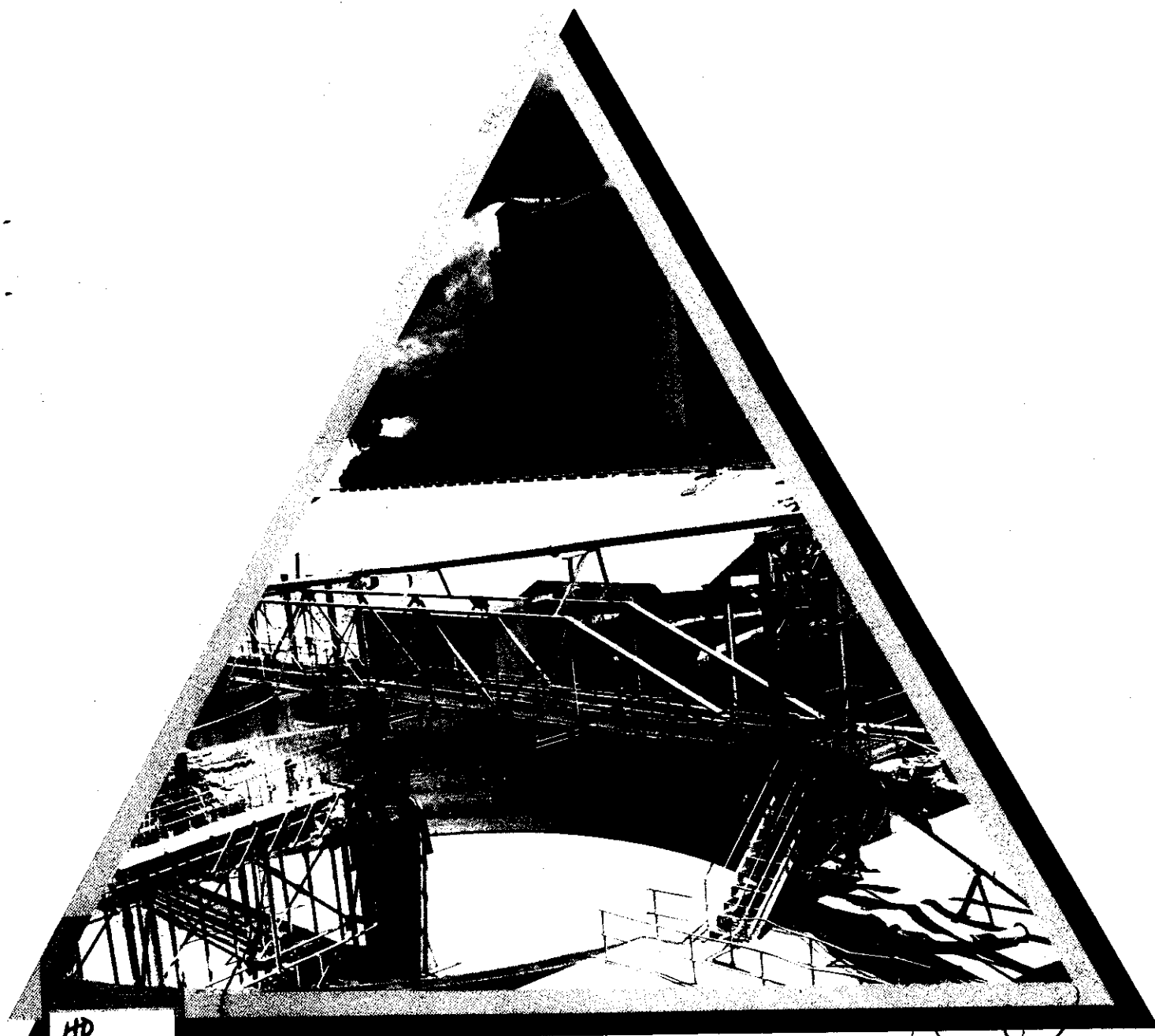


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# THE EAST AFRICAN PORTLAND CEMENT COMPANY LIMITED



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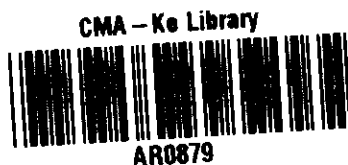
*Robert  
H. N.W.*





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# THE EAST AFRICAN PORTLAND CEMENT COMPANY LIMITED



## DIRECTORATE AND ADMINISTRATION

### BOARD OF DIRECTORS

A.M. Lulu - Chairman  
J.G. Maina - Managing Director  
I.L. Roberts  
R. Brenneisen (Alternate S. Bates)  
K.W. George (Alternate P.D. Marrian)  
Dr. W. K. Koinange (Alternate G.M. Mitine)  
Mrs. M.W. Githinji (Alternate E.K. Mcharo)  
L.M.K. Kiptui

### SECRETARY

J.C. Rono

### REGISTERED OFFICE

Longonot Place  
Kijabe Street  
P.O. Box 40101  
Nairobi

### REGISTRARS

Haki Registrars  
P.O. Box 40868  
Nairobi

### AUDITORS

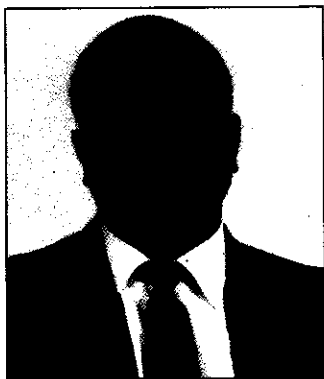
Auditor-General (Corporations)  
P.O. Box 49384  
Nairobi

### BANKERS

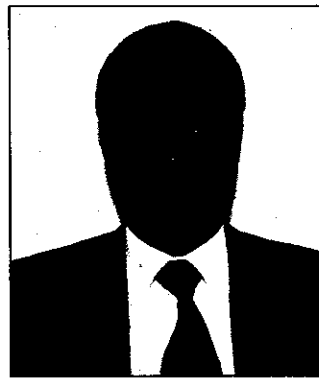
Kenya Commercial Bank Limited  
Moi Avenue  
P.O. Box 30081  
Nairobi

2007/0879

# THE EAST AFRICAN PORTLAND CEMENT COMPANY LIMITED



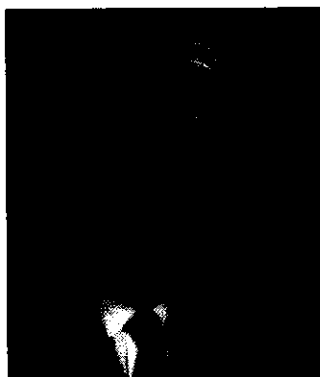
*A.M. Lulu*  
*Chairman*



*J.G. Maina*  
*Managing Director*



*I.L. Roberts*  
*Director*



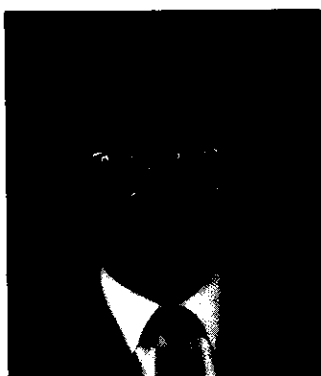
*R. Brenneisen*  
*Director*



*K.W. George*  
*Director*



*L.M.K Kiptui*  
*Director*



*Dr. W.K. Koinange*  
*Director*

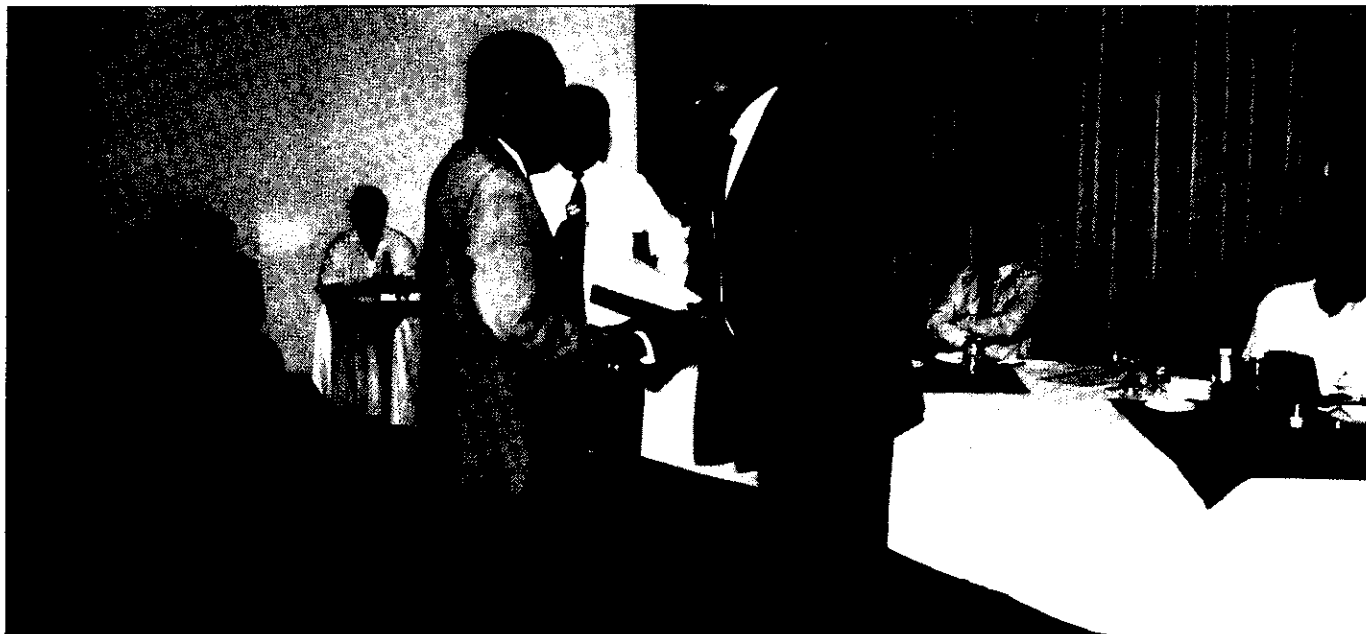


*M.W. Githinji (Mrs)*  
*Director*

*Personal*  
*N.N.W.*



## PERSONNEL & PUBLIC RELATIONS



*KWAHERI: The occasion was the annual Xmas-cum-Retirees party at the Portland Sports Club. The Chairman, Mr. A.M. Lulu (right) is seen presenting a long-service certificate to Mr. T. Wambua, a shift manager, who had served for 34 years.*



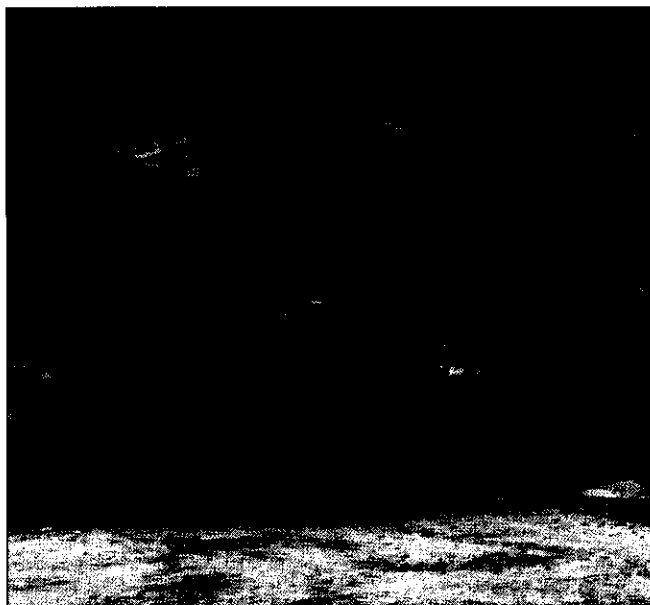
*STAFF WELFARE: LEFT: A nurse attends to one of the staff members at the Portland Staff clinic.*



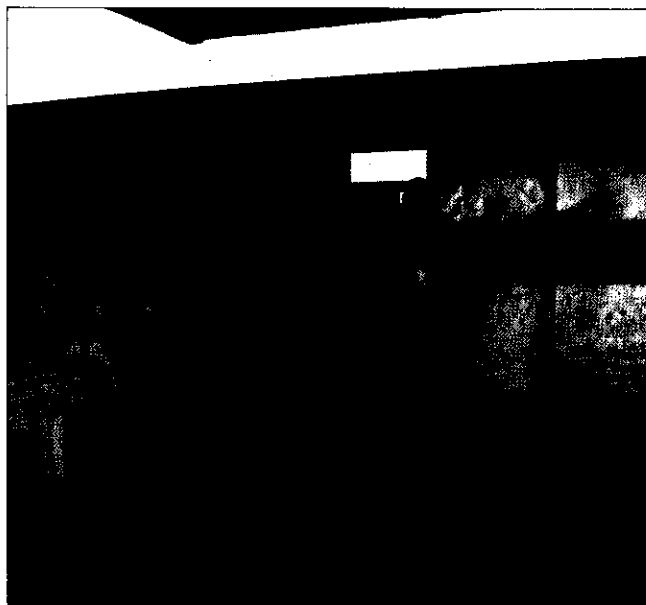
*RIGHT: Another view of the Portland Staff clinic, a product of our quality cement.*



## CEMENT



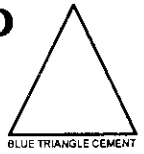
*THE BACKBONE: Limestone being loaded onto a dumper at the Kabini Hill quarry.*



*CEMENTING THE NATION: High quality Blue Triangle Cement being loaded into a wagon.*



*THE HEART OF THE MATTER: Physio-chemical reactions take place inside the rotary Kilns to form clinker.*



## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 61st Annual General Meeting of East African Portland Cement Company Limited will be held at the Factory, Athi River, on 18th February 1994 at 12.00 noon for the following purposes:

1. To approve the minutes of the 60th Annual General meeting held on 19th February 1993 and the Extra-Ordinary General Meeting held on 27th August 1993 as correct record of the proceedings.
2. To receive the Chairman's Statement, Report of the Directors and Audited Accounts for the year ended 30th June 1993.
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 on his or her stead. A proxy need not be a member of the Company.

By Order of the Board

J. C. RONO  
Secretary

Nairobi

21st January 1994





## CHAIRMAN'S REPORT

1992/93 has been a difficult period both here in Kenya and elsewhere in the world. The long and deep recession continued in most Western countries, thus placing tremendous pressure on the developing countries. In Kenya, the effects were felt through low commodity prices, reduced tourism activity and minimal investment levels. This situation was further aggravated by the continued freeze on Balance of Payments Support by donors. The equilibrium of the country was also disrupted by politics associated with the first multiparty elections in almost 30 years, and the teething problems associated with the emerging multiparty democracy.

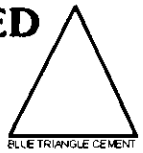
Strains appeared during the year in the form of very high inflation, at one time running at over 100%, and massive devaluation of the Kenya Shilling. Many development projects slowed down or stopped altogether. National demand for cement dropped by 8% from 1,179,732 tonnes in 1991/92 to 1,086,358 tonnes in 1992/93.

It is against the backdrop of such economic and political environment that I review the performance of the company in the year just ended.

During the 1992/93 we produced and sold 302,000 tonnes of cement. In 1991/92, 319,000 tonnes were produced and sold. The decline in production was however not due to fall in demand, but rather due to fall in the production capacity of our plant here in Athi River. As the plant continues to age, it requires extended and frequent maintenance periods on the kilns and mills. Indications are that in some 3 to 4 years time, it will no longer be economical to run the existing plant. Production and distribution costs have risen astronomically, due to sharp increase in cost of fuel, spares, transport, equipment, packing materials, power and raw materials.

Despite the drop in volume sales, the cement produced realised a turnover of K£ 54,840,595 against K£ 39,425,600 in the previous year. The pretax profit of K£ 2,394,629 is a 123% increase over the K£ 1,073,548 realised in the previous year. This big improvement was attributable to the ability of the industry to adjust cement prices to reflect increase in production and distribution costs. The high production costs due to the outdated and inefficient technology of the plant led to the drop in production capacity thus denying the company the opportunity to take advantage of the favourable selling price to maximise profit. We were also unable to explore and exploit the export potential.

The rehabilitation programme mentioned in the previous reports is still in progress. When the new plant is complete, the production capacity will be stepped up while unit production cost will be reduced. However the rate at which this project has been proceeding is rather slow. During the year, tenders for the supply contract were received and reviewed. All the technical and commercial aspects have been agreed. However although the entire 8,774,000,000 yen required for the offshore portion is covered by the OECF and Tomen loans, the local Kenya shilling portion is still to be arranged. Discussions are being held with a view to increasing share capital, and raising local finance from the sale of new shares. Privatisation of the Company will thus be achieved by dilution as the Government is not expected to take up additional shares.



After tax profit attributable to shareholders amounted to K£ 1,524,805. The Directors propose to pay a total K£ 150,000 to shareholders in dividends, leaving K£ 1,374,805 in retained profits to cater for expansion of our business. This represents earnings per share of Shs. 5.08 in 1992/93 against Shs 1.61 for 1991/92. I should however stress the fact that due to the very heavy investment envisaged in the rehabilitation programme, further dividends are unlikely to be paid for several years.

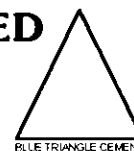
There were a number of changes in your Board of Directors in 1992/93. I was appointed Chairman of the Board on 7 April 1993 to replace Mr. M.O. Soba who had resigned from the Board on 30/10/92. I consider this a big challenge to me and I would like to thank H.E. The President and the Government for the honour. I will do my best to serve this company well. Mr. B.E. Mwangi resigned from the Board on 13/01/93 and was replaced by Mrs. M.W. Githinji.

For our future to remain bright, we have to face up to the following challenges as we march into 1993/94:

- Continue nursing the existing plant to ensure maximum output before the new plant is installed and commissioned;
- Proceed diligently with the rehabilitation programme so that the new plant is commissioned as early as possible.

This should not be difficult to achieve, given the traditional support of the Staff, Board and Government.

A. M. LULU  
CHAIRMAN



## REPORT OF THE DIRECTORS

The Directors submit their report together with the audited accounts for the year ended 30th June 1993 which disclose the state of affairs of the Company.

## ACTIVITIES OF THE COMPANY

The Company's principal activity is the manufacture of cement.

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

## RESULTS

	1993	1992
	K£	K£
Profit before tax for the year	2,394,629	1,073,548
Tax thereon	<u>869,824</u>	<u>588,837</u>
Profit after tax for the year	1,524,805	484,711
Dividends (first & final - 10%)	<u>150,000</u>	-
Profits retained for the year	<u><u>1,374,805</u></u>	<u><u>484,711</u></u>

## DIVIDENDS

If approved by members at the Annual General Meeting, the proposed dividends will be paid on 28/3/94 to the registered shareholders of the Company at the close of business on 14/3/94.

## DIRECTORS

The names of the Directors are set on our page 2.

Mrs. M.W. Githinji and Mr. A.M. Lulu were appointed on 13/1/93 and 7/4/93 respectively.

Messrs. M.O. Soba and B.E. Mwangi ceased to be Director on 30/10/92 and 13/1/93 respectively.

Messrs. E.K. Mcharo and G.M. Mitine replaced Miss M.W. Waitiki and Mr. A. Vienna as Alternate Directors on 2/3/93 and 28/5/93 respectively.

In accordance with Article 99 of the Articles of Association, Mr. L.M.K. Kiptui and Mrs. M.W. Githinji retire by rotation and, being eligible, offer themselves for re-election.

## AUDITORS

The auditors, Auditor-General (Corporations), will continue to act in accordance with 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

### SECRETARY

27th August, 1993.

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REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF  
EAST AFRICAN PORTLAND CEMENT COMPANY LIMITED FOR THE YEAR ENDED  
30 JUNE 1993.

I have examined the accounts of the East African Portland Cement Company Limited for the year ended 30 June, 1993 in accordance with the provisions of Section 29 (2) of the Exchequer and Audit Act, (Cap 412). I have obtained all the information and explanations that I needed for the purpose of the audit. 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 Balance Sheet and the Profit and Loss account, when read together with the notes thereon, present a true and fair view of the Company's state of affairs as at 30 June 1993 and of its profit and source and application of funds for the year ended on that date.

A. J. OKOTH  
AUDITOR-GENERAL (CORPORATIONS)

19 January 1994

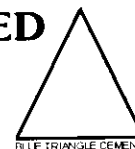
# THE EAST AFRICAN PORTLAND CEMENT COMPANY LIMITED



## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE 1993

	Notes	1993 K£	1992 K£
TURNOVER	1(e)	<u>54,840,595</u>	<u>39,425,600</u>
TRADING PROFIT	2	2,995,915	1,922,344
INTEREST PAYABLE	3	<u>601,286</u>	<u>848,796</u>
PROFIT BEFORE TAX		2,394,629	1,073,548
TAX	1(f)&4	<u>869,824</u>	<u>588,837</u>
PROFIT AFTER TAX		1,524,805	484,711
DIVIDENDS	5	<u>150,000</u>	<u>-</u>
PROFIT RETAINED FOR THE YEAR	14	<u><b>1,374,805</b></u>	<u><b>484,711</b></u>
EARNINGS PER SHARE	17	<u><u>SHS. 5.08</u></u>	<u><u>SHS. 1.61</u></u>

# THE EAST AFRICAN PORTLAND CEMENT COMPANY LIMITED



## BALANCE SHEET AS AT 30TH JUNE 1993

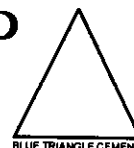
	Notes	1993 K£	1992 K£
FIXED ASSETS	1(d)&7	6,611,808	4,478,922
INVESTMENTS	9	79	79
CURRENT ASSETS			
Stocks	1(c)&10	10,514,134	12,434,163
Debtors	11	5,764,596	5,272,698
Bank and Cash		13,198,457	18,262
		<u>29,477,187</u>	<u>17,725,123</u>
CURRENT LIABILITIES			
Creditors		16,266,950	6,830,198
Bank Overdraft	12	-	513,317
Dividends	5	188,873	40,118
Tax Payable	4	542,093	645,272
		<u>16,997,916</u>	<u>8,028,905</u>
NET CURRENT ASSETS		<u>12,479,271</u>	<u>9,696,218</u>
TOTAL NET ASSETS		<u>19,091,158</u>	<u>14,175,219</u>
FINANCED BY:			
SHARE CAPITAL	13	1,500,000	1,500,000
RESERVES	14	<u>9,167,586</u>	<u>7,801,536</u>
		10,667,586	9,301,536
LOANS	15	6,022,943	3,928,302
DEFERRED LIABILITY	16	<u>2,400,629</u>	<u>945,381</u>
		<u>19,091,158</u>	<u>14,175,219</u>

The accounts on page 11 to 18 were approved by the Board of Directors on 27th August 1993 and signed on its behalf by:

A.M. LULU DIRECTOR

J.G. MAINA DIRECTOR

# THE EAST AFRICAN PORTLAND CEMENT COMPANY LIMITED



## STATEMENT OF SOURCE AND APPLICATION OF FUNDS. FOR THE YEAR ENDED 30TH JUNE 1993

	1993 K£	1992 K£
<b>SOURCE OF FUNDS</b>		
Profit before tax	<u>2,394,629</u>	<u>1,073,548</u>
Items not involving the movement of funds:		
Profit on disposal of fixed assets	(17,280)	(53,573)
Decrease in deferred expenditure	-	213,379
Depreciation	588,211	1,093,805
Increase in deferred liability	1,455,248	-
Capital reverse written back	(10,000)	(12,500)
Exchange equalisation reserve	-	<u>3,012,227</u>
<b>GENERATED FROM TRADING OPERATIONS</b>	<u>4,410,808</u>	<u>5,326,886</u>
<b>FUNDS FROM OTHER SOURCES:</b>		
Proceeds on disposal of fixed assets	17,280	101,560
Long term loan	<u>2,506,490</u>	<u>132,609</u>
<b>TOTAL FUNDS</b>	<u>6,934,578</u>	<u>5,561,055</u>
<b>UTILIZATION OF FUNDS</b>		
Tax paid	973,003	131,021
Dividends paid	-	-
Loans repaid	411,849	411,849
Additions to fixed assets and capital work in progress	<u>2,721,097</u>	<u>574,742</u>
<b>TOTAL APPLICATIONS</b>	<u>4,105,949</u>	<u>1,117,612</u>
<b>NET INFLOW OF FUNDS</b>	<u><u>2,828,629</u></u>	<u><u>4,443,443</u></u>
<b>MOVEMENT WORKING IN CAPITAL</b>		
(Decrease)/Increase in stocks	(1,920,029)	1,615,862
Increase in debtors	491,898	1,952,261
Increase in creditors	(9,436,752)	(1,593,253)
Increase/(Decrease) in Bank and Cash	13,180,195	(829)
Decrease in Bank Overdraft	513,317	2,469,402
<b>NET INFLOW OF FUNDS</b>	<u><u>2,828,629</u></u>	<u><u>4,443,443</u></u>



## NOTES TO THE ACCOUNTS

### 1. ACCOUNTING POLICIES

#### (a) 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.

#### (b) Foreign Currency

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 transaction. All exchange differences are dealt with in the profit and loss account.

#### (c) Stocks

Stocks are valued as follows:-

Raw materials, production and finished stocks: at the lower 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.

#### (d) Fixed Assets

The Company acquires certain fixed assets under lease hire agreements. Payments under these agreements are charged on profit and loss account in the year 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 $\frac{1}{3}$ %

#### (e) Turnover

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

#### (f) 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)

### 2. TRADING PROFIT

	1993 K£	1992 K£
Trading profit is stated after charging:		
Depreciation	588,211	1,093,805
Auditors remuneration	20,000	17,000
Lease hire charges	295,089	425,540
Director's emoluments - Fees	5,250	5,250
- Others	29,028	27,714
And after crediting:		
Profit on disposal of fixed assets	17,028	53,573
Interests receivable	627,538	-
	<hr/>	<hr/>

### 3. INTEREST PAYABLE

Kenya Government Loans	578,652	592,085
Bank Overdraft	<u>22,634</u>	<u>256,711</u>
	<u>601,286</u>	<u>848,796</u>

### 4. TAX

Balance brought forward	645,272	131,021
Current year's provision	869,824	588,837
Previous year's underprovision	-	56,435
Tax payable	<u>1,515,096</u>	<u>776,293</u>
Paid during the year	973,003	131,021
Balance Carried Forward	<u>542,093</u>	<u>645,272</u>
	=====	=====

Tax has been provided for at 35% on the profit for the year adjusted for tax purposes.

### 5. DIVIDENDS

Proposed ordinary dividend (-10% first & final; 1992 - Nil)	150,000	-
Declared dividends payable (gross)	<u>38,873</u>	<u>40,118</u>
	<u>188,873</u>	<u>40,118</u>

### 6. CURRENCY

The accounts are presented in Kenya Currency. The sign K£ represents Twenty Kenya Shillings (Kshs).



## NOTES TO THE ACCOUNTS (Continued)

### 7. FIXED ASSETS

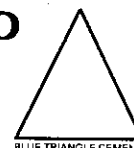
	Land K£	Building K£	Plant and Machinery K£	Equipment & Vehicles K£	Total K£
<b>COST OR VALUATION</b>					
1.7.92	407,932	1,967,573	13,606,982	2,962,283	18,944,770
Additions	-	-	-	354,013	354,013
Disposals	-	-	-	(57,915)	(57,915)
30.6.93	<u>407,932</u>	<u>1,967,573</u>	<u>13,606,982</u>	<u>3,258,381</u>	<u>19,240,868</u>
Comprising:					
At cost	407,932	1,967,573	13,606,982	3,143,381	19,125,868
At valuation	-	-	-	115,000	115,000
30.6.93	<u>407,932</u>	<u>1,967,573</u>	<u>13,606,982</u>	<u>3,258,961</u>	<u>19,240,868</u>
<b>DEPRECIATION</b>					
1.7.92	21,268	1,083,680	10,973,811	2,597,462	14,676,221
Charge for the year	3,378	57,788	213,631	313,414	588,211
On disposals	-	-	-	(57,915)	(57,915)
30.6.93	<u>24,646</u>	<u>1,141,468</u>	<u>11,187,442</u>	<u>2,852,961</u>	<u>15,206,517</u>
<b>NET BOOK VALUE</b>					
30.6.93	<u>383,286</u>	<u>826,105</u>	<u>2,419,540</u>	<u>405,420</u>	<u>4,034,351</u>
Capital work in progress					<u>2,577,457</u>
					<b><u>6,611,808</u></b>
30.6.92	<u>386,664</u>	<u>883,893</u>	<u>2,843,544</u>	<u>364,821</u>	<u>4,478,922</u>

### 8. CAPITAL COMMITMENTS

Authorised by the Board and contracted:-

Rehabilitation Project (Consultancy Portion) - J. Yens 262 million. This is part of the J. Yens 7.674 billion OECF loan for the project.

# THE EAST AFRICAN PORTLAND CEMENT COMPANY LIMITED



## NOTES TO THE ACCOUNTS (Continued)

	1993 K£	1992 K£	
9. INVESTMENTS			
Equity shares in unquoted associates			
At cost:			
Portland Mines Limited	29	29	
Kenya Cement Marketing Limited	<u>50</u>	<u>50</u>	
	<u>79</u>	<u>79</u>	
10. STOCKS			
Raw materials, production and finished stocks	3,297,019	1,791,406	
General consumable stores	5,340,602	10,103,810	
Goods in transit	1,797,661	464,647	
Livestock	78,852	74,300	
	<u>10,514,134</u>	<u>12,434,163</u>	
11. DEBTORS			
Debtors include K£11,340 due from officers of the Company under the Company Loan Scheme.			
12. BANK OVERDRAFT			
The banking facilities with Kenya Commercial Bank Limited are secured by debentures totalling K£6,430,000.			
13. SHARE CAPITAL			
	1993 K£	1992 K£	
Authorised, issued and fully paid:			
6,000,000 ordinary shares of Kshs. 5 each	<u>1,500,000</u>	<u>1,500,000</u>	
14. RESERVES	Capital K£	Revenue K£	Total K£
1.7.92	125,000	7,676,536	7,801,536
Profit for the year	-	1,374,805	1,374,805
Reserves written back	(10,000)	-	(10,000)
Unclaimed dividends	-	1,245	1,245
30.6.93	<u>115,000</u>	<u>9,052,586</u>	<u>9,167,586</u>



## NOTES TO THE ACCOUNTS (Continued)

	1993 K£	1992 K£
15. LOANS	<u>6,022,943</u>	<u>3,928,302</u>

(a) Kenya Government Loans - K £3,445,483:

Repayable in twenty half yearly instalments commencing June 1987. To be secured by a debenture creating a second charge on the Company's assets. The amount payable within the next 12 months is K £411,849 (1992- K £411,849)

The loans are denominated in a number of currencies. Except for the 6th Danish Loan, interest is payable at 5¼% p.a. on the others.

(b) The OCCF (Japan) Loan - K £2,577,460:

Denominated in J. Yens. Guaranteed by the Kenya Government. Interest is payable at 2½% p.a.

### 16. DEFERRED LIABILITY

This represents staff gratuity provision.

### 17. EARNINGS PER SHARE

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

### 18. CONTINGENT LIABILITIES

As at 30th June 1993, there were contingent liabilities in respect of guarantees totalling K£ 170,500 (1992 K£209,250).

### 19. INCORPORATION

The Company is incorporated in Kenya under the Companies Act.

### 20. RELATED PARTY TRANSACTIONS

The Company is a 50% shareholder of Kenya Cement Marketing Limited (KENCEM). 26.8% of sales by volume was sold to KENCEM during the year ended 30th June 1993. Sales to KENCEM were on the same terms and conditions as those available to the Company's other distributors.

# THE EAST AFRICAN PORTLAND CEMENT COMPANY LIMITED



## PROXY FORM

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

or failing him, the Chairman of the meeting as my/our proxy, to vote for me/us and on my/our behalf at the Annual General Meeting for the said Company, to be held at Athi River on 18th February 1994 at 12.00 noon and at any adjournment thereof.

Signed ..... day of ..... 1994

Signature .....

(If executed by a corporation, the proxy should be sealed)

NB: This proxy must be deposited at the Registered Office of the Company, Longonot Place, Kijabe Street, P.O. Box 40101, Nairobi not less than 48 hours before the time for holding the meeting.

The East African Portland  
Cement Company Limited

REPORT AND ACCOUNTS  
FOR THE YEAR ENDED  
30TH JUNE 1993.



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