenya was one of the countries to exceed the Holcim Group expectations in regards implmentation of global BoG program.

Best Practice Recognized

Nairobi Grinding Plant was on multiple occasions recognised by the Group for providing Health, Safety and Environment (HSE) solutions to Work at Height elimination at the tarpaulin tying structure and fugitive dust elimination for bulker loading process. The two solutions were adopted by several countries within the Group.

14,693
No. of hazards identified and closed across all sites in **2021**.

Point source dust elimination at silo 3 and 4 bulk loading.

BUSINESS OVERVIEW
SUSTAINABILITY REVIEW
GOVERNANCE
FINANCIAL REVIEW

PART OF YOU FROM THE START

OPERATIONAL REVIEW

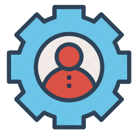
HEALTH AND SAFETY (continued)

2021 Health and Safety Improvement Plan

We had five strategic objectives in 2021 which were being sponsored by the leadership team. These were Critical Control Management (CCM), Road Safety, Health, Emissions and Spillages containment.

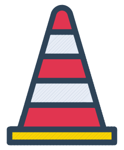
01

In **Critical Control Management,** we focused on 8 pillars namely Contact with Moving Machinery, Mobile Equipment Incidents, Structural Collapse, Liquid Fuel Fires, Hot Meal Contact, Falling From Height, Material Engulfment and Coal Mill Explosion.



02

In **Road Safety**, we continued to implement the Reward and Sanction policy on drivers and transporters based on the In Vehicle Management System (IVMS) score card and positively influenced their driving behavior.



03

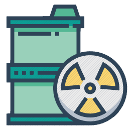
In **Health**, the focus in 2021 was reduction of fugitive dust and many projects towards this initiative were implemented across the sites with the main one being implemented in NAI and MOM Plants to eliminate dust emissions during bulkers loading, drop chutes to contain sweepings from upper floors, two-way valve replacement in Mombasa Plant and sprinklers installation in Bamburi Special Products (BSP) among many other projects.

04

In **Emissions Opacimeters** are installed in all stacks to continuously monitor dust emissions and ensure compliance with legal requirements and most importantly ensure care for the communities around the factories we operate.

05

In **Spillages Containment** measures were put in place to eliminate risks of spillages of hazardous substances such as fuels and secondary containments in place to contain hazardous liquids in case of unfortunate incidents of spillages.



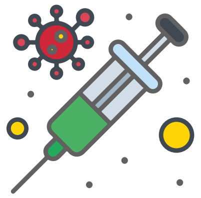
Covid-19

We continued to implement measures to protect workers and visitors against any Covid-19 transmissions at our sites - ranging from temperature checks, handwashing and sanitization, mask-wearing, to social distancing, among others; and ensuring workers and visitors adhered to the protocols. As part of communication and sensitization, webinars were held regularly to demystify any aspects of the pandemic and offer necessary information to staff; including on vaccination.

*Statistics indicate about **90%** of our **employees were vaccinated** by end of 2021.*

The company organized a number of vaccination drives targeting workers and the community across our sites, which saw over 4,000 vaccinations administered. This also gave everyone an opportunity to get vaccinated.

In other exciting news, our Bamburi Mombasa Plant Clinic was in December accredited to be a Covid-19 Vaccination site, and by the end of the year the clinic team had conducted 10 vaccination drives. We continue to vaccinate at the clinic and reach out to the community.



4,000

Covid-19 vaccines were administered through Bamburi supported drives.

PART OF YOU FROM THE START

Global Health and Safety (HSE) Days

In 2021, there was great mobilization during the HSE Days held in October. The theme for the campaign was **'Find It – Fix It'** which was about identifying hazards and eliminating them.

There were many hazards identified and fixed across the sites. There were many other engagements during the HSE Days on road safety, environment, training of school children on road safety and training of bodaboda riders.

An intercountry HSE competition between Sub Saharan Africa countries saw Kenya emerge the overall winner.

The closing of the HSE Days was graced by the Occupational Safety and Health (OSH) Secretary, Dr Musa Nyandusi who recognised Bamburi Cement as a positive outlier in the manufacturing industry in regards to HSE.

Road Safety

In Road Safety, a Group audit on the In Vehicle Management System (IVMS) implementation in the country was successful as the system was found to meet all the Group requirements in scorecard generation which ranks drivers according to their driving behavior on harsh braking, harsh acceleration, speeding, fatigued driving (exceeding driving hours), freewheeling and night driving. By monitoring the above parameters and correcting the driving behavior proactively, we are able to prevent accidents before they happen.

We continued to engage with our transporters to review performance and re-engage.

The good performers were recognised and rewarded. The awards given were for sustained good road safety performance, highest performance in road safety that is 5-star rating and highest improvement on a year on year comparison. We also took the chance to agree on the focus areas in 2022 in our Road Safety roadmap.

OPERATIONAL REVIEW

HEALTH AND SAFETY (continued)

UGANDA

In 2021 Uganda recorded a good HSE performance, registering no lost time injury (LTI), which set the best record in the last five years, of 749 days without a Lost Time Injury (LTI). All HSE improvement plans were fully achieved at 100% closure rate.

It is however important to recognise a sad incident happened in January of 2022; a liquid fuel explosion at our Kasese Plant, where we lost four workers and seven others injured. This deeply saddening incident has shocked us, and has led to a serious review of implementation of our Critical Control Management (CCM) program, to make sure solid, sustainable systems are put in place to guard against such an incident ever recurring within our sites.

Like the rest of the Group, Uganda also launched the Boots on the Ground (BoG) program, and applied the program in identifying hazards and performing Visible Personal Commitments (VPCs). All employees were provided with new smart phones with an aim of ensuring that all employees mapped out to carry out BOGs do so with ease.

Firefighting water engines for Kasese Plant were restored back to automatic operation mode to help boost emergency response time in case of a fire outbreak either in the plant or in the estates around the plant. We also improved the truck yard by installing walkways, edge protection and drainage system. This has greatly eased truck maneuvering, which allows faster response in case of an emergency.

We have now installed a gypsum offloading platform next to the gypsum store to help minimize truck tip overs while offloading gypsum. More offloading platforms will be installed for pet coke/coal and pozzolana.

55% of asbestos sheets were safely removed from employee estates and other parts of the Plant using an approved waste handler to eliminate the risk of asbestosis.

A Covid-19 Survey that was conducted in Q4 revealed that 60% of employees had received both doses of the vaccine. The country vaccination program developed and implemented to drive vaccination across the business.

Uganda also celebrated the 9 country and site winners of the Global HSE Days under these categories of the Group global competition: 'Find It, Fix It', 'Play HSE Forward' and 'You can Make a Difference'.

One of the contestants for the categories was recognized at Group level for his outstanding performance in making a difference in HSE.

Lastly, we finalized critical training programs for over 150 workers in the areas of Work at Height, Confined Space, Energy Isolation and Fire Fighting in key roles within the organization in order to build on competence and knowledge.

Over
150 workers
completed **critical training program**

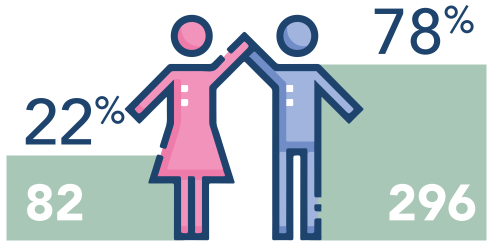
55%
of asbestos sheets were safely removed from employee estates & other parts of the Plant

OUR PEOPLE, CULTURE AND SYSTEMS

KENYA

Headcount

Site	No.
Head office	114
Nairobi Grinding Plant (NAI)	51
Mombasa Plant (MOM)	159
Bamburi Special Products (BSP)	36
Lafarge Eco Systems (LES)	18
	378



Thriving in Adversity

Despite continuing to deal with the Covid-19 pandemic and its effects on our people and the workplace, we made great progress in pursuing our People agenda, including key areas like our Diversity, Equity and Inclusion (DEI), Talent and Development and Employee Wellbeing.

i. Diversity, Equity and Inclusion (DEI)

In 2021, Bamburi completed the UN Women Gender Gap Analysis, a tool designed to help companies close the gender gap, and to make informed decisions in setting gender goals and strategies.

By the end of 2021 we had managed to close 2 of the gaps identified. One of this gap was around offering development trainings and educational opportunities with specific support for women. On this basis, the Balance for Better Master Classes were launched.

Concrete Sisters program: This mentorship program was launched in 2021 to prepare, promote and mentor women in both professional and personal lives. At the same time, the Concrete Sisters partnered with the National Industrial Training Authority (NITA) Mombasa branch to conduct career talks with students undertaking technical programs.

The objective of this ongoing partnership is to create awareness and encourage young women on the prospects of Science, Technology, Engineering and Mathematics (STEM) careers.

Balance for Better (BfB) Masterclasses: This inaugural 12 week accelerator program is aimed at empowering women with leadership skills to accelerate their development. The inaugural class had 20 women successfully graduate and will be continued in the coming years.

Prevention of Sexual Harassment Bullying Campaign: As part of our Code of Business Conduct (CoBC) and to ensure we continue to live our values, the month of April was dedicated to raising awareness of sexual harassment and bullying in the workplace, through a series of virtual and communication events and campaigns. We continue to drive the message of respect for all at all times.

Disability Inclusion: Bamburi partnered with the Association for Physically Disabled of Kenya (APDK) to complete a comprehensive company wide accessibility assessment audit. The objective was to assess and establish whether the working environment is safe and accessible for people with different types of disabilities and recommend concrete steps and actions to improve the working conditions for people with disabilities aligned to the government and business objectives. We also formed a Business Steering Committee who will work with APDK to implement the findings with continuous monitoring and evaluation.

Affinity Groups: We launched Bamburi Youth Group to raise awareness of various youth issues around the business and prepare them to take up leadership roles.

Inclusive Supply Chain: We conducted a procurement gap analysis in order to establish supplier diversity programmes that actively seeks to expand business relationships with women, youth and People Living with Disabilities (PLWD) owned enterprises and to support them in accessing opportunities.

Young SDG Innovators: Under our Youth pillar, and in partnership with UN Global Compact, we enrolled five youth employees to participate in the 10-month accelerator program that

OPERATIONAL REVIEW

OUR PEOPLE, CULTURE AND SYSTEMS (continued)

activates future business leaders and change-makers to develop and drive innovative solutions through new technologies, initiatives, and business models and deliver on their company's sustainability objectives.

Celebrating Diversity: As we continue to celebrate diversity, we hosted a series of webinars and social media campaigns to highlight the different affinity groups in Bamburi. The days included International Women's Day, International Men's Day, International Youth Day and World Day for Cultural Diversity

ii. Talent and Development

While 2021 was plagued with uncertainties due to the Covid-19 pandemic, we remained focused on continuing to inspire our teams, strengthen talent and enable development. In line with the new normal, 80% of our training was virtual.

An e-learning program 'Skill Up and Thrive' engaged staff to learn new skills and build their competencies through online learning. Embedding a learning culture we highlighted a series of monthly programs for staff to take in Percipio and encouraged self selection of further courses. By the end of 2021 we achieved about 40,000 learning hours.

40,000
the numer of Learning Hours we achieved by end of 2021.

We also participated in the Holcim Academy for technical courses, and were pleased to see an increase in self-driven enrolment and staff completing open courses.

The Health and Safety teams actively engaged staff and conducted physical training for statutory requirements, while observing Covid-19 protocols. Health webinars and various awareness courses were actively conducted every two weeks and staff were enriched with knowledge around health.

An accountable Leadership program that supports the management team with skills and tools to be able to execute their responsibilities effectively. The program was launched in 2021 and delivered number of trainings, including an Emotional Intelligence masterclasses – where they acquired practical knowledge around core skills of self awareness, empathy and self regulation.They also completed Active Management Behaviour courses. In recognition of the role of managers in driving mental health within their teams, we completed a 6 week program; Psychological First Aid Training (a Mental Health Training Program).

Customer Excellence is also recognised as an overarching value and learning campaigns were launched with a view of promoting Customer Service Excellence.

As we continue to drive integrity, Legal and Compliance mandatory courses were rolled out to support the managers with comprehensive knowledge on the legal and ethical principles and practices by which we must conduct business.

Cyber Security courses had to be completed to support staff in protecting personal and work related information now that we are living and working in altered and rapidly changing circumstances

Finally Industrial technology excellence is at the core of our operations and to ensure the same, Industrial Certification programs such as Process Performance Engineers Development Program (PPEDP), Preventive Maintenance Engineers Development Program (PMEDP), Central Control Room Operations (CCRO) and Planners were executed. 90% of the participants demonstrated their performance and attained the set 80% of operating targets and promoted Industrial Excellence. Other technical programs such as REVIVE - Production Coaches' Development Program was executed with an objective to refresh knowledge of previously certified production trainers and the new coaches enabling them to understand their role better.

The Institution of Engineers of Kenya (IEK) organised an annual convention where Bamburi graduate engineers participated.

Talent Programs

The **BE READY** induction program targeting engineers hired and freshly graduated with no significant experience in cement manufacturing was completed successfully by six trainees enrolled in 2019. Five others are enrolled in 2021 to learn in the next one year and have a solid foundation in the different technologies and process types in the production of cement and plant operations, while raising awareness on the safety, environmental, quality and costs impact challenges.

Five employees successfully completed the Holcim certification programs and are now certified as Process Engineers, Preventive Maintenance Engineers and Central Control room operators.

OPERATIONAL REVIEW

OUR PEOPLE, CULTURE AND SYSTEMS (continued)

Performance and Rewards

In support of our people, we had in place a robust reward programme including annual salary review, company recognition bonus award, quarterly bonus award for industrial and sales functions, spot recognition and long service awards.

In response to the new way of work, we have continued our focus on flexi working schedules, which has now been incorporated within most functions to THRIVE in line with our new performance approach. THRIVE performance approach will support a high performance culture through mobilizing people to perform at their best and reach their full potential and place performance as the main driver for people's decisions (development, promotion, reward, etc.)

This led to introduction of a new global Human Resource Information Systems (HRIS) which was deployed in Kenya in September 2021.

iii. Employee Wellbeing

Employee wellbeing is non-negotiable in Bamburi, as such in 2021, we rolled out in addition to the biweekly health webinars that seek to empower employees - the living room.

The Living Room is a safe space for mental and emotional wellbeing conversations that are led by a psychologist. This program has seen conversations and series such as effective relationships, conflict management, adverse childhood events, personality traits, communication styles amongst other topics.

In the same breadth, a mental health training program was rolled out for managers. We recognize the role of managers in promoting and supporting mental health, thus creating an environment where all team members can grow and thrive. A key part of this is ensuring that our leaders have the skills and competencies to identify, address and manage the stresses of the modern workplace and impact of mental health on individuals and teams. This Psychological First Aid Training (a Mental Health Training Program) included aspects of psychological First Aid and sought to empower the leaders with tools and skills based on best practices globally. Some of the topics included in the tailor made program included how to provide effective psychological support through active or empathetic listening, helping identify and link individuals to professional psychosocial and mental health services early.

We also rolled out the Elimika Campaign, which sought to demystify concerns and give the correct information on Covid-19 vaccines. The campaign targeted employees, contractors and their families. Additionally, the campaign also hosted webinars with leading vaccine experts in the region to inform and answer questions on vaccinations.

The Wild Goals Challenge, a fun packed wellness challenge that saw staff in Mombasa "walking" to Nairobi and the Nairobi based teams walking to Mombasa. During the challenge a total of over 23 thousand kilometers translating to 24 million steps were covered. The challenge was lots of fun and sought to encourage healthier lifestyle behaviours.

23,000Km

Total distance covered in the **WILD GOALS CHALLENGE.**

Employee Engagement

In order to keep our People engaged, we continued to carry out various engagements and communication programs and activities, ranging from quarterly Employee Pulse Surveys, to programs that support leadership communication like CEO staff webinars, monthly operational leadership meetings, and **Sema na Seddiq** a program that gives employees an opportunity to ask questions or give feedback directly to the CEO. With the pandemic evolving and the health risks still a concern, we continued to equip our staff with the right information, and facilitating them to keep our operations Covid-19 free areas.

Our engaging campaigns and activities covered key business policies such as Health, Safety and Environment (HSE), Diversity Equity and Inclusion (DEI), Compliance, Customer Excellence, among others, culminating in launch of our **'I Am Bamburi'** thematic video campaign to communicate the pride of our employees in the company brand.

The 'I Am Bamburi' videos were shared out widely on our social media platforms and included holiday messages to close out 2021.

OPERATIONAL REVIEW

OUR PEOPLE, CULTURE AND SYSTEMS (continued)

UGANDA

Organizational Effectiveness (OE)

Building on our success in 2020, in 2021 we continued to drive our desire as a business to establish and create a fit for purpose organisational structure that is simple, agile, efficient and that mirrored our business priorities.

In 2021, we optimised the initiatives we introduced in 2020 to continuously build a high-performing organization, capable of and committed to delivering our local strategic business priorities in a sustainable manner despite the prevailing pandemic challenges, lockdown and difficult business environment.

We launched and activated Hilda – the 24/7 HR Assistant across the organisation. Through Hilda we were able to keep our staff engaged and motivated through our different platforms.

This year we also launched and started on the Job Evaluation exercise across the organisation. Line managers had the opportunity to update the position job descriptions and trained to engage and participate in the process. The process calendar will be completed within the first quarter of 2022.

Despite all the disruption and interruption in 2020, we also had the opportunity to introduce and launch SuccessFactors – the new Global HRIS platform.

Success Factors is a comprehensive HR System with a number of modules covering the complete life cycle of staff within the business. By using this new system, employees will now have an opportunity to experience an Employee Self-Service platform that will allow them to interact with different modules on the platform at any given time and location. Given the current status we will continue to use *Adrenalin* only for the Payroll function and transfer all the other HR modules to Success Factors going forward. We had the opportunity to train and activate the leadership team and we will complete this rest of the organisation in the 1st quarter of 2022.

Talent Management

In a bid to establish a powerful combination of talent, underpinned by good management processes, we purposed to work with the regional Talent Management team to create short, medium and long term assignments to grow both technical and leadership skills for all the Executive Commitee (ExCo), as well as other, Leadership and Critical roles. Through our competence assessment and improvement initiatives we have staff enrolled for development in order to be ready to cover within the next 2 to 3 years.

We believe that talented people are a source of enduring advantage. We know that great people build great companies, and that this creates a self-reinforcing cycle because great companies attract the best talent. We take the challenge of talent acquisition and management seriously, because it impacts directly on the competitive ability of the organization.

We continue to develop our diversity agenda and we have grown the Leadership female population from 19% to 40% and the whole organisation from 13% to 17%. This continues to be on top of our minds and we have some robust terms to grow these numbers to 30% across the organisation in the next 3 years.

Through the Talent Management strategy, we rely on a high performance, high engagement culture, underpinned by high calibre people who are enabled by efficient, integrated processes to achieve business results.

In 2021 we continued to drive our goal to prepare the business with 80% pipelines ready now for all our critical positions. Throughout the year we enrolled new talent into our people balance sheet to cover the moves that had been made in the previous year. We currently stand at 80% ready now talent pipelines for all critical roles in the organisation.

Our current turnover rate is 1.5%. Our aim is to keep voluntary turnover at less than 5%.

1.5%
Our current
TURNOVER RATE

OPERATIONAL REVIEW

OUR PEOPLE, CULTURE AND SYSTEMS (continued)

Capability

In a bid to build a learning and self-refreshing organization, in 2021 we continued to focus on the optimisation of Percepio the e-learning platform as part of our Capability strategy following the lockdown due to Covid-19 pandemic. We continue to deliver our capability strategy of 70:20:10 rule with 70% being on the job learning, 20% coaching and mentoring and 10% in classroom training, as our strategy to deliver learning as a significant contributor to business results. In the year, we attained 8.5 hours of learning per month utilised through Percepio the on learning platform and other classroom trainings conducted across the sites.

Through the Cement Industrial Framework (CIF), new health and safety ways of work have been introduced and optimised across our sites despite our current challenges.

Culture

In 2021 we aspired to be masters at anticipating, diagnosing and managing organizational change. We deliberately continued to leverage on our initiatives introduced earlier in the year to improve our ways of work and the employee engagement levels.

We purposed to improve our communication and engagement levels across the organisation and address key concerns real-time through Ask HR, Monthly town halls, Newsletters and Hilda. One of the new exciting platforms was the increased utilisation of the one on one platforms on Hilda for the manager –employee engagement conversations. We have registered 70% increased interaction within teams across the organisation, 80% of our staff are now active on Hilda and the HR team has been able to save 713 productive hours.

We have maintained less than 20% staff at Head Office/Back office and we continue to register improved morale and efficiency for the staff that are working at home.

Using our new People policies, staff have embraced the new ways of work detailed in the booklet. Our culture strategy now is to embrace and manage this change systemically, focusing on people, processes and systems, to create new routines and habits at scale given the new guidelines and practices.

Conclusion

Notwithstanding the current global challenges in the business world, just like in 2020, in 2021 we entrusted our Human Resources to navigate us into our future. This was done through the continuous development and empowerment of our key talent, creating an enabling culture and excellent self-management practices.

In 2021, we were able to optimise our initiatives to create a learning and self-refreshing organization through high-impact HR solutions. We acknowledge that our success in 2021 was attained through our people-based competitiveness as a core driver of our differentiated business performance but also shaped the change agenda that is inherent in our business strategies and priorities, specifically the need to leverage our performance to the standard global scale for competitive advantage.

As we prepare to soar through 2022 we will continue to leverage on our robust Capability and Organizational Effectiveness (OE) interventions, high performance and engagement culture as well as our inclusive Talent Management strategy; in order to deliver our set goals for the rest of the year and build on our strength for the future.

70:20:10 RULE

We continue to deliver our capability strategy of 70:20:10 rule with **70%** being on the job learning, **20%** coaching and mentoring and **10%** classroom.

RISK AND CONTROL

Business Risk Management

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

In 2021, the Group conducted a comprehensive risk assessment 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 arising therefrom.

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

Having an effective and efficient internal controls system is a key objective of the management team. Management is continuously reviewing the internal control framework to ensure that all risks are identified and mitigated.

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.

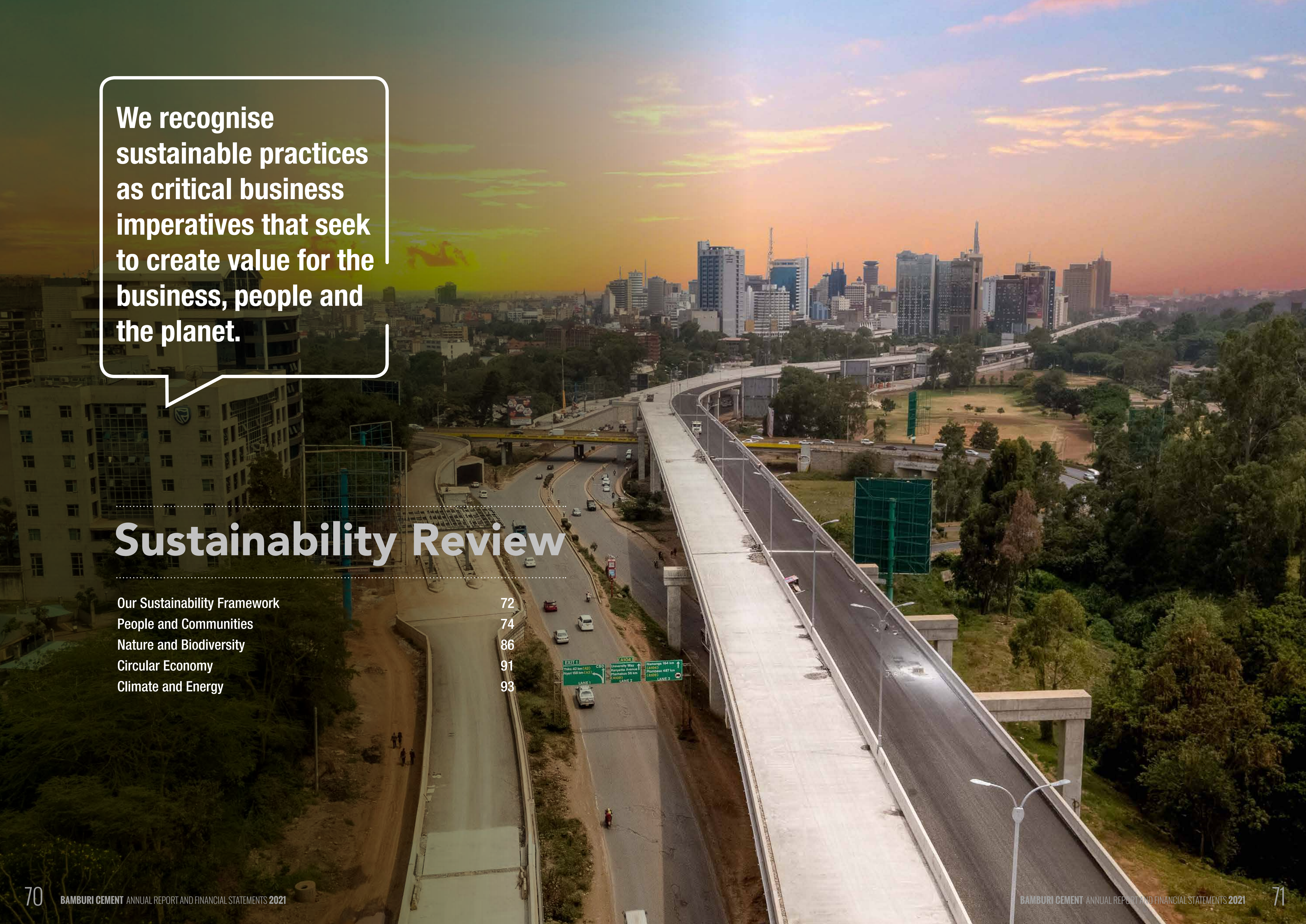
In 2021, the Board conducted a review of the internal policies and internal controls of the material systems in the business.

It is the opinion of the Board that the system of risk management and internal controls is in place and has been effective in 2021.

Internal Controls

The Group has in place sixty two (62) mandatory Minimum Control Standards (MCS's). These encompass controls from Governance and Compliance, Accounting, Financial Reporting and Processes to Health & Safety, Security, Human Resources, Inventory, Expenditure, Fixed Assets and Information Technology. Each Executive Committee Member is responsible for a set of the minimum control standards for their area.

Adherence to these MCSs is mandatory in all our operations across the Group and the MCSs are continuously tested for compliance. The Board through the Audit Committee has reviewed the implementation of MCSs as well as the internal audit reports within the year and is satisfied that the control environment is robust enough to ensure efficient business operations.



We recognise sustainable practices as critical business imperatives that seek to create value for the business, people and the planet.

Sustainability Review

SUSTAINABILITY REVIEW

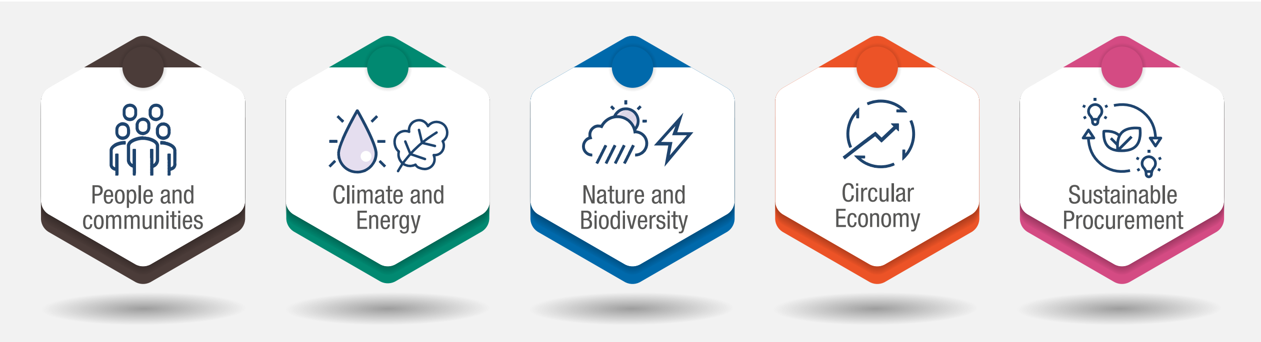
OUR SUSTAINABILITY FRAMEWORK

Bamburi Cement exists to deliver transformational construction solutions for sustained economic growth across the wider Eastern African region. We believe in building progress for people and the planet, advancing society, and uplifting communities.

We remain committed to bringing our sustainability ambitions to life, through tangible initiatives investments and programs that uphold the tenets of responsible corporate citizenship.

Our sustainability agenda is underpinned by our overarching intention to **'Build progress for people and the planet'**.

Bamburi Cement's 2030 plan sets clear commitments and targets that are supportive of the UN Sustainable Development Goals (SDGs), encapsulated in five strategic pillars:



Since its inception in 1951, Bamburi Cement has led the industry in environmental conservation and protection through professional rehabilitation of its exhausted quarries and investing in programs that create value for the communities in which we live and work. Our responsible business practices and partnerships with our stakeholders enhance shared value and growth.

Our passion for people, health, safety, and the environment are at the heart of everything we do. Our manufacturing process also puts us in a position to address waste management and promote a circular economy; by deploying energy recovery strategies through co-processing, we are making the world cleaner and greener.

Across Eastern Africa and the wider continent, Bamburi Cement strives to be a leader in transparency and to have a positive impact in the communities where we operate.

Through proactive Stakeholder engagement, we aim to build and maintain a constructive relationship with stakeholders across the board and operate in adherence to our governance, transparency, and accountability commitments.

SUSTAINABILITY REVIEW

PEOPLE AND COMMUNITIES

KENYA

Stakeholder Engagement

In 2021, the business maintained proactive and consistent engagement with various stakeholders. The engagements were on various aspects of business operations ranging from Health and Safety, Waste Management, Sales, Mining, and Distribution among others. Specific subjects such as the Covid-19 pandemic, quarry management, industry concerns about regulatory and trade matters like proposed tariffs impacting the cement sector, mining levies, and distribution fees at national and county levels, the launch of new products in the market alongside development projects and environmental conservation were covered.

Various stakeholders were engaged in the year at a local and national level. These include Ministry of Health, Ministry of Mining, Ministry of Industrialization, Trade and Enterprise Development, Ministry of EAC and Regional Development, National Environment Management Authority, Kenya Bureau of Standards, Kenya Association of Manufacturers, Kenya Private sector Alliance, Kenya Revenue Authority, Kenya Bureau of Standards, National Transport and Safety Authority, National Construction Authority, Kenya National Highways Authority, and the county governments of Kajiado, Machakos, Mombasa, Kilifi, and Kwale.

We continued to work with local communities and stakeholders in Matuga, Kwale County about the clinker capacity expansion project and the local community in Ngurunga, Kajiado County about our mining operations.

Bamburi Cement joined other corporate organizations and individuals in addressing the Covid-19 pandemic. The company made a Kes 15.6 million donation to the Covid-19 Emergency Response Fund, and extended humanitarian support within the local communities, providing personal protective equipment and thermometers to hospitals and health care workers, and handwashing points, face masks, and hand sanitizers to vulnerable communities.

BCP's Miriam Ngolo engaging the County Liaison Committee regarding the Shale land acquisition

Engaging stakeholders around planned clinker plant

With the new clinker plant project (Project Indigo) in high gear in 2021, Bamburi Cement undertook strategic steps to foster a positive relationship with stakeholders and neighboring communities.

For starters, the team formed the Kwale County Liaison Committee which constitutes various key representatives of the society. These include representatives from the Governor, Senator and Women Representative offices, Local administration leaders led by the District County Commissioner, County NGO and interfaith leaders, People with Disabilities representatives as well as County regulators.

The main mandate of the liaison committee is to be able to engage the various community groups, have consultative discussions and in areas where conflict arises, it acts as a conflict resolution channel.

The team meets every month but communication channels exist for day-to-day engagements.

Kes 15.6M
donation the Company made to the Covid-19 Emergency Response Fund

BCP team led by Miriam Ngolo and Mary Mueni pose for a photo with the environmental team after a site visit of the proposed Clinker Site in Denyenye- Kwale County.

In addition to the County Liaison Committee, Project Indigo also formed the Mwachome Community Liaison Committee. This committee is made up of the community's local leaders and representatives. They include the village leaders, the Project Affected Persons (PAP) committee representatives. Local leaders such as the Area Chief, Marginalized Community Representatives, and People with Disability Representatives.

This committee is very specific to Mwachome Community- the proposed Shale Mining Area and it addresses issues or concerns specific to the community. The Committee meets bi-weekly, where they have collaborative discussions concerning the proposed shale mining land acquisition process as well as discuss ways in which Bamburi Cement in partnership with the community can help to better improve the living standards in the community.

Mwachome Community Liaison members during one of the stakeholder meetings

BCP's Miriam Ngolo and Mary Mueni leads members of the Environmental Committee during a site visit to the proposed Shale Mining Area in Mwachome

Aside from the two committee meetings, the project team has also held various stakeholder engagement sessions with the community. In Denyenye - the proposed clinker plan location - the team has held various engagement sessions with the community leaders where plant construction updates are shared with the team as well as possible social and environmental implications of the clinker plant.

Human Rights Impact Assessment

The Project team is cognizant of the impact of their activities on society. It is against this background that the team conducted two Environment and Social Impact Assessment (ESIA) studies for both Mwachome (Proposed Shale mining area) and Denyenye (Proposed Clinker Plant area). The studies looked at the various key affected areas, assesses what impact would be felt by the community from our proposed activities as well as proposed mitigation measures. This is in line with the guidelines by National Environment Management Authority (NEMA). In addition to conducting the assessment, the team went further to publicly share the same to allow for public participation and feedback.

The public was informed of the findings via radio and print media notices, with the report being uploaded on the NEMA website so that it is accessible to all. The project team also hosted the Mwachome Liasion Community at Haller Park with the aim of not only educating them on environmental restoration but also demonstrating the environmental restoration efforts done by Bamburi Cement. The team was able to pick on the learnings as well as have a reference point against which they can benchmark.

Lafarge Eco System's Karima Nyinge and Paul Opere explain the quarry rehabilitation and environmental restoration process to the Mwachome Community Liaison Committee.

SUSTAINABILITY REVIEW

PEOPLE AND COMMUNITIES (continued)

As the year ended, the Bamburi leadership led by the Board Chair and board members went for a tour of Project Indigo progress. It was an opportunity for the Bamburi Cement Board to engage with the community and have participatory discussions with the community members. The Board chair Dr. John Simba reassured the community of Bamburi's commitment to seamless land acquisition and resettlement process while also affirming our commitment to working closely with the community.

Bamburi Cement Board Chairman Dr. John Simba talking to the Mwachome Community.

Bamburi Cement's Jackson Molo taking the Board team and Community Project team through the proposed Shale Land Map. Looking on are the Board Chairman Dr. John Simba and the MD Seddiq Hassani

Bamburi Cement Board led by Chairman Dr. John Simba poses for a photo with the Mwachome Community Liaison members.

Women on Wheels

Bamburi Cement in partnership with Isuzu East Africa, Kenya Transporters Association and four other organizations launched 'Women on Wheels', a female-centered training and recruitment program seeking to encourage more women to take up truck driving as a career.

The Women on Wheels program, a first in the country, brings together key players in the transport industry who are keen on eliminating the entrenched male culture, improving working conditions and ensuring safe workplaces. Other partners in the program include Defensive Driving Academy and Pioneer Road Safety.

Through the program, the women undergo rigorous technical truck operation and defensive driving training where they are equipped with skills on how to operate heavy trucks, including simulator exercises that expose them to different truck driving techniques; road safety, and soft skills training and coaching.

A total of 21 women were accepted into the program after an intensive recruitment and assessment exercise. They have since been attached to different transporters working for Bamburi. The program will continue in 2022 and beyond with a target to recruit and train 100 women every year.

> ***Kenyan women currently make up only 10% of the public transport workforce; 85% of them work as matatu operators in the Nairobi Metropolitan area – according to a 2020 survey by Flone Initiative.***

Another 2020 study by World Bank and the Ministry of Transport and Infrastructure shows that barriers such as dominant culture of masculinity and gender stereotypes, discrimination, unequal treatment at work, sexual harassment, exposure to violence while on the road and lack of work-life balance, and 'the care trap' create a working environment that fails to attract and retain women in the transport professions.

Beyond the training initiatives, Women on Wheels program will also ensure job placement for the women with Bamburi and its logistics partners. In 2021 a total of 21 women were accepted into the program after intensive recruitment and assessment. They have since been attached to different transporters working for Bamburi Cement.

This programs fits quite well within our Diversity, Equity and Inclusion agenda as a company. In December 2020 Bamburi signed the Women's Empowerment Principles (WEP) as part of our commitment to promoting gender equality and inclusion in our workplace and the community. The gender gap is far from closed, however we are determined to increase the proportion of women in every aspect of our operations. We continue to find more opportunities and partnerships to further entrench and influence equity among our customers, suppliers and communities across markets that we serve.

Women on Wheels program launch event where Bamburi was joined by the program partners, the first cohort recruits, and guests

SUSTAINABILITY REVIEW

PEOPLE AND COMMUNITIES (continued)

Infrastructure Projects

In 2021, the company invested over Kes 2.6 million to improve infrastructural facilities in schools and provide pupils with a conducive learning environment. In partnership with Brookhouse School, Bamburi donated bags of cement to the students' community service program at Mithanga Primary School in Machakos County. The cement was used to renovate 12 units and construct a urinal block at the school.

Further, Bamburi Cement donated paving blocks to renovate a 1500 sqm area within the Nairobi Hospice parking area.

The institution plans to commercialize the car park and generate alternative revenue.

2.6 Million
Amount invested in 2021to improve infrustracture in schools

1500M²
Area in the Nairobi Hospice covered by paving blocks donated by **Bamburi Cement.**

Education and skills

In April 2021 Bamburi Cement Plc launched the annual Scholarship Program to support and encourage bright and needy students in Kajiado and Kwale Counties to further their secondary school. The program seeks to improve the livelihoods of the communities within which Bamburi Cement operates.

The awards were made for the 2021 – 2022 academic year through this program.

Ngurunga, Kajiado County

The flagship beneficiaries were pupils from the Ngurunga Community in Kajiado County. The scholarships awarded to cover the pupils' full tuition, related educational costs as well as school uniforms, back-to-school shopping vouchers, and other costs directly related to education, for the four-year duration of secondary school.

Bamburi team with the community scholarship awardees

Community engagement Scholarship review with Ngurunga area Chief Kaloe

Matuga, Kwale County

The first cohort consisted of 19 students who received support to the tune of Kes. 1.1 million This number is expected to be reviewed upwards for 2022 and subsequent years.

On the 22nd of November 2021, Bamburi scholarship program beneficiaries visited the Bamburi Haller Park to learn more about environmental conservation and sustainability. For the Mwachome community, it was an opportunity for them to learn more about our operations in cement manufacturing in addition to what steps Bamburi Cement takes to restore and conserve the environment.

Culture

World Disability Day also known as the International Day for Persons with Disabilities was proclaimed by the United Nations general assembly's resolution 47 in 1992. This is a platform for awareness creation, appreciating the achievements, and mobilizing support to advance the rights and dignity of people with disabilities.

During the 2021 celebrations marked on Friday 3/12/2021 at the Kwale Barraza Park in Matuga Kwale County, Bamburi Cement provided tents and chairs for the occasion.

Community Partnerships

As part of community engagements in Matuga, the site of the proposed clinker plant, the project team also engaged in employing the local youth. This was done through two initiatives. One was by Bamburi Cement hiring 10 casual laborers to directly work on the site for six months.

Secondly, Bamburi Cement encouraged third-party contractors to source labor from within the community. Contractors such as Earth Resources Limited and Daton Engineering have employed casual laborers from the community, providing employment opportunities to the community's youth.

The project team also gave firewood donations to women groups as part of its environmental sustainability program. The firewood is usually collected from the fallen branches and then donated to the women's group who use it as an alternative to charcoal for their various domestic uses.

SUSTAINABILITY REVIEW

PEOPLE AND COMMUNITIES (continued)

Health Programs

Mother and Child Health Program

- At Bamburi Cement Staff Clinic in Mombasa

Globally, Kenya ranks among the ten countries that bear the greatest burden of maternal deaths. In the Coastal region, the maternal mortality rate stands at 637 deaths per 100,000 live births (Ministry of Health, MOH 2017). Key contributors to this include limited access to health care, lack of information, and outdated cultural practices (MOH, 2017). HIV/Aids also poses significant socio-economic challenges to the community.

The mother and child health program seeks to address the inequalities that affect health outcomes, especially sexual and reproductive health and rights as well as stop preventable deaths among these vulnerable groups. The program focuses mainly on pregnant mothers, infants, and children below the age of 5 years, by ensuring that each stage is a positive experience and ensuring that women and their babies achieve optimal health.

It also reinforces Bamburi Cement's contribution to sustainable development goals, specifically Goal No.

The following services are provided in the Mother and Child Program:

a) Prenatal and Antenatal Program

Services offered here include Health education about safe motherhood, nutritional counseling, key laboratory tests, correct staging of the pregnancy, unborn child monitoring, treatment to protect both the mother and the unborn child from contracting malaria, HIV counseling and testing, referral linkages for high-risk pregnancies, and information about birth spacing. Teen mothers receive counseling services and are then connected to a support group.

FACT CHECK

In the Coastal region, the maternal mortality rate stands at 637 deaths per 100,000 live births.

*Ministry of Health, MOH 2017

Testimonials

"When I tested positive for HIV in 2016, I was so shattered because I thought my child will get the virus and die. The team here counselled me and put me into the PMTC program and started me on HIV medications. They linked me to a hospital to deliver given my circumstances, they even visited me at the hospital after delivery. At the age 6 months my child tested negative and a confirmation after 18 months. Today he is 3 1/2 years, healthy and strong – no HIV virus in him.

I am so happy - God bless Bamburi Cement"

"I have been coming here since my first pregnancy in 2010 the team is welcoming and made me realize that I am not walking alone, especially when I got my twins early this year I was not sure I would make it to do exclusive breastfeeding. I am happy the clinic team advised me, checked on me and encouraged me. It's now 9 months and they boys are doing great"

SUSTAINABILITY REVIEW

PEOPLE AND COMMUNITIES (continued)

b) Children Under Five

Children from the age 0 to 5 years receive vaccinations, growth monitoring to ensure they are growing optimally, vitamin and iron supplementation, deworming, and treatment for diseases such as malaria, pneumonia, and diarrhea.

During the year 2021, the staff clinic attended to 3,948 children, up from the prior year when it attended to 2,841 child patients. It attended to 517 mothers in the Antenatal and family planning services and recorded 451 visits for HIV services.

3,948
nº of Children attended to at the staff clinic during the year **2021.**

517
nº of mothers were given antenatal & family planning services the same year.

4,568
nº of Covid-19 vaccines administered in the last quarter of **2021.**

• Covid-19 Vaccination Drive

The world's largest-ever vaccination drive is still underway with Covid-19 vaccines being administered worldwide. Vaccines are considered the most critical tools in saving lives. Bamburi Cement partnered with the Machakos and Mombasa County Governments to host vaccination drives in the various sites. Additionally, the staff clinic in Mombasa became a Covid-19 vaccination center. Nine vaccination drives were conducted and 4,568 vaccines were administered in the last quarter of 2021.



Conservation Stakeholders Focus

Lafarge Eco Systems engages different stakeholders and customers through ecosystems restoration, education, and awareness drives. Consequently, LES continued to actively represent Bamburi and engaged in many Technical Environmental Management forums to emphasize commitment to environmental sustainability. In 2021, LES presented in First Plastic Wastes Management Workshop convened by the County Government of Mombasa (Energy, Waste Management and Environment), where Bamburi showcased its ongoing efforts of waste management at Mtopanga River and the alternative fuels efforts at the MOM which were highly appreciated by County of Mombasa, NEMA, WWF and KMFRI for this initiative. LES also participated in Experts Meeting for Review of NEMAs First National Marine Litter National Action Plan (FNMLAP) in a workshop held in Mombasa under the Integrated Coastal Zone Management Committee where Bamburi is actively represented in the National ICZM Steering Committee by Lafarge Ecosystems and participates actively in the search for sustainable solutions to challenges facing the coastal environment.

Albert Musando, presenting on Plastics free Ecosystems in Diani during a Mombasa County Workshop on management of plastics and microplastics in the environment.

We also hosted a renowned Kenya Musician David Mathenge (Stage name 'Nameless') at the Bamburi Forest Trails. He was joined by his family in planting trees at the Great Lake location of Bamburi Forest Trails in North Quarry. They planted 15 indigenous, biodiversity and shade trees suitable for the transformation of the site to a future recreation and event site.

LES piloted modified Whittaker plots in Haller Park for biodiversity monitoring and ecosystems management. This was an exciting opportunity where a local Botanist and Pwani University joined LES Conservationists to engage in a rigorous field activity geared towards understanding ecosystem dynamics in our rehabilitated quarry ecosystems.

BUSINESS OVERVIEW
SUSTAINABILITY REVIEW
GOVERNANCE
FINANCIAL REVIEW

SUSTAINABILITY REVIEW

PEOPLE AND COMMUNITIES (continued)

Human Rights

We are committed to respecting and promoting human rights in our operations, business activities, business relationships, and in the communities where we work. Human rights are universal and inalienable rights that all people should benefit from, and that allows them to live in dignity, freedom, equality, justice, and peace. Human rights are essential to the full development of individuals and communities.

Respect for human rights is fundamental to our ability to do business. By respecting human rights we strengthen our social license to operate: we empower people and communities to build better futures for themselves, we avoid harming people, and we live up to our own and society's expectations, and create positive social impact linked to our business.

In 2021 we conducted a Human Rights Impact Assessment to check on the status of our operations' impact on our stakeholders, conducted refresher human rights training with key employees, and during our Compliance week campaign refreshed our employees on our Code of Business Conduct which includes Human Rights.

UGANDA

Stakeholder Management

We remain committed to building strong relationships with all our stakeholders at the national, district, and community levels to get the most out of the shared benefits from our business in Uganda.

We had several engagements with the Uganda Manufacturers Association following the introduction of the Digital Tax stamps for cement and sugar in Uganda, to ease the adoption into our production processes. We are members of the Uganda Chamber of Mines and Petroleum and we supported and participated in the two high profile conferences – The Oil and Gas Convention in June and the Mineral Wealth Conference in October.

Our Head of Legal, Compliance, and Corporate Affairs also serves on the Advisory Council of the Chamber. We had many other engagements with UMEME on power supply, Directorate of Mines and Geological Survey, Ministry of Gender and Labour, National Environment Management Authority, Uganda Revenue Authority, Uganda Wildlife Authority concerning our Dura Quarry and so many other key authorities and ministries.

We also had several engagements with stakeholders in our local community, local leaders, opinion leaders, and community members in Kasese, Kabarole, Kamwenge, Tororo, and Kapchorwa.

Human Rights

In 2021, we conducted refresher training for our employees on our Code of Business Conduct which includes Human Rights and the foundation of the new Holcim Group Human Rights and Social Policy which was launched in June. This reinstated our commitment to educate and empower our employees and suppliers on the principles of upholding human rights.

We also conducted a Human Rights Impact Assessment to identify and address risks and negative impacts from your operations and activities to people.

Covid-19 support

During the second Covid-19 wave in Uganda, we supported our host communities with hygiene supplies including handwashing stations, liquid soap, and disinfectants, spray pumps for disinfecting health facilities and public facilities, medical supplies including gloves, and medical masks.

Our employees handed over the items to the communities in

Kasese and Tororo to support the Covid-19 response efforts in August.

We will continue to work with our host communities in the fight against this pandemic while advocating for safe practices in our operations.

Our ambulance remained at the disposal of the Hima community in Kasese to assist with emergency evacuations, both covid-related and otherwise.

Construction of Boreholes for Saaka community

We believe in the right for everyone to have access to clean water. In 2021, we constructed two boreholes for the Saaka community in Kichwamba sub-county in Kabarole District. The two boreholes will benefit over 500 households.

Livelihoods Development through Agribusiness and Microcredit structures

The Hima plant has been sourcing pozzolana from Harugongo sub-county in Kabarole district for over 20 years. Since 2017, we formalized a partnership with SOS Children's Villages, to manage a program to improve livelihoods through agribusiness, micro-credit structures, and vocational training. 180 families are benefiting from the agribusiness where we supply farming inputs like seeds and tools, 300 micro-credit structures where members pool their resources and provide small loans for various enterprises to their members; and vocational training for the youth where 10 youths are enrolled for training in hairdressing, welding and tailoring each year, giving them a chance at earning a decent living.

500
nº of households that will benefit from the 2 boreholes constructed for **Saaka community.**

180
nº of families benefiting from the agribusiness where we supply

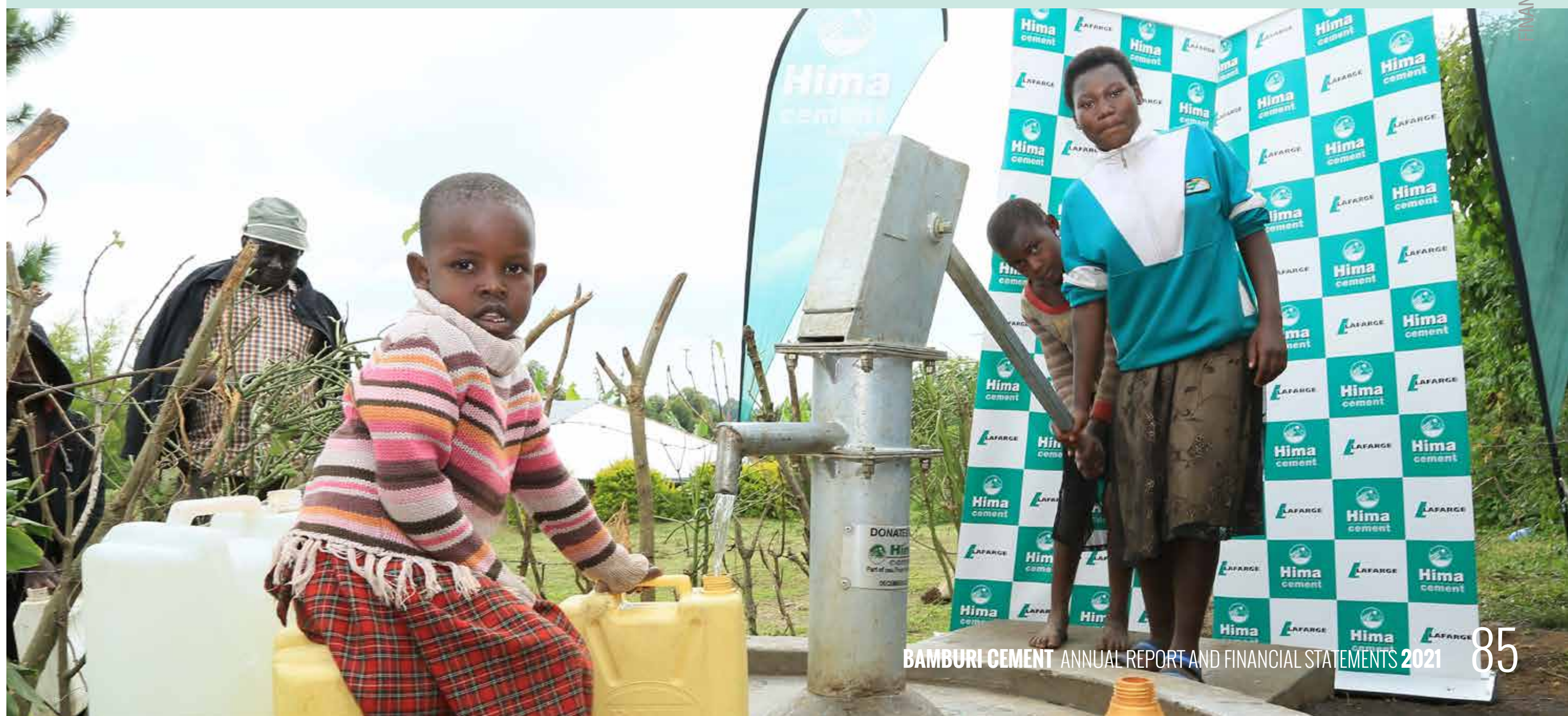
1,097
nº of students at **Hima Primary School,** the institution we supported during Covid in 2021.

Support to Hima Primary School

Although schools were closed for most of 2021, they were open in the first quarter of the year. Hima Primary School is our adopted school neighboring our plant in Kasese.

Although the school is government-owned, Hima Cement has been offering essential support to the school for over 20 years – In 2021, the support included supplementing teacher salaries and remunerating support staff, providing utilities like water and electricity, Covid-19 hygiene supplies, and ensuring the security of the school premises.

*The school has **1,097 students.***



SUSTAINABILITY REVIEW

NATURE AND BIODIVERSITY

KENYA

Pursuing our Environmental Targets

Under Environment, our main focus was on tree planting, with a target to have over 10% tree cover by the end of 2022. In 2021, we managed to achieve 4.5% tree cover in the Mombasa Plant and 3% in the Nairobi Grinding Plant.

We also focused on emissions management to ensure we don't emit dust to the environment. This was done through live monitoring and taking interventions as necessary as well as installation of opacimeters in the secondary stacks. This is in line with our sustainability agenda as a responsible company to ensure no harm to the environment.

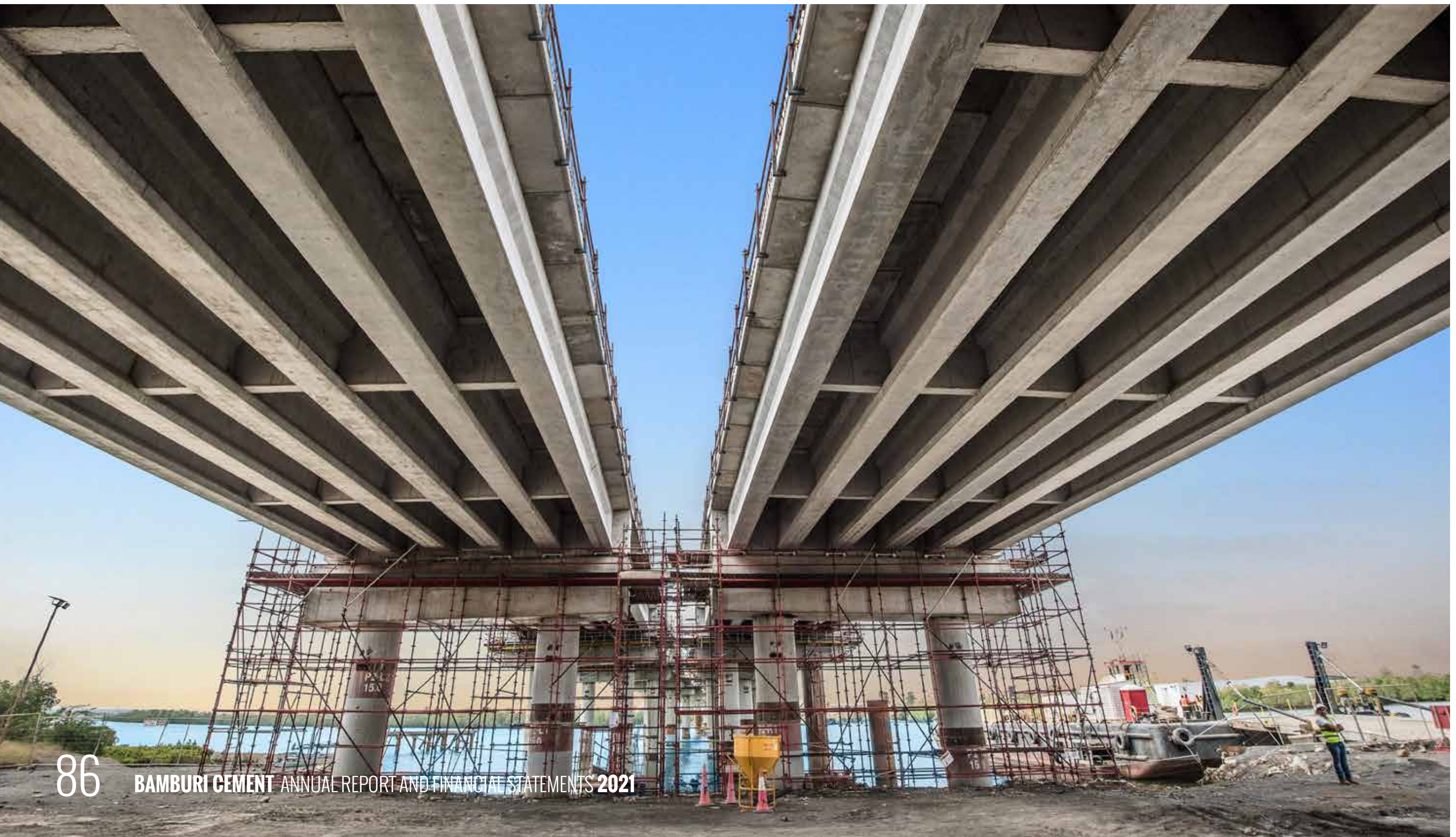
Water

Water management was also a key focus area for the company with the intention to reduce freshwater withdrawal. This was done through metering and monitoring water consumption and eliminating leakages. In 2022 the focus will be on installing water treatment plants to facilitate wastewater treatment for recycling purposes for greening of the environment.

We continue to pursue the goals of having all our sites water positive by 2023. We will provide our communities with more water than we utilize and reduce our clean water utilization. We made some progress in Mombasa Plant in regards to reducing the use of fresh water in our operations.

Across all our sites we continue to pursue plans to achieve bigger results through metering and monitoring water consumption and eliminating leakages.

In 2022 the focus will be to install water treatment Plants to facilitate wastewater treatment that will also go into recycling purposes for the greening of the environment. Part of ongoing plans into 2022 is the construction of boreholes at schools and communities to support their access to clean water.



Rehabilitation, Ecosystems Maintenance and Biodiversity

LES rehabilitated a total of 9 hectares: 5 ha in Vipingo (geotechnical works and initial planting) and 4 ha in South Quarry. The work undertaken included cliff sloping, land preparation, and feature creations for quarry safety and land use. LES continued to spearhead the eradication of invasive plants in the Bamburi's quarry ecosystem for the development of coastal indigenous forests of grasslands, forests, wetlands, and rocky outcrops. A total of 15 hectares were covered. In the Vipingo quarry, a total of 25 hectares are under active plantation maintenance.
Biodiversity conservation in the rehabilitated quarry ecosystems was active throughout the year with Butterfly surveys conducted in Vipingo, bird surveys in all the sites, and vegetation surveys in Haller Park. LES also cleared invasive species and weeds in the south quarry and North quarry ecosystems covering 15 Ha of the land to open up spaces for wildlife grazing fields and planting of indigenous trees for environmental integrity and sustainability. Weeds/invasive plants are a big challenge in ecological restoration as they suppress or kill important species, hindering them from access to resources in restored landscapes.

Environment, Cultural, Recreational Activities

Bamburi Cement has invested close to Kes 3 million in environment and sustainability initiatives in our Communities. In May 2021 we marked the Endangered Species Day and International Day for Biological Diversity respectively. These celebrations recognize the animals around the world most in need of protection, as well as conservation efforts; and to commemorate the occasions, the LES staff led by Chief Operating Officer Peter Mbaru engaged in a series of activities meant to positively impact the restored ecosystems at the Bamburi Forest Trails. The most notable of these activities was the massive collection of garbage dumped along the North Quarry walls. The day's undertaking also included the removal of terrestrial and aquatic plant weeds and the planting of useful species to support the emerging ecosystem. In addition to the North Quarry clean-up, the team conducted other notable activities and conducted the Mtopanga river cleanup initiative. Bamburi also participated in the annual ocean clean-up exercise.

Maintenance of Bamburi's Mtopanga River Ecosystem.

Mtopanga River is a seasonal river that passes through heavily populated settlements of the Bamburi area. In 2021, LES maintained an active hands-on approach in cleaning this river, minimizing the ocean waste burden. On World Ocean Day alone we cleaned up non-degradable solids from Mtopanga Seasonal River Ecosystem, where about 500kg of mixed solid waste was collected and removed from the river. This waste would otherwise have ended up in the ocean, affecting not only the quality of Kenya's beaches but also spreading disease and destroying natural ecosystems.

In 2021 a total of 1709.5 kg of waste was collected from the Mtopanga river.

Paul Opere and Linda Sogot weigh solid wastes from Mtopanga River. Mixed solid wastes incoming from unplanned settlements cross over to the ocean some are trapped in the Mtopanga River

Albert Musando loads solid wastes at Mtopanga River to mark World Oceans Day (WOD).

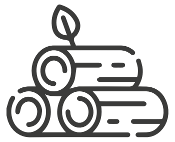
SUSTAINABILITY REVIEW

NATURE AND BIODIVERSITY (continued)

Firewood to the Community as Part of Trees Maintenance

This is an initiative that was introduced by Bamburi Cement to support the neighboring villages. This initiative benefits 70 homesteads drawn from the neighboring communities of Maida, Mwandimu, Birikani, Nguluku, and Denyenye ya Kati villages in Kwale County.

The women collect firewood twice a week under strict supervision. In 2021, we donated over 22,380kgs of firewood through this initiative. The firewood is a byproduct of our tree plantation maintenance works i.e pruning, removal of dead trees, and clearance of unwanted vegetation.



22,380Kg of firewood collected in **2021** under the initiative introduced to support villages in Kwale County.

Women from the neighboring Mwandimu Village collect firewood during one of the firewood donations days.

A community member from Mwandimu Village carrying a head load of firewood.

Strategy & Business Development Director Miriam Ngolo converses with local administration during one of the community engagement meetings

PART OF YOU FROM THE START

UGANDA

Environment

As a responsible organization, we continuously ensure that all our operations comply with the relevant environmental laws, regulations, and standards applicable to our products and operations. We promote strict adherence from all our operations and sites. We conducted the annual environment audits for all our sites and quarries. We also carried out the stack measurements at Hima Plant with a 3rd party provider to measure our emissions.

We operate 5 quarries in Kasese and Kabarole, and one quarry in Kapchorwa. All our quarries have obtained the necessary licenses from government authorities and conduct environmentally friendly quarrying operations.

Water stewardship in our operations is a key priority for the Holcim Group and us at Hima Cement. In 2021 we withdrew 0.806 m3 of freshwater (withdrawal per unit of production) to produce 1 tonne of cement.

Moreover, there was little change in our water consumption efficiency. We, therefore, remain focused on reducing the amount of water withdrawal from the perspective of improving production efficiency.

Water Stewardship in our Operations

0.806M³ amount of freshwater that we withdraw to produce **1 tonne of cement.**

NATURE AND BIODIVERSITY (continued)

Water and Sanitation

The coastal region of Kenya grapples with water scarcity and low sanitation and hygiene coverage. This is mainly due to years of recurrent droughts, poor management, contamination of the available water, and rapid population growth.

Bamburi supported Mkokoni Primary school to improve their WASH situation by connecting water from a borehole to the school premises. Increased access to water results in more time spent in undertaking productive activities that will lead to reduced poverty levels. This donation included an eight-point handwashing station to be used by the students and staff.

Installation of water pipes at Mkokoni Primary School - Kwale County.

CIRCULAR ECONOMY

KENYA

Geocycle Kenya

Contributing to the circular economy in line with the country's sustainability agenda.

Bamburi Cement takes lead in providing sustainable waste management solutions

The introduction of co-processing – a globally accepted technique of converting energy from waste – has seen Bamburi Cement deepen its commitment to adopting environmentally-friendly and sustainable approaches in its operations. Through Geocycle Kenya, Bamburi Cement has played an integral role in providing sustainable solutions to address the waste disposal challenges in Kenya. Some of the programs rolled out include:

- Safe Waste Oil Disposal (SWOD) program in partnership with the Petroleum Institute of East Africa
- Disposal of disused tyres in partnership with fleet and logistics companies
- Disposal of rice husks in partnership with farmers in Mwea and AheroD
- Destruction of condemned cargo including counterfeit products in partnership with the Anti-Counterfeit Authority (ACA) and Kenya Bureau of Standard (KEBS).

Waste incineration is done in compliance with the National Environmental Regulatory Authority (NEMA) standards. Over the past ten years, Bamburi Cement has co-processed more than 200,000 tonnes of waste ramping up to approximately 25,000 tons of waste annually. This co-processing not only supports the environment but also provides Direct and indirect employment opportunities for over 200 people.

Co-processing is a key lever to ensuring a sustainable future through control of carbon dioxide emissions. We remain committed to a Zero Waste Future and continued contribution to a circular economy.

UGANDA

Co-processing enables the Hima Plant to use waste as a resource; particularly as an energy source. For years now, our Hima Plant has used this technology to replace traditional fuels. In 2021, a total of 80,000 tons of waste was co-processed and accounted for 60% of all energy used by our kilns. The streams of the waste consumed in 2021 include coffee husks, crushed palm kernels, rice husks, groundnuts husks, sawdust, Carbon black, distillation residues from tyre pyrolysis factories, and used oil from Total Energies and Vivo Energies.

The Hima Plant piloted the use of waste artificial Gypsum as an alternative raw material in the production of clinker. A total of 653.68tons was consumed. Another key milestone was the commissioning of the industrial chemical chute at Hima Plant Kiln 3 for the safe disposal of hazardous wastes from other industries. We signed key partnerships to manage waste for several companies including Africa Agrotech, Medicins san Frontiers, Diageo, Vivo Energy, and Total Energies to manage their used oil. All this will go a long way to protecting the environment.

Geocycle Uganda Performance Report 2021

Geocycle Uganda has operations in Uganda within the two sites namely:

- Hima plant Kasese (2 kilns, HGG, and sawdust platform)
- Hima Tororo grinding station (HGG)

Geocycle Uganda provides waste management solutions for industrial and agricultural wastes

for safe disposal by co-processing at all our plants in Uganda.

SAFETY

No Lost Time Incidences (LTI) occurred in any Geocycle site in Uganda in 2021

Gross added value and TSR Performance 2021

Geocycle Uganda performance for the year 2021 was outstanding in terms of thermal substitution ratio (TSR) and gross added value (GAV). TSR global performance of 60% was achieved. A global GAV of KES 839mio versus a budget of KES 959mio due to the low cost of traditional fuel on account of imported coal from Tanzania. Alternative fuels cost was slightly above the budget 565KES/GJ vs. Bgt of 507 KES/GJ on account of increased usage of light diesel oil for plant startups coupled with low net calorific values due to the high biomass moisture. The alternative fuels consumed in 2021 included: coffee husks, crushed palm kernels, rice husks, groundnuts husks, sawdust, Carbon black, distillation residues from tyre pyrolysis factories and used oil from TotalEnergies and Vivo Energies.

Our Sustainability Achievements

- Excellent Health and safety performance with zero LTI.
- Use of renewable energy i.e. biomass for climate change mitigation through carbon foot print reduction,
- Heat recovery from wastes that include carbon black, used oil, waste paint and plastics (10% heat contribution- TSR)
- Through Circular economy, win-win mutual benefit to Hima and our stakeholders. For example coffee farmers within Uganda benefit from income realized from sale of coffee and husks hence improved household income.
- Successful used industrial trial and breakthrough Memorandum of Understanding (MoU) with TotalEnergies and Vivo energies for used oil.
- Commissioning of the industrial chemical chute for safe disposal of hazardous wastes from other industries
- Successful Stakeholder partnerships for collaborations e.g. Signed MOU's with Africa Agrotech, Medisins san frontiers, Diageo, Vivo energies and TotalEnergies; this will go a long way to protecting the environment.

SUSTAINABILITY REVIEW

CLIMATE AND ENERGY

Quarry Rehabilitation

Lafarge Eco Systems (LES), the environmental arm of Bamburi Cement, is responsible for quarry rehabilitation, ecosystems development and management, conservation education, and community sensitization on matters of conservation and environmental sustainability. LES also manages Bamburi Cement's reserve lands, forest plantations, and housing estates.
In 2021 nine hectares of former quarry land were rehabilitated and xx trees were planted.
LES also undertook multiple projects with communities and local agencies in wildlife rescue, and conducted education and awareness in human-wildlife conflicts.

South Quarry in 2021 is ready for initial planting. A total of 4 ha was prepared and rehabilitated in 2021.

SUSTAINABILITY REVIEW

CLIMATE AND ENERGY (continued)

Participating in the Global Conservation Stage

Bamburi through LES actively participated in numerous International environmental conservation events including Bird Census, in partnership with a global Pwani University. Our restored ecosystems have been identified as a hot spot for biodiversity on the world map, hosting important bird species including Madagascar Pond Heron **(Ardeola idea)**.

We also joined other conservationists globally in the 2021 UN ***Decade on Ecosystem Restoration 2021-2030***, hosted by UNEP and UN Decade partners in Pakistan.

In March 2021 the business joined the rest of the world during World Wildlife Day which marks the adoption of the Convention on International Trade in Endangered Species of Wild Plants and Animals (CITES). LES engaged in creating awareness in line with the festivities' theme, '***Forests and Livelihoods: Sustaining People and Planet***'.

Sustainable Construction

i. 3D Construction

2021 witnessed the introduction of 3D construction in Kenya. 14Trees, a joint venture between Holcim and CDC Group unveiled Mvule Gardens - Africa's largest 3D-printed affordable housing project. Located in Kilifi it is one of the largest 3D-printed affordable housing projects in the world. For Bamburi Cement, it underpins the commitment to supporting the Government of Kenya's Big 4 Agenda on affordable housing. It is part of the Green Heart of Kenya regenerative ecosystem, a model for inclusive and climate-resilient cities. Its advanced sustainability profile won an IFC-EDGE Advanced sustainable design certification, which recognizes resource-efficient and zero-carbon buildings. Bamburi will be supplying innovative building materials, including the Tector range of mortar products.

ii. Houses of Tomorrow program

The Houses of Tomorrow program supports customers in selecting, designing, and using locally available materials that bring down carbon emissions in their overall construction.

In its ambition of becoming a net-zero company, Bamburi is also growing its portfolio of green cement – and so far the company has the greenest cement with the lowest carbon emission in the market, Duracem cement, and Fundi cement. These solutions are a testimony of Bamburi's commitment to innovative solutions that reduce carbon emissions across the entirety of our operations, as well as leading the industry in sustainable construction solutions.

Carbon Emissions

In line with the Holcim Group targets of having net zero-emission in our operations, Bamburi Cement has made great strides in reducing its carbon footprint. Within the country, Bamburi Cement is the only cement company that has started the carbon footprint tracking for the cement production and therefore putting in place initiatives that reduce the carbon footprint.

Improving our Thermal Substitution Rate (TSR) continued to be part of our drive towards our Net Zero ambitions. In 2021 we exceeded our targets and moved from specific net 462.9 kg CO2/ t Cementitious in 2020 and achieved specific net 445 kg CO2/ t Cementitious, against a target of specific net 451 kg CO2/ t Cementitious (approved by the Science Based Targets initiative (SBTi).

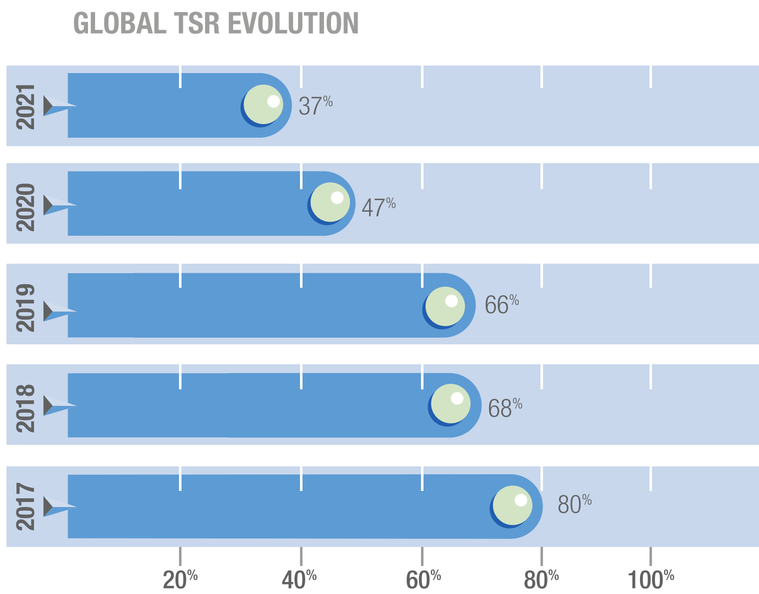
Bamburi continues to work hard at reducing its net carbon emissions and we look forward to even bigger improvements in 2022.

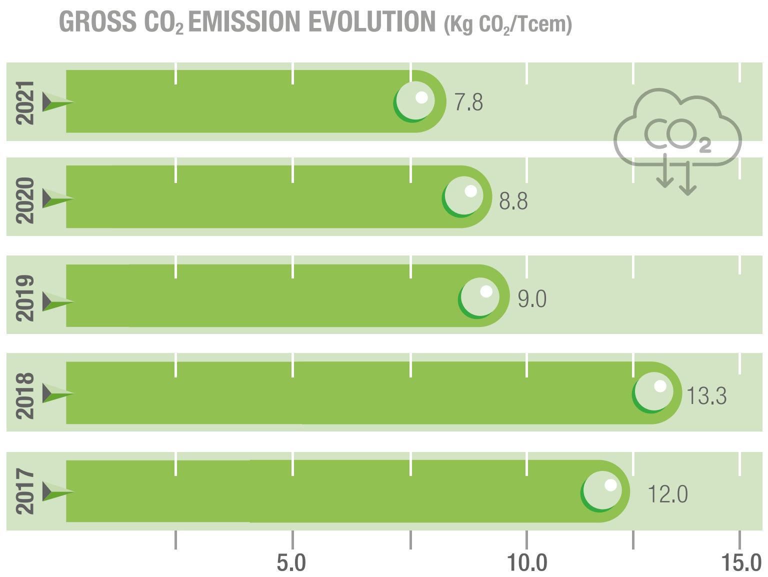
Case study: Elimination of HFO usage at Nairobi Grinding Plant (NAI)

Why (Reason for the project): reduction of carbon emissions; managing high costs of natural fuels (diesel, HFO, etc); finding a local solution for the raw material drying process; and production cost management.

How: A wide range of materials were tested to investigate the Calorific Value (CV); we investigated challenges on handling and usage and carried out Environmental Impact Assessment (EIA) as well as Process and cement quality impact assessment and Cost Impact assessment. We then pursued Licensing and permits (Incinerator and Emission license). We also did a modification of feeding equipment for the drier and VCM to effectively manage consumption.

The TSR Evolution





SUSTAINABILITY REVIEW

CLIMATE AND ENERGY (continued)

Carbon Emissions continued

Our journey: we have introduced the use of Biomass like rice husks, maize grit; used oil from industrial operations while leveraging our Safe Waste Oil Disposal (SWOD) partnership with the Petroleum Institute of East Africa (PIEA).

Our wins: We have seen a huge reduction in the consumption of natural fuels (HFO) and complete elimination of HFO usage on the Vertical Cement Mill (VCM). Consequently, we have achieved a current substitution rate of 80% compared to the initial 15% achieved in 2014. There are also huge savings on drying costs as we achieve a reduction of the carbon emissions, use (dispose of) more waste, and promote the circular economy.

We celebrate our industrial team at the NAI Plant who together with our Geocycle team was able to achieve this milestone – the highest level of energy substitution ever.

AF- Rice Husks- Offloading and storage bay

AF feeding by the Rokan team

Dust emission control at our Mombasa Plant

In our ongoing efforts at dust emission control, at our Mombasa Plant we started the process of replacing the ElectroStatic Precipitator with the more efficient dust control option of a bag filter, which is expected to be completed in Q1 of 2022.

This will play a big role in reducing the dust emission in kiln no1 and contribute to the wider company Sustainability efforts.

By delivering value to our customers and stakeholders we create value for the company.

Governance

GOVERNANCE

CORPORATE GOVERNANCE STATEMENT

OVERVIEW

Corporate governance refers to the systems, processes and principles used to direct and manage a company. The ultimate goal of effective Corporate Governance is long-term value creation and strengthening of a company's reputation. This includes continuous improvement to decision-making processes and management systems through legal, organizational, and ethical directives.

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

This corporate governance statement therefore provides necessary information to enable stakeholders evaluate how the Company has applied the principles of the Capital Markets Act Code of Corporate Governance for Issuers of Securities to the Public 2015 and should be read together with the wider corporate governance report on the Company's *website: www.lafarge.co.ke*.

Except where otherwise indicated, this Corporate Governance Statement reflects the legal situation as of 31 December 2021.

The Company aims to maintain a balanced relationship between management and control by keeping the functions of Chair of the Board of Directors and Managing Director separate.

THE BOARD

Mandate

The Board's main role is providing strategic leadership and stewardship for the Group. Its operations are governed by the Company's Articles of Association, the Code of Business Conduct, the Board Charter, the approved Board annual work plan and statutory provisions under the laws of the Republic of Kenya.

To ensure that 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 or through its committees can handle. Any issues outside these, are delegated to Management through the Schedule of Matters Delegated by the Board.

Key responsibilities of the Board include:

- Defining the Company's mission, vision, its strategy, goals, risk policy plans and objectives;
- Approving the Company's annual budget;
- Overseeing the Company's management and operations, management accounts, major capital expenditure, performance and strategies;
- Identifying the business opportunities and principal risks in the Company's operating environment and regularly reviewing the adequacy and integrity of the Company's internal control systems and risk management framework;
- Developing an appropriate staffing and remuneration policy for senior management and the Board;
- Reviewing the Company's property acquisition and divestitures and management information systems;
- Monitoring the effectiveness of the agreed corporate governance practices and ensuring compliance with the Code of Business Conduct and compliance with applicable laws, regulations, rules and guidelines;
- Reviewing and agreeing Board succession plans and approving Non-Executive Director appointments; and,
- Establishing and implementing a system that provides necessary information to the shareholders.

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

The Board Charter and terms of reference of each committee are reviewed at a minimum once every two (2) years and updated to ensure that they remain dynamic and relevant.

Composition and Size

The Board is composed of a total of eleven (11) directors with eight (8) being non-executive directors. The Board composition remained the same for the year ended 31 December 2021 with four (4) independent non-executive directors, four (4) non-independent non-executive directors and three (3) executive directors, representing five (5) different nationalities and diverse professional backgrounds.

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

Since the last report, Pierre Deleplanque resigned as a non-executive director and was succeeded by John Stull. At the Annual General Meeting held on 10 June 2021, Shareholders re-elected Mbuvi Ngunze, Vasileios Karalis and Austin A.O. Ouko who had retired by rotation.

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

With over **70%** comprising of non-executive directors, the Board is able to effectively **provide independent oversight on strategy…**

GOVERNANCE

CORPORATE GOVERNANCE STATEMENT (continued)

Operations

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

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

To adequately cover the Board's annual work plan, meeting dates for the full calendar year are agreed in November of the preceding year. In 2021, the Board held five (5) meetings to enable it cover the planned activities for the year. Owing to the containment measures to prevent spread of Covid-19, a majority of the meetings were held virtually.

The attendance report for the year under review is set out in the table below:

Director	Category	Board	Audit & Risk Committee	Nomination, Remuneration & HR Committee	AGM
1. Dr John Simba	Non-executive	5/5	-	3/3	0/1
2. Seddiq Hassani	Executive	5/5	5/5	3/3	1/1
3. Grace Oluoch	Executive	5/5	5/5	-	1/1
4. Alice Owuor	Non-executive	5/5	5/5	2/3	1/1
5. Dr Helen Gichohi	Non-executive	5/5	-	3/3	1/1
6. Jean-Michel Pons	Executive	5/5	5/5	-	0/1
7. Mbuvi Ngunze	Non-executive	5/5	5/5	3/3	1/1
8. Rita Kavashe	Non-executive	5/5	5/5	-	1/1
9. Vasileios Karalis	Non-executive	5/5	-	-	1/1
10. John Stull	Non-executive	3/4	-	1/1	1/1
11. Austin A.O. Ouko	Non-executive	5/5	3/3	-	1/1
12. Pierre Deleplanque	Non-executive	0/1	-	0/2	-

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

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 one week in advance, the Directors are expected to be sufficiently prepared for and fully participate in all meetings.

The Chairman and Group Managing Director meet at least once a month, where the Group Chief Executive Officer 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 independent non-executive Directors held discussions before/after Board and/or Committee meetings in the absence of Management.

Director Compensation

Director compensation is reviewed annually by the Board and approved by the Shareholders at the Annual General meeting. The details of the Directors compensation are contained in the Directors' Remuneration Report which is contained on page 115 of this Annual Report.

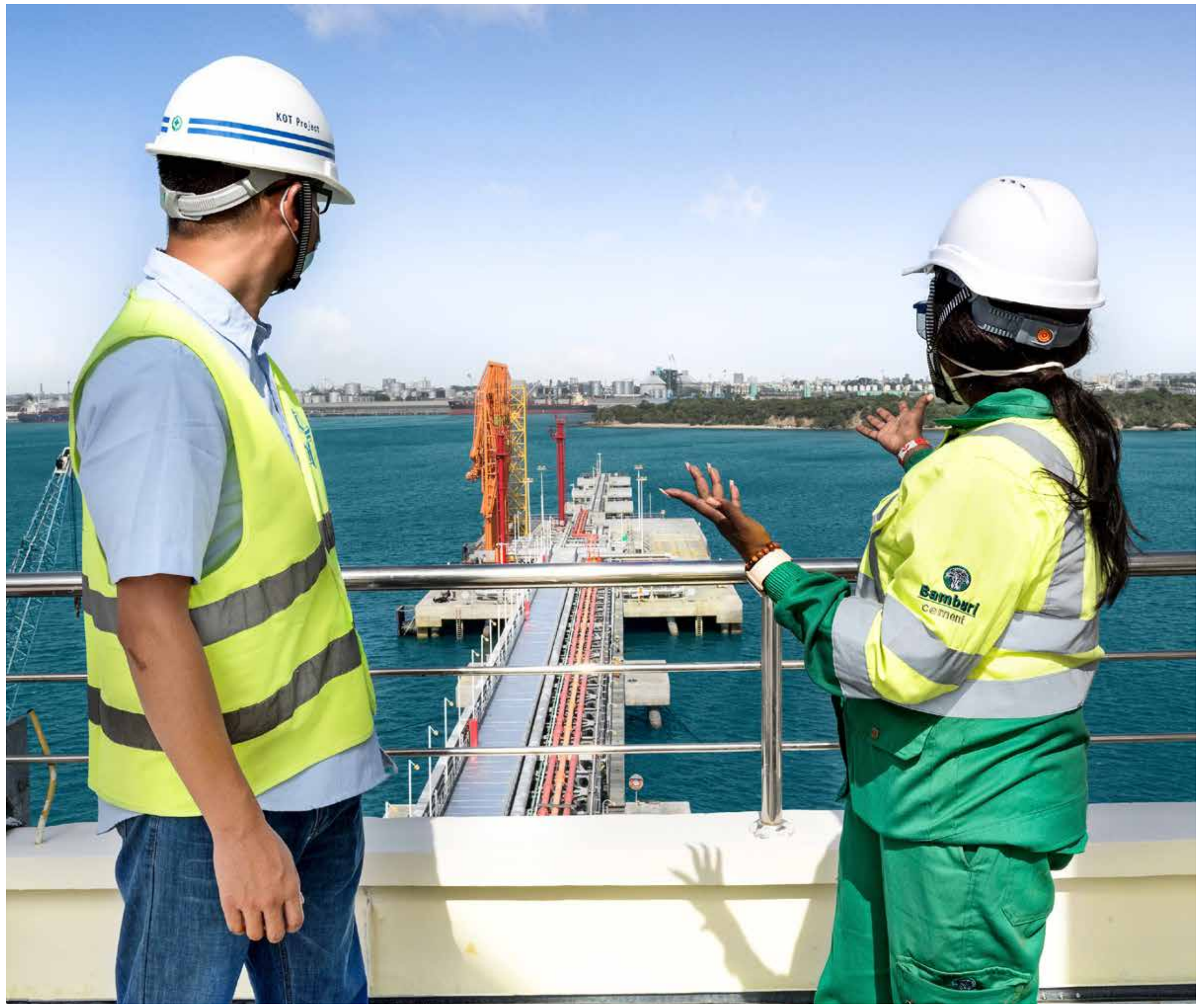
The Executive Directors and the Holcim Group nominees do not receive any additional compensation for their service on the Board.

Separation of Roles

In line with good governance, the roles of the Chair of the Board of Directors and that of the Group 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 Group 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.



GOVERNANCE

CORPORATE GOVERNANCE STATEMENT (continued)

TRAINING & EVALUATION

Induction and Training

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

The Company Secretary is responsible for the induction of new Board members within these principles ensuring that each induction plan is tailor made to suit the individual's skills set, existing/required knowledge and role. In 2021, one non-executive director a Holcim Group nominee, was appointed to Board who is undergoing a phased induction plan.

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

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

Information

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

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

Further, the Chairman, Group 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 Group's expense and have access to any internal resources that may be required.

Performance Evaluation

The Board regularly reviews its performance, that of the Chairman and the individual directors, which evaluation covers the board mandate, size, composition, meetings, stakeholder/shareholder relations, independence, induction & training and Management relations, legal & ethical duties. The Board also annually reviews the efficiency and effectiveness of its Committees.

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

The Board has engaged the firm of Carol Musyoka Consulting, an independent third party service provider, to undertake the 2021 Board evaluation was conducted an independent third party service provider. The findings from the Board evaluation exercise were presented to the full Board and recommendations for improvements discussed and approved for implementation by the various Committees.

The Board is pleased to confirm that each board member continues to perform effectively and to demonstrate full commitment to their role on the Board. The Board annually assesses the independence of its non-executive directors and was satisfied that in four (4) non-executive directors met the criteria for independence while one non-executive director ceased to be independent after a serving for a tenure of over nine years.

BOARD COMMITTEES

Each Board Committee is governed by a charter approved by the Board. The Charters set out the parameters of responsibility as well as the operational elements of each Committee. In 2021, the Board reviewed the charter of the Audit & Risk Committee.

The reports of the Audit & Risk Committee and the Nomination, Remuneration & HR Committee are tabled before the Board for adoption. The Board and the Committees are satisfied that the Committees met their mandates in 2021 as provided for in the respective Charters.

Audit & Risk Committee

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

Current Committee members are set out below:

- Alice Owuor — *Committee Chair*
- Mbuvi Ngunze
- Rita Kavashe
- Austin A.O. Ouko
- Waeni Ngea — *Committee Secretary*

Permanent Invitees

- Seddiq Hassani — *Group MD, Bamburi Cement*
- Jean-Michel Pons — *Country MD, Hima Cement*
- Vasileios Karalis — *Group FD, Bamburi Cement*
- Moses Aman — *Finance Director, Hima Cement*
- Peter Mbaru — *Internal Control, Audit & Risk Director*

GOVERNANCE

CORPORATE GOVERNANCE STATEMENT (continued)

The following changes in Committee composition occurred in 2021:

Austin A.O. Ouko was appointed as a member of the Committee effective 9 April 2021.

The current membership of the Committee was appointed by the shareholders at the 2021 Annual General Meeting.

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

The Committee held five (5) meetings in 2021, to review the Group's financial interim and annual financial statements, the Management Letter arising from the external audit, litigation and contingent liabilities, Kenya and Uganda Revenue Authority claims, internal audit work plan, special audit reports, the CMA corporate governance reporting tool feedback and the status reports on integrity line (whistleblowing) issues. The Committee also met with the external auditors in the absence of Management.

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

The Committee also reviewed and was satisfied with the independence, expertise and effectiveness of the external auditors (Deloitte Kenya) to carry out their audit mandate. The Committee reviewed and made recommendations on additional resourcing of the Internal Audit Department to ensure adequate support from Management and effective performance of its obligations during the year.

The charter of the Audit & Risk Committee is available at: *https://www.lafarge.co.ke/board-charter*.

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

The NR&HRC is responsible for nomination of candidates for appointment to the Board and its Committees and succession planning for the Board. The Committee is composed of six (6) members, three of whom are independent non-executive directors, thus complying with the requirements of the CMA Code to have a majority of independent members.

Current Committee members are set out below:

- Dr John Simba — *Committee Chair*
- Alice Owuor
- Mbuvi Ngunze
- Dr Helen Gichohi
- Seddiq Hassani
- John Stull
- Waeni Ngea — *Committee Secretary*

Attendees by Invitation

- Irene Wamanga — *People, Organization & Sustainability Director, Bamburi Cement*
- Kanyi Gitonga — *Chair, Board of Trustees, Bamburi Cement PLC Staff Retirement Pension Scheme*

The following changes in Committee composition occurred in 2021:

1. Pierre Deleplanque resigned as a Committee member effective 15 April 2021 and
2. John Stull became a member of the Committee from 16 April 2021.

In 2021, the Committee met three (3) times. It managed the recruitment of one non-executive director to fill an arising vacancy following nomination of a new shareholder nominee and reviewed staff remuneration including validation of the 2020 bonus achievements and remuneration proposals for 2021 for Kenya.

The Committee also reviewed executive succession planning for members of the Executive Committee and key senior roles, assessed the independence of the non-executive directors, reviewed the composition of Board committees and undertook a board skills review. The outcome of the skills review provided insight into the Board's skill strengths and focus development areas. It will be used to support future board appointments, succession planning and director training plans.

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

CORPORATE GOVERNANCE STATEMENT (continued)

COMPANY SECRETARY

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

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

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

EXECUTIVE COMMITTEE

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

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

POLICIES

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

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, agents and directors when dealing with clients, suppliers, competitors and the general public, provides reporting mechanisms for known or suspected breaches while also ensuring prevention and detection of wrong doing.

The Holcim Group has put in place a reporting system known as the 'Integrity Line' through which any person can report any violation of the Code of Business Conduct. The reporting channels include a toll free telephone line, via email or through online reporting. Reporting can be done anonymously or otherwise and is followed by an investigation. Remediation of misconduct established through an investigation is managed by the applicable business function, with legal and other cross functional advice.

Further, review of the integrity line reports was undertaken at each Audit & Risk Committee meeting, with clear details of each report, findings and remediation actions taken, if any. In this way, the Board ensures that risks arising from any ethical issues are identified and mitigated appropriately.

During the year, the Group carried out training for all staff to reinforce the principles in the Code of Business Conduct, promote declaration of potential conflicts of interest and familiarize all individuals with the available modes of reporting/ whistleblowing on matters of concern.

Conflicts of Interest

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

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

No material conflicts were reported by the Directors in 2021.

GOVERNANCE

CORPORATE GOVERNANCE STATEMENT (continued)

Risk Management

As part of the Holcim Group, the Company benefits from access to many years of built up expertise in a risk management process structured around several coordinated approaches and subject to continuous improvement. Risks are identified and assessed according to significance and likelihood. The full risk spectrum from market, operations, finance, legal, environmental and sustainability, to external risk factors of the business environment is reviewed, including compliance and reputational risks. Key risks are analyzed more deeply regarding their causes, and risk mitigating actions are defined. Risk transfer through insurance solutions and the Internal Control system forms an integral part of the risk management process.

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

In 2021, a detailed quarterly review and analysis of the Company's risk map was carried out by the Audit & Risk Committee leading to implementation of appropriate mitigating actions.

Internal Control & Internal Audit

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

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

In 2021, the Audit & Risk Committee reviewed, approved and tracked implementation of the Internal Audit plan, which captured the year's audit focus areas. The main observations, findings observed and recommendations made during the audit assignments were reported periodically to the said Committee.

IT Policy

The Board has adopted the Holcim Group IT policy.

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

Procurement Policy

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

The Procurement Policy provides for supplier sustainability compliance, adherence to the Group's Health, Environment & Safety Standards as well as applicable laws and regulations as integral parts of any sourcing decisions.

Related Party Transactions Policy

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

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

Insider Dealing

The Board applies the statutory provisions as well as the Holcim 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 authorized to trade in the Company's shares. A second notice on the second blackout period is issued prior to 30 June annually.
To the best of the Company's knowledge, there was no insider dealing in the 2021 financial year.

Legal & Compliance Audit

The CMA Code, requires the Board of a listed Company to subject the Company to a legal and compliance audit to establish the level of adherence to applicable laws, regulations and standards.

In compliance with this requirement, the Company enlisted the services of Rachier & Amollo Advocates who undertook the legal and compliance audit for the year ended 31 December 2020. The auditor's opinion was read out to shareholders at the annual general meeting held on 10 June 2021.

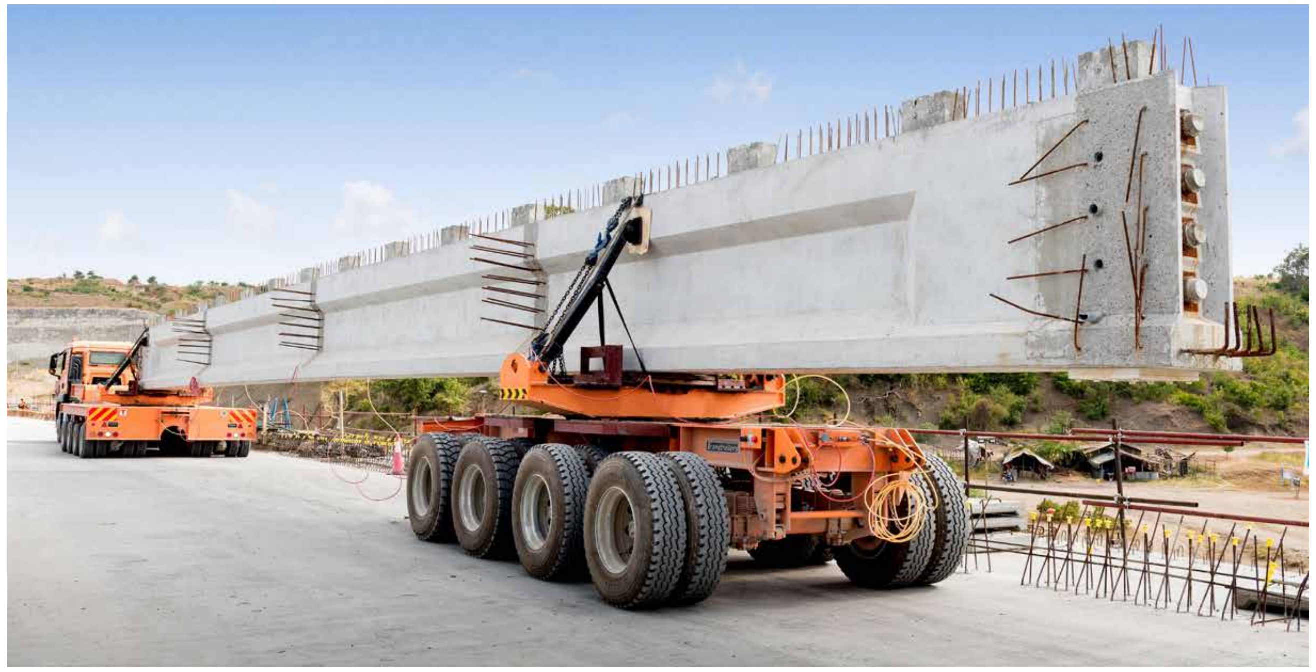
The auditor issued an opinion that the Company was 'largely compliant' with prevailing laws. The identified remediation actions were tracked and implemented resulting in a strengthening of governance and controls within the Company.

> The Board is confident that the Company is generally in compliance with applicable laws and regulations.

Governance Audit

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

In 2021, Dorion Associates conducted the governance audit on the Company's governance structures. The auditor issued an unqualified opinion asserting that the Board had put in place a satisfactory governance framework. The remediation actions recommended from the audit are tracked for closure by the Board and its committees. The next governance audit will be undertaken in the year 2023.



GOVERNANCE

CORPORATE GOVERNANCE STATEMENT (continued)

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 financial results. Significant matters are disseminated to the market through announcements to the regulators, publication in the newspapers and posting on the Group's website: *https://www.lafarge.co.ke*.

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.

During the year, Lafarge Eco Systems Limited's sustainability and Group COVID community support efforts were also consistently featured in the local media.

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

Annual General Meeting

The Group held its Annual General Meeting (AGM) virtually on 10 June 2021. Other than the Shareholders, the Directors were also present and used the opportunity to meet and interact online with the Shareholders who were in attendance.

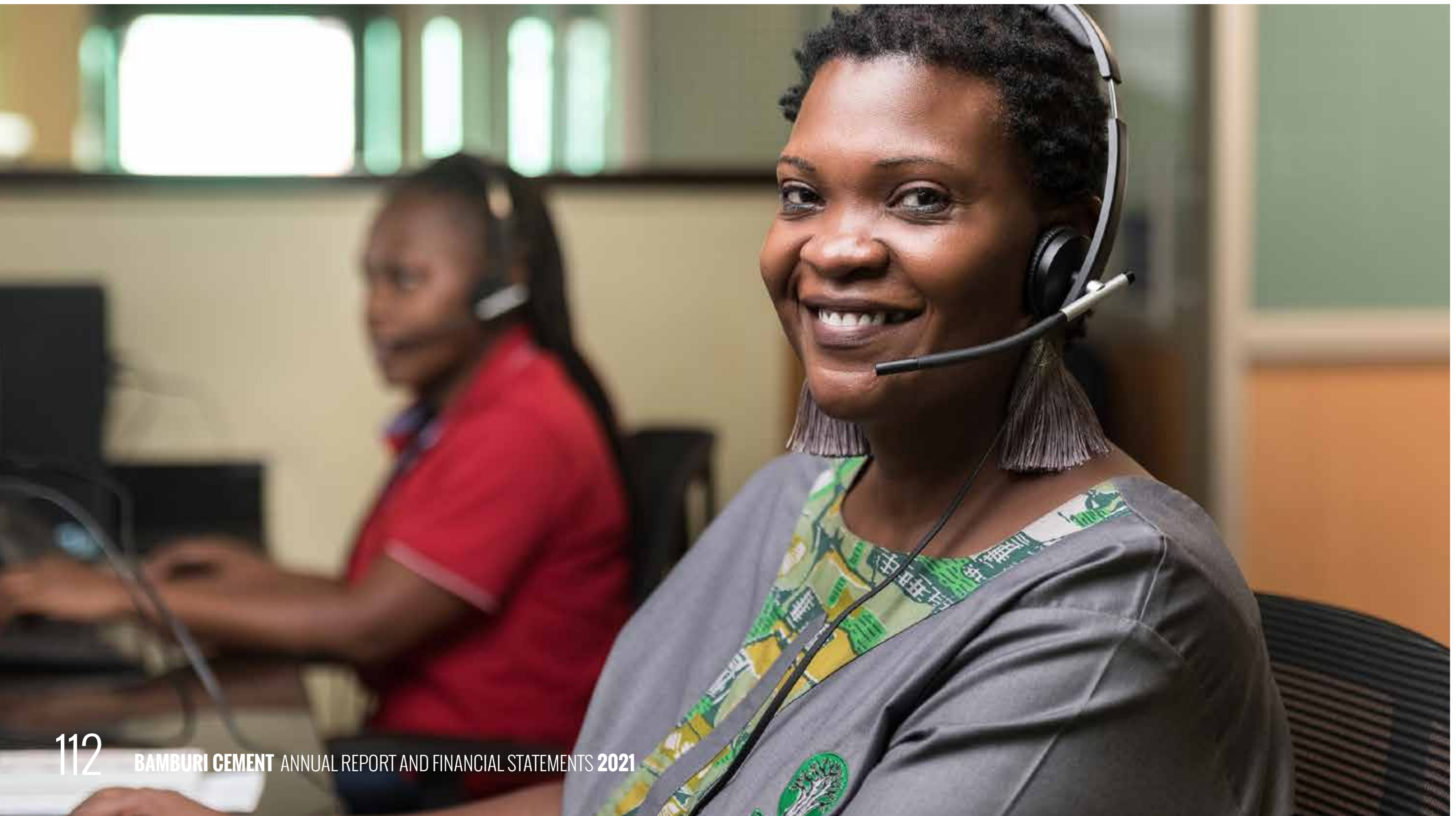
The meeting was also attended by a representative from the external auditors (Deloitte Kenya), the legal & compliance auditor (Rachier & Amollo Advocates) and the governance auditor (Dorion Associates) who each presented their audit opinion.

The documentation including minutes, resolutions passed and 2020 Annual Report are available on the Company's website: *https://www.lafarge.co.ke/annual-general-meetings*.

Financial Results

The Group announces its financial results every six (6) months. The half year and full year results are released through publication in two daily newspapers and the 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.

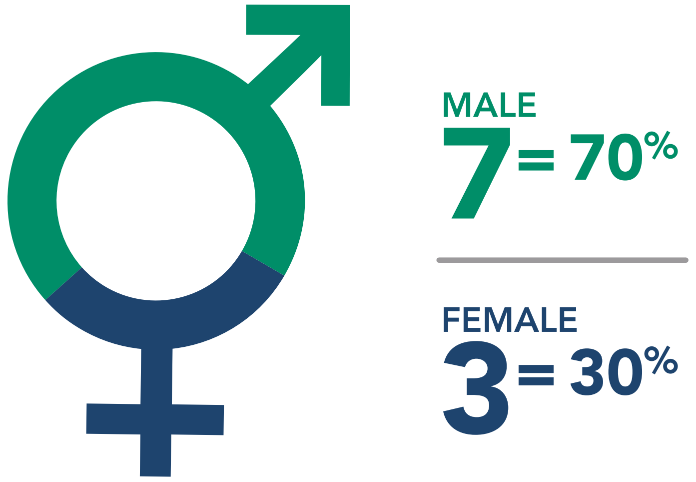
Shareholders also get a copy of the annual report, which contains the full year results, other reports and information on the Group.



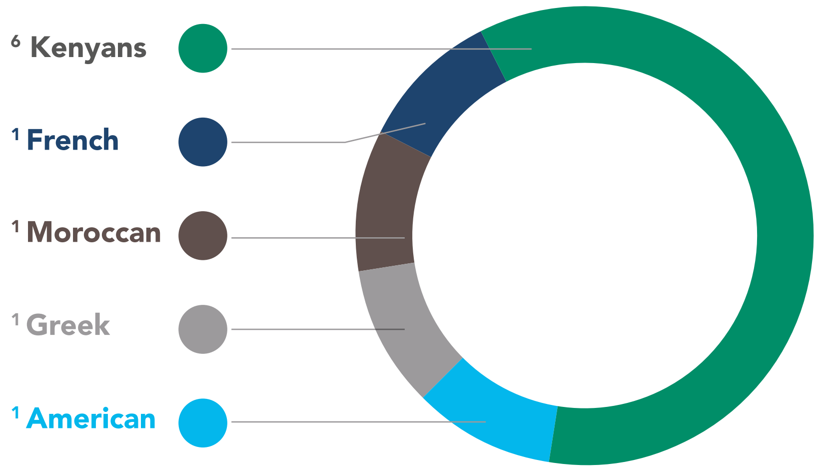
PART OF YOU FROM THE START

BAMBURI BOARD STATISTICS

Gender Diversity



Nationality



Tenure on the Board

Parameter	Number
<3 years	4
3 - 6 years	5
6 - 9 years	1

BUSINESS OVERVIEW
SUSTAINABILITY REVIEW
GOVERNANCE
FINANCIAL REVIEW

GOVERNANCE

DIRECTORS' REMUNERATION REPORT

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

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

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

The Nomination, Remuneration & Human Resources Committee (the 'Committee') is charged with the responsibility of ensuring that the above principles are entrenched in the Company's remuneration practices. In that regard, the Committee is pleased to present the Directors Remuneration Report for the year ended 31 December 2021.

Board Changes

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

- On 15 April 2021, Pierre Deleplanque resigned as a non-executive director and was succeeded by John Stull who was appointed on 16 April 2021;
- Grace Oluoch resigned as a director and the Company's Chief Finance Officer effective 31 January 2022; and,
- Vasileios Karalis was appointed on 1 February 2022 as the Company's Chief Finance Officer.

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

Executive Directors and Holcim Nominee Directors

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

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

Non-Executive Directors

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

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

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

- The fees must be sufficient to attract, motivate and retain high calibre non-executive director talent at a cost acceptable to shareholders;
- The fees must be consistent with market rates for comparable companies; and,
- The fees and increment rate must be approved by the Company's Shareholders.

GOVERNANCE

DIRECTORS' REMUNERATION REPORT (continued)

Remuneration Outcomes 2020 - 2021: Executive Directors

Terms of Employment

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

Name	Date of Contract	Duration	Notice Period
Seddiq Hassani	9 February 2018	4 years. Extended for 1 year to 8 February 2023	3 months
Grace Oluoch	19 October 2018	Ended 28 February 2022	3 months
Vasileios Karalis	1 February 2022. Was on assignment between December 2021 - February 2022	3 years	3 months
Jean-Michel Pons	7 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 giving the indicated notice.

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

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

Salary Review

The executive director salary review was undertaken in line with the overall company salary review. The salary review reflected the potential impact of Covid -19 on company sustainability. The Bamburi Group MD received a home based seniority increase reflective of his service.

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

Name	2021	2020
Seddiq Hassani	2.1%	1.3%
Grace Oluoch	None	None
Jean-Michel Pons	3.0%	None
Average staff salary increase - Kenya	4.6%	None
Average staff salary increase - Uganda	6.0%	None

Performance Bonus 2021

All employees participate in the Bamburi Group short term incentive program where the bonus paid is discretionary and based on Company and individual performance. For the Group Managing Director, Finance Director and Hima Cement Managing Director, executive committee members and specific P&L or Band D employees, the short term incentive program also includes Holcim Middle East Africa region objectives. As such bonus paid in 2022 for 2021 is inclusive of regional performance measures. Overall company bonus performance for Kenya was 80.8% achievement of the target.

The performance bonuses were paid to the Company's employees in March 2022 but excluded the executive committee members.

Name	Salary		Bonus		Allowances		Non-Cash Benefits[1]		Pension/Social Security		Total	Total
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'00	Shs'000	Shs'00	Shs'000	Shs'00	Shs'000	Shs'00	Shs'000
Seddiq Hassani	42,274	35,837	8,249	556	8,727	7,959	8,243	8,084	11,872	7,790	79,365	60,227
Grace Oluoch	18,000	18,000	3,195	-	3,250	3,250	525	1,133	2,162	2,162	27,132	24,545
Jean-Michel Pons	45,175	40,688	11,282	2,346	7,607	7,055	6,935	6,039	2,805	2,552	73,806	58,679
TOTAL	105,449	94,525	22,727	2,902	19,584	18,264	15,703	15,256	16,840	12,504	180,302	143,451

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

Remuneration Outcomes 2020 - 2021: Non-Executive Directors

Terms of Employment

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

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

Name	Date of Appointment
1. Dr John Simba	29 November 2012
2. Alice Owuor	10 March 2017
3. Dr Helen Gichohi	10 March 2017
4. Rita Kavashe	10 March 2017
5. Pierre Deleplanque	7 June 2018 – 15 April 2021
6. Mbuvi Ngunze	30 August 2018
7. Vasileios Karalis	21 March 2019
8. Austin A.O. Ouko	28 August 2020
9. John Stull	16 April 2021

GOVERNANCE

DIRECTORS' REMUNERATION REPORT (continued)

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

In the Annual General Meeting held on 18 June 2020, shareholders approved that non-executive director remuneration should be increased over two (2) years, starting in 2020. The first increase in 2021 was implemented but the second year increase was suspended owing to the Covid-19 pandemic.

The fees paid to non-executive directors in 2021 were as follows:

Non-Executive Director Remuneration						
Name	Annual Fees	Sitting Allowance[1]	Total 2021	Annual Fees	Sitting Allowance	Total 2020
Dr John Simba	1,554,114	1,374,792	2,928,906	1,554,114	2,271,396	3,825,510
Rita Kavashe	691,080	1,315,017	2,006,097	691,080	1,673,658	2,364,738
Alice Owuor	691,080	1,673,658	2,364,738	691,080	1,912,752	2,603,832
Dr Helen Gichohi	691,080	1,195,470	1,886,550	691,080	1,434,564	2,125,644
Mbuvi Ngunze	691,080	1,673,658	2,364,738	691,080	1,912,752	2,603,832
Austin A.O. Ouko	0	1,195,470	1,195,470	0	239,094	239,094
National Social Security Fund	691,080	0	691,080	236,620	0	236,620
Total Fees	**5,009,514**	**8,428,065**	**13,437,579**	**5,009,514**	**10,759,233**	**15,768,747**

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

In addition to the above fees, Vasileios Karalis received remuneration totalling Kes 5,250,135.00 (inclusive of relocation charges and benefits) for the month of December 2021 while on assignment in the Bamburi Group. This assignment was outside his role as a non-executive director of the Company.

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

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

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

Voting on the remuneration report at the 2020 Annual General Meeting and engagement with shareholders

During the 2020 AGM, held on 10 June 2021, 100.00% of the votes cast (216,215,902) were in favour of the Directors' Remuneration Policy and Directors' Remuneration Report. There were no votes (0.00%) cast against the resolution and 0.00% being 8,102 votes abstained.

PART OF YOU FROM THE START

Directors' Shareholding

As at 31 December 2021, the Directors of Bamburi Cement PLC held shares in the Company as follows:

Director	2021	2020
Mbuvi Ngunze	1,000	1,000
Alice Owuor	467	467

Senior Management Shareholding

As at 31 December 2021, none of the employees forming part of the Company's senior management held shares in the Company.

On behalf of the Board,

Dr John Simba
Chair - Nomination, Remuneration & HR Committee
26 April 2022

GOVERNANCE

SHAREHOLDER PROFILE

Top 10 Shareholders as at 31 December 2021

Rank	Shareholder	No. of Shares	% Shareholding
1	Fincem Holding Limited	106,360,798	29.30%
2	Kencem Holding Limited	106,360,797	29.30%
3	Standard Chartered Nominees RESD A/C KE11396	56,906,640	15.68%
4	Amarjeet Baloobhai Patel & Baloobhai Chhotabhai Patel	14,956,990	4.12%
5	Standard Chartered Nominees RESD A/C KE11443	6,659,900	1.83%
6	Standard Chartered Kenya Nominees Ltd A/C KE004667	4,080,337	1.12%
7	Standard Chartered Nom A/C KE 11993	2,607,700	0.72%
8	Standard Chartered Kenya Nominees Ltd A/C KE003964	2,187,900	0.60%
9	ICEA Lion Life Assurance Company Limited-Pooled	2,055,663	0.57%
10	Stanbic Nominees Limited AC R7551918	1,837,372	0.51%
	Shares selected	**304,014,097**	**83.75%**
	Others (4,420 Shareholders)	58,945,178	16.25%
	Total Shares Issued	**362,959,275**	**100.00%**

Share Analysis by Domicile as at 31 December 2021

Domicile	No. of Shareholders	No. of Shares	% Shareholding
Foreign Institutions	19	225,178,186	62.04%
Foreign Individuals	81	428,894	0.12%
Local Institutions	572	107,490,233	29.61%
Local Individuals	3,758	29,861,962	8.23%
Total	**4,430**	**362,959,275**	**100.00%**

Share Analysis by Volume as at 31 December 2021

Volume	No. of Shareholders	No. of Shares	% Shareholding
1 - 500	1,902	365,665	0.10%
501 – 5,000	1,659	3,286,364	0.91%
5,001 – 10,000	303	2,193,397	0.60%
10,001 – 100,000	440	13,742,326	3.79%
100,001 – 1,000,000	111	32,483,836	8.95%
Above 1,000,000	15	310,887,687	85.65%
Totals	**4,430**	**362,959,275**	**100.00%**

Director Shareholding as at 31 December 2021

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

Senior Management Shareholding as at 31 December 2021

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

By delivering value to our customers and stakeholders we create value for the company.

Financial Review

CORPORATE INFORMATION

DIRECTORS

Executive

S Hassani	(Moroccan)	Group Managing Director
G Oluoch	(Kenyan)	Group Finance Director – resigned 31 January 2022
V Karalis	(Hellenic)	Group Finance Director – appointed 1 February 2022
JM Pons	(French)	

Non-executive

Dr J Simba	(Kenyan)	Board Chair
A Owuor	(Kenyan)	
Dr H Gichohi	(Kenyan)	
R Kavashe	(Kenyan)	
P Deleplanque	(French)	Resigned 15 April 2021
M Ngunze	(Kenyan)	
J Stull	(American)	Appointed 16 April 2021
A A O Ouko	(Kenyan)	

SECRETARY

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

REGISTERED OFFICE

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

REGISTRARS

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

AUDITORS

Deloitte & Touche LLP
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

PART OF YOU FROM THE START

REPORT OF THE DIRECTORS

The directors have the pleasure of presenting their annual report together with the audited financial statements of Bamburi Cement Plc (the "Company) and its subsidiaries (together the "Group") for the year ended 31 December 2021, in accordance with Section 653 (1) of the Kenyan Companies Act, 2015 which disclose the state of financial affairs.

1. PRINCIPAL ACTIVITIES

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

2. DIVIDENDS

During the year, the directors did not recommend payment of an interim dividend (2020: Nil). The directors however recommend the approval of a final dividend of Kes 3.58 per ordinary share amounting to Kes 1,302,297,879 (2020: Kes 1,088,877,825) in respect of the year ended 31 December 2021.

3. DIRECTORS

The directors who served during the year and up to the date of approval of this report are disclosed on page 124.

The following change has taken place in the Board of Directors since the last Annual General Meeting

- Pierre Deleplanque resigned as a director effective 15 April 2021
- John Stull was appointed as a director effective 16 April 2021.
- Grace Oluoch resigned as a director effective 31 January 2022
- Vasileios Karalis was appointed Group Finance Director effective 1 February 2022. He was a non-executive director prior to his appointment.

4. AUDITORS

Deloitte & Touche LLP, having expressed their willingness, continue in office in accordance provisions of Section 719(2) of the Kenyan Companies Act, 2015 and being eligible, offer themselves for re-election in accordance with provisions of Section 721 of the same law. 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.

5. 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

W Ngea
Secretary

26 April 2022

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Kenyan Companies Act, 2015 requires the directors to prepare financial statements for each financial year that give a true and fair view of the financial position of the Group and the company as at the end of the financial year and of their profit or loss for that year. It also requires the directors to ensure that the company and its subsidiaries maintain proper accounting records that are sufficient to show and explain the transactions of the company and its subsidiaries and disclose, with reasonable accuracy, the financial position of the Group and the company. The directors are also responsible for safeguarding the assets of the Group, and for taking reasonable steps for the prevention and detection of fraud and error.

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

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

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

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

Approved by the board of directors on **26 April 2022** and signed on its behalf by:

Director

Director

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF BAMBURI CEMENT PUBLIC LIMITED COMPANY

Report on the audit of the consolidated and company financial statements

Our opinion

We have audited the accompanying financial statements of BAMBURI CEMENT PUBLIC LIMITED COMPANY (the "Company") and its subsidiaries (together, the "Group") set out on pages 132 to 229 comprising the consolidated and company statements of financial position at 31 December 2021 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 2021 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 PUBLIC LIMITED COMPANY

Report on the audit of the consolidated and company financial statements

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 Kes 1.6 billion and Kes 0.8 billion as at 31 December 2021 respectively. The related allowance for doubtful debts as at 31 December 2021 was Sh 0.7 billion and Sh 0.2 billion for the group and company respectively. Key judgements and estimation in respect of the timing and measurement of expected credit losses (ECL) include: • Determining the historical credit loss; • Determining the period over which the observed historical loss rates are appropriate; and • Adjusting the historical loss rates with forward looking macro-economic factors. Refer to note 2 of the consolidated and 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 calculations and data accuracy • • 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 PUBLIC LIMITED COMPANY

Report on the audit of the consolidated and company financial statements

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 and the Operational review 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 PUBLIC LIMITED COMPANY

Report on the audit of the consolidated and company financial statements

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

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

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as going concerns. If we conclude that a material uncertainty exists, we are required to draw attention in our 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.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF BAMBURI CEMENT PUBLIC LIMITED COMPANY

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 on page 125 is consistent with the financial statements.

Directors' Remuneration Report

In our opinion, the auditable part of the directors' remuneration report on pages 115 to 119 has been properly prepared in accordance with the Kenyan Companies Act, 2015.

The engagement partner responsible for the audit resulting in this independent auditor's report is **CPA Fred Aloo, Practising certificate No. 1537.**

For and on behalf of Deloitte & Touche LLP
Certified Public Accountants (Kenya)
Nairobi

26 April 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 Kes'million	2020 Kes'million
Revenue	4	41,381	34,884
Cost of goods sold	5	(32,257)	(26,685)
Cost of transport service	5	(4,028)	(3,361)
Gross profit		**5,096**	**4,838**
Marketing and sales expenses	9(i)	(264)	(321)
Administration expenses	9(ii)	(2,689)	(2,760)
Impairment gains/(losses) on financial assets	22(b)	47	(118)
Impairment of other assets	9(iii)	(182)	-
Other income	7(i)	17	21
Other gains and losses	8	290	323
Operating profit		**2,315**	**1,983**
Finance income	7(ii)	78	62
Finance costs	7(iii)	(221)	(269)
Finance costs – net		(143)	(207)
Profit before income tax	**11(a)**	**2,172**	**1,776**
Tax charge	12(a)	(792)	(647)
Profit for the year		**1,380**	**1,129**
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods:			
Actuarial gains	28	26	31
Income tax effect	12(a)	(8)	(9)
		18	22
Fair value loss on investments in equity instruments designated as at FVTOCI	19(b)	(49)	(39)
Income tax effect		-	-
		(49)	(39)
Net other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods		(31)	(17)
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange income on translation of foreign operations		942	807
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		942	807
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		911	790
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		2,291	1,919
Profit for the year attributed to:			
Owners of the parent Company		1,301	1,051
Non-controlling interest	18(b)	79	78
		1,380	1,129
Total comprehensive income attributed to:			
Owners of the parent Company		1,929	1,599
Non-controlling interest	18(b)	362	320
		2,291	1,919
Earnings per share – basic and diluted	13	3.58	2.89

PART OF YOU FROM THE START

COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 Kes'million	2020 Kes'million
Revenue	4	24,068	20,131
Cost of goods sold	5	(18,782)	(15,334)
Cost of transport service	5	(2,028)	(1,706)
Gross profit		**3,258**	**3,091**
Marketing and sales expenses	9(i)	(131)	(200)
Administration expenses	9(ii)	(1,552)	(1,536)
Impairment gains/(losses) on financial assets	22(b)	7	(33)
Other income	7(i)	17	21
Other gains and losses	8	55	304
Operating profit		**1,654**	**1,647**
Finance income	7(ii)	55	68
Finance costs	7(iii)	(38)	(43)
Finance income - net		17	25
Profit before tax	**11(a)**	**1,671**	**1,672**
Tax charge	12(a)	(573)	(544)
Profit for the year		**1,098**	**1,128**
Other comprehensive loss 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)	(49)	(39)
Income tax effect	12(a)	-	-
		(49)	(39)
Actuarial gains	28	25	31
Income tax effect	12(a)	(8)	(9)
		17	22
Net other comprehensive loss not to be reclassified to profit or loss in subsequent periods		(32)	(17)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		(32)	(17)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,066**	**1,111**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Notes	2021 Kes'million	2020 Kes'million
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	15(a)	35,396	35,159
Prepaid operating lease rentals	16(a)	116	116
Right of use assets	16(b)	424	407
Intangible assets	17	29	35
Equity investments	19(a)	75	124
Biological assets	34(a)	119	119
Limestone reserves	17(b)	604	560
Goodwill	20	217	217
		36,980	36,737
CURRENT ASSETS			
Inventories	21	4,888	4,267
Trade and other receivables	22(a)	2,419	1,630
Corporate tax recoverable	12(c)	507	425
Cash and cash equivalents	23(a)	6,934	6,387
		14,748	12,709
TOTAL ASSETS		**51,728**	**49,446**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	24	1,815	1,815
Asset revaluation reserve	25(a)	11,160	11,422
Translation reserve	25(b)	(803)	(1,462)
Retained earnings		18,970	18,527
Equity attributable to owners of the Company		31,142	30,302
Non-controlling interests		4,111	3,749
Total equity		**35,253**	**34,051**
NON-CURRENT LIABILITIES			
Deferred tax liability	26	5,015	4,935
Provisions	27	491	448
Employees' defined benefit liabilities	28	366	383
Long term borrowings	33(d)	2,273	2,191
Lease liabilities	35	454	421
		8,599	8,378
CURRENT LIABILITIES			
Bank overdrafts	23(c)	245	136
Lease liability	35	20	29
Provisions	27	101	94
Employees' defined benefit liabilities	28	48	54
Trade and other payables	29	7,413	6,397
Corporate tax payable	12(c)	49	307
		7,876	7,017
TOTAL EQUITY AND LIABILITIES		**51,728**	**49,446**

The financial statements on pages 132 to 229 were approved and authorised for issue by the Board of Directors on **26 April 2022** and were signed on its behalf by:

Dr John P. N Simba
Chairman

Seddiq Hassani
Group Managing Director

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Notes	2021 Kes'million	2020 Kes'million
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	15(b)	18,888	19,034
Intangible assets	17(a)	22	23
Investments in subsidiaries	18(a)	1,809	1,809
Equity investments	19(a)	75	124
Biological assets	34(a)	119	119
		20,913	21,109
CURRENT ASSETS			
Inventories	21	2,750	2,276
Trade and other receivables	22(a)	1,987	2,151
Corporate tax recoverable	12(c)	136	57
Cash and cash equivalents	23 (a)	5,103	4,323
		9,976	8,807
TOTAL ASSETS		**30,889**	**29,916**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	24	1,815	1,815
Asset revaluation reserve	25(a)	9,966	10,200
Retained earnings		11,328	11,117
Total equity		23,109	23,132
NON-CURRENT LIABILITIES			
Deferred tax liability	26	2,341	2,606
Provisions	27	306	289
Employees' defined benefit liabilities	28	326	349
		2,973	3,244
CURRENT LIABILITIES			
Provisions	27	59	61
Employees' defined benefit liabilities	28	42	49
Trade and other payables	29	4,706	3,122
Corporate tax payable	12(c)	-	308
		4,807	3,540
TOTAL EQUITY AND LIABILITIES		**30,889**	**29,916**

The financial statements on pages 132 to 229 were approved and authorised for issue by the Board of Directors on **26 April 2022** 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 2021

Year ended 31 December 2021	Share capital Kes'million Note 24	Asset revaluation reserve Kes'million Note 25(a)	Translation reserve Kes'million Note 25(c)	Retained earnings Kes'million	Owners of the Company Kes'million	Non-controlling interests Kes'million	Total equity Kes'million
At 1 January 2021	**1,815**	**11,422**	**(1,462)**	**18,527**	**30,302**	**3,749**	**34,051**
Profit for the year	-	-	-	1,301	**1,301**	**79**	1,380
Other comprehensive income/(loss) for the year	-	-	659	(31)	**628**	**283**	911
Total comprehensive income for the year	-	-	659	1,270	1,929	362	2,291
Transfer of excess depreciation (net of tax)		(262)		262			
Dividends: (note 14(b))							
Final dividends for 2020 declared and approved	-	-	-	(1,089)	(1,089)	-	(1.089)
Interim dividends for 2021 declared and approved	-	-	-	-	-	-	-
	-	-	-	(1,089)	(1.089)	-	(1,089)
At 31 December 2021	**1,815**	**11,160**	**(803)**	**18,970**	**31,142**	**4,111**	**35,253**

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

Year ended 31 December 2020	Share capital Kes'million Note 24	Asset revaluation reserve Kes'million Note 25(a)	Translation reserve Kes'million Note 25(c)	Retained earnings Kes'million	Owners of the Company Kes'million	Non-controlling interests Kes'million	Total equity Kes'million
At 1 January 2020	**1,815**	**11,664**	**(2,027)**	**17,251**	**28,703**	**3,429**	**32,132**
Profit/(loss) for the year	-	-	-	1,051	**1,051**	**78**	1,129
Other comprehensive income/ (loss) for the year	-	-	565	(17)	**548**	**242**	790
Total comprehensive income/ (loss) for the year	-	-	565	1,034	1,599	320	1,919
Transfer of excess depreciation (net of tax)	-	(242)	-	242	-	-	-
Dividends: (note 14(b))							
At 31 December 2020	**1,815**	**11,422**	**(1,462)**	**18,527**	**30,302**	**3,749**	**34,051**

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 2021

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

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

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

COMPANY STATEMENT OF CHANGES IN EQUITY (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

Year ended 31 December 2020	Share Capital Kes'million Note 24	Asset revaluation reserve Kes'million Note 25(a)	Retained earnings Kes'million	Total equity Kes'million
At 1 January 2020	1,815	10,431	9,775	22,021
Profit for the year	-	-	1,128	1,128
Other comprehensive loss for the year	-	-	(17)	(17)
Total comprehensive income for the year	**-**	**-**	**1,111**	**1,111**
Transfer of excess depreciation (net of tax)	-	(231)	231	-
At 31 December 2020	**1,815**	**10,200**	**11,117**	**23,132**

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).
- The retained earnings represent accumulated profit retained by the Company after payment of dividends to the shareholders.

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CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 Kes'million	2020 Kes'million
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	32	4,390	6,787
Interest received	7(ii)	78	62
Interest paid on borrowings		(110)	(145)
Tax paid	12(c)	(1,250)	(577)
Net cash generated from operating activities		3,108	6,127
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	15(a)	(1,688)	(1,374)
Purchase of intangible assets	17	(2)	-
Proceeds from disposal of property, plant and equipment		278	268
Net cash used in investing activities		(1,412)	(1,106)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid to shareholders	14(b)	(1,089)	(1)
Principal repayment of lease liabilities	35	(177)	(164)
Net cash generated used in financing activities		(1,266)	(165)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**430**	**4,856**
MOVEMENT IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at the beginning of the year		6,251	1,334
Net increase in cash and cash equivalents during the year		430	4,856
Effects of exchange rate changes on cash held in foreign currencies		8	61
Cash and cash equivalents and at end of the year	**23(b)**	**6,689**	**6,251**

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 Kes'million	2020 Kes'million
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	32	4,179	2,994
Interest received	7(ii)	55	68
Tax paid	12(c)	(1,232)	(509)
Net cash generated from operating activities		3,002	2,553
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	15(b)	(1,132)	(805)
Purchase of intangible assets	17	(1)	-
Loans advanced	33(c)	-	(736)
Loans repayments	33(c)	-	761
Proceeds from disposal of property, plant and equipment		-	262
Net cash used in investing activities		(1,133)	(518)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid to the shareholders	14(b)	(1,089)	(1)
Net cash used in financing activities		(1,089)	(1)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**780**	**2,034**
MOVEMENT IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at the beginning of the year		4,323	2,289
Net increase in cash and cash equivalents during the year		780	2,034
Cash and cash equivalents at the end of the year	**23(b)**	**5,103**	**4,323**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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 (Kes' Million), which is the functional currency of the parent Company, and the presentation currency for the consolidated financial statements.

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

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

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

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

(i) Relevant new standards and amendments to published standards effective for the year ended 31 December 2021

Impact of the initial application of Interest Rate Benchmark Reform amendments to IFRS 9 and IFRS 7.

In September 2019, the IASB issued Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7). These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms.

The amendments are irrelevant to the Group in the current financial (annual) period given that it did not hold benchmark interest rate exposures with respect to hedges. Although the Group is exposed to interest rate risk because entities in the Group borrow and place funds at both fixed and floating interest rates, the risk is not managed by use of hedging activities.

The amendments also introduce new disclosure requirements to IFRS 7 for hedging relationships that are subject to the exceptions introduced by the amendments to IFRS 9. The new disclosure requirements are not applicable to the Group for the financial year just ended.

Impact of the initial application of Covid-19-Related Rent Concessions Amendment to IFRS 16

In May 2021, the IASB issued Covid-19-Related Rent Concessions (Amendment to IFRS 16) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of Covid-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

1. SUMMARY OF 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 2021 (continued)

Impact of the initial application of Covid-19-Related Rent Concessions Amendment to IFRS 16 (continued)

elect not to assess whether a Covid-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the Covid-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of Covid-19 and only if all of the following conditions are met:

a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
b) Any reduction in lease payments affects only payments originally due on or before 30 June 2022 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2022 and increased lease payments that extend beyond 30 June 2022); and
c) There is no substantive change to other terms and conditions of the lease.

In the current financial year, the Group has not applied the amendment to IFRS 16 (as issued by the IASB in May 2021) in advance of its effective date – 1 June 2021.

Impact on accounting for changes in lease payments applying the exemption

The Group has not applied the amendment to IFRS 16 (as issued by the IASB in May 2021) in advance of its effective date – 1 June 2021.

The Group has not benefited from any waiver of lease payments on any of its leased assets. The Group continued to recognize interest expense on all its lease liabilities.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(ii) New and revised IFRS Standards in issue but not yet effective for the year ended 31 December 2021

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

New and amendments to Standards	Effective date on annual periods beginning on or after
IFRS 17: *Insurance Contracts*	1 January 2023
IFRS 10 and IAS 28 (amendments): *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	1 January 2023, with early application permitted.
Amendments to IAS 1: *Classification of Liabilities as Current or Non-current*	One year deferral to1 January 2023
Amendments to IFRS 3: *Reference to the Conceptual Framework*	1 January 2022, with early application permitted.
Amendments to IAS 16: *Property, Plant and Equipment—Proceeds before Intended Use*	1 January 2022, with early application permitted.
Amendments to IAS 37: *Onerous Contracts – Cost of Fulfilling a Contract*	1 January 2022, with early application permitted.
Annual Improvements to IFRS Standards 2019-2021 Cycle: *Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture*	1 January 2022, with early application permitted.
Amendments to IAS 1 and IFRS Practice Statement 2 *Disclosure of Accounting Policies*	1 January 2023, with early application permitted and are applied prospectively. The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements.
Amendments to IAS 8 *Definition of Accounting Estimates*	1 January 2023, with early application permitted.
Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2023, with early 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:

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

***(ii) New and revised IFRS Standards in issue but not yet effective for the year ended 31 December 2021* (continued)**

IFRS 17 *Insurance Contracts*

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

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

(ii) New and revised IFRS Standards in issue but not yet effective for the year ended 31 December 2021 **(continued)**

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

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

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

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

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

Amendments to IFRS 3 – ***Reference to the Conceptual Framework***

The amendments update IFRS 3 so that it refers to the 2019 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated *Conceptual Framework*) at the same time or earlier.

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 16 – ***Property, Plant and Equipment—Proceeds before Intended Use***

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 *Inventories*.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

(ii) New and revised IFRS Standards in issue but not yet effective for the year ended 31 December 2021 **(continued)**

Amendments to IAS 16 – ***Property, Plant and Equipment—Proceeds before Intended Use*** **(continued)**

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

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

The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

The amendments are effective for annual periods beginning on or after 1 January 2022, 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 37 – ***Onerous Contracts—Cost of Fulfilling a Contract***

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

The amendments are effective for annual periods beginning on or after 1 January 2022, 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

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(ii) New and revised IFRS Standards in issue but not yet effective for the year ended 31 December 2021 (continued)

Annual Improvements to IFRS Standards 2018–2021

The Annual Improvements include amendments to four Standards.

IFRS 1 First-time Adoption of International Financial Reporting Standards

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

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

IFRS 9 Financial Instruments

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

The amendment is applied prospectively to modifications and exchanges that occur on or after the date the
entity first applies the amendment.

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

IFRS 16 Leases

The amendment removes the illustration of the reimbursement of leasehold improvements. As the amendment to IFRS 16 only regards an illustrative example, no effective date is stated.

IAS 41 Agriculture

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

The amendment is applied prospectively, i.e. for fair value measurements on or after the date an entity initially applies the amendment.

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(ii) New and revised IFRS Standards in issue but not yet effective for the year ended 31 December 2021 (continued)

Annual Improvements to IFRS Standards 2018–2021 (continued)

IAS 41 Agriculture (continued)

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

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:

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

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".
The definition of a change in accounting estimates was deleted. However, the Board retained the concept of changes in accounting estimates in the Standard with the following clarifications:
A change in accounting estimate that results from new information or new developments is not the correction of an error
The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors

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

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

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

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

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.
Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying IFRS 16 at the commencement date of a lease.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(ii) New and revised IFRS Standards in issue but not yet effective for the year ended 31 December 2021 (continued)

Annual Improvements to IFRS Standards 2018–2021

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

- A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all deductible and taxable temporary differences associated with:
  - Right-of-use assets and lease liabilities
  - Decommissioning, restoration and similar liabilities and the corresponding amounts recognised as part of the cost of the related asset
- The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date

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

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

iii) Early adoption of standards

The Group did not early-adopt any new or amended standards in 2021.

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 2021. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Basis of Consolidation (continued)

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

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

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

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

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

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

d) Business combinations and goodwill

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Business combinations and goodwill (continued)

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

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

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

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

e) Translation of foreign currencies

i) Transactions and balances

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

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Translation of foreign currencies

ii) Translation of foreign operations

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

- assets and liabilities for each statement of financial position presented are translated into Kenya Shillings using exchange rates prevailing at the end of the reporting period;
- income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised under other comprehensive income and accumulated in a separate heading, translation reserve, in the consolidated statement of changes in equity.

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

f) Revenue recognition

The Group recognises revenue from the following major sources:

- Sale of cement and cement products
- From transport services

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

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

Sale of cement and cement products

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

Transport services

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Revenue recognition

Interest income

For all financial instruments measured at amortised cost and interest bearing financial assets classified as 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 esidential 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.

g) Borrowing costs

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

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

h) Leases

Group as a lessee

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Leases (continued)

Group as a lessee (continued)

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

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

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

Group as a lessor

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

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

i) Property, plant and equipment

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

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

i) Property, plant and equipment (continued)

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

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

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

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Additional disclosures on impairment are in Notes 1(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 t total value of units available as at that date. The amortisation rate used during the year was Kes 19.5 per tonne mined.

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

j) Intangible assets

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

Computer software is also assessed for impairment whenever there is an indication that the intangible asset may be impaired. Additional disclosures on impairment are included in Notes 1(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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

k) Inventories

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

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

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

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

l) Tax

Current income tax

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

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

Deferred tax

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Tax (continued)

Deferred tax (continued)

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

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

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

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

m) Dividends payable

Dividends payable on ordinary shares are charged to retained earnings in the period in which they are declared. Proposed dividends are not accrued for until ratified in an Annual General Meeting.

n) Financial instruments

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

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

Financial assets

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

Classification of financial assets

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

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Financial instruments (continued)

Financial assets (continued)

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

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

(i) Amortised cost and effective interest method

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Financial instruments (continued)

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

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

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

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

(ii) Equity instruments designated as at FVTOCI

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

A financial asset is held for trading if:

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

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

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

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

Foreign exchange gains and losses

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

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

Impairment of financial assets

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Financial instruments (continued)

Impairment of financial assets (continued)

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

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

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

(i) Significant increase in credit risk

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Financial instruments (continued)

Impairment of financial assets (continued)

(i) Significant increase in credit risk (continued)

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

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

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

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

(ii) Definition of default

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

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

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

(iii) Credit impaired financial assets

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Financial instruments (continued)

Impairment of financial assets (continued)

(iv) Write-off policy

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

(v) Measurement and recognition of expected credit losses

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

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

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

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

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

Derecognition of financial assets

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Financial instruments (continued)

Derecognition of financial assets (continued)

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

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

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

Financial liabilities

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

Financial liabilities measured subsequently at amortised cost

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

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

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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

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 38.

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 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

p) Employee entitlements

Retirement benefits obligations - defined contribution plans

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

Other entitlements

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

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

Bonus

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

q) Provisions

Site restoration and other environmental provisions

The Group provides for the costs of restoring a site where a legal or constructive obligation exists. The estimated future costs for known restoration requirements are determined on a site-by-site basis and are calculated based on the present value of estimated future costs. The Group rehabilitates the quarried sites on an annual basis, as and when the quarried sites are disused. Hence no cost of raising a provision before exploitation of the raw materials has commenced is included in property, plant and equipment. The effect of any adjustments to the provision due to further environmental damage as a result of exploitation activities is recorded through operating costs over the life of the site, in order to reflect the best estimate of the expenditure required to settle the obligation at the end of the reporting period.

Other provisions

A provision is recognized when a legal or constructive obligation arising from past events exists, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of this amount.

Contingent liabilities. Contingent liabilities arise from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. They are accordingly disclosed in the notes to the financial statements.

Contingencies, guarantees, commitments and contingent assets

The Group is exposed to varying degrees of uncertainty related to tax matters and regulatory reviews and audits. The Group accounts for its income taxes on the basis of its own internal analyses, supported by external advice, if appropriate. The Group continually monitors its tax position, and whenever uncertainties arise, the Group assesses the potential consequences and either accrues the liability or discloses a contingent liability in its financial statements, depending on the strength of the Group's position and the resulting risk of loss.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

r) Service gratuities, long service award, leave pay and termination benefits

The Group provides service gratuity to unionisable staff that retire on attaining the age of 55 years or are declared redundant. These are provided to eligible employees based on each employee's length of service with the Group, as provided for in the collective bargaining agreement. The Group also provides for long service award to staff based on the length of service.

The cost of providing service gratuity and long service awards which are considered as defined benefit plan is determined by a professional actuary using the projected unit credit method.

Re-measurements, comprising of actuarial gains and losses are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset.

The Group recognises the following changes in the net defined benefit in profit or loss as:

- Service costs comprising current service costs are recognised in profit or loss under cost of sales; and
- Net interest expense or income is recognised in profit or loss under cost of sales.

Employee entitlements to annual leave are recognised when they expected to be paid to employees. A provision is made for the estimated liability for annual leave at the reporting date. Service gratuity, long service awards and leave pay provisions are disclosed in Note 27, to the financial statements.

The Group recognises a liability and expense for termination benefits at the earlier of the following dates:

(a) when the Group can no longer withdraw the offer of those benefits; and
(b) when the Group recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits.

s) Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and hort-term deposits with a maturity of three months or less.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above.

t) Segment reporting

Performance of business Segments is reported in line with Lafargeholcim management reporting guidelines and is reviewed by the Executive Committee. The executive Committee makes strategic decisions and is responsible for allocating resources and assessing performance of the operating segments (see note 3).

u) Fair value measurement

The Group measures financial instruments such as 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 37(b), to the financial statements.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

u) Fair value measurement (continue)

- 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.

v) 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

w) Comparatives

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

x) 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 are no critical judgements, apart from those involving estimations (which are presented separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

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.

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 2019. 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 37, to the financial statements, for further discussion.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

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.

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:

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NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Contingent liabilities (continued)

- 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

3. SEGMENT INFORMATION (continued)

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 2021 - All figures in millions of Kenya Shillings

	Kenya	Uganda	Adjustments and eliminations	Consolidated
Revenue				
External customers	24,826	16,555	-	41,381
Inter-segment (Geographical)	-	52	(52)	-
Total revenue	24,826	16,607	(52)	41,381
Cost of sales	(21,546)	(14,792)	52	(36,285)
Gross profit	3,280	1,816	-	5,096
Gross profit margin	13%	11%	-	12%
Other income	17	-	-	17
Finance income	56	22	-	78
Finance costs	(58)	(163)	-	(221)
Profit before tax	1,715	457	-	2,172
Income tax expense	(599)	(193)	-	(792)
Profit for the year	1,116	264	-	1,380
Segment assets	31,045	21,393	(710)	51,728
Segment liabilities	7,893	8,503	80	16,475
Depreciation and amortisation	1,321	1,234	-	2,555
Impairment of property, Plant and equipment	23	159	-	182

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

3. SEGMENT INFORMATION (continued)

Year ended 31 December 2020 - All figures in millions of Kenya Shillings

	Kenya	Uganda	Adjustments and eliminations	Consolidated
Revenue				
External customers	20,670	14,214	-	34,884
Inter-segment (Geographical)	29	-	(29)	-
Total revenue	20,699	14,214	(29)	34,884
Cost of sales	(17,728)	(12,347)	29	(30,046)
Gross profit	2,971	1,867	-	4,838
Gross profit margin	14%	13%	-	14%
Other income	21	-	-	21
Finance income	67	13	(18)	62
Finance costs	(61)	(226)	18	(269)
Profit before tax	1,338	438	-	1,776
Income tax expense	(470)	(177)	-	(647)
Profit for the year	868	261	-	1,129
Segment assets	29,945	20,394	(893)	49,446
Segment liabilities	6,869	8,709	(197)	15,381
Depreciation and amortisation	1,362	1,258	-	2,620

Total assets are shown by the geographical area in which the assets are located. Segment assets consist primarily of property, plant and equipment, intangible assets, inventories, receivables and operating cash and cash equivalents. Segment liabilities comprise trade and other payables, dividends payable and certain corporate borrowings. This figure excludes investment in subsidiaries.

The adjustments and eliminations relate to intercompany transactions and balances (Note 33). The adjustments and eliminations are effected while consolidating the financial information for the Group.

Information about major customers:

Included in the Group's revenues of Kes 41,381 million (2020: Kes 34,884 million) are approximately Kes 52 million (2020: Kes 29 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 2021

4. REVENUE

GROUP	Kenya 2021 Kes'million	Kenya 2020 Kes'million	Uganda 2021 Kes'million	Uganda 2020 Kes'million	Consolidated 2021 Kes'million	Consolidated 2020 Kes'million
Cement (Note 6)	22,833	19,076	15,500	14,012	39,333	33,088
Precast products	423	356	-	-	423	356
Ready mix	620	419	-	-	620	419
Other*	74	61	-	-	74	61
Transport services	876	758	55	202	931	960
Net sales	24,826	20,670	16,555	14,214	41,381	34,884

The other revenue includes mainly service delivery income from tourism activities earned by Lafarge Eco Systems Limited, a subsidiary of BAMBURI CEMENT PUBLIC LIMITED COMPANY.

COMPANY	2021 Kes'million	2020 Kes'million
Cement (Note 6)	23,238	19,414
Transport services	830	717
Net sales	**24,068**	**20,131**

5. COST OF SALES

	GROUP 2021 Kes'million	GROUP 2020 Kes'million	COMPANY 2021 Kes'million	COMPANY 2020 Kes'million
Distribution costs				
Cost of transport services	4,028	3,361	2,028	1,706
Packaging materials	1,572	1,270	808	660
Diesel	105	110	1	1
Depreciation of right-of-use assets	59	61	-	-
Other distribution expenses	1,021	881	637	642
Total distribution cost	**6,785**	**5,683**	**3,474**	**3,009**
Production cost of goods sold				
Elimination of cost of sales-intra-group	(518)	(416)	-	-
Cost of finished goods purchased	7,105	3,715	3,452	1,456
Third party raw materials costs	6,093	5,145	2,520	2,116
Production materials	652	629	373	345
Energy	3,117	2,777	1,992	1,557
Electricity	3,842	3,258	2,782	2,334
Staff costs (Note 11(b))	2,067	2,046	1,340	1,260
Other production expenses	3,545	2,556	3,009	2,206
Maintenance expenses	1,397	1,300	682	657
Changes in inventory	(152)	1,024	(80)	879
Depreciation	2,335	2,265	1,264	1,219
Depreciation of right-of-use assets	15	53	-	-
Amortisation	13	11	2	2
Total production cost of goods sold	**29,500**	**24,363**	**17,336**	**14,031**
Cost of sales	**36,285**	**30,046**	**20,810**	**17,040**
Cost of goods sold	32,257	26,685	18,782	15,334
Transport service costs	4,028	3,361	2,028	1,706
Cost of sales	**36,285**	**30,046**	**20,810**	**17,040**

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

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 2021 Kes'million	GROUP 2020 Kes'million	COMPANY 2021 Kes'million	COMPANY 2020 Kes'million
Rebates	605	1,163	585	550

7. OTHER INCOME AND FINANCE INCOME/COSTS

	GROUP 2021	GROUP 2020	COMPANY 2021	COMPANY 2020
i) Other income				
Rental income	17	21	17	21
Total other income	**17**	**21**	**17**	**21**
ii) Finance income				
Interest income - cash deposits with local banks	71	60	48	47
Interest income - Related parties	7	2	7	21
Total finance income	**78**	**62**	**55**	**68**
iii) Finance costs				
Interest payable on borrowings	17	33	-	-
Interest payable on borrowings from related parties	93	112	-	-
Interest on lease liabilities	68	73	-	-
Interest cost on employee benefit liabilities	43	51	38	43
Total finance costs	**221**	**269**	**38**	**43**

8. OTHER GAINS AND LOSSES

	GROUP 2021	GROUP 2020	COMPANY 2021	COMPANY 2020
Gain on disposal of assets	210	260	-	-255
Gain on reassessment of leases	9	-	-	-
Foreign exchange losses	(862)	(116)	(65)	(85)
Foreign exchange gains	933	179	120	134
	71	63	55	49
Total other gains and losses	**290**	**323**	**55**	**304**

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

9. OPERATING EXPENSES

(i) Marketing and sales expenses

Marketing and sales expenses comprise mainly third party services with respect to advertising; route to market expenses; builders academy training costs; promotional; and customers loyalty program expenses. The total amount incurred during the year for the Group was Kes 264 million (2020: Kes 321 million) and for the Company Kes 131 million (2020: Kes 200 million). Included in the marketing and sales expenses is Kes 64 million (2020:39 million) for depreciation of right-of-use assets for the Group.

(ii) Administration expenses

	GROUP		COMPANY	
	2021 Kes'million	2020 Kes'million	2021 Kes'million	2020 Kes'million
Staff costs (note 11(b))	925	933	568	589
Third party services	465	474	268	307
Other administration expenses	343	312	174	139
Bank charges	18	19	11	13
Depreciation	27	57	14	21
Depreciation of right-of-use assets	36	29	-	-
Amortisation of intangible assets	6	105	1	60
Other operating expenses (note 10)	859	831	516	407
Total administration expenses	**2,689**	**2,760**	**1,552**	**1,536**

(iii) Impairment of other assets

	GROUP 2021	GROUP 2020	COMPANY 2021	COMPANY 2020
Property, plant & equipment (note 15(a))	23	-	-	-
Capital work in progress (Note 15(a))	159	-	-	-
	182	**-**	**-**	**-**

10 OTHER OPERATING EXPENSES

	GROUP 2021	GROUP 2020	COMPANY 2021	COMPANY 2020
Technical fees (Note 33 (a))	859	831	516	407

11. (a) PROFIT BEFORE TAX

Profit before tax is arrived at after charging

	GROUP 2021	GROUP 2020	COMPANY 2021	COMPANY 2020
Staff costs (note 11(b))	2,992	2,979	1,908	1,849
Depreciation on property, plant and equipment (note 11(c))	2,362	2,322	1,278	1,240
Amortisation of intangible assets (note 17)	10	107	2	62
Amortisation of prepaid lease rentals (note 16(a))	9	9	-	-
Depreciation on right-of use-of asset (note 16(b))	174	182	-	-
Directors' fees (note 33)	13	16	13	16
Auditors' remuneration	**12**	**17**	**8**	**8**
And after crediting:				
Interest income (note 7)	78	62	55	68
Gain on disposal of plant and equipment (note 8)	205	260	-	255
Net foreign exchange gains/(losses) (note 8)	**76**	**63**	**55**	**49**

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

11 (b) STAFF COSTS

	GROUP		COMPANY	
	2021 Kes'million	2020 Kes'million	2021 Kes'million	2020 Kes'million
Salaries and wages	1,525	1,531	977	967
Retirement benefits costs	236	249	128	129
Staff welfare costs	1,231	1,199	803	753
	2,992	**2,979**	**1,908**	**1,849**
Presented as:				
Cost of sales (note 5)	2,067	2,046	1,340	1,260
Administration expenses (note 9)	925	933	568	589
	2,992	**2,979**	**1,908**	**1,849**

(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	
	2021 Kes'million	2020 Kes'million	2021 Kes'million	2020 Kes'million
Depreciation				
Cost of production (Note 5)	2,335	2,265	1,264	1,219
Administration expenses (Note 9(ii))	27	57	14	21
	2,362	**2,322**	**1,278**	**1,240**
Amortization				
Cost of production (Note 5)	13	11	2	2
Administration expenses (Note 9(ii))	6	105	1	60
	19	**116**	**3**	**62**
Depreciation of right-of-use assets				
Cost of production (Note 5)	74	114	-	-
Marketing and sales expenses (Note 9(i))	64	39	-	-
Administration expenses (Note 9(ii))	36	29	-	-
	174	**182**	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

12 TAX

	GROUP 2021 Kes'million	GROUP 2020 Kes'million	COMPANY 2021 Kes'million	COMPANY 2020 Kes'million
(a) Tax charge				
Current tax based on the adjusted profit at 25%	-	810	-	804
Current tax based on the adjusted profit at 30%	895	-	845	-
Income taxation - previous years	25	13	-	13
	920	**823**	**845**	**817**
Deferred tax (credit) / charge at 30% (Note 26):				
-current year	(103)	(181)	(273)	(289)
-prior years	(25)	5	1	16
	(128)	(176)	(272)	(273)
Tax charge	**792**	**647**	**573**	**544**
Other comprehensive income charge / (credit) Income tax effect of actuarial gains/losses (Note 28)	8	9	8	9

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

	GROUP 2021 Kes'million	GROUP 2020 Kes'million	COMPANY 2021 Kes'million	COMPANY 2020 Kes'million
Profit before tax	**2,172**	**1,776**	**1,671**	**1,672**
Tax calculated at the domestic rates applicable*	652	466	501	418
Tax effect of expenses not deductible for tax purposes	138	178	70	112
Tax effect of change in tax rate *	2	(15)	2	(15)
(Over)/under provision of deferred tax in prior years	(25)	5	1	16
Income tax prior years	25	13	-	13
Tax charge	**792**	**647**	**573**	**544**

* The tax rate in Kenya for the year ended 31 December 2021 was 30 % (2020: 25%). The tax rate in Uganda was 30% (2020: 30%).

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

12 TAX (continued)

	GROUP 2021 Kes'million	GROUP 2020 Kes'million	COMPANY 2021 Kes'million	COMPANY 2020 Kes'million
c) Corporate tax (recoverable)/ payable				
At the beginning of the year	(118)	(344)	251	(57)
Tax charge - Current	895	810	845	804
- Prior years	25	13	-	13
Tax paid	(1,237)	(567)	(1,225)	(500)
Withholding tax paid	(13)	(10)	(7)	(9)
Translation gain	(10)	(20)	-	-
At end of the year	**(458)**	**(118)**	**(136)**	**251**
Comprising:*				
Tax payable	49	307	-	308
Tax recoverable	(507)	(425)	(136)	(57)

The company will apply for a refund of the tax overpayment.

13. EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing the net profit attributable to the ordinary equity holders by the weighted average number of ordinary shares in issue during the year, as shown below.

There were no potentially dilutive shares as at 31 December 2021 and as at 31 December 2020.

	GROUP 2021	GROUP 2020
Profit for the year attributable to owners of the parent Company (Kes million)	1,301	1,051
Weighted average number of ordinary shares (million)	363	363
Basic and diluted earnings per share (Kes)	3.58	2.89

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

14. DIVIDENDS

		GROUP AND COMPANY	
		2021 Kes'million	2020 Kes'million
(a)	**Unclaimed dividends**		
	At beginning of year	-	1
	Declared and approved during the year - [Note 14 (b)]	1,089	-
	Dividends claimed/paid in the year	(1,089)	(1)
	At end of year	-	-
(b)	**Dividends declared/approved during the year 2021 and 2020:**		
	Final dividends for previous year	1,089	-
	Interim dividends for current year	-	-
		1,089	-
(c)	**Dividends declared/proposed in respect of the year**		
	Interim dividend - paid in the year	-	-
	Proposed for approval at the annual general meeting (not recognised as a liability as at 31 December)	1,301	1,089
		1,301	1,089
	Dividends per share (based on 363 million shares)	3.58	3.00

During the year, the Directors did not recommend payment of an interim dividend.

Withholding tax payment of dividends is subject to withholding tax at a rate of 10% for non-resident shareholders of the Company and 5% for resident shareholders. For resident owners of the Company, withholding tax is only deductible where the shareholding is below 12.5%.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

15. PROPERTY, PLANT AND EQUIPMENT

a) GROUP

Year ended 31 December 2021	Freehold land and residential buildings Kes'million	Plant and machinery Kes'million	Office equipment and tools Kes'million	Capital work-in-progress * Kes'million	Total Kes'million
Cost or valuation					
At 1 January 2021	13,973	50,632	2,315	1,488	68,408
Transfers from capital work in progress*	159	694	189	(1,042)	-
Additions	36	30	13	1,609	1,688
Impairments**	-	(1)	(39)	(159)	(199)
Disposals	(65)	-	(10)	-	(75)
Translation difference***	280	1,580	44	61	1,965
At 31 December 2021	14.383	52,935	2,512	1,957	71,787
Depreciation					
At 1 January 2021	2,661	28,687	1,901	-	33,249
Charge for the year	257	2,025	80	-	2,362
Elimination on impairments**	-	(1)	(16)	-	(17)
Elimination of depreciation on disposal	(1)	-	(6)	-	(7)
Translation difference ***	124	658	22	-	804
At 31 December 2021	3,041	31,369	1,981	-	36,391
NET BOOK VALUE (see Fair Value level in Note 40)	**11,342**	**21,566**	**531**	**1,957**	**35,396**

* Capital work-in-progress represents costs incurred on ongoing work in respect of additions and replacements to various plants at year-end. Capital work-in-progress is not depreciated until the plants are completed and brought into use

** During the year, management carried out an impairment assessment of the Group's plant and machinery, office equipment and tools. This review resulted in the impairment of assets whose carrying value was Kes 23 million and capital work in progress whose carrying value was Kes 159 million.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

15. PROPERTY, PLANT AND EQUIPMENT (continued)

a) GROUP

Year ended 31 December 2020	Freehold land and residential buildings Kes'million	Plant and machinery Kes'million	Office equipment and tools Kes'million	Capital work-in-progress * Kes'million	Total Kes'million
Cost or valuation					
At 1 January 2020	13,517	47,806	2,223	1,748	65,294
Transfers from capital work in progress*	149	1,132	46	(1,327)	-
Additions	60	279	26	1,009	1,374
Assets previously classified as held for sale (Note 36)	-	32	3	-	35
Disposals	(1)	-	(14)	-	(15)
Translation difference**	248	1,383	31	58	1,720
At 31 December 2020	13,973	50,632	2,315	1,488	68,408
Depreciation					
At 1 January 2020	2,263	26,220	1,808	-	30,291
Charge for the year	301	1,934	87	-	2,322
Assets previously classified as held for sale (Note 36)	-	7	1	-	8
Elimination of depreciation on disposal	(1)	-	(14)	-	(15)
Translation difference **	98	526	19	-	643
At 31 December 2020	2,661	28,687	1,901	-	33,249
NET BOOK VALUE (see Fair Value level in Note 40)	**11,312**	**21,945**	**414**	**1,488**	**35,159**

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

15. PROPERTY, PLANT AND EQUIPMENT (continued)

b) COMPANY

Year ended 31 December 2021	Freehold land and residential buildings Kes'million	Plant and machinery Kes'million	Office equipment and tools Kes'million	Capital-work-in-progress Kes'million	Total Kes'million
Cost or valuation					
As at 1 January 2021	9,489	30,533	1,580	575	42,177
Disposal	-	-	-	-	-
Transfers from capital WIP	146	463	-	(609)	-
Additions	-	-	-	1,132	1,132
At 31 December 2021	9,635	30,996	1,580	1,098	43,309
Depreciation					
As at 1 January 2021	1,106	20,639	1,398	-	23,143
Eliminated on disposal	-	-	-	-	-
Charge for the year	80	1,168	30	-	1,278
At 31 December 2021	1,186	21,807	1,428	-	24,421
Net carrying amount (see Fair Value level in Note 40)					
At 31 December 2021	**8,449**	**9,189**	**152**	**1,098**	**18,888**

Year ended 31 December 2020	Freehold land and residential buildings Kes'million	Plant and machinery Kes'million	Office equipment and tools Kes'million	Capital-work-in-progress Kes'million	Total Kes'million
Cost or valuation					
As at 1 January 2020	9,338	29,468	1,559	1,008	41,373
Disposal	(1)	-	-	-	(1)
Transfers from capital WIP	95	874	19	(988)	-
Additions	57	191	2	555	805
At 31 December 2020	9,489	30,533	1,580	575	42,177
Depreciation					
As at 1 January 2020	1,031	19,516	1,357	-	21,904
Eliminated on disposal	(1)	-	-	-	(1)
Charge for the year	76	1,123	41	-	1,240
At 31 December 2020	1,106	20,639	1,398	-	23,143
Net carrying amount (see Fair Value level in Note 40)					
At 31 December 2020	**8,383**	**9,894**	**182**	**575**	**19,034**

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

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	
	2021 Kes' Millions	2020 Kes' Millions	2021 Kes' Millions	2020 Kes 'Millions
COST				
Land	1,423	1,483	638	638
Buildings and installations	6,517	6,184	2,453	2,307
Machines	35,332	29,753	13,474	13,015
Translation Gain	(14)	1,461		-
TOTAL	**42,258**	**38,881**	**16,565**	**15,960**
ACCUMULATED DEPRECIATION				
Land	(176)	(1)	(1)	(1)
Buildings and installations	(2,540)	(2,101)	(746)	(676)
Machines	(17,183)	(14,315)	(8.171)	(7,731)
Translation loss	(14)	(516)	-	-
TOTAL	**(19,913)**	**(16,933)**	**(8,918)**	**(8,408)**
Net carrying amount	23,345	21,948	7,647	7,552

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). The next valuation is due by 31 December 2022. 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 Kes 528 million (2020: Kes 528 million) located in Mombasa and Athi River.

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

The current Kenyan Constitution, enacted on 27 August 2010, introduced significant changes in the rules for landholding by non-citizens. The Constitution no longer allows foreigners and foreign bodies to own freehold land and leasehold land in excess of 99 years. Freehold land and leasehold land of more than 99 years tenure owned by foreigners and foreign bodies automatically becomes 99 year leases upon enactment of the required legislation under Articles 65(4) of the constitution. These changes in the landholding rules took effect on 2 May 2012 upon the enactment of the Land Registration Act No. 3 of 2012.

As per the definition of Articles 65(3) of the constitution, the Company is a non-citizen and hence the status of its freehold land changes to 99 years lease.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

16. (a) PREPAID OPERATING LEASE RENTALS

	GROUP		COMPANY	
	2021 Kes' Millions	2020 Kes' Millions	2021 Kes' Millions	2020 Kes' Millions
COST				
At 1 January	206	-	-	-
Transfer from(to) Right-of-use Asset (Note 16(b))	-	191	-	-
Foreign exchange adjustments*	17	15	-	-
At 31 December	**223**	**206**	**-**	**-**
Amortisation				
At 1 January	90	-	-	-
Transfer from(to) Right-of-use Asset (Note 16(b))	-	75	-	-
Translation gains*	8	6	-	-
Charge for the year	9	9	-	-
At 31 December	107	90	-	-
Net carrying amount	**116**	**116**	**-**	**-**

The operating lease prepayments represent rentals paid by a subsidiary Hima cement limited in Uganda for parcels of leasehold land. The lease rentals are paid in full at the inception of the lease and the company amortises the amount over the lease period on a straight-line basis. Management has assessed that on expiry of the lease they can only renew the lease term but the company does not have the option to purchase and hence no finance lease recognition is required.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

16. (b) RIGHT OF USE ASSETS - GROUP

	Land Kes'million	Buildings Kes'million	Machinery & equipment Kes'million	Furniture & equipment Kes'million	Motor vehicles Kes'million	Total Kes'million
Year ended 31 December 2021						
COST						
As at 1 January 2021	-	112	14	66	599	791
Additions	-	7	10	204	221	221
Eliminations on disposal	-	(70)	-	-	(50)	(120)
Translation gains/(loss)*	-	5	(1)	1	51	56
As 31 December 2021	-	54	13	77	804	948
DEPRECIATION						
As at 1 January 2021	-	60	14	52	258	384
Charge for the year	-	12	-	12	150	174
Eliminations on disposal	-	(31)	-	-	(28)	(59)
Translation gains/(loss)*	-	3	(1)		23	25
As 31 December 2021	-	44	13	64	402	524
NET CARRYING VALUE						
At 31 December 2021	-	10	-	13	400	424
Year ended 31 December 2020						
COST						
At 1 January 2020	191	117	13	54	501	876
Transfer to prepaid operating lease note 16(a))	(191)	-	-	-	-	(191)
Additions	-	24	-	11	114	149
Eliminations on disposal	-	(37)	-	-	(55)	(92)
Translation gains/(loss)*	-	8	1	1	39	49
As 31 December 2020	-	112	14	66	599	791
DEPRECIATION						
At 1 January 2020	75	44	13	30	126	288
Transfer to prepaid operating lease (note 16(a))	(75)	-	-	-	-	(75)
Charge for the year	-	28	-	22	132	182
Eliminations on disposal	-	(16)	-	-	(13)	(29)
Translation gains/(loss)*	-	4	1	-	13	18
As 31 December 2020	-	60	14	52	258	384
NET CARRYING VALUE						
At 31 December 2020	-	52	-	14	341	407

*The translation gains/ (loss) arise from the translation of the carrying amounts of assets held by a subsidiary, Himcem Holdings Limited into the reporting currency.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

17. (a) INTANGIBLE ASSETS – COMPUTER SOFTWARE

	GROUP		COMPANY	
	2021 Kes' Millions	2020 Kes' Millions	2021 Kes' Millions	2020 Kes 'Millions
Cost				
At 1 January	799	786	609	609
Additions	2	-	1	-
Translation gains*	16	13	-	-
At 31 December	**817**	**799**	**610**	**609**
Amortisation				
At 1 January	764	647	586	524
Charge for the year	10	107	2	62
Translation gains*	14	10	-	-
At 31 December	**788**	**764**	**588**	**586**
Net carrying amount	**29**	**35**	**22**	**23**

(b) LIMESTONE RESERVES

	GROUP 2021	GROUP 2020	COMPANY 2021	COMPANY 2020
Cost				
At 1 January	721	670	-	-
Translation gains*	58	51	-	-
At 31 December	779	721	-	-
Amortisation				
At 1 January	161	149	-	-
Charge for the year	1	1	-	-
Translation gains*	13	11	-	-
At 31 December	175	161	-	-
Net carrying amount	**604**	**560**	**-**	**-**

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

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.

			COMPANY	
	Principal place of business	Holding %	2021 Kes' million	2020 Kes' million
Bamburi Special Products Limited	Kenya	100	20	20
BAMBURI CEMENT PUBLIC LIMITED COMPANY, Uganda*	Uganda	100	-	-
Himcem Holdings Limited	Channel Islands	100	911	911
Lafarge Eco Systems Limited	Kenya	100	130	130
Less: Provision for impairment loss in value of investment in Lafarge Eco Systems Limited	Kenya		(91)	(91)
Diani Estate Limited	Kenya	100	839	839
Binastore Limited	Kenya	100	100	100
Less: Provision for impairment loss in value of investment in Binastore Limited	Kenya		(100)	(100)
Kenya Cement Marketing Limited*	Kenya	50	-	-
Portland Mines Limited*	Kenya	50	-	-
			1,809	**1,809**

Except where indicated above, the subsidiaries are incorporated in Kenya. Himcem Holdings Limited has a 70% holding in its subsidiary, Hima Cement Limited, a Company incorporated in Uganda.

* The amount of investments for Kenya Cement Marketing Limited, Bamburi Cement Plc - Uganda and Portland Mines Limited is below Kes 1,000,000.

Movement in the diminution of investments	2021 Kes' million	2020 Kes' million
At beginning of year	1,809	1,809
At end of year	**1,809**	**1,809**

Both entities are not separate cash generating units from the parent company, Lafarge Eco Systems Limited was set up to undertake quarry rehabilitation on behalf of the parent while Binastore Limited's principal activity is to promote the distribution of parent company's products. The parent company finances the operations of the two entities.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

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	2021	2020
Hima Cement	Uganda	30%	30

	2021 Kes' million	2020 Kes' million
Accumulated balances of material non-controlling interest	4,111	3,749
Profit/(loss) for the year allocated to material non-controlling interest	79	78
Other comprehensive income	283	242
Total comprehensive income/(loss) allocated to material non-controlling interest	362	320

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	2021 Kes' million	2020 Kes' million
Revenue	16,607	14,214
Cost of goods sold	(12,853)	(10,722)
Cost of transport service	(1,938)	(1,625)
Gross profit	**1,816**	**1,867**
Marketing and sales expenses	(84)	(128)
Administration expenses	(1,022)	(1,108)
Impairment of Property, plant and equipment	(159)	-
Other gains and losses	48	20
Operating profit	**599**	**651**
Finance income	22	13
Finance costs	(164)	(226)
Net finance costs	(142)	(213)
Profit before tax	**457**	**438**
Tax charge	(193)	(177)
Profit for the year	**264**	**261**
Other comprehensive income, net of tax	(5)	-
Total comprehensive income for the year	**259**	**261**

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

18. INVESTMENTS IN SUBSIDIARIES (continued)

b) Material partly-owned subsidiary (continued)

Summarised statement of financial position as at 31 December	2021 Kes' million	2020 Kes' million
Non-current assets Property, plant and equipment and other non-current assets	16,532	16,038
Current assets Inventories and cash and bank balances and other current assets	4,860	4,356
Current liabilities Trade and other payables and other current liabilities	(2,755)	(3,471)
Non-current liabilities	(5,747)	(5,238)
Total equity and reserves	**12,890**	**11,685**
Equity holders of parent	9,023	8,179
Non-controlling interest	3,867	3,506
	12,890	11,685
Summarised cash flow information for year ending 31 December		
Operating cash inflows	213	3,243
Investing cash outflows	(469)	(529)
Financing cash outflows	(157	(136)
Net increase in cash and cash equivalents	**413**	**2,578**

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	
	2021 Kes' million	2020 Kes' million
At 1 January	124	163
Fair value loss (Note 19(b))	(49)	(39)
At 31 December	75	124
Total equity investment as at 31 December (Note 40)	75	124

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

19. EQUITY INVESTMENTS – FVTOCI (continued)

b) Analysis of the equity investments

	Number of shares			Valuation		
Quoted investments	At 1.1.2021 units	Additions/ (disposals) units	At 31.12.2021 units	At 1.1.2021 Kes' million	Additions/ (disposals) Kes' Million	Increase/ (decrease) in market value Kes' million	At 31.12.2021 Kes' million
The East African Portland Cement Plc	11,265,068	-	11,265,068	124	-	(49)	75

	Number of shares			Valuation			
Quoted investments	At 1.1.2020 units	Additions/ (disposals) units	At 31.12.2020 units	At 1.1.2020 Kes' million	Additions/ (disposals) Kes' Million	Increase/ (decrease) in market value Kes' million	At 31.12.2020 Kes' million
The East African Portland Cement Plc	11,265,068	-	11,265,068	163	-	(39)	124

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

20. GOODWILL

	GROUP	
	2021 Kes' million	2020 Kes' million
At beginning and end of the year	217	217

The goodwill amounting to Kes 217 million arose from the acquisition of a subsidiary, Himcem Holdings Limited, in 1999. Himcem is the majority owner of the Group's operating Company in Uganda, Hima Cement Limited. The whole amount has been allocated to the subsidiary, which the Group considers as a cash generating unit (CGU). Determination of goodwill impairment involves an estimation of the value in use of the cash-generating unit to which goodwill has been allocated.

The amount of the goodwill has been determined based on a value in use calculation using cash flow projections covering a period of 10 years. The cash flows from the cash generating unit are based on expected EBITDA growth rate of 5% in 2022 and 5.9% thereafter for the next 9 years. The expected cash flows are based on past experience on earnings generated from the CGU. The yearly earnings generated are expected to remain stable in the period stipulated. Management is of the opinion that any possible reasonable change in these assumptions would not cause the global carrying amount to exceed the recoverable amount.

During the current financial year, the directors assessed the recoverable amount of goodwill and determined that the goodwill is not impaired. The recoverable amount of the cash generating units was assessed by reference to value in use.

Sensitivity analysis

The Group has conducted an analysis of the sensitivity of the impairment test to changes in the key assumptions used to determine the recoverable amount of the CGU to which goodwill is allocated. The directors believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the CGU.

At the beginning of the financial year and at the end of the year the recoverable amount was substantially in excess of its book value.

A 10% underperformance against budgeted earnings would reduce the headroom by 2.5% and would therefore not result in any impairment charge.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

21. INVENTORIES

	GROUP		COMPANY	
	2021 Kes'million	2020 Kes'million	2021 Kes'million	2020 Kes'million
Raw materials	863	1,623	463	464
Semi-finished and finished products	983	561	471	444
Fuels	1,103	613	879	456
Parts and supplies	2,823	2,425	1,316	1,339
Provision for obsolete inventory (Parts and supplies)	(884)	(955)	(379)	(427)
Parts and supplies net of provision	1,939	1,470	937	912
	4,888	**4,267**	**2,750**	**2,276**

During 2021, Kes 17,974 million (2020: Kes 14,254 million) and Kes 9,066 million (2020: Kes 7,014 million), for the Group and the Company, respectively, was recognised as an expense for inventories. This is recognised in the cost of sales.

22. TRADE AND OTHER RECEIVABLES

(a) Analysis of trade and other receivables:

	GROUP		COMPANY	
	2021 Kes'million	2020 Kes'million	2021 Kes'million	2020 Kes'million
Trade receivables	1,649	1,610	789	707
Other receivables*	575	235	106	185
Loss allowance	(742)	(764)	(225)	(232)
Net trade and other receivables	1,482	1,081	670	660
Prepayments	782	386	143	210
Receivables from related companies [Note 33 (b)]	155	163	1,174	1,281
	2,419	**1,630**	**1,987**	**2,151**

*The other receivables include advances to staff, insurance recoverable and accrued interest.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

22. TRADE AND OTHER RECEIVABLES (continued)

b) Movement in loss allowances

	GROUP		COMPANY	
	2021 Kes'million	2020 Kes'million	2021 Kes'million	2020 Kes'million
At beginning of year	764	633	232	199
Foreign exchange adjustments	25	26	-	-
Bad debts written off	-	(13)	-	-
Recoveries/(reversals)	(63)	-	(18)	-
Increase in loss allowance charged to profit/loss	16	118	11	33
At end of year	**742**	**764**	**225**	**232**

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	
	2021 Kes'million	2020 Kes'million	2021 Kes'million	2020 Kes'million
Cash at bank and on hand	3,353	4,327	1,522	2,263
Short term deposits (Note 23(d))	3,581	2,060	3,581	2,060
	6,934	**6,387**	**5,103**	**4,323**

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

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	
	2021 Kes'million	2020 Kes'million	2021 Kes'million	2020 Kes'million
Bank and cash balances: - note 23(a)	6,934	6,387	5,103	4,323
Bank overdrafts (note 23(c))	(245)	(136)	-	-
Balances per statement of cash flows	6,689	6,251	5,103	4,323
(c) Analysis of bank overdrafts				
Citibank NA	245	136	-	-
Standard Chartered Bank Uganda Limited	-	-	-	-
Citibank Uganda Limited	-	-	-	-
Stanbic Bank Uganda	-	-	-	-
	245	**136**	**-**	**-**

Bank overdrafts are unsecured and have been classified as current liabilities. The bank overdraft at Citibank NA was in denominated in Kenya Shillings (KES) and is held by Bamburi Special Products, a Kenya subsidiary of the Company. The bank overdraft is unsecured and denominated in KES with effective interest rate of 8.2 % p.a. (2020-10% p.a

	GROUP		COMPANY	
	2021 Kes'million	2020 Kes'million	2021 Kes'million	2020 Kes'million
(d) Short term deposits				
Short term financial deposit	**3,581**	**2,060**	**3,581**	**2,060**

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

	GROUP		COMPANY	
	2021 Kes'million	2020 Kes'million	2021 Kes'million	2020 Kes'million
Foreign currencies	**0.26%**	**0.26%**	**0.26%**	**0.26%**

The USD denominated Short Term Deposit is held with LafargeHolcim International Finance Ltd, a related party by virtue of common shareholding and/or directorship. The deposit earned an interest equal to the 3-months USD LIBOR plus margin of 0.03% and was fixed quarterly in advance. The interest on the deposit is calculated with [actual/360] days and was paid at end of each quarter, net of all applicable taxes and levies.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

24. SHARE CAPITAL

	GROUP 2021 Kes' million	2020 Kes' million
Authorised 366,600,000 ordinary shares of Kes 5 each	1,833	1,833
100,000, 7% redeemable cumulative preference shares of Kes 20 each	2	2
	1,835	1,835
Issued and fully paid 362,959,275 ordinary shares of Kes 5 each	1,815	1,815

Fully paid ordinary shares, which have a par value of Kes 5 each, carry a right of one vote per share and have rights to dividends..

25. RESERVES

a) Asset revaluation reserve

The revaluation reserve is used to record increases in the fair value of property, plant and equipment and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity. An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued amount of the asset and depreciation based on the asset original cost. When revalued assets are sold, the portion of the revaluation reserve that relates to those assets is effectively realised and transferred directly to retained earnings. The revaluation reserve is not distributable.

b) Translation reserve

Exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currency to the Group's presentation currency (Kenya shillings) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve are reclassified to profit or loss on disposal or partial disposal of a foreign operation.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

26. DEFERRED TAX LIABILITY

Deferred taxes are calculated on all temporary differences under the liability method using a principal tax rate of 30% (2020: 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 2021 Kes'million	Profit or (loss) (note 12(a)) Kes'million	Other comprehen-sive income (note 12(a)) Kes'million	Foreign exchange adjustment/ other Kes'million	At 31 December 2021 Kes'million
Property, plant and equipment	5,857	(333)	-	214	5,738
Provision for site restoration and litigation costs	(92)	(13)	-	(5)	(110)
Bonus payable	(83)	(12)	-	(2)	(97)
Foreign exchange (losses) / gains	26	(29)	-	(1)	(4)
Provision for staff gratuity, long service awards and leave	(157)	(1)	8	(1)	(151)
Provision for obsolete inventories	(272)	31	-	(9)	(250)
Provision for slow moving stock	(22)	-	-	-	(22)
Other inventories provisions	(14)	(7)	-	(2)	(23)
Provision for site inventory	(63)	-	-	(5)	(68)
Provision for bad debts	(227)	16	-	(8)	(219)
Provision for customer rebates	(51)	8	-	(2)	(45)
Provision for commercial goods obsolescence	-	(8)	-	-	(8)
Tax losses	(534)	310	-	(19)	(243)
Right of Use assets - IFRS 16	(6)	5	-	-	(1)
Lease liabilities - IFRS 16	5	(1)	-	-	4
Revaluation surplus	724	(121)	-	52	655
Disallowed Interest	(149)	29	-	(11)	(131)
Other provisions	(7)	(2)	-	(1)	(10)
	4,935	**(128)**	**8**	**201**	**5,015**

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

26. DEFERRED TAX LIABILITY (continued)

GROUP	At 1 January 2020 Kes'million	Profit or (loss) (note 12(a)) Kes'million	Other comprehensive income (note 12(a)) Kes'million	Foreign exchange adjustment/ other Kes'million	At 31 December 2020 Kes'million
Property, plant and equipment	5,963	(299)	-	193	5,857
Provision for site restoration and litigation costs	(43)	(47)	-	(2)	(92)
Bonus payable	(63)	(18)	-	(2)	(83)
Foreign exchange (losses) / gains	(13)	26	-	13	26
Provision for staff gratuity, long service awards and leave	(179)	15	9	(2)	(157)
Provision for wage increment	(1)	1	-	-	-
Provision for obsolete inventories	(171)	(93)	-	(8)	(272)
Provision for slow moving stock	(15)	(6)	-	(1)	(22)
Other inventories provisions	(52)	40	-	(2)	(14)
Provision for site inventory	(59)	-	-	(4)	(63)
Provision for bad debts	(190)	(30)	-	(7)	(227)
Provision for customer rebates	(39)	(10)	-	(2)	(51)
Tax losses	(797)	302	-	(39)	(534)
Foreign currency translation (losses)/ gains on translations	(9)	-	-	9	-
Right of Use assets - IFRS 16	-	(6)	-	-	(6)
Lease liabilities - IFRS 16	-	5	-	-	5
Revaluation surplus	673	-	-	51	724
Disallowed Interest	(84)	(56)	-	(9)	(149)
Other provisions	(6)	-	-	(1)	(7)
	4,915	**(176)**	**9**	**187**	**4,935**

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

26. DEFERRED TAX LIABILITY (continued)

COMPANY

	At 1 January 2021 Kes'million	Profit or loss (note 12 (a)) Kes'million	Other comprehensive income Kes'million	At 31 December 2021 Kes'million
Property, plant and equipment	3,070	(289)	-	2,781
Provision for site restoration and litigation costs	(39)	(5)	-	(44)
Bonus payable	(50)	(20)	-	(70)
Foreign exchange (losses) / gains	4	17	-	21
Provision for staff gratuity, long service awards and leave	(133)	1	8	(124)
Provision for obsolete inventories	(128)	14	-	(114)
Provision for bad debts	(71)	4	-	(67)
Provision for customer rebates	(24)	5	-	(19)
Provision for slow moving items	(23)	-	-	(23)
	2,606	**(273)**	**8**	**2,341**

COMPANY

	At 1 January 2020 Kes'million	Profit or loss (note 12 (a)) Kes'million	Other comprehensive income Kes'million	At 31 December 2020 Kes'million
Property, plant and equipment	3,314	(244)	-	3,070
Provision for site restoration and litigation costs	(28)	(11)	-	(39)
Bonus payable	(28)	(22)	-	(40)
Foreign exchange gains/ (losses)	7	(3)	-	4
Provision for staff gratuity, long service awards and leave	(152)	10	9	(133)
Provision for obsolete inventories	(81)	(47)	-	(128)
Provision for bad debts	(60)	(11)	-	(71)
Provision for customer rebates	(11)	(13)	-	(24)
Provision for restructuring	-	(23)	-	(23)
Tax losses	(91)	91	-	-
	2,870	**(273)**	**9**	**2,606**

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

27. PROVISIONS

Year ended 31 December 2021 GROUP	Site restoration and litigation Kes' million	Leave pay Kes' million	2021 Total Kes' million
At beginning of year	463	79	542
Additional provisions	29	11	39
Utilised during the year	-	(6)	(6)
Translation gain	14	2	16
At end of year	**506**	**86**	**592**
Categorised as:			
Current portion	15	86	101
Non-current portion	491	-	491
At end of year	**506**	**86**	**592**
COMPANY			
At beginning of year	304	46	350
Additional provisions	17		
Utilised during the year	-	(2)	(2)
At end of year	**321**	**44**	**365**
Categorised as:			
Current portion	15	44	59
Non-current portion	306	-	306
At end of year	**321**	**44**	**365**

Year ended 31 December 2020 GROUP			
At beginning of year	297	77	374
Additional provisions	159	7	166
Utilised during the year	-	(7)	(7)
Translation loss	7	2	9
At end of year	**463**	**79**	**542**
Categorised as:			
Current portion	15	79	94
Non-current portion	448	-	448
At end of year	**463**	**79**	**542**
COMPANY			
At beginning of year	265	45	310
Additional provisions	39	5	44
Utilised during the year	-	(4)	(4)
At end of year	**304**	**46**	**350**
Categorised as:			
Current portion	15	46	61
Non-current portion	289	-	289
At end of year	**304**	**46**	**350**

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

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

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 2021	Group			Company		
	Long service award Kes'million	Gratuity Kes'million	Total Kes'million	Long service award Kes'million	Gratuity Kes'million	Total Kes'million
Opening employee benefit obligation	36	401	437	20	377	397
Current service cost- charged to profit or loss cost of sales	5	16	21	2	15	17
Benefits payments	(3)	(60)	(63)	(2)	(57)	(59)
Interest cost - charged to profit or loss cost	5	38	43	2	36	38
Actuarial gain - credited to other comprehensive income	(1)	(25)	(26)	-	(25)	(25)
Exchange (gains)/loss	1	1	2	-	-	-
Closing employee benefit obligation	**42**	**372**	**414**	**22**	**346**	**368**
Categorised as:						
Current portion	9	39	48	8	34	42
Non-current portion	33	333	366	14	312	326
Total	**42**	**372**	**414**	**22**	**346**	**368**

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

28. EMPLOYEE BENEFIT LIABILITIES (Continued)

Year ended 31 December 2020

	Group			Company		
	Long service award	Gratuity	Total	Long service award	Gratuity	Total
	Kes'million	Kes'million	Kes'million	Kes'million	Kes'million	Kes'million
Opening employee benefit obligation	36	479	515	21	435	456
Current service cost- charged to profit or loss cost of sales	4	20	24	2	18	20
Benefits payments	(7)	(120)	(127)	(5)	(85)	(90)
Interest cost - charged to profit or loss cost	5	46	51	3	40	43
Actuarial gain - credited to other comprehensive income	(4)	(27)	(31)	(1)	(30)	(31)
Exchange (gains)/loss	2	3	5	-	-	-
Closing employee benefit obligation	**36**	**401**	**437**	**20**	**378**	**398**
Categorised as:						
Current portion	4	50	54	3	46	49
Non-current portion	32	351	383	17	332	349
Total	**36**	**401**	**437**	**20**	**377**	**398**

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

	2021		2020	
	Kenya	Uganda	Kenya	Uganda
	%	%	%	%
Interest rate	11.1%	13.3%	10.8%	15.26%
Future salary increases	9.1%	13.5%	8.8%	13.5%
Long service award escalation rate	6.1%	7.0%	5.8%	7.0%

Other disclosures

Mortality rate

The actuary uses actives' mortality A49-52 ultimate and pensioners' mortality A55 as the base tables of standard mortality rates. Statistical methods are used to adjust the rates reflected on the base table based on the Company's experience of improvement or worsening of mortality.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

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 2021 is as shown below:*

COMPANY	Interest rate		Salary escalation rate		Award escalation rate	
	+1/2%	-1/2%	+1/2%	-1/2%	+1/2%	-1/2%
	Kes'million	Kes'million	Kes'million	Kes'million	Kes'million	Kes'million
Gratuity	333	345	344	334	339	339
Long service awards	22	23	22	22	23	22
Total	**355**	**367**	**366**	**356**	**362**	**361**

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 2021 of 12.3% (2020 12.3%) per annum and 13.3% (2020-14.9%) 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 11.1% per annum. At this yield, the bond and the liabilities had discounted mean term of 3.7 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 15.5% per annum. It was considered appropriate to use the yield on the longest bond available as the valuation interest rate.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

29. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2021 Kes'million	2020 Kes'million	2021 Kes'million	2020 Kes'million
Trade payables*	4,130	3,863	2,190	1,560
Accrued expenses	1,105	1,367	341	719
Other payables**	828	793	611	294
Payable to related companies - Note 33 (b)*	1,350	374	1,564	549
	7,413	**6,397**	**4,706**	**3,122**

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	
	2021 Kes'million	2020 Kes'million	2021 Kes'million	2020 Kes'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	58	37	29	22
At end of year	**159**	**138**	**130**	**123**

The guarantees and bonds are issued by the Group's and the Company's bankers in favour of third parties. The Group and the Company has entered into counterindemnities with the same banks. These guarantees and bonds are part of the borrowing facilities disclosed in Note 30 (d) and are issued in the normal course of business.

b) Legal matters

The Group and the Company are involved in a number of legal proceedings which are yet to be concluded upon. The Directors have evaluated the pending cases and determined that no material liabilities are likely to arise from these cases which arose in the normal course of business. The Group and the Company have an in-house legal department that assessed the court cases in arriving at the above conclusion. These include:

Court of Appeal Civil Appeal No. 155 of 2011 Uganda - Mining lease

This Appeal arises from Misc. Cause 88 of 2012 in the High Court. Hima Cement Limited (HCL) is challenging the findings of a judicial review in which East African Gold Sniffing Company Limited (the defendant) reclaimed their exploration licence "0932"in one of the limestone deposit sites in Kasese where HCL is operating. In the event of an adverse ruling, HCL stands to lose their mining lease over the said site, which would have a significant effect on the operations of the entity's plant in Kasese. The legal costs in respect to this are estimated at Uganda shillings 361 million (Kes 11.5million). The company is still waiting for hearing date to be fixed.

According to the Board of Directors evaluation of the case and the legal advice received from the Company's lawyers, the Directors opine that the appeal has a strong basis with a high likelihood of success. As such, the financial statements of Hima Cement Limited for the year ended 31 December 2021 have been prepared on a going concern basis.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

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 the year 2018, the company reached a settlement agreement with the Kenya Revenue Authority within the Alternative Dispute Resolution framework regarding a tax assessment for the 2007 - 2011 period. A full settlement of the agreed principal tax amounting to Kes 332 million relating to corporate tax. The company also paid principal tax for the period 2021 - 2014 amounting to KES 40.6 million relating to corporate tax, withholding tax and Value Added Tax (VAT). Management applied for a waiver of interest and penalties amounting to Kes 288 million and Kes 27.6 million for the period 2007 - 2011 and 2021 - 2014 respectively.

On 23rd of February 2022, the company received a letter from the Cabinet Secretary for National Treasury and Planning declining our penalties and interest waiver application amounting to Kes 288 million. The company will continue to engage the Cabinet Secretary for National Treasury and Planning for a review of the decision to decline our penalties and interest waiver application. The Directors are of the opinion that the Cabinet Secretary for National Treasury and Planning will favourably reconsider his decision and eventually grant a waiver of the penalties and interest and therefore no provision has been made for the amount in the year

d) Borrowing facilities

At the end of the year, the Group had working capital facilities amounting to total of Kes 9.3 billion (2020 - Kes 8.2 billion), out of which the undrawn facilities amounted to Kes 7.8 billion (2020 – Kes 7.8 billion). The drawn amounts mainly relate to supplier trade finance, bonds and guarantees.

The working capital facilities are annual facilities that are subject to review at various dates during the year. They consist of letters of credit and guarantees, among others.

31. CAPITAL COMMITMENTS

Authorised and contracted

Capital expenditure contracted for at the end of the reporting period but not recognised in the financial statements is as follows:

	GROUP		COMPANY	
	2021 Kes'million	2020 Kes'million	2021 Kes'million	2020 Kes'million
Commitments for the acquisition of property, plant and equipment	I1,024	582	698	432

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	
	2021 Kes'million	2020 Kes'million	2021 Kes'million	2020 Kes'million
Commitments for the acquisition of property, plant and equipment	205	120	109	120

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

32. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of profit before tax to cash generated from operations:

GROUP	Notes	2021 Kes'million	2020 Kes'million
Profit before tax		2,172	1,776
Adjustments for:			
Depreciation on property, plant and equipment	15(a)	2,362	2,322
Amortisation of intangible assets	17	10	107
Depreciation of right-of-use assets	16(b)	174	182
Amortisation of prepaid lease rentals	16(a)	9	9
Amortisation of limestone reserves		1	1
Impairment of property, plant and equipment	15(a)	182	-
Impairment of biofuels	34	-	352
Interest income	7(ii)	(78)	(62)
Interest on borrowings		110	145
Gain on disposal of property, plant and equipment	8	(210)	(260)
Interest on pension benefit obligations		64	51
Net foreign exchange (gains) / losses		(17)	(59)
Gains/losses on reassessment and modification of leases		(9)	-
Unrealized currency translation (gains)/losses		(20)	(48)
Operating profit before working capital changes		4,750	4,516
Changes in working capital balances:			
(Increase)/decrease in inventories		(621)	1,554
Decrease in employees' benefit liabilities		(23)	(78)
(Increase)/decrease in trade and other receivables		(790)	885
Increase in provisions		58	168
Increase/(decrease) in trade and other payables		1,016	(258)
Cash generated from operations		**4,390**	**6,787**

COMPANY	Notes	2021 Kes'million	2020 Kes'million
Profit before tax		1,671	1,672
Adjustments for:			
Depreciation on property, plant and equipment	15(b)	1,278	1,240
Amortisation of intangible assets	17	2	62
Impairment of biofuels	34	-	352
Interest income	7	(55)	(68)
Interest cost on pension benefit obligations		38	43
Gain on disposal of property, plant and equipment	8	-	(255)
Net foreign exchange losses/(gains)		(13)	(19)
Operating profit before working capital changes		2,920	3,027
Changes in working capital balances:			
(Increase)/Decrease in inventories		(474)	1,090
Decrease in employees' benefit liabilities		(30)	(58)
Decrease/(Increase)/ in trade and other receivables		164	(511)
Increase in provisions		15	40
(Increase)/Decrease in trade and other payables		1,584	(594)
Cash generated from operations		**4,179**	**2,994**

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

33. RELATED PARTY TRANSACTIONS

Note 18 provides the information about the Group's structure including the details of the subsidiaries.

The ultimate parent of the Group is LafargeHolcim Ltd, incorporated in Switzerland. There are other companies which are related to Bamburi Cement Plc through common shareholdings and directorships.

(a) Related party transactions

The Company receives technical assistance from the majority shareholder, Lafarge SA, which is paid for under a five-year agreement.

The following transactions were carried out with related parties during the year.

		Sales of goods and services Kes'million	Purchases of goods and services Kes'million	Interest received Kes'million
GROUP				
Entity with significant influence over the Group:				
Lafarge SA (technical services)	2021	-	859	-
	2020	-	831	-
Other related companies				
Lafarge-Holcim Trading	2021		4,234	
	2020	-	1,813	-
Lafarge Energy Solutions	2021		30	
	2020	-	936	-
LafargeHolcim International Finance	2021			7
	2020	-	-	2
COMPANY				
Entity with significant influence over the Company:				
Lafarge SA (technical services)	2021	-	516	-
	2020	-	407	-
Subsidiaries:				
Hima Cement Limited	2021	-	52	-
	2020	29	-	18
Bamburi Special Products Limited	2021	489	-	-
	2020	347	8	1
Other Related parties				
Lafarge-Holcim Trading	2021	-	3,070	-
	2020	-	788	-
Lafarge Energy Solutions	2021	-	29	-
	2020	-	936	-
LafargeHolcim International Finance	2021		-	7
	2020		-	2

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

33. RELATED PARTY TRANSACTIONS (continued)

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

	GROUP		COMPANY	
	2021 Kes'million	**2020 Kes'million**	**2021 Kes'million**	**2020 Kes'million**
Receivables from related parties				
Lafarge France	10	10	10	10
Lafarge South Africa	5	7	5	5
Lafarge Technical Centre Europe	-	1	-	1
Chilanga Cement Plc Zambia	6	7	6	6
Malawi Portland Cement	58	30	8	14
Lafarge Cairo	7	7	7	7
Lafarge MEA IT services	5	30	5	26
Other related parties	64	71	64	63
	155	**163**	**105**	**132**
Receivables from subsidiaries				
Hima Cement Limited	-	-	7	124
Bamburi Special Products Limited	-	-	281	293
Lafarge Eco Systems Limited	-	-	320	261
Binastore Limited	-	-	229	201
Diani Estate Limited	-	-	232	270
	-	-	1,069	1,149
Total receivables (note 22(a))	**155**	**163**	**1,174**	**1,281**
Payables to related parties				
Holcim Technology Limited	38	14	24	27
Lafarge France	52	64	-	81
Lafarge Holcim Trading	1,147	-	1,149	
Lafarge Eco Systems Limited	-	-	298	243
Other related parties	113	296	93	198
Total payables (note 29)	**1,350**	**374**	**1,564**	**549**

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 2021 the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2020: 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

33. RELATED PARTY TRANSACTIONS (continued)

(c) Loan to a subsidiary

Within the year 2020, the subsidiary Bamburi Special Products Limited fully paid the outstanding loan balance due to the Company. The loan was unsecured and the effective interest on the loan was 10%. The loan repayment period was 10 years from January 2011.

	COMPANY	
	2021 Kes'million	**2020 Kes'million**
Current portion	-	-
The movement in loan to subsidiary is as shown below:		
At 1 January	-	25
Paid during the year	-	(25)
At 31 December	-	-
Interest charged on the above loan (Note 7(ii))	**-**	**1**

In the year 2020, the Company advanced USD 7 million short term loan to its subsidiary Hima Cement Limited. The loan was unsecured and the effective interest on the loan was 6%. The loan was repaid in full within the year

The movement in loan to subsidiary is as shown below:

At 1 January	-	-
Loan advanced in the year	-	736
Paid during the year	-	(736)
At 31 December	-	-
Interest charged on the above loan (Note 7(ii))	**-**	**18**

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

As at the end of the year, the balance due to Cemasco B. V, a related company, from Hima Cement Limited, a subsidiary of Bamburi Cement Plc amounted Kes 2,273 million (2020 – Kes 2,191 million). The term of the loan is 5 years with a moratorium of 3 years. The loan is due for repayment in 2023. The loan is unsecured and attracts interest at 3 month USD LIBOR + 4%.

	GROUP	
	2021 Kes'million	**2020 Kes'million**
At 1 January	2,191	2,056
Foreign exchange (gain)/loss	(89)	(21)
Translation loss	171	156
At 31 December	**2,273**	**2,191**
Interest charged on the above loan (Note 7(ii))	**93**	**112**

(e) Short term financial deposits

During the year the company invested a USD denominated Short Term Deposit Kes 3.5 billion (2020 - Kes 2 billion) with LafargeHolcim International Finance Ltd, a related party by virtue of common shareholding and/or directorship. The deposit attracts interest of 3-months USD LIBOR plus margin of 0.03%. Interest earned from the deposit in the year amounted to Kes 7million (2020-Kes 1.7 million).

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

33. RELATED PARTY TRANSACTIONS (continued)

(f) Key management personnel compensation

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

	COMPANY	
	2021 Kes'million	**2020 Kes'million**
Fees for services as a director		
Executive	-	-
Non-executive	13	16
Total directors' fees	**13**	**16**
Emoluments for Executive directors		
Salaries and bonuses	128	97
Short term employee benefits	35	34
Post-employment pension-defined contribution	17	13
Total emoluments for directors	**180**	**144**
Guaranteed loans to executive directors	-	-
Emoluments for key management personnel (excluding the directors):		
Salaries and bonuses	86	91
Short term employee benefits	33	28
Post-employment pension-defined contribution	6	5
Total emoluments for key management personal	**125**	**124**
Total emoluments for directors and other key management personnel	**318**	**284**
Guaranteed long-term loans to key management staff	41	-
Guaranteed long-term loans to executive directors and key management personnel	-	-

Terms and conditions of the guaranteed long-term loan

The long-term loans to executive directors and key management staff are issued as part of the employee benefit from the general loans for unsecured loans from Citibank. The Company acts as the guarantor for these loans. Any guaranteed loans that exceed Kes. 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 tree plantations are determined by company's internal valuation experts based on recent market transaction prices.

Cash conservation measures adopted by the group during the COVID 19 period necessitated the rationalisation of capital expenditure projects. One of the projects indefinitely suspended in 2020 was the modification the Mombasa Plant alternative fuel feeder equipment. The modification being a prerequisite for the usage of the biological assets meant that the Company impair the intrinsic value of the biological assets to their most recent market valuation.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

34. BIOLOGICAL ASSETS (GROUP AND COMPANY) (continued)

(a) Non-current assets

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

	2021 Kes'million	**2020 Kes'million**
At start of year	119	335
Transfer to current assets	-	(58)
Impairment of realisable value	-	(158)
At end of year	**119**	**119**

(b) Current assets

	2021	2020
Growing biological assets ready for use as at the reporting date		
At start of year	-	136
Transfer from noncurrent assets	-	58
Impairment of realisable value	-	(194)
At end of year	**-**	**-**

The following table presents the Company's biological assets that are measured at fair value at 31 December 2021 (see Fair Value disclosures under Note 40):

	Level 1 Kes'million	**Level 2 Kes'million**	**Level 3 Kes'million**
Biological assets - trees			
Year ended 31 December 2021		119	
Year ended 31 December 2020	-	119	-

There were no transfers between any levels during the year.

35. LEASE LIABILITIES - GROUP

	2021 Kes'million	**2020 Kes'million**
Current	20	29
Non-current	454	421
	474	**450**

The movement in the lease liabilities is as follows:

	2021	2020
At 1 January	450	495
Additional lease liabilities	221	149
Interest on lease liabilities	68	73
Payment of interest and lease liabilities	(245)	(237)
Ended contracts	(55)	(62)
Translation differences	35	32
As at 31 December	**474**	**450**

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

35. LEASE LIABILITIES – GROUP (continued)

Maturity analysis of operating lease payments:

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

	2021 Kes'million	2020 Kes'million
Year 1	20	29
Year 2	68	29
Year 3	183	132
Year 4	188	241
Year 5	14	19
Year 6 onwards	-	-
	474	**450**

36. RETIREMENT BENEFITS SCHEME

The Group operates a defined contribution retirement plan for the non-unionised employees. The assets of the plans are held separately from those of the Group in funds under the control of trustees. The scheme is administered by an independent administration Company and is funded by contributions from the Group companies and employees. The Group's obligations to the staff retirement benefits plans are charged to profit or loss as they fall due and as they accrue to each employee.

The Group also 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 Kes 236 million (2020: Kes 249 million) and Kes 128 million (2020: Kes 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).

37. FINANCIAL RISK MANAGEMENT

Introduction and overview

The Group's principal financial liabilities are trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations.

The Group's principal financial assets include trade and other receivables, and cash and short-term deposits that derive directly from its operations. The Group also holds available for sale investments.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

37. FINANCIAL RISK MANAGEMENT (continued)

The Group is exposed to:

- market risk;
- credit risk; and
- liquidity risk.

The Group's overall risk management programme focuses on the unpredictability of changes in the business environment and seeks to minimise potential adverse effects of such risks on its financial performance within the options available in Kenya and Uganda by setting acceptable levels of risks.

Risk Management Framework

Financial risk management is carried out by Group's Corporate Treasury Department under policies approved by the Board of Directors. The Group's Corporate Treasury function identifies, evaluates and manages financial risks in close cooperation with operating units. The board provides written principles for overall risk management, as well as written policies covering specific areas such as credit risk, liquidity risk, foreign exchange risk, interest rate risk and price risk. The Group does not enter into or trade in financial instruments, including derivative financial instruments, for speculative purposes.

The Corporate Treasury function reports quarterly to the 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:

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

37. FINANCIAL RISK MANAGEMENT (continued)

(i) Market risk (continued)

a) Foreign currency risk management (continued)

31 December 2021:	Denominated in EUR Kes'million	Denominated in USD Kes'million	TOTAL Kes'million
Assets			
Trade and other receivables	4	366	370
Bank balances	29	3,658	3,687
Total assets	33	4,024	4,057
Liabilities			
Trade and other payables	(74)	(3,842)	(3,916)
Net exposure position	**(41)**	**182**	**141**
31 December 2020:			
Assets			
Trade and other receivables	143	277	520
Bank balances	58	3,148	3,206
Total assets	201	3,425	3,726
Liabilities			
Trade and other payables	(1,648)	(1,753)	(3,401)
Bank Overdraft	-	-	-
Net exposure position	**(1,447)**	**1,672**	**225**

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

37. FINANCIAL RISK MANAGEMENT (continued)

(i) Market risk (continued)

a) Foreign currency risk management (continued)

Company foreign currency risk:

31 December 2021:	Denominated in EUR Kes'million	Denominated in USD Kes'million	TOTAL Kes'million
Assets			
Trade and other receivables	4	297	301
Bank balances	8	3,372	3,380
Total assets	12	3,669	3,681
Liabilities			
Trade and other payables	(63)	(1,248)	(1,311)
Net exposure position	**(51)**	**2,421**	**2,370**
31 December 2020:			
Assets			
Trade and other receivables	124	109	233
Bank balances	20	2,093	2,113
Total assets	144	2,202	2,346
Liabilities			
Trade and other payables	(1,616)	(1,007)	(2,623)
Net exposure position	**(1,472)**	**1,195**	**(277)**

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

37. FINANCIAL RISK MANAGEMENT (continued)

(i) Market risk (continued)

a) Foreign currency risk management (continued)

Foreign currency sensitivity analysis (continued)

The following sensitivity analysis shows how profit and equity would change if the Kenya Shilling had depreciated against the other currencies by 5% (2020: 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	
	2021	2020	2021	2020
	Kes' million	Kes' million	Kes' million	Kes' million
GROUP				
EUR	(2)	(72)	(1)	(50)
USD	9	84	(6)	59
	7	**12**	**5**	**9**
COMPANY				
EUR	(3)	(74)	(2)	(52)
USD	121	60	85	42
	118	**(14)**	**83**	**(10)**

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% (2020: 5%) increase/decrease of the annual interest rate would have resulted in an increase/decrease in pre-tax profit of Kes 3.9 million (2020: Kes 3.1 million) and an increase/decrease in equity of Kes 2.7 million (2020: Kes 2.3 million). The assumed movement in interest rate sensitivity analysis is based on the currently observable market environment. This is the amount by which interest rates generally fluctuate by.

c) Price risk

Quoted investments are valued at their market prices. These values are subject to frequent variations and adverse market movements. This risk is mitigated by the fact that equity investments are held for strategic rather than trading purposes. The Group and the Company do not actively trade in equity investments.

At 31 December 2021, if the prices at the Nairobi Securities Exchange had appreciated/depreciated by 5% with all other variables held constant, it would have resulted in an increase/decrease in the other comprehensive income and equity for the Group and Company of Kes 4 million (2020 - Kes 6 million) as a result of changes in fair value of available-for-sale shares.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

37. 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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

37. FINANCIAL RISK MANAGEMENT (continued)

(ii) Credit risk (continued)

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

37. 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

Financial asset 31 December 2021	Note	External rating	Internal rating	12-month lifetime ECL	Gross carrying amount Sh'million	Loss allowance Sh'million	Net carrying amount Sh'million	Classification
Equity investments	19	Marked to Market-NSE*	N/A	Performing	124	(49)	75	FVTOCI
Due from related a company	22	N/A	Performing	Lifetime ECL not credit-impaired	155	-	155	Amortized cost
Trade receivables	22	N/A	Doubtful	Lifetime ECL not credit-impaired	1,649	(742)	907	Amortized cost
					1,928	(791)	1,137	

Financial asset 31 December 2020	Note	External rating	Internal rating	12-month lifetime ECL	Gross carrying amount Sh'million	Loss allowance Sh'million	Net carrying amount Sh'million	Classification
Equity investments	19	Marked to Market-NSE*	N/A	Performing	163	(39)	124	FVTOCI
Due from related a company	22	N/A	Performing	Lifetime ECL not credit-impaired	163	-	163	Amortized cost
Trade receivables	22	N/A	Doubtful	Lifetime ECL not credit-impaired	1,610	(764)	846	Amortized cost
					1,936	(803)	1,133	

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

37. FINANCIAL RISK MANAGEMENT (continued)

(ii) Credit risk (continued)

The tables below detail the credit quality of the Company's financial assets and the Company's maximum exposure to credit risk by credit risk rating grades:

COMPANY

Financial asset 31 December 2021	Note	External rating	Internal rating	12-month lifetime ECL	Gross carrying amount Sh'million	Loss allowance Sh'million	Net carrying amount Sh'million	Classification
Equity investments	19	Marked to Market-NSE*	N/A	Performing	124	(49)	75	FVTOCI
Due from related a company	22	N/A	Performing	Lifetime ECL not credit-impaired	1,174	-	1,174	Amortized cost
Trade receivables	22	N/A	Doubtful	Lifetime ECL not credit-impaired	789	(225)	564	Amortized cost
Loan due from a subsidiary	33(iii)	N/A	Performing	Lifetime ECL (simplified approach -SPPI)	-	-	-	Amortized cost
					2,087	**(274)**	**1,813**	

Financial asset 31 December 2020	Note	External rating	Internal rating	12-month lifetime ECL	Gross carrying amount Sh'million	Loss allowance Sh'million	Net carrying amount Sh'million	Classification
Equity investments	19	Marked to Market-NSE*	N/A	Performing	163	(39)	124	FVTOCI
Due from related a company	22	N/A	Performing	Lifetime ECL not credit-impaired	1,281	-	1,281	Amortized cost
Trade receivables	22	N/A	Doubtful	Lifetime ECL not credit-impaired	707	(232)	475	Amortized cost
Loan due from a subsidiary	33(iii)	N/A	Performing	Lifetime ECL (simplified approach -SPPI)	-	-	-	Amortized cost
					2,151	**(271)**	**1,880**	

* NSE: Nairobi Securities Exchange

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

37. 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. 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) The short term deposits held with LafargeHolcim International Finance, a related party, are carried at amortised cost. The carrying amount of the short term deposits at FVTPL as disclosed in note 23(d) best represents their maximum exposure to credit risk. The Group holds no collateral over any of these balances.

iv) For trade receivables, the Group/Company has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL (which in the case of the Group/Company is the same as the 12-month ECL). The Group determines the expected credit losses on these items by using a provision matrix, estimate based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix. Notes 19, 22, 23 and 33 include further details on the loss allowance for these assets respectively.

v) For the loan to related parties, the gross carrying amount represents the maximum amount the Company expects to receive in principal payments from its subsidiary - Bamburi Special Products Limited, and the net carrying amount represents the amortized cost of the loan receivable without discounting given that the discounting yields an immaterial difference in the carrying amounts.

(iii) Liquidity risk

This is the risk that the Group will encounter difficulties in meeting its financial commitments from its financial liabilities that are settled by delivering cash or another financial asset. Prudent liquidity risk management includes maintaining sufficient cash to meet the group's obligations.

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

The following table analyses the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows and exclude the impact of netting agreements.

Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

37. FINANCIAL RISK MANAGEMENT (continued)

(iii) Liquidity risk (Continued)

GROUP – Financial liabilities:	Total amount Kes'million	0-30 days Kes'million	31-90 days Kes'million	91-120 days Kes'million	120 days and above Kes'million
31 December 2021:					
Trade payables	4,130	1,758	948	698	726
Related party payables	1,350	74	1,167	44	65
Borrowings	-	-	-	-	2,273
Other payables	828	401	109	89	229
Accrued expenses	1,105	648	178	72	207
31 December 2020:					
Trade payables	3,863	1,467	986	741	669
Related party payables	374	132	84	72	86
Borrowings	2,191	-	-	-	2,191
Other payables	779	306	97	111	265
Accrued expenses	1,367	798	200	91	278

COMPANY – Financial liabilities:	Total amount Kes'million	0-30 days Kes'million	31-90 days Kes'million	91-120 days Kes'million	120 days and above Kes'million
31 December 2021:					
Trade payables	2,190	558	842	452	338
Related party payables	1,564	51	1,123	7	383
Other payables	611	195	126	75	215
Accrued expenses	341	125	24	32	160
31 December 2020:					
Trade payables	1,560	984	127	239	210
Related party payables	549	234	31	86	198
Other payables	294	68	44	66	116
Accrued expenses	706	142	26	118	466

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NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

38. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are:

- To ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance.
- 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.

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	
	2021 Kes'million	31 December 2020 Kes'million	2021 Kes'million	2020 Kes'million
Equity	**35.337**	**34,064**	**23,181**	**23,145**
Debt				
Borrowings	2,273	2,191	-	-
Lease liabilities	474	450	-	-
Bank overdrafts	245	136	-	-
Less: Cash and cash equivalents	(6,934)	(6,387)	(5,303)	(4,323)
Net debt	(3,942)	(3,610)	(5,303	(4,323)
Net debt to equity ratio	**N/A**	**N/A**	**N/A**	**N/A**

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

39. FAIR VALUE OF ASSETS AND LIABILITIES

a) Comparison by class of the carrying amount and fair values of the financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability taKes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The table below sets out the Group's classification of each class of financial assets and liabilities, and comparison of the carrying amount and their fair (excluding accrued interest):

GROUP	Notes	Carrying amount		Fair Value	
		2021	2020	2021	2020
Financial assets		Kes'million	Kes'million	Kes'million	Kes'million
Other equity investments	19	75	124	75	124
COMPANY					
Financial assets					
Other equity investments	19	75	124	75	124

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)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

39. FAIR VALUE OF ASSETS AND LIABILITIES (continued)

b) Fair value hierarchy (continued)

	Level 1 Kes'million	Level 2 Kes'million	Level 3 Kes'million
GROUP			
31 December 2021			
Assets			
Property, plant and equipment (Note 15(a))			
-Freehold land and buildings	-	-	11,342
-Plant and machinery	-	-	21,566
Biological assets	-	119	-
Fair value designated at FVTOCI - equity securities	75	-	-
31 December 2020			
Assets			
Property, plant and equipment (Note 15(a))			
-Freehold land and buildings	-	-	11,312
-Plant and machinery	-	-	21,945
Biological assets	-	119	-
Fair value designated at FVTOCI - equity securities	124	-	-
COMPANY			
31 December 2021			
Assets			
Property, plant and equipment (Note 15(b))			
-Freehold land and buildings	-	-	8,449
-Plant and machinery	-	-	9,189
Biological assets	-	119	-
Fair value designated at FVTOCI - equity securities	75	-	-
31 December 2020			
Assets			
Property, plant and equipment (Note 15(b))			
-Freehold land and buildings	-	-	8,383
-Plant and machinery	-	-	9,894
Biological assets	-	119	-
-Other quoted investments	124	-	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

39. 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 2019 for the parent company and December 2020 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.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

39. FAIR VALUE OF ASSETS AND LIABILITIES (continued)

b) Fair value hierarchy (continued)

Depreciated replacement cost for plant and machinery (continued)

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

	Valuation technique	Significant unobservable inputs	Range (weighted average)	Sensitivity of the input to fair value
Land	Market Comparable Approach	Price per acre	Between Kes 1 million and Kes 30 million	0.5% (2020: 0.5%) increase (decrease) would result in an increase/(decrease) in fair value by Kes 56.23 million.
Buildings	Market Comparable Approach	Estimated rental value per square meter per month.	Kes 30 per square meter	0.5% (2020: 0.5%) increase (decrease) would result in an increase/(decrease) in fair value by Kes 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 Kes 1,358 million and Kes 2,729 million.	0.5% (2020: 0.5%) increase (decrease) would result in an increase/(decrease) in fair value by Kes 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.

40. EVENTS AFTER THE REPORTING DATE

As at the date of approval of these financial statements for issue, there were no other material adjusting or non-adjusting events that would require disclosure.

41. COUNTRY OF INCORPORATION

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

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