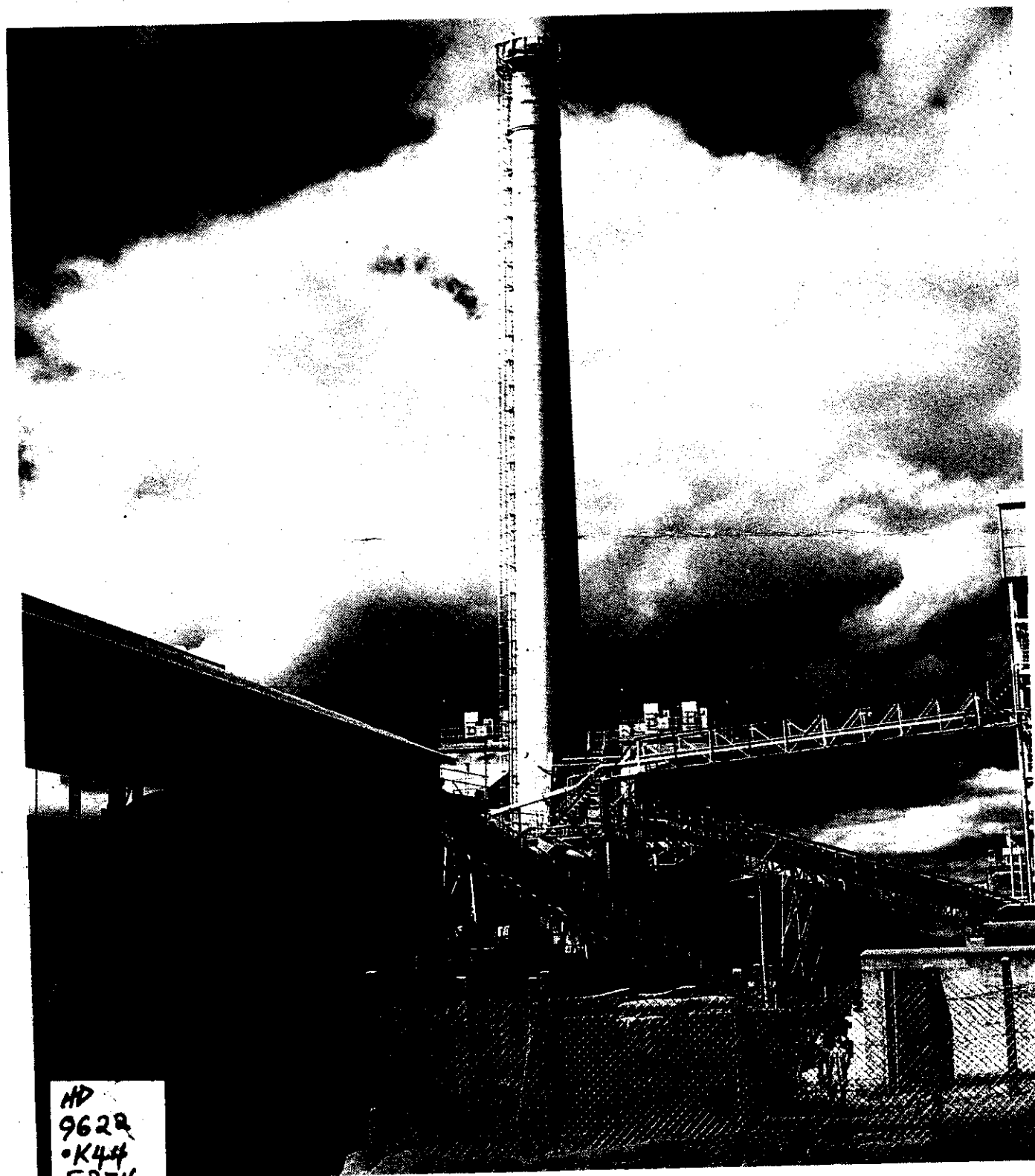


# THE EAST AFRICAN PORTLAND CEMENT COMPANY LIMITED

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*Report and Accounts 1988*



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**BLUE TRIANGLE CEMENT**

# CONFIDENTIAL

# ***THE EAST AFRICAN PORTLAND CEMENT COMPANY LIMITED***



## **Report and Accounts for the year ended 30th June 1988**

	PAGE
<b>Contents</b>	
Directorate and Administration .....	2-3
Cement .....	4
Personnel .....	5
Notice of Annual General Meeting .....	6
Chairman's Report .....	7
Report of the Directors .....	8
Report of the Auditors to the Members .....	9
Profit and Loss Account .....	10
Balance Sheet .....	11
Statement of Source and Application of Funds .....	12
Accounting Policies .....	13
Notes to the Accounts .....	14-17
Proxy form .....	19

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# **THE EAST AFRICAN PORTLAND CEMENT COMPANY LIMITED**



## **DIRECTORATE AND ADMINISTRATION**

### **BOARD OF DIRECTORS**

Prof. J.K. Maitha - Chairman  
J.G. Maina - Managing Director  
I.L. Roberts  
R. Arduini (Alternate R. Brenneisen)  
D.A. Simpson (Alternate P.D. Marrian)  
C.S. Mbindyo (Alternate G.M. Mitine)  
Dr. W. Koinange (Alternate Miss M.W. Waitiki)  
L.W.K. Kiptui

### **SECRETARY**

D.K. Tirop

### **REGISTERED OFFICE**

Longonot Place  
Kijabe Street  
P.O. Box 40101  
Nairobi

### **REGISTRARS**

Livingstone Registrars Limited  
P.O. Box 30029  
Nairobi

### **AUDITORS**

Kang'ethe & Associates  
Certified Public Accountants  
P.O. Box 40868  
Nairobi

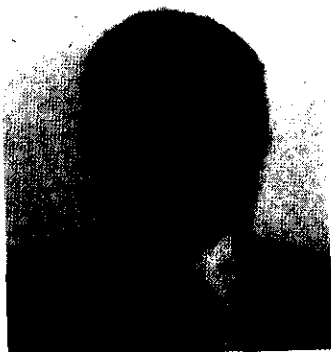
### **BANKERS**

Kenya Commercial Bank Limited  
Moi Avenue  
P.O. Box 30081  
Nairobi

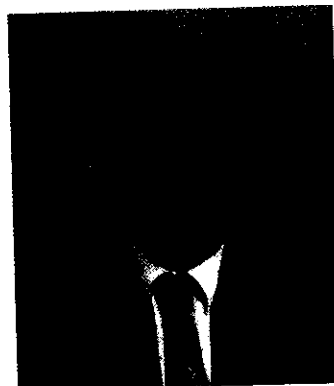
2007/0866

# ***THE EAST AFRICAN PORTLAND CEMENT COMPANY LIMITED***

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**Prof. J.K. Maitha**



**J.G. Maina**



**C.S. Mbindyo**



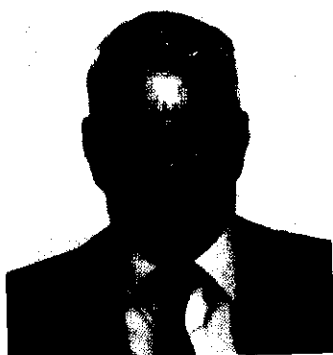
**Dr. W. Koinange**



**D.A. Simpson**



**R. Arduini**



**I.L. Roberts**



**L.M.K. Kiptui**

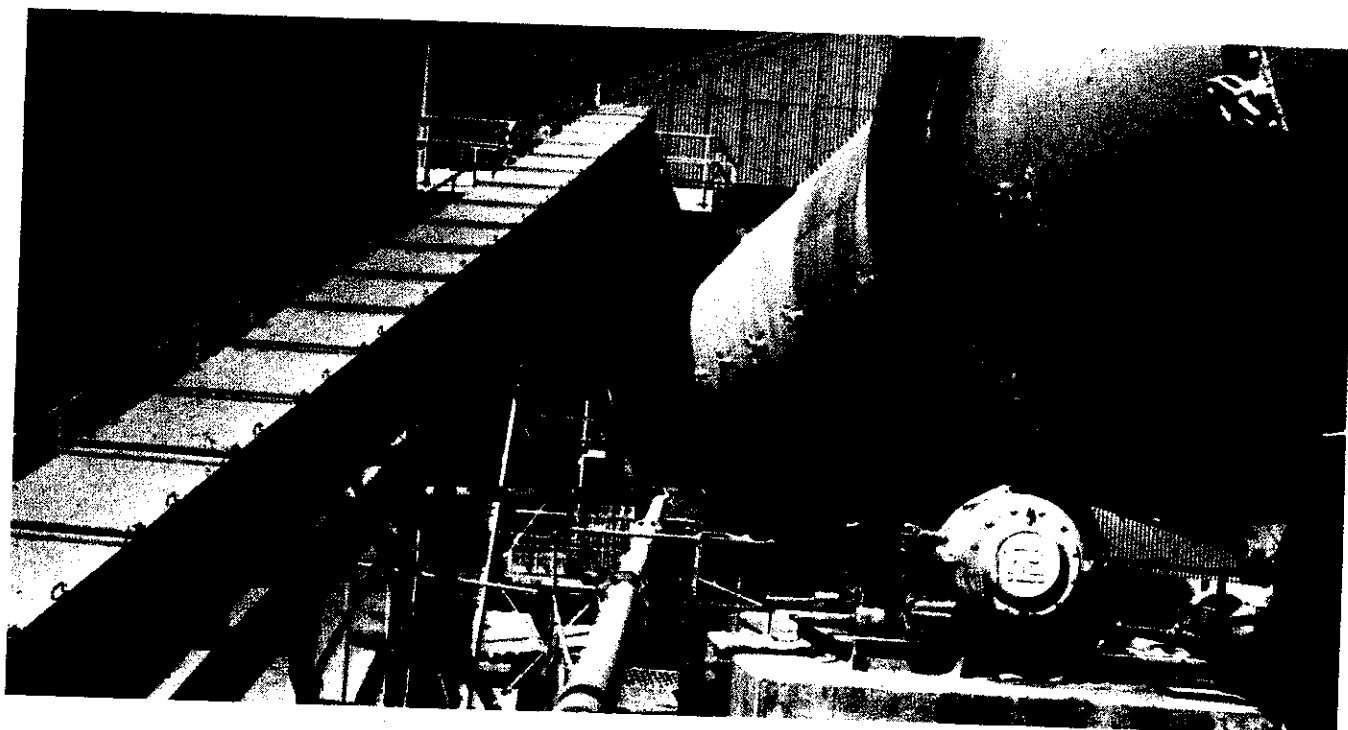
# *THE EAST AFRICAN PORTLAND CEMENT COMPANY LIMITED*



## CEMENT



Digging deep at Kabini Hill Quarry to get Limestone the main raw material for cement manufacture. Very expensive equipments have to be used to remove the overburden (overlying red soil) in order to win Limestone after which the blasted limestone boulders are loaded onto dump trucks at the quarry face and hauled for pre-crushing to manageable sizes (-4 inches) before being transported to the Works at Athi River.



Kilns are the heart of a Cement Works. Physio-chemical reactions take place in them at high temperatures to form clinker, an intermediate product in the Cement manufacture. Kilns are fired with fuel oil to raise the high temperatures required for the clinker forming reactions. Clinker is basically cement except that little gypsum is added to it during the finishing grinding stage to improve the workability of cement as a product.

# THE EAST AFRICAN PORTLAND CEMENT COMPANY LIMITED



## PERSONNEL AND PUBLIC RELATIONS

### CORDIAL RELATIONS IS OUR MOTTO

Over the years, we have maintained very cordial human relations. The free flow of communication between the various levels of staff categories has been a key to our sustained success. But such relations should not be let terminate as one terminates services with the organisation: that will be ungratefulness! Just as much as we have offered very warm welcome to those joining us, we have equally offered even warmer sendoffs to those leaving our service.



*Mr. Karanja (right) receives a farewell gift from the succeeding Managing Director, Mr. John G. Maina.*



Years have seen us in very active sporting activities. 1988 was no exception; and the Managing Director is seen in the accompanying picture inspecting the sportsmen and later presenting a trophy to the Captain of a winning team.

*The Managing Director, Mr. J.G. Maina (white rubber-front) inspects the athletes before the events start.*

# ***THE EAST AFRICAN PORTLAND CEMENT COMPANY LIMITED***



## **NOTICE OF ANNUAL GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that the Fifty sixth Annual General Meeting of the East African Portland Cement Company Limited will be held at the Factory, Athi River, on 18th May, 1989 at 12.00 noon for the following purposes:

1. To approve the minutes of the Annual General Meeting held on 22nd March, 1988 as a correct record of proceedings.
2. To receive the Chairman's Statement, Report of the Directors and Audited Accounts for the year ended 30th June, 1988.
3. To declare a first and final dividend.
4. To elect Directors in accordance with the Company's Articles of Association.
5. To authorise the Directors to fix the remuneration of the Auditors.
6. To transact any other ordinary business of the Company.

A member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote in his or her stead. A proxy need not be a member of the Company.

By Order of the Board

D.K. Tirop  
Secretary  
Nairobi.

8th April, 1989.



# **THE EAST AFRICAN PORTLAND CEMENT COMPANY LIMITED**



## **CHAIRMAN'S REPORT**

The trading results for the financial year 1987/1988 are considerably worse than those of 1986/1987 financial year although the same quantity of cement was sold. The reason for the poor results is delay by the Price Controller to compensate us for considerable cost increases in our production inputs.

During the year the predictions were that we would not make more than K£500,000 profit before taxation but due to very strict financial control by the Management and a 10% price increase awarded in May 1988 we were able to realise a pre-tax profit of K£865,909.

The 10% price increase awarded was far below the production cost increase at the time and since the cost of inputs like raw materials, transport, labour, spares, power, packaging materials and other charges are continuously going up we are finding it very difficult to keep operations going especially considering that due to financial constraints our capital renewals have been shelved over the past years and the effects are now catching up with us.

In view of the poor state of our plant due to old age, a feasibility study was conducted during the year with the aim of rehabilitating the key production plant incorporating change of the process to a modern one which will save not less than 40% of our energy consumption and also increase production by 62% to cater for the rapidly growing cement demand in the local market and also to ensure that cement export is sustained. Discussions with the relevant government authorities on this matter are going on.

Due to the good political and economic climate in our country under the wise leadership of His Excellency the President, Daniel Toroitich arap Moi, cement demand has continued to grow. This growth has continued to be supplied by Bamburi Portland Cement Company Limited at the expense of exports because we at Athi River are operating at the top of our installed capacity, and we cannot increase production without the investment mentioned above.

The last expatriate staff we had left during the financial year under review and at present the factory and all operations are being run by Kenyans very effectively. This success is the result of intensive training of our staff at all levels both locally and overseas and labour stability in our organisation in addition to good co-operation between the Management and the Board of Directors.

I express my gratitude to the members of our staff and the Board for their tireless effort to keep us going even at some difficult times. My thanks also to the Kenya Government, the officers in the various Government Ministries, State Corporations, Private Sectors, our suppliers and customers without whose support we cannot survive.

**PROF. J.K. MAITHA**  
Chairman

# THE EAST AFRICAN PORTLAND CEMENT COMPANY LIMITED



## REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their Report and Accounts for the year ended 30th June, 1988

### PRINCIPAL ACTIVITY

The Company is engaged in the business of manufacturing cement.

Through an associated company incorporated in Kenya, the company is engaged in the distribution of cement and cementitious - based paints. A second associate which did not operate during the year should enable the company to explore and extract minerals.

### TRADING RESULTS

	1988 K£	1987 K£
Profit before taxation for the year	865,909	2,014,669
Taxation	538,186	1,188,950
Profit after taxation for the year	327,723	825,719
The Directors now recommended the payment of a first and final dividend of 10% absorbing (1987 - 15%)	150,000	225,000
Leaving a retained profit for the year of	177,723	600,719
The reserves at 30th June 1988 stood at:		
Revenue	3,821,934	3,644,211
Capital	172,000	172,000
	3,993,934	3,816,211

### DIVIDEND

If approved, dividend will be paid on 26th June, 1989 to the registered shareholders of the company at the close of business on 12th June, 1989.

### DIRECTORS

The appointments were Prof. J.K. Maitha as Chairman on 6th October 1987, Mr. J.G. Maina as Managing Director on 24th September, 1987, Mr. D.A. Simpson and Miss M.W. Waitiki (alternate) on 4th December 1987, Dr. W. Koinange in March, 1988.

The resignations were - H.M. Mule on 6th October, 1987, R.A. Bambrough and S.O. Obura (alternate) on 4th December 1987, and Prof. P. Gacii in March 1988.

Mr. C.S. Mbindyo and I.L. Roberts retire by rotation and being eligible offer themselves for re-election.

### AUDITORS

The auditors, Kang'ethe & Associates, will continue to act in accordance with Section 159(2) of the Companies Act and subject to Section 29(2) of the Exchequer and Audit (Amendment) Act 1985. A resolution authorising the Directors to fix their remuneration will be put to the Annual General Meeting.

### BY ORDER OF THE BOARD

D.K. TIROP  
SECRETARY  
NAIROBI.

30TH SEPTEMBER 1988.

# ***THE EAST AFRICAN PORTLAND CEMENT COMPANY LIMITED***

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## **REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF THE EAST AFRICAN PORTLAND CEMENT COMPANY LIMITED FOR THE YEAR ENDED 30TH JUNE, 1988.**

The accounts of the East African Portland Cement Company Limited for the year ended 30th June, 1988 have been examined on my behalf by the Company's authorized auditors in accordance with the provisions of Section 29(2) (b) of the Exchequer and Audit Act, 1985 (Cap. 412). The authorized auditors have duly reported to me the results of their audit and on the basis of their report, I am satisfied that all the information and explanations which were required for the purpose of the audit were obtained. Proper books of account have been kept by the Company and the accounts are in agreement therewith and comply with the Companies Act. In my opinion, the accounts, when read together with the notes thereof, give a true and fair view of the state of the Company's affairs as at 30th June, 1988 and of its profit and source and application of funds for the year ended on that date.

A.J. OKOTH  
AUDITOR-GENERAL (CORPORATIONS)

16th January, 1989

# THE EAST AFRICAN PORTLAND CEMENT COMPANY LIMITED



## PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30TH JUNE, 1988

	Notes	1988 K£	1987 K£
TURNOVER	1(f)	20,773,160	21,246,449
TRADING PROFIT	2	1,253,420	2,471,581
INTEREST PAYABLE	3	387,511	456,912
PROFIT BEFORE TAXATION		865,909	2,014,669
TAXATION	4	538,186	1,188,950
PROFIT AFTER TAXATION		327,723	825,719
PROPOSED ORDINARY DIVIDEND (GROSS)	5	150,000	225,000
RETAINED PROFIT FOR THE YEAR	12	177,723	600,719
EARNINGS PER SHARE	15	Shs. 1.09	Shs. 2.75

# THE EAST AFRICAN PORTLAND CEMENT COMPANY LIMITED



## BALANCE SHEET

30TH JUNE, 1988

	Notes	30TH JUNE 1988 K£	30TH JUNE 1987 K£
FIXED ASSETS	6	5,375,306	5,428,941
INVESTMENTS	7	79	79
CURRENT ASSETS			
Stocks	8	7,681,270	7,708,958
Debtors		3,460,643	3,690,364
Bank and Cash		19,242	42,300
		11,161,155	11,441,622
CURRENT LIABILITIES			
Creditors		3,203,823	3,264,082
Bank Overdraft	10	2,040,108	1,651,242
Dividends	5	220,687	252,935
Taxation		530,825	1,194,129
		5,995,443	6,362,388
NET CURRENT ASSETS		5,165,712	5,079,234
TOTAL NET ASSETS		10,541,097	10,508,254
FINANCED BY:			
SHARE CAPITAL	11	1,500,000	1,500,000
RESERVES	12	3,993,934	3,816,211
SHAREHOLDERS' FUNDS		5,493,934	5,316,211
LOANS	13	4,256,361	4,408,526
DEFERRED LIABILITY	14	790,802	783,517
		10,541,097	10,508,254

The Accounts on page 6 to 14 were approved by the Board of Directors on 30th September, 1988 and signed on its behalf by:

Prof. J.K. Maitha, DIRECTOR

J.G. Maina, DIRECTOR

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# THE EAST AFRICAN PORTLAND CEMENT COMPANY LIMITED



## STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED 30TH JUNE, 1988

	1988	1987
	K£	K£
<b>SOURCE OF FUNDS:</b>		
Profit before taxation	865,909	2,014,669
Items not involving the movement of funds:		
Profit on disposal of fixed assets	(28,774)	(255)
Increase in deferred liability	41,420	245,708
Depreciation	1,065,525	989,993
<b>Generated from trading operations:</b>	1,944,080	3,250,115
<b>Funds from other sources:</b>		
Proceeds on disposal of fixed assets	28,774	255
Long term loan	259,684	495,960
<b>TOTAL FUNDS</b>	2,232,538	3,746,330
<b>UTILIZATION OF FUNDS:</b>		
Taxation paid	1,188,950	573,221
Dividends paid	182,248	518,446
Loans repaid	411,849	1,130,926
Staff gratuities paid	46,675	4,237
Additions to fixed assets and Capital work in progress	1,011,890	376,761
<b>TOTAL APPLICATIONS</b>	2,841,612	2,603,591
<b>NET (OUTFLOW)/INFLOW OF FUNDS</b>	(609,074)	1,142,739
<b>MOVEMENT IN WORKING CAPITAL:</b>		
(Decrease)/Increase in stocks	(27,688)	357,766
(Decrease)/Increase in debtors	(229,721)	742,237
Decrease/(Increase) in creditors	60,259	(417,850)
(Decrease)/Increase in Bank and Cash	(23,058)	28,141
(Increase)/Decrease in Bank overdraft	(388,866)	427,445
	(609,074)	1,142,739

# **THE EAST AFRICAN PORTLAND CEMENT COMPANY LIMITED**



## **NOTES TO THE ACCOUNTS**

FOR THE YEAR ENDED 30TH JUNE, 1988

### **1. ACCOUNTING POLICIES**

#### **ACCOUNTING CONVENTION**

The accounts are prepared according to the historical cost convention, modified to include the revaluation of certain fixed assets. They do not include the company's share of the results of associated companies, except to the extent of dividends received.

#### **KENYA CURRENCY**

The sign K£ used in the accounts and notes indicates a Kenya Pound of 20 Kenya Shillings.

#### **FOREIGN CURRENCIES**

Assets and Liabilities denominated in foreign currencies are translated at the rates ruling at the Balance Sheet date. Transactions during the year are converted at the rate ruling at the date of the transaction. All exchange differences are dealt with in the profit and loss account.

#### **STOCKS**

Stocks are valued as follows:

Raw materials, production and finished stocks: at the lower of cost and net realisable value. Cost comprises direct materials and labour together with attributable overheads, including depreciation.

General consumable stores: average cost.

Livestock: current market value.

#### **FIXED ASSETS:**

The Company acquires certain fixed assets under lease hire agreements. Payments under these agreements are charged to profit and loss account in the year in which they arise. On completion of the lease period the assets are valued by the directors, capitalised and depreciated over their remaining useful lives.

#### **DEPRECIATION**

Depreciation is charged on a straight line basis at the following annual rates:

Land	— Over unexpired period of lease
Buildings	— 2.5%
Plant and Machinery	— 5 - 20%
Equipment and Vehicles	— 5 - 33.33%

#### **TURNOVER**

Turnover represents the amount receivable for the ex-factory sales value of cement excluding sales tax.

#### **TAXATION**

Taxation is provided on the profit for the year as adjusted in accordance with the fiscal laws of Kenya.

# THE EAST AFRICAN PORTLAND CEMENT COMPANY LIMITED



## NOTES TO THE ACCOUNTS (Continued)

	1988	1987
<b>2. TRADING PROFIT BEFORE TAX</b>	<b>K£</b>	<b>K£</b>
Trading profit is stated after charging:		
Depreciation	1,065,525	989,993
Auditors remuneration	18,543	20,215
Lease hire charges	416,947	700,979
Directors emoluments: Fees -	4,522	6,000
Others-	22,832	29,948
Exchange differences	18,403	-
And after crediting:		
Profit on disposal of fixed assets	28,774	255
	<u>28,774</u>	<u>255</u>
<b>3. INTEREST PAYABLE</b>		
Kenya Government Loans	200,004	216,220
Bank Loans	-	76,977
Bank Overdraft	187,507	163,715
	<u>387,511</u>	<u>456,912</u>
<b>4. TAXATION</b>		
Based on the profit at 45%	530,825	1,194,129
	<u>530,825</u>	<u>1,194,129</u>
<b>5. DIVIDENDS</b>		
Proposed ordinary dividend of 10%		
Gross (1987 - 15% gross)	150,000	225,000
Declared dividends payable (gross)	70,687	27,935
	<u>220,687</u>	<u>252,935</u>



# THE EAST AFRICAN PORTLAND CEMENT COMPANY LIMITED



## NOTES TO THE ACCOUNTS (Continued)

6.	FIXED ASSETS	COST OR VALUATION	1st July 1987	Additions	Disposals	Transferred capital work in progress	30th June 1988	Comprising:	At cost	At valuation	DEPRECIATION	1st July 1988	Charge for the year	On disposals	30th June 1988	NET BOOK VALUE	30th June 1988	30th June 1987	Fully depreciated assets in use at 1st July 1987 were:	At cost	Period depreciation charge at normal rates	CAPITAL COMMITMENTS	Authorised by the Board and contracted - Nil (1987 - K£ 24,340)						
	Land	K£	229,020	1,796,208	-	-	1,967,573	11,427,484	1,717,808	1,72,000	1,889,808	-	15,513,885	15,341,885	172,000	229,020	1,967,573	11,427,484	1,889,808	-	15,513,885	15,341,885	172,000	1,717,808	1,72,000	1,889,808	1,717,808		
	Buildings	K£	10,615,759	840,239	143,983	27,668	143,697	-	-	-	-	-	-	-	-	-	1,827,859	28,431	1,827,859	766,164	-	2,622,454	182,433	1,827,859	1,827,859	1,827,859	1,827,859	1,827,859	
	Plant and Machinery	K£	1,783,169	143,983	27,668	143,697	-	-	-	-	-	-	-	-	-	-	3,686,979	3,633,239	439,850	766,164	-	2,622,454	157,750	1,827,859	1,827,859	1,827,859	1,827,859	1,827,859	
	Equipment and Vehicles	K£	-	-	-	-	-	-	-	-	-	-	-	-	-	-	363,863	3,633,239	439,850	766,164	-	2,622,454	157,750	1,827,859	1,827,859	1,827,859	1,827,859	1,827,859	
	Capital work in Progress	K£	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Total	K£	14,567,853	1,011,890	(65,858)	-	15,513,885	15,341,885	172,000	1,72,000	1,889,808	-	15,513,885	15,341,885	172,000	229,020	1,967,573	11,427,484	1,889,808	-	15,513,885	15,341,885	172,000	1,717,808	1,72,000	1,889,808	1,717,808	1,72,000	1,889,808

# THE EAST AFRICAN PORTLAND CEMENT COMPANY LIMITED



## NOTES TO THE ACCOUNTS (Continued)

7.

### INVESTMENTS

Equity shares in unquoted associates-  
At cost:

Portland Mines Limited  
Kenya Cement Marketing Limited

8.

### STOCKS

Raw materials, production and  
finished stocks  
General consumable stores  
Goods in transit  
Livestock

9.

### DEBTORS

Debtors include K£10,124 (1987 - K£9,457) due from officers of the Company  
under Company loan schemes.

10. BANK OVERDRAFT

The Bank Overdraft and loan facilities with Kenya Commercial Bank Limited  
are secured by debentures totalling K£4,690,000.

11.

### SHARE CAPITAL

Authorised, issued and fully paid:  
6,000,000 ordinary shares of  
Shs. 5 each

12.

### RESERVES

1st July 1987  
Retained profit for the year  
30th June 1988

CAPITAL	REVENUE	TOTAL
K£	K£	K£
172,000	3,821,934	3,993,934
-	177,723	177,723
172,000	3,644,211	3,816,211

1988	1,500,000	1,500,000
1987		

The East African Portland Cement Company Limited

Signed this ..... day of ..... 1989

Signature .....

or failing him, the Chairman of the Meeting as my/our proxy, to vote for me/us and on my/our behalf at the Fifty sixth Annual General Meeting for the said Company, to be held at Athi River on 18th May 1989 and at any adjournment thereof.

I/we.....  
of .....  
being a member(s) of the above named  
company hereby appoint .....  
of .....  
or failing him

# PROXY FORM

**THE EAST AFRICAN PORTLAND CEMENT COMPANY LIMITED**



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# **THE EAST AFRICAN PORTLAND CEMENT COMPANY LIMITED**



## **NOTES TO THE ACCOUNTS (Continued)**

### **13. LOANS**

	1988	1987
	K£	K£
Government of Kenya: Repayable in twenty half-yearly instalments commencing June 1987. To be secured by a debenture creating a second charge on the Company's assets	4,256,361	4,408,526
Of the total loans outstanding the amount payable within the next 12 months is K£ 411,849 (1987 - K£411,849).		

### **14. DEFERRED LIABILITY**

This represents staff gratuity provision.

### **15. EARNINGS PER SHARE**

The earnings per share is calculated by dividing the profit after taxation by six million Shillings five ordinary shares in issue throughout the year.

