BUILDING A SUSTAINABLE FUTURE

ANNUAL REPORT AND FINANCIAL STATEMENTS 2017

Bamburi cement

Part of you. From the start

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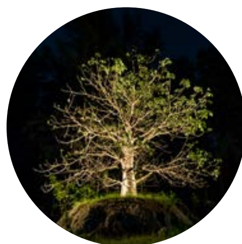

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Vision, Values & ACE Behaviors

Agility with Simplicity

- We eliminate the unnecessary
- We take decisions fast
- We see change as an opportunity
- We experiment and build on our strengths

Collaboration with Trust

- We respect each other
- We pro-actively work with others
- We are encouraged to speak up

Our Vision

To delight our customers with innovative construction solutions while being committed to sustainability.

Our Values

- Health and Safety (Overarching Value)
- Customer Excellence
- Cost Leadership
- People
- Results

Empowerment with Accountability & Transparency

- We take responsibility for our team's outcomes
- We give others space to get work done
- We are open and transparent

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2017 HIGHLIGHTS

About LafargeHolcim

We are local everywhere

We set new health & safety and sustainability standards

We innovate for our customers

We ensure people can bring their best

We are committed to delivering the best return on capital

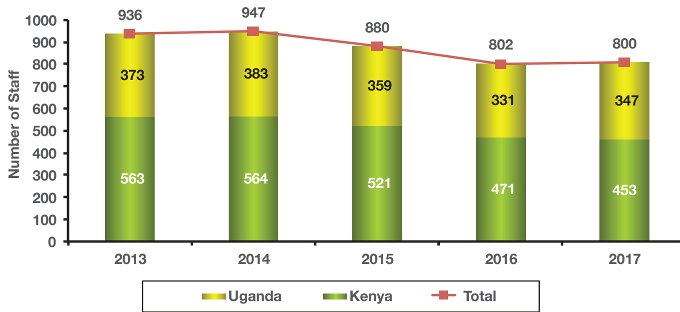
CEMENT
209.5 | **SALES** MILLION TONNES
2016: 233.2

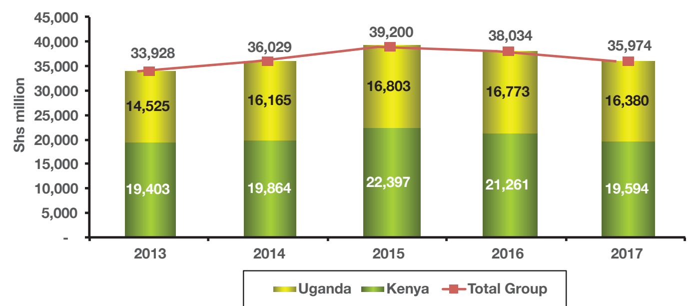
AGGREGATES
278.7 | **SALES** MILLION TONNES
2016: 282.7

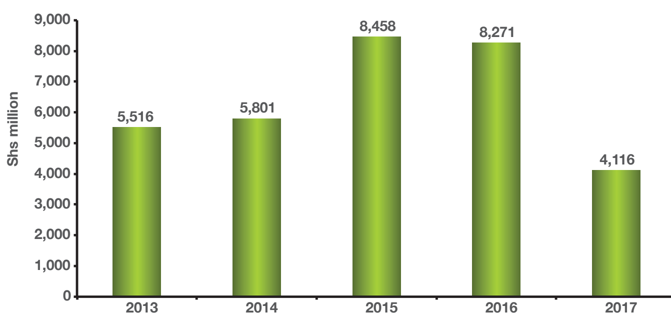
READY-MIX
50.6 | **SALES** MILLION M³
2016: 55.0

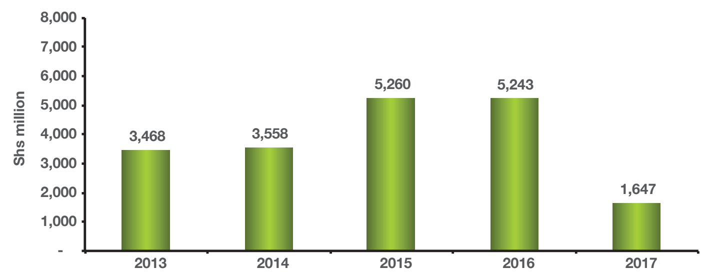
SOLUTIONS & PRODUCTS
2.1 | **NET SALES**
CHF bn (2017)

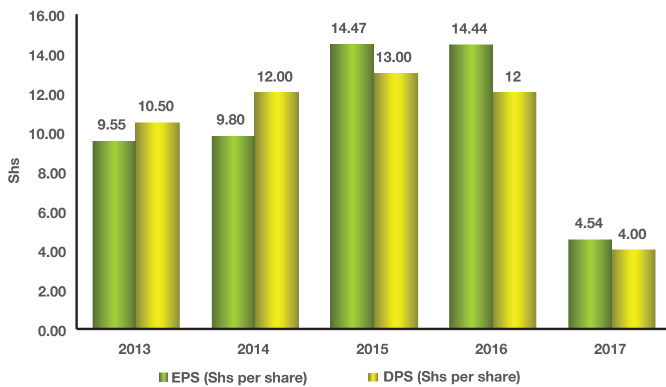
Key Financial Highlights

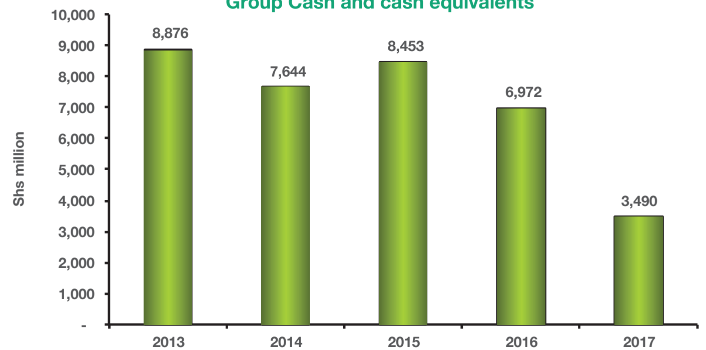




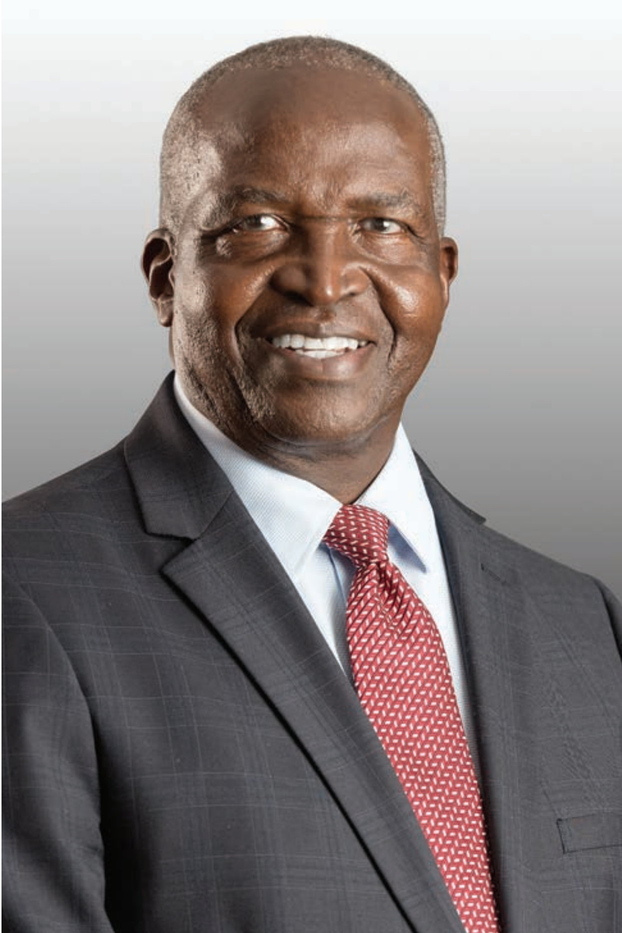








Chairman's Statement



We expect the market to remain highly competitive with resultant price pressures. The Group will continue to optimize on its route to market strategy, cost to serve, innovative product mix and customizing solutions to the customers.

"The Group is well positioned to exploit opportunities in the next phase of our growth"

The report covers Bamburi Cement Limited (the 'Company') and its subsidiaries (together, the 'Group').

The East African economies covering the key markets of Kenya, Uganda and Rwanda expanded at an estimated 5%, mainly supported by rebound in tourism, supportive monetary policy and ongoing infrastructure investments despite the negative impact of increasing global oil prices. The Kenyan economy was further suppressed by lower agricultural output impacted by drought and prolonged pre/post-election period.

In Kenya interest rates were fairly stable with maximum interest rates pegged at 4% plus the Central Bank of Kenya (CBK) policy rate. While in Uganda as part of efforts to stimulate the economy, the Bank of Uganda policy rate reduced to 9.5% from 12% in December 2016. However, this only had a marginal effect on the lending rates.

The exchange rates remained fairly stable during that period in both countries.

The governments of the East African Community (EAC) remained focused on their development agenda with continued investment in infrastructure across the region, which is expected to continue in the medium term to long term period.

Cement Market & Competition

Cement growth was depressed in Kenya with an estimated decline of 8% compared to prior year as a result of economic slowdown attributed to drought, decreasing private sector credit and prolonged election period. However, Uganda and Rwanda recorded a 3% market growth rate supported by stable macroeconomic environments, while inland Africa export market of the Democratic Republic of Congo remained buoyant.

The market remained very competitive with installed cement capacity in Kenya and Uganda reflecting a 25% and 12% over capacity respectively. However, both markets have clinker under capacity. Despite the cement over capacity, the Group remained ahead of the competition through its efforts of providing differentiated and innovative solutions to customers together while bolstering the route to market in both countries, exploring new markets and innovative product solutions.

To enhance operating margin in this competitive landscape, the Group continued with its prudent cost control, enhanced operations efficiency and continuous productivity improvement.

Investing in the Future

The Group is on course to operationalize the capacity expansion projects in both Kenya and Uganda by July 2018, which will increase cement capacity by 1.7mt (million tons) at an approximate cost of Shs 8.3 billion. This investment is expected to consolidate the Group's regional growth strategy in Kenya and Uganda while expanding to emerging markets of Southern Sudan, Rwanda, and Eastern DR Congo.

The Group is in advance studies on embarking on Phase 2 of this expansion that aims to solidify our position as the least cost producer in the region.

The Group continues to focus on vertical integration by enhancing the capacity of ready mix business across Kenya, Uganda and Rwanda with launch of the ready mix operations in Rwanda in 2017 to better serve the growing market with construction solutions.

Performance Review

Following market slowdown in Kenya, increased competition and cement overcapacity, the Group turnover decreased by 6% to Shs 35.9 billion despite continued leverage on strong brands, innovative product offerings across the segments, a strong sales force drive for market excellence and unparalleled customer service.

Profit before tax decreased by 50% to Shs 4.1 billion driven by decline in total turnover, an unfavourable cost environment on the energy costs and other input prices, against the backdrop of a challenging competitive and operating environment.

The Group will continue to focus relentlessly on cost rationalization, industrial productivity improvements and in delighting its customers with innovative solutions.

In 2017, the Group paid Shs 3.1 billion to its shareholders as dividends. In addition to this, the Group paid corporation taxes to the respective governments amounting to Shs 1.6 billion in addition to the indirect taxes like VAT and duties.

2018 Outlook

2018 has started well and the Group remains optimistic that this will persist despite rising global fuel prices, recent civil tensions in the eastern DRC and rising power prices in Kenya. The Group remains confident that the inherent strength of its business and well balanced brand portfolio, complimented by a well-equipped human talent pool, will support the deliverance of continued shareholder value.

We expect the market to remain highly competitive with resultant price pressures. The Group will continue to optimize on its route to market strategy, cost to serve, innovative product mix and customizing solutions to the customers. Key focus will be the successful entry of the new capacity volumes into the market and redesign of product sourcing to improve customer offering and maximize gains from the new plants.

Key risks in 2018 will be civil unrest in eastern DRC, a core export market, and higher energy prices for coal and power especially in Kenya.

Appreciation

The Group owes a debt of gratitude to all its shareholders, the Board of Directors, Management and staff for guiding the Group during a very difficult and challenging year while re-positioning the Group to meet emerging challenges during the next phase of its growth.

This was an extraordinary year that made extraordinary demands on the Group. There can be no doubt that the Group's resilience is testament to the indomitable spirit and capability of its staff.

The Group's momentum is good notwithstanding uncertainty in operating conditions; we see and will exploit opportunity in a challenging business environment.

The Board is the confident that the Group has the leadership and the people to exploit these opportunities to the best advantage of its shareholders and stakeholders.

Dr John P. N. Simba, OGW, MBS, EGH
Chairman

26 March 2018

Group Managing Director Statement

We anticipate a stable macroeconomic environment and continued government spend in infrastructure which will be instrumental in stimulating cement growth in the region. We take cognizance of increased competitive operating environment and will strive to develop and implement suitable strategies to drive growth and profitability.

"The Group remained resilient despite a highly competitive and challenging operating environment."

This is my first report as the Managing Director since my appointment on 9 February 2018. I am privileged to be joining a great Group (Bamburi Cement Limited and its subsidiaries) with great brands, highly trained and motivated people, situated in a region of great growth potential.

Whereas the report below is not related to the period that I have been with the Group and the Company, I have been quickly brought abreast of the Group and the Company performance, positives and challenges of 2017 in this region.

Overall, the Group continued to demonstrate resilience and maintain its market leadership position in a highly competitive and challenging operating environment in the region across the different business segments. We continue with our resolve in providing unparalleled construction solutions for sustainable infrastructure development and building better cities in the region.

Health and Safety

Safety remains our number one priority with a zero harm objective in all our operations. It is with great sadness that I report that we had one road accident that resulted in 4 fatalities in Kenya that involved a third party transporter and a passenger vehicle in Kenya. In addition, in Uganda we had 2 accidents, resulting in one fatality involving third party transporters and motorcycle taxi operators (Boda Bodas), highlighting the increased risk of Boda Bodas on our roads. We undertook a thorough review of the circumstances that resulted in these fatalities and we have undertaken various measures to reinforce our safety culture within our operations and throughout the supply chain to safeguard the lives and livelihoods of those who work for us, those who do business with us and for the community at large. We have also intensified defensive driving for all our third party road transporter drivers, including re-training and re-examining all our defensive driving trainers and improving awareness of the increased Boda Boda risk.

Capacity enhancement

We are at advanced stages of completing the capacity increase projects in both Kenya and Uganda and we look forward to a timely completion of the projects by July 2018. The commencement of Phase 1 capacity increase investment decision signals our confidence in the region and underscores our belief of the projected and continued growth in all East African economies, underpinned by a robust construction industry and the growing demand for cement and cement related products.

We are also completing studies on the phase 2 of the capacity expansion project which will increase our clinker capacity and allow us maintain our cost leadership position in the region.

Operational and financial performance

The Group demonstrated strong resilience in a very competitive and challenging operating environment impacted by unstable macroeconomic environment especially in Kenya. We however continued to leverage on our unique and innovative construction solutions offering to the market geared by our talented workforce to achieve a turnover of Shs 35.9 billion in the year, 6% lower than prior period.

Operating profit for the year declined by 47% to Shs 4.2 billion largely driven by a decline in our turnover with lower volumes coupled with an unfavourable external cost environment. On the other hand, we continued to have a steady growth in our contractor segment and positive results on an aggressive cost containment strategy in our operations. We continue leveraging our talented and dedicated work force and support from our parent Company LafargeHolcim in optimizing all our business processes.

The Group dividend and tax payments in the year declined proportionally to our performance. We continue with our mandate to support the countries we operate in through our tax payments and creating and capturing value for all our stakeholders.

Our Cash resources for the year declined to Shs 2.0 billion mainly on account of lower operating profit from Kenya coupled by cash injection into the capacity increase projects in both Kenya and Uganda.

Outlook for 2018

We anticipate a stable macroeconomic environment and continued government spend in infrastructure which will be instrumental in stimulating cement growth in the region. We take cognizance of increased competitive operating environment and will strive to develop and implement suitable strategies to drive growth and profitability. The Group will focus on maintaining a superior product offering to the market through innovation anchored on stellar customer service. The group will continue leveraging on our commercial transformation through our enhanced route to market and the recently introduced retail franchise network, Binastore and Bonastore in Kenya and Uganda respectively. We shall leverage our industrial operation excellence to create value for our customers while generating profitability for our shareholders. We are firm in our resolve to continue being the market leader in the cement industry in the region.

The Group will increase its efficiency through rational cost containment measures and value driven capital expenditure while maintaining our overarching health and safety obligations and environmental stewardship responsibilities.

We intend to obtain all the above while optimizing our working capital to generate strong cash from our operations.

In conclusion

I would like to appreciate all our stakeholders, loyal customers, service providers, regional governments and talented staff for their invaluable resilience, contribution and collaborative engagement in the year. We will continue to rely on all of them for their support as we strive to cement our market leadership position.

Seddiq Hassani
Group Managing Director

26 March 2018

2 OUR BUSINESS

What we do

Cement and Concrete products

POWERMAX	a 42.5 grade blended cement that offers superior strength for use in building, civil and structural works.
POWERCRETE	a 52.5 grade cement made in conformance to Chinese standards to meet the requirements for the Standard Gauge Railway project.
NGUVU	a 32.5 grade cement used for general building and structural works.
TEMBO	a 32.5 grade cement used for general buildling and structural works.
POWERPLUS	a 42.5 grade pure cement used for high strength concrete.
ROADCEM	introduced in 2015, a Hydraulic Road Binder for soil stabilization in road construction works.
MULTIPURPOSE	a 32.5 grade cement used for general building and structural works.
CONCRETE	pre mixed concrete delivered to customer site as a ready to use construction product.
PAVING BLOCKS	high quality pre-cast concrete paving blocks that offer pavings solutions under thr brand name 'BamburiBlox'.
PRE-CAST MOULD RANGE	pre-cast mould products that include drainage and edge restraints as well as fencing and walling.

Lafarge Ecosystem

HALLER PARK	is a nature reserve that was transformed from a quarry wasteland into an ecological paradise, incorporating a variety of plant and animal species. The park serves as a recreation hot-spot for tourists and locals. Butterfly Pavilion and the Butterfly Breeding House promote the recovery of displaced butterfly species that have lost their habitats due to forest destruction.
BAMBURI FOREST TRAILS	are four nature routes for cycling, jogging, walking and fitness regimes. They allow visitors to experience alternating landscapes, from empty quarries, to lush forest, lakes, streams, palm groves and plantations of indigenous trees. Sunset Terrace is a restaurant that allows visitors to relax, have a meal and admire the palm garden and the Great Lake.

How our business model **creates value**

CAPITAL INPUTS ▶ VALUE CREATION ▶ OUTCOMES

Capital Inputs

Financial
- Retained earnings
- Borrowings
- Purchases – suppliers, business partners
- Market capitalization

Human
- Employees experience, expertise, skills
- Employee development and growth

Manufactured
- Plants
- Facilities
- Equipment
- Channels

Intellectual
- Technology
- Systems
- Operating procedures and processes
- Brand
- Research and development
- Product composition

Social & Relationship
- Social licence
- Community relations
- Stakeholder engagement
- Trust
- Social partnership

Natural
- Raw materials
- Energy
- Water

Value Creation

Business Model Attributes
- Quality assurance
- Operational efficiency
- Employer of choice
- Sound corporate governance
- Ethical business conduct
- Sustainable extraction
- Research and innovation
- Brand leadership
- High calibre leadership
- Strong client orientation
- Efficient channels
- World class manufacturing practices

Vision

Values

*ACE Behaviours

Outcomes

Financial
- Profits
- Dividends
- Retained earnings
- Taxes
- Payments – suppliers, business partners
- Market capitalization

Human
- Remuneration
- Staff training & development
- Employee welfare
- Employability
- Experience
- Diversity

Manufactured
- Products and services
- Channels & supply chain

Intellectual
- High quality products
- Respected brands
- New products & services
- Improved operations
- Technology & technical capacity

Social & relationship
- Social investment
- Social licence
- Affordable housing
- Best practice advocacy
- Learning opportunities
- Trust
- Social reputation

Natural
- CO2
- Emissions monitoring and management in line with international standards
- Waste & effluent management

*ACE stands for

Value added statement (Shs)

Board of Directors

DR. JOHN SIMBA
NON-EXECUTIVE DIRECTOR

ALICE OWUOR
NON-EXECUTIVE DIRECTOR

DR. HELEN GICHOHI
NON-EXECUTIVE DIRECTOR

RITA KAVASHE
NON-EXECUTIVE DIRECTOR

JOSEPH MUNA KIMOTE
NON-EXECUTIVE DIRECTOR

JOSĚ CANTILLANA
NON-EXECUTIVE DIRECTOR

OLIVIER GUITTON
NON-EXECUTIVE DIRECTOR

ERIC KIRONDE
EXECUTIVE DIRECTOR

SEDDIQ HASSANI
EXECUTIVE DIRECTOR

NICOLAS GEORGE
EXECUTIVE DIRECTOR

THIBAULT DORNON
ALTERNATE DIRECTOR

BETTY KANYAGIA
COMPANY SECRETARY

Board of Directors profiles

NON-EXECUTIVE DIRECTORS

DR JOHN SIMBA 73, MBS, EGH OGW LLB, LLD (Hon.).

John is an Advocate of the High Court of Kenya and Senior Partner at Simba & Simba, Advocates. He has previously worked with the Attorney General's Chambers, Industrial & Commercial Development Corporation and National Bank of Kenya.

He has previously served as Chairman, Federation of Kenya Employers, Kenya Bankers' Association, Retirement Benefits Authority and as President of the Rotary Club of Nairobi. Currently, Dr. Simba is Chairman of Sanlam Kenya Plc, Sanlam Life Insurance Ltd, Choice Tea Brokers Limited, Funguo Investments Limited and the Kenya Hospital Association. He is the Chancellor of Pwani Univesity.

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

ALICE OWUOR, 59 OGW MBA, BComm

Alice is a career tax administrator having served at Kenya Revenue Authority for 31 years. Alice experience is diverse in various critical areas of tax administration with her last position on retirement in 2016 as the Commissioner, Domestic Taxes. At KRA she was part of the 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.

Alice has also been Chair of the Kenya Institute of Management (KIM) and Chair Audit Committee, 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 and a Director at the Centre for Corporate Governance.

Alice is the Chair of the Audit & Risk Committee.

DR HELEN GICHOHI, 57 OGW MBS PhD Zoology, MSc Bio of Conservation, BEd

Helen was appointed the Managing Director of the Equity Group Foundation in December 2012, a position she held until January 2017.

Before joining the Equity Group Foundation, she led the AfricanWildlife Foundation (AWF) for 11 years having joined AWF as its first Director of the Heartlands Program in 2001, rose to become the Vice President for Programs in 2002 and AWF's first President in 2007. Helen had also worked at the Wildlife Conservation Society and African Conservation Center. 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 previously served on the Board of Equity Bank Ltd and the Kenya Wildlife Service. Her current Board positions include at Equity Group Holdings Limited, Olpejeta Conservancy and the African Wildlife Foundation.

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

RITA KAVASHE, 53 MBS MBA, BEd

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

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

She is a member of the Governing Council - AA of Kenya, Kenya Association of Manufacturers, Palmhouse Foundation Advisory Board and Chair of the Kenya Motor Industry Association. Rita is a Director on the Board of Kenya Vision 2030 Delivery Secretariat and Kenya Roads Board.

Rita is a member of the Audit & Risk Committee.

JOSEPH MUNA KIMOTE, 46 MBA, BA Economics

Joseph is the General Manager, Strategy Research & Development, National Social Security Fund (NSSF), a position he has held since 2010. Proir to this role, he held several positions including Director - Institutional Planning and Development, United States International University, Project Manager - USAID/EPC Trade Development Programme and Export Promotion Council, among others.

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

Joseph is a member of the Audit & Risk Committee.

JOSĔ CANTILLANA, 48 MBA, BSc

José was the CEO & Chairman of Cementos Cienfuegos before he joined Holcim Trading in 2004 as CEO. José's subsequent positions within the Holcim Group were CEO - Holcim Argentina, Senior Manager - LH Merger Integration and Area Manager - Latin America. He was appointed Area Manager, South East Africa & Indian Ocean in March 2016.

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

Board of Directors profiles *(continued)*

OLIVIER GUITTON 50 BA Admin

Olivier is the LafargeHolcim Head of Finance for the Middle East Africa region. Before joining LafargeHolcim in September 2016, he had been with Louis Dreyfus from July 2013 as Group Deputy CFO and Group Controller.

Olivier worked with Bombardier between 1998 and 2013 holding several positions in Singapore, Germany and France.

He was appointed to the Board on 8 June 2017.

EXECUTIVE DIRECTORS

ERIC KIRONDE, 51 BSc, FCCA, CPA(U), CPA(K), ACMT

Prior to joining the Group, Eric worked at Nile Breweries Limited (Uganda) as an Internal Audit Manager and PricewaterhouseCoopers, where his last position was Audit Manager.

Eric joined the Group in August 2001 as Finance Manager, Hima Cement Limited and has since held various Finance positions within the Bamburi Group and Lafarge, including a twenty months' secondment to Ashaka Cement Company in Nigeria. He was Director of Internal Control for Lafarge Sub Sahara Africa, based in Nairobi before being appointed Finance Director in November 2011. Eric was appointed Acting Group Managing Director on 4 October 2017.

He is a member of the Hima Cement Limited Board of Directors.

SEDDIQ HASSANI, 48 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. While in Lafarge Morocco, he held several positions including Control Manager, CEO Lafarge Gypsum Morocco, Purchasing & Logistics Director and Marketing & Strategy Director.

In 2015, Seddiq was appointed LafargeHolcim Head of Growth & Innovation for Middle East and Africa.

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

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

NICOLAS GEORGE, 38 MSc Engineering

Nicolas joined Lafarge in 2007 as China Strategy Manager a position he held until 2010 when he was transferred to the head office as Middle East & Africa Strategy Manager. In 2013, he was appointed Chief Executive Officer, LafargeHolcim Myanmar and in 2017, he was given the additional responsibility as Head of Strategy, South East Asia & China. On 9 February 2018, he was appointed Managing Director Hima Cement Limited.

He was appointed to the Board on 9 February 2018.

ALTERNATE DIRECTOR

THIBAULT DORNON 38, BA & MPhil History, MA Public Admin & Political Sc

Before joining Lafarge, Thibault was a senior civil servant and held several positions in the French National Court of Accounts, including a secondment at the National Audit Office - London.

He joined Lafarge in April 2014 as Deputy Director for Public Affairs and, after the merger, was appointed to the position of Executive Assistant to Area Manager - South East Africa & Indian Ocean.

Thibault was appointed as an alternate to Olivier Guitton on 24 August 2017.

SECRETARY

BETTY KANYAGIA, 43 LLB, CPS (K), MCIArB

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

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

Executive Committee Members

SEDDIQ HASSANI
GROUP MANAGING DIRECTOR

ERIC KIRONDE
FINANCE DIRECTOR

GEOFFREY NDUGWA
COMMERCIAL DIRECTOR

BENSON WANGALWA
HUMAN RESOURCE AND ORGANIZATION DIRECTOR

ROBERT NYANGAYA
GENERAL MANAGER - BAMBURI SPECIAL PRODUCTS

SUSAN MAINGI
CORPORATE AFFAIRS, COMMUNICATION & SUSTAINABLE DEVELOPMENT DIRECTOR

MOHAMED KHARRAKI
MOMBASA PLANT MANAGER

Corporate Governance Statement

INTRODUCTION

In 2017, the main focus in respect of corporate governance was continued application of international corporate governance standards and closure of any gaps in respect of compliance with the statutory requirements.

This statement provides necessary information to enable investors to evaluate the application of the Group's governance and ethical obligations together with whether the Group has complied with the obligations and therefore satisfied its obligations thereunder.

BOARD

Mandate

The Board of Directors is entrusted by the Shareholders to act in their best interests and those of other stakeholders by ensuring the success of the Company.

The operations of the Board are governed by the statutory provisions, the Company's articles of association and the Board Charter. To ensure the Board's operations are in line with global practices, the Board Charter is reviewed regularly and amended, if need be.

The Schedule of Matters Reserved for the Board provides those matters the Board must handle itself while the Schedule of Matters Delegated by the Board provides those matters that the Board has delegated.

Membership and Size

The diversity of the Board in respect of experience, skills, nationality and service period remains a key benefit. In 2017, the Board membership changed significantly. In March 2017, the Board welcomed three new independent non-executive Directors following a vigorous recruitment process. Alice Owuor, Helen Gichohi and Rita Kavashe reinstated the Board's female membership, previously lost in 2016. With their diverse backgrounds, they bring a rich and all encompassing breadth of experience. In June 2017, Olivier Guitton was appointed to the Board as a shareholder representative in place of Dominique Drouet.

In June 2017, Amb Solomon Karanja, who had served on the Board for a record forty years, and Chris Kisire, who had served on the Board since 2004 resigned. In September, Bruno Pescheux, the Group Managing Director, resigned as he prepared for retirement. In November 2017, Daniel Pettersson, the Managing Director of the Ugandan subsidiary Hima Cement Limited, also resigned.

With these changes, the Board now has four nationalities represented with skills ranging from conservation, engineering, accounting, economics and law. The members have served for various periods allowing the Board to draw on the experience and institutional knowledge of long serving members while injecting fresh ideas from the recent appointees.

At the close of 2017, the Board had four independent non-executive directors, three non-executive directors and one executive director.

The Board confirms its satisfaction with the commitment each director together with the effectiveness of the Board and its Committees for the year under review.

Operations

The Chairman is responsible for the Board's operations. Together with the Managing Director and the Secretary, the Chairman sets the agenda for the Board while ensuring that the operations are in accordance with applicable statutory provisions and the Board Charter.

In November of each year, while reviewing the budget for the following year, the Board also sets up its work plan and agrees on the dates of the standard meetings. This allows the members to have the dates early enough to ensure actual attendance and participation.

The Board has four set meetings, each to review a specific quarter in each year. During these meetings, member of Management and experts such as external auditors can be invited into the meetings. Outside of these set meetings, the Board may meet either upon request by a director or if the need arises. The Board meetings are held at different company sites, which allow members a better understanding of site specific issues and interaction with the site employees.

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. They are expected to be sufficiently prepared for the meetings as the board papers are sent at least fourteen days in advance. If a Director is unable to attend a meeting, they are required to notify the Chairman in advance.

The Chairman and Group Managing Director have regular meetings, at least once a month, where the Group Managing Director updates the Chairman on any matters that require the Chairman's attention. Further, the Chairman and the Group Managing Director, either jointly or separately, hold meetings with the individual board members, thereby ensuring the directors are up to date with the happenings within the Group and giving the Directors' opportunity to raise any issues or concerns in between the meetings.

To ensure ample focus for technical and operational matters, the Board delegates some matters to its committees. Each committee must operate within its specific Charter and report to the Board on its operations.

Director	Category	Board Meeting	Audit & Risk Committee	NR&HR Committee	AGM
J Simba	Non-executive	5/5	-	4/4	1/1
C Kisire	Non-executive	2/2	2/2	-	1/1
D Drouet[1]	Non-executive	0/2	-	-	0/1
J Cantillana	Non-executive	5/5	-	1/1	-
J Kimote	Non-executive	5/5	2/2	-	1/1
S Karanja	Non-executive	2/2	2/2	3/3	1/1
B Pescheux	Executive	3/4	3/3	3/3	1/1
D Pettersson	Executive	4/4	2/3	-	1/1
E Kironde	Executive	5/5	4/4	1/1	1/1
A Owuor	Non-executive	3/4	2/2	-	1/1
H Gichohi	Non-executive	3/4	-	1/1	1/1
R Kavashe	Non-executive	3/4	2/2	-	0/1
O Guitton	Non-executive	2/2	-	-	-
T Dornon[2] [3]	Alternate	1/1	-	-	-

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

[1] *Represented by alternate*

[2] *Alternate to D Drouet until 8 June 2017*

[3]*Alternate to O Guitton from 23 August 2017*

Director Compensation

Director compensation is reviewed annually by the Board and approved by the Shareholders. For the first time and in line with statutory requirements, the details of the Director compensation are contained in the Directors' Remuneration Report which is contained elsewhere in this Annual Report.

The executive Directors and the LafargeHolcim nominees do not receive any additional compensation for their service on the Board.

Separation of Roles

The roles of the Chairman and the Chief Executive are separately held and the division of their responsibilities is clearly established and agreed by the Board to ensure that no one has unfettered powers of decision.

The Chairman is responsible for leading the Board to ensure effectiveness in all aspects of its role through setting the board meeting agenda; ensuring members receive accurate, timely and clear communication while encouraging constructive relations between the Board and Management. The Chairman is also responsible for ensuring effective communication with stakeholders including shareholders, promoting high levels of corporate governance and serving as a resource to Management in matters of strategic importance to the Company.

The Managing Director is responsible for managing the day-to-day operations of the Company including leadership of the Group, execution of the strategy approved by the Board and policy formulation to ensure delivery of strategy. He/she is accountable for Company performance and reports directly to the Board.

Training & Evaluation

Induction and Training

The Company Secretary is responsible for the induction program for new directors. In 2017, the three new directors, Alice Owuor, Helen Gichohi and Rita Kavashe, undertook a full induction tailored specific for them, which included visits to all the Group sites in Kenya and Uganda.

As part of the continuous development, several Board members attended Corporate Governance training during the year.

Information

Upon appointment, Directors are provided with a reference manual containing all information on legal obligations the Directors should be aware of. The manual also contains items such as the Board Charter, Articles of Association, Code of Business Conduct Policy and corporate governance rules.

The Board members always have complete and timely information to enable them discharge their responsibilities. To enable the members prepare adequately for meetings, board papers are circulated at least fourteen days before any meeting and any further updates at least seven days before the meeting while committee papers are distributed at least seven days before any committee meeting. The Directors have unfettered access to any other information they may require, Management and the Company Secretary.

The Board can also seek independent professional advice at the expense of the Group.

Corporate Governance Statement *(continued)*

Performance Evaluation

The Group carries out an evaluation of the Board performance to review performance and/or effectiveness, identify actions to improve performance and establishes a benchmark for measuring future progress. The evaluation aims also to capture open and constructive feedback on board mandate, board culture, relationships with senior management, effectiveness of induction and training.

During the evaluation, the Board reviewed the performance of the overall Board, the Chairman and individual Directors. The evaluation involved review by each Director and the Company Secretary evaluating overall board performance, committee performance review of the performance of the individual directors by the Chairman and Company Secretary together with evaluation of the Chairman's performance by the Acting Managing Director and the Company Secretary.

An analysis of the reviews was undertaken and reports prepared for each Director and the overall Board. The overall board performance report was discussed and action plans developed to improve performance These plans are continuously reviewed by the Board.

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

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

Board Committees

Audit & Risk Committee

The Audit & Risk Committee members are all independent and non-executive Directors. This year and in accordance with the law, the members of the audit committee were appointed by the Shareholders at the general meeting. Alice Owuor and Rita Kavashe joined the Committee while Chris Kisire and Solomon Karanja exited upon resignation.

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

During the year, the Committee held four meetings. To fulfil its terms of reference, the Committee reviewed the Group's interim and annual reports, the Management Letter arising from the external audit, litigation and contingent liabilities, Kenya and Uganda Revenue Authorities claims, plant operation risks, internal audit work plan and the reports generated therefrom.

In 2017, the Committee also undertook a search for the replacement of the external auditor, which processes was completed when Deloitte & Touche were appointed auditors of the Company during the Annual General Meeting held on 7 June 2017.

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

The Committee remains satisfied that the internal audit department is adequately sourced, has requisite support from Management and was effective during the year under review.

The Committee is now responsible for corporate governance. It ensures that Management maintains a system of control that provides assurance of compliance with corporate governance rules and regulations. As part of the corporate governance role, the Committee reviews conflict of interest declarations made by the Directors, who are required to avoid situations where they have or can have a direct or indirect interest that conflicts with the interests of the Group. Where avoidance is not possible, Directors are required to declare the possible conflict of interest, which declaration is reviewed and assessed by the Committee. For the year under review, no potential conflicts were brought before the Committee for review and the Committee concluded that there was no actual conflict.

Nomination, Remuneration & Human Resources Committee (NRHRC)

The NRHRC is responsible for nomination of appointments/re-appointments to the Board and its committees. With the various changes on the Board, the Committee has had yet another busy year. The Committee completed the recruitment of the three independent non-executive directors then reviewed the qualifications of the proposed shareholder representative and made recommendations as appropriate.

The Committee also reviewed the requirements of the Capital Markets Authority Code of Governance for Issuers of Securities to the Public 2015, put in place measures to comply with the identified gaps, arranged a meeting with CMA and reviewed the Reporting Tool.

In accordance with the provisions of the Company's Act 2015, the responsibility for corporate governance has been moved from this Committee to the Audit & Risk Committee.

During the year, the Committee reviewed the need to have a Board committee responsible for human resource matters. Following removal of the corporate governance responsibility, the Board approved that this Committee take on responsibility of human resource matters including remuneration.

Executive Committee

The day to day business and operations of the Group are delegated to the Executive Committee. Its members are appointed by the Group Managing Director and the Committee consists of individuals responsible for key components of the business.

The Executive Committee (ExCo) meets at least every month or more frequently if necessary and the agenda focuses specifically on delivery of performance objectives.

Company Secretary

The Secretary acts as secretary to the Board and all the committees of the Board while also the focal point for communication. The Secretary attends all meetings whether of the board or committees and ensures that Board/ committee charters are complied with.

The Secretary is responsible for the Group's compliance with the continuing obligations of the Listing Rules, Companies Act and the CMA Code of Governance for Issuers of Public Securities together with other applicable laws, rules and regulations.

The Secretary supports the Chair in planning the agendas, Board performance management, training and induction.

Control Environment Management

Risk Management and Internal Controls

Accepting that risk is an inherent part of business, the Board is dedicated to the identification of key risks and providing reasonable assurance to the shareholders that the risks are fully understood and managed.

The Board is, through the assistance of the Audit Committee, responsible for maintaining and reviewing effective risk management and internal control systems and for determining the nature and extent of the significant risks the Group is able and willing to take to achieve its business objectives. The Board, through the Audit Committee and ExCo, ensures constant review of the internal controls to ensure alignment with the ever changing business environment.

Management is responsible for identifying risk and risk controls, mapping the risks to company strategy, developing sufficient risk identification programs and identifying the appropriate manner in which to manage risk.

For the year under review, the Board has conducted a review of the risk management policies and internal control of significant risks and material systems. The Board has received confirmation that Management has taken or is taking the necessary actions to remedy any failings or weaknesses identified.

It is the opinion of the Board that the system of risk management and internal controls in place, which should provide reasonable but not absolute assurance, was adequate and effective.

Code of Business Conduct

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

In 2017, the Company carried out refresher trainings on the Anti-Bribery and Corruption policy to all employees.

Communication

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

Day to day shareholder relations is the responsibility of the Group Managing Director, the Company Secretary and the Finance Director. However, the Chairman is also available for consultation by shareholders.

Annual General Meeting

The Group holds an Annual General Meeting (AGM) of the Company each year and notice of the meeting is provided at least a month in advance. The meetings continue to be held in Mombasa in recognition of the home base of the Group.

The AGM, held on 8 June 2017, was attended by an ever increasing number of shareholders, the external auditors and over 80% of the directors. During the meeting, shareholders were able to meet the Directors and external auditors to hold discussions on the Group's performance and strategy.

Investors

The Group values the opinions of private investors and continued to engage them throughout the year. The Group Managing Director, Finance Director/Acting Managing Director and Corporate Affairs & Sustainable Development Director met with and received feedback from analysts and institutional shareholders.

Financial Results

The Group announces its financial results every six months. The half year and full year results are released within forty five days of the end of the period through publication in two daily newspapers and posting on the website. The shareholders also get a copy of the annual report, which contains the full year results

Shareholder Profile

Top 10 Shareholders as at 31 December 2017

Rank	Name of Shareholder	Shares	%age
1	Fincem Holding Ltd	106,360,798	29.30%
2	Kencem Holding Limited	106,360,797	29.30%
3	Standard Chartered Nominees RES A/C KE11396	56,906,640	15.68%
4	Amarjeet Baloobhai Patel & Baloobhai Chhotabhai Patel	5,826,390	1.61%
5	Standard Chartered Kenya Nominees Ltd A/C KE002382	4,919,000	1.36%
6	Standard Chartered Kenya Nominees Ltd A/C KE11993	2,207,700	0.61%
7	Standard Chartered Nominees A/C 9230	2,045,479	0.56%
8	Paramount Company Ltd	2,000,000	0.55%
9	ICEA Lion Life Assurance Company Ltd - Pooled	1,445,415	0.40%
10	Standard Chartered Nominees Non-Resd A/C 9661	1,443,200	0.40%

Share Analysis by Domicile as at 31 December 2017

DOMICILE	NUMBER OF SHARES	%	NUMBER OF HOLDERS
Foreign Institutions	231,552,919	63.79%	42
Foreign Individuals	656,786	0.18%	63
Local Institutions	115,732,762	31.89%	748
Local Individuals	15,016,808	4.14%	2,600
TOTAL	362,959,275	100.00%	3,453

Share Analysis by volume as at 31 December 2017

VOLUME	NUMBER OF SHARES	%	NUMBER OF HOLDERS
1 – 500	260,743	0.07%	1,357
501 – 5,000	2,428,236	0.67%	1,237
5,001 – 10,000	1,712,745	0.47%	242
10,001 – 100,000	14,791,876	4.08%	439
100,001 – 1,000,000	49,452,620	13.62%	164
> 1,000,000	294,313,055	81.09%	14
TOTAL	362,959,275	100.00%	3,453

Remuneration Report

This report is compiled in compliance to Division 6 of the Companies Act, 2015 and in accordance with the Tenth Schedule of the Companies (General) Regulations 2015.

The committee previously known as the Nomination & Corporate Governance Committee was renamed to the Nomination, Remuneration & HR Committee following the provisions of the Companies Act 2015 that corporate governance fell under the mandate of the audit committee and the need to have a Board committee responsible for remuneration and human resource matters.

The Charter of the Committee was reviewed to reflect its amended mandate and the Committee developed a Remuneration Policy, which was subsequently approved by the Board of Directors. The Remuneration Policy forms the basis of remuneration of the members of the Board of Directors (both non-executive and executive) and the Company as a whole.

The Nomination, Remuneration & Human Resources Committee is pleased to present its first Remuneration Report, which covers the year ended 31 December 2017.

Board Changes

During the year 2017, the Group Managing Director - Bruno Pescheux and the Managing Director, Hima Cement Limited - Daniel Pettersson, both executive directors of the Company, decided to leave the Company in September and November respectively. For both therefore, the remuneration contained in this report is pro-rated to reflect the time actual served.

Executive Directors and LafargeHolcim Representative Directors

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

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

Remuneration Outcomes 2016 - 2017: Executive Directors

Terms of Employment

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

Name	Date of contract	Notice period
Bruno Pescheux	21 July 2014	N/A
Eric Kironde	15 December 2011	3 months
Daniel Pettersson	1 July 2013	3 months

The contracts have an indefinite term that may be terminated by either party by giving the indicated notice period.

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

Since the LafargeHolcim merger and the subsequent changes thereafter, the Company does not have any long term incentives or share option schemes.

Salary Review

The executive director salaries review was undertaken in line with the overall company salary review. The salary review took into consideration the overall budget for increase and individual performance for the year 2016.

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

Name	2017	2016
Bruno Pescheux	6%	7%
Eric Kironde	6%	8%
Daniel Pettersson	3%	2%
Average staff salary increase Kenya	6%	7%
Average staff salary increase Uganda	7%	8%

Remuneration Report *(continued)*

Annual Bonus

Performance Bonus 2016

The performance of the Company against the internally set objectives covering all six key business pillars of Health & Safety, Customer, Results, Integrity, Sustainability and People, represented a 48.4% and 84.6% achievement for Kenya and Uganda respectively.

This, together with elements of individual performance, resulted in performance bonuses paid to the three executive directors in March 2017.

Analysis by individual director:

Bruno Pescheux

Item		Breakdown	2017	2016
			Shs	Shs
Salary			36,120,301	37,045,900
Performance Bonus			9,306,650	12,339,110
Taxable Benefits	Cash	Car allowance	-	-
		Lunch allowance	64,800	86,400
		House allowance	5,657,139	7,542,852
		Utility allowance	49,314	55,819
		Telephone allowance	308,245	792,076
		Home travel allowance	-	-
		School fees allowance	-	-
		Accrued leave	4,102,129	-
	Non-cash	Health insurance	432,771	1,326,000
		Company car	752,826	1,003,767
		Company driver	735,543	980,724
		House	-	-
		Security	100,866	111,760
		Travel to home country	1,673,170	1,773,761
		Tax advice	378,872	69,000
Other benefits		School fees allowance	-	-
		GPA Insurance	-	-
		Group life insurance	-	-
		Other expat expenses	-	210,290
Pension			8,518,387	13,941,040
Total			68,201,013	77,278,499

Annual Bonus (Continued)

Eric Kironde

Item		Breakdown	2017	2016
			Shs	Shs
Salary			11,469,505	10,820,292
Performance Bonus			1,281,555	2,625,250
Taxable Benefits	Cash	Car allowance	1,800,000	1,500,000
		Lunch allowance	86,400	86,400
		House allowance	1,020,000	1,020,000
		Utility allowance	330,000	330,000
		Security	990,000	990,000
		Telephone allowance	292,602	410,484
		Home travel allowance	-	-
		School fees allowance	-	-
		Accrued leave	-	-
	Non-cash	Health insurance	287,701	191,575
		Company car	-	171,618
		Company driver	-	-
		House	-	-
		Security	-	-
		Travel to home country	120,000	120,000
		Tax advice	-	-
Other benefits		School fees allowance	687,500	249,196
		GPA insurance	83,966	129,713
		Group life insurance	133,800	114,924
Pension			1,291,106	1,291,106
Total			19,874,135	20,050,558

Daniel Pettersson

Item		Breakdown	2017	2016
			Shs	Shs
Salary			38,223,532[1]	34,435,609
Performance Bonus			4,873,301	9,087,656
Taxable Benefits	Cash	Car allowance	-	-
		Lunch allowance	-	-
		House allowance	-	-
		Utility allowance	1,141,126	1,263,942
		Telephone allowance	2,309,987	1,551,021
		Home travel allowance	-	-
		School fees allowance	-	-
		Accrued leave	-	-
	Non-cash	Health insurance	891,009	731,124
		Company car	5,879,668	5,417,506
		Company driver	655,774	558,316
		House	10,159,074	8,603,778
		Security	1,302,003	621,381
		Travel to home country	980,416	775,344
		Tax advice	830,868	936,953
Other benefits		School fees allowance	2,293,015	895,051
		GPA insurance	-	-
		Group life insurance	-	-
Pension			9,344,986	8,902,540
Total			78,884,759	73,780,221

[1]*includes 3% increase and 8% increase due to impact of forex appreciation*

Remuneration Report *(continued)*

Remuneration Outcomes 2016 - 2017: Non-Executive Directors

Terms of Employment

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

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

Name	Date of contract
Dr John P. N. Simba	29 November 2012
Joseph Kimote	6 June 2016
Jose Cantillana	6 June 2016
Alice Owuor	10 March 2017
Helen Gichohi	10 March 2017
Rita Kavashe	10 March 2017
Olivier Guitton	12 June 2017

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

Following conclusion of the significant remuneration review authorised by shareholders, the Directors' fees was reviewed taking into consideration the overall increase for employees. The increase was approved by the shareholders at the Annual General Meeting held on 8 June 2017.

The Directors are paid an annual fee, paid bi-annually, and meeting attendance fees. The fees paid in 2017 were:

Non-executive director remuneration

Name	Annual fees Shs	Sitting allowance[1] Shs	Total 2017 Shs	Annual fees Shs	Sitting allowance Shs	Total 2016 Shs
Dr John P. N. Simba	1,127,804	2,439,942	3,567,746	975,302	1,777,712	2,753,014
Chris Kisire[2]	232,844	551,134	783,978	402,717	1,170,323	1,573,040
Solomon Karanja[2]	232,844	1,189,516	1,422,360	402,717	1,365,384	1,768,101
Joseph Kimote	465,688	1,008,637	1,474,325	256,275	212,794	469,069
Alice Owuor[3]	378,059	789,460	1,167,519	n/a	n/a	n/a
Helen Gichohi[3]	378,059	563,900	941,959	n/a	n/a	n/a
Rita Kavashe[3]	378,059	676,680	1,054,739	n/a	n/a	n/a
TOTAL FEES	3,193,357	7,219,269	10,412,626	2,037,011	4,526,213	6,563,224

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

[2] Resigned June 2017

[3] Appointed March 2017

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 likely event that this happened, the Company reimbursed the cost.

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

The non-executive directors are not members of the Group pension scheme.

On behalf of the Board,

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

26 March 2018

3 OUR OPERATIONS IN REVIEW

Segment in Review

Group

Cement consumption in East Africa is projected to have grown below GDP on account of market slowdown in Kenya, impacting the infrastructure and Individual Home Builders segments. Growth in Uganda and Rwanda was in line with GDP, driven by a stable macroeconomic environment and infrastructure spend by government.

The Kenyan market contracted by about 8% in 2017, on account of a prolonged electioneering period, poor private sector borrowing and postponed public and private investment projects. Kenya's economy is estimated to have grown by 4.5% in 2017 compared to 5.8% in the prior year. The macroeconomic drivers remained largely stable, however, uncertainities relating to the political environment, slowdown in government funds disbursements to the infrastructure segment coupled with drought impacts led to a slowdown in the economy. The cement consumption market in Uganda grew by 5%, in line with GDP, spurred by public investment in the oil sector and infrastructure segment as well as expanding private consumption driven by availability of credit.

The cement industry in the region has experienced additional cement grinding capacities in the recent past in an overcapacity market putting further pressure on cement prices. Clinker production however, remains below capacity in both Kenya and Uganda necessitating increased clinker importation.

In a bid to grow our volumes and margin, we continued to respond to our customer needs with the introduction of a new brand 'Tembo' and affordable housing concept in Kenya and new cement type, slag cement in Uganda. We also partnered with the Petroleum Institute of East Africa (PIEA) and Oil marketers to provide waste oil disposal solutions in East Africa by offering a sustainable disposal mechanisms using our Plants, while reducing our energy costs at the Plant.

Future Outlook

2018 started positively with recovery in demand in the regional markets and we expect the trend to continue in the year. However, we remain conscious of risks relating to rising global oil prices, increasing power prices in Kenya and decrease in private sector credit growth across the markets. We are well equipped to capture the rising opportunities with the capacity increase that will be commissioned in 2018, well balanced product portfolio and talented workforce.

Kenya

Bamburi Cement Ltd (BCL)

2017 was not a good year with a much lower performance compared to prior years.

Turnover for the period was 14% below the prior year, impacted by lower domestic market volumes due to market slowdown, drought, poor private sector credit growth and postponed public infrastructure projects and private investments.

Operating profits decreased to Shs 1.7 billion on account of lower turnover in the domestic market, rising global oil prices and adverse external cost environment especially on coal and power prices.

The overall cement market in Kenya for the year contracted by 8% to close at 5.8MT (2016: 6.3MT). The market contraction has mainly been driven by lower infrastructure segment uptake especially to the Standard Gauge Railway (SGR) that experienced delays in the second phase of the project, reduced funds disbursements to other infrastructure projects during the long electioneering period, poor credit growth to the private sector coupled by an unfavourable macroeconomic environment suppressing the Individual Home Builders (IHB) segment.

Segment in Review *(continued)*

The 2017 domestic sales volumes were below prior year, mainly impacted by lower infrastructure segment sales and distribution segment suppressed uptake caused by a general market slowdown and increased competitive environment. Export sales for the period under review were marginally below 2016 mainly attributed to product license renewal challenges for Uganda through our subsidiary Hima cement, depressed sales to the Tanzania market on account of the interpretation of the East African rules of origin law in relation to cement from within the East African Community by the Tanzanian Revenue Authority coupled by market volatility in the South Sudan market.

Clinker production was below prior year due to a long Plant shutdown during the year while cement production was below 2016 levels on account of depressed domestic demand and lower export sales.

Future Outlook

We are optimistic that the market will recover, supported by the resilience of the construction sector, bolstered by infrastructure projects and housing deficit in the country. We shall focus on innovation of new products together with best of class customer service and elaborate cost containment measures as well as team capacity building to drive operational efficiency.

Bamburi Special Products Ltd (BSP)

This is a wholly owned subsidiary of the Group and the largest supplier of Readymix Concrete and Precast blocks in Kenya. BSP turnover dropped by 3% compared to the prior year as a result of the difficult business environment during the second half of the year.

Profit before tax dropped by 37% to a loss of Shs 21 million mainly impacted by lower volumes in the Readymix segment, increase in Readymix distribution costs occasioned by the purchase of additional fleet in the year, sales mix effects caused by lower sales contribution from higher strength paving blocks which affected the average selling prices in the precast segment. In addition, we experienced lower production of precast products due to equipment reliability challenges in Nairobi resulting to lower finished goods inventory resulting to an adverse effect on the cost of goods sold.

Future Outlook

We are optimistic that the Readymix market will improve, particularly the contractor segment in line with Kenya Vision 2030 projects pipeline. We are investing on enhancing our fleet capacity to improve delivery efficiency to better serve our customers. The Precast segment growth remains vibrant attracting an increasing number of entrants further exacerbating competitive pressures and impacting our selling prices and margins. We will focus on product innovation and ensuring we continue to offer high quality products.

Lafarge Ecosystems Ltd (LES)

This is a wholly owned subsidiary of Bamburi Cement Limited which is respected for its professionalism in quarry rehabilitation, bio-diversity management, conservation of indigenous vegetation, wildlife and aqua-culture management. Since 1971, the organization has been rehabilitating and restoring quarry wasteland into beautiful ecosystems such as world-renowned Haller Park and Forest Trails.

The Company manages rehabilitated ecosystems and hosts visitors at Haller Park and Forest Trails in three key segments: Education, Local/ Resident tourists and International visitors. In addition, it manages reserve land (bio fuel forest plantations) and estates for sustainable utilization.

The Company's turnover stood at Shs 135 million and operating profits at Shs 3.8 million primarily driven by efficient management of costs in the year.

Haller Park and Forest Trails hosted over 110,000 visitors in the year. 93% of these visitors were from the educational groups and local resident segments while 7% comprising international visitors. There was a notable drop in visitation by Educational groups (a key segment for the company) primarily as effect of uncertain political climate in the Country.

Outlook for Kenya

We will continue to pursue our route to market strategy by increasing the number of retailers in our portfolio and reducing our dependency on power buyers, while cushioning ourselves from new entrants. In addition, the company will, launch a retail franchise network, Binastore in Quarter 1 (2018), with the objective of establishing a robust retail business structure with a dedicated purchasing platform for major hardware items, including our cement. The aim will be to rollout the first franchise store in Q1 and grow the number of shops in this franchise.

The company expects to grow the contractor segment in 2018 by supplying more innovative products and improving supply chain proximity to this market through the completion of the capacity expansion in Nairobi. We further expect to leverage on the rump up of Phase 2 of SGR in 2018, which is now expected to be commissioned in June 2019. We expect to provide more value added concrete products through our Readymix subsidiary to contractors as the construction activities recover with the economy.

We expect the economy to rebound after depressed growth 2017 following the conclusion of the long politicking period. This will however be amidst various uncertainties, key among them the rising global fuel prices, dry weather conditions in major parts of Kenya, together with a rise in power prices due to drought conditions, increasing global oil prices and delays in commissioning the transmission line to the Lake Turkana Wind Project. Competitive pressures will continue especially as the country is in a cement overcapacity situation, but we remain positive that our superior brand and quality, our innovative approach to the market together with our route to market strategy will keep us ahead of the competition. While aware of the potential challenges ahead, we remain confident that the inherent strength of this business and well balanced brand portfolio complimented by a well-equipped human talent pool will enhance the Group's resilience to ensure delivery of shareholder and stakeholder value.

Further, the Group will increase its efficiency through the new capacity, rational cost containment and value driven capital expenditure with our overarching safety and health obligations and environmental stewardship responsibilities. We shall continue managing our working capital optimally to generate cash for the company's operations.

Uganda

Turnover in 2017 was in line with the prior year, mainly attributed to mixed market conditions and product mix. However, domestic and export volumes were below the previous year. Operating profit decreased by 8% compared to 2016 while profit before tax declined by 17% year on year. This was mainly influenced by low export volumes to South Sudan and The Democratic Republic of Congo (DRC) due to political and civil unrest, In addition, we faced price restraints due to market competition in the domestic market; and cost increments as a result of slag cement production at a higher cost than ordinary cement produced at higher costs compared to ordinary cement combined with lower cement sales. Distribution costs have increased significantly mainly due to change in the commercial approach in Rwanda from Ex-work sales to delivered sales model.

Overall cement market in Uganda grew by 5% in 2017 in line with GDP growth, against a background of decreasing interest rates in the economy (Bank of Uganda policy rate reduced by two and half percentage points in 2017), leading to a recovery in private sector credit growth and improved efficiencies in implementation of public investment. Additionally, the year noted higher foreign direct investments particularly in the oil sector, and increase in public sector investment in particular ramp up of key infrastructure projects like the Karuma Dam and the Entebbe Expressway.

In Uganda, there are three local players in the cement market. As a result, 2017 was very competitive. In Rwanda, we also experienced high competition from a sole local producer and imports from neighbouring countries. Our sales in our export markets, namely South Sudan and DRC, were highly affected by civil war and political strife respectively. However, we were able to supply Kibali Gold mine project in Democratic Republic of Congo (DRC).

Our ambition to set up a strong route to market strategy was initiated with the launch of a new retail model. We launched 44 shops through which we sell cement and other Standard Keeping Units (SKU's).

Due to operational and technical challenges in stabilizing Kiln 3 (RK3) after shutdown of our Plant in Kasese, we saw a decline in clinker production to 489kt compared to 512 kt in the prior year and against a rated capacity of 500kt. In addition, the delay in commissioning of our blending station in Namanve has resulted in the production of slag cement in Hima Plan resulting into an increase in our grinding and power costs.

Future Outlook

Hima Cement will continue to focus on supplying key strategic projects in our domestic and export markets to maintain market share and optimize product mix effect on price and overall margins. The company has also built and commissioned a slag blending station in its Namanve Logistic Centre for slag cement production mainly dedicated to its export customer, Kibali Goldmine in East DRC.

Segment in Review *(continued)*

In the near future, the company plans to penetrate into the precast market and develop new ways of doing business. Further, our new grinding station at Tororo is set to be commissioned in the second quarter of 2018

In addition, Hima Cement has implemented a number of actions in Uganda that will accelerate growth including rollout of the Retail Franchise Network Bonastore, with the objective of establishing a robust retail business model with a dedicated purchasing platform for major hardware items. The right systems and structures to support Bonastore have been established. We have also aggressively rolled out a route to market strategy in a bid to reduce power buyers in our markets in Uganda.

A similar strategy is being employed in Rwanda. Route to market rollout will be implemented. In addition to cement activity, Hima cement has Readymix operations in Rwanda to enable vertical integration within the cement value chain. Readymix operation has good potential for growth despite existing challenges, mainly in respect to the supply chain for raw material, that are expected to be addressed in 2018. We firmly believe that we are in a firm position to leverage on market growth and continuously capture and create value.

In the near future, the company plans to penetrate into the precast market and develop new ways of doing business. Further, our new grinding station at Tororo is set to be commissioned in the second quarter of 2018 and will add an additional 800kt of cement. The commissioning of the new grinding station will remove the need to import products from Bamburi Cement in Kenya, saving on transportation costs and improving the overall margins for the Group. More importantly, it will entrench our presence in Eastern and Northern part of Uganda and South Sudan and secure our market share. All in all, the company has firmly positioned itself beyond 2018 to participate in the expected growth that will come with the development of the oil infrastructure in Uganda.

Building the Brand

Retailer & Mason Engagement

The marketing team carried out a number of activities in 2017 to engage customers, increase purchase consideration for Bamburi products and grow brand equity all with an ultimate aim of growing sales volumes and revenue. The activities involved engaging retailers around the country though training sessions focusing on business growth. More than 1600 retailers from 55 towns took part in the training sessions that sought to improve their business acumen and enable them to grow and sustain their retail businesses.

Masons in Ukunda pose for a photo after the training

Zawadi Challenge 2017

The Zawadi Challenge is a retail loyalty programme which kicked off in September 2016 aimed at rewarding customers biannually for meeting and growing their volume targets and loyalty to Bamburi cement products. In 2017, two phases were carried out (Jan-Jun, Jul-Dec) with over 230 customers being rewarded in each phase with various prizes which included international and domestic holidays, motorbikes, fridges, cookers, smart phones, shopping vouchers etc. Through this initiative, we have seen an increase in the number of retailers stocking Bamburi products.

Builders Academy

To create 'pull' for the retailers stocking Bamburi products, the company trained more than 3400 masons on how to *'reduce water content in concrete'*. This was done as part of Bamburi's annual training program, Builders Academy, which aims at improving construction skills among masons in Kenya. The masons were informed on retail shops within their regions stocking Bamburi products which helped to not only create demand for the retailers but also increase awareness on the availability of our products. Of the 3400 masons trained, more than 1500 registered to the 'Bamburi Masons Club' a digital platform that allows masons to receive information on brand promotions and construction through their mobile phones. In addition, in 2017, Builders Academy added Garissa and Mandera towns to those which have been reached. The registration of masons to the club will continue in 2018 to ensure continuous engagement with them since they are key influencers in construction.

Partnering with stakeholders

Contractor Dinner

2017 wrapped up with a dinner hosted for more than 200 contractors and other key stakeholders in the industry. The dinner event was an opportunity to appreciate contractors for the partnership and support given to Bamburi Cement over the years. In his remarks to the contractors, Chief Guest Daniel Manduku, the Executive Director of the National Construction Authority (NCA) stated the importance of professionalism in construction and the role contractors play in providing affordable housing for Kenyans. He pledged the authority's continued support to Bamburi in its efforts to improve professionalism within the industry and urged other players to emulate its efforts.

MOM Plant Manager, Mohamed Kharraki hands over a certificate and shopping voucher worth Shs 20,000 to a retailer who won in Mombasa

Key note speaker, Arch. Daniel Manduku making his remarks at the contractors dinner

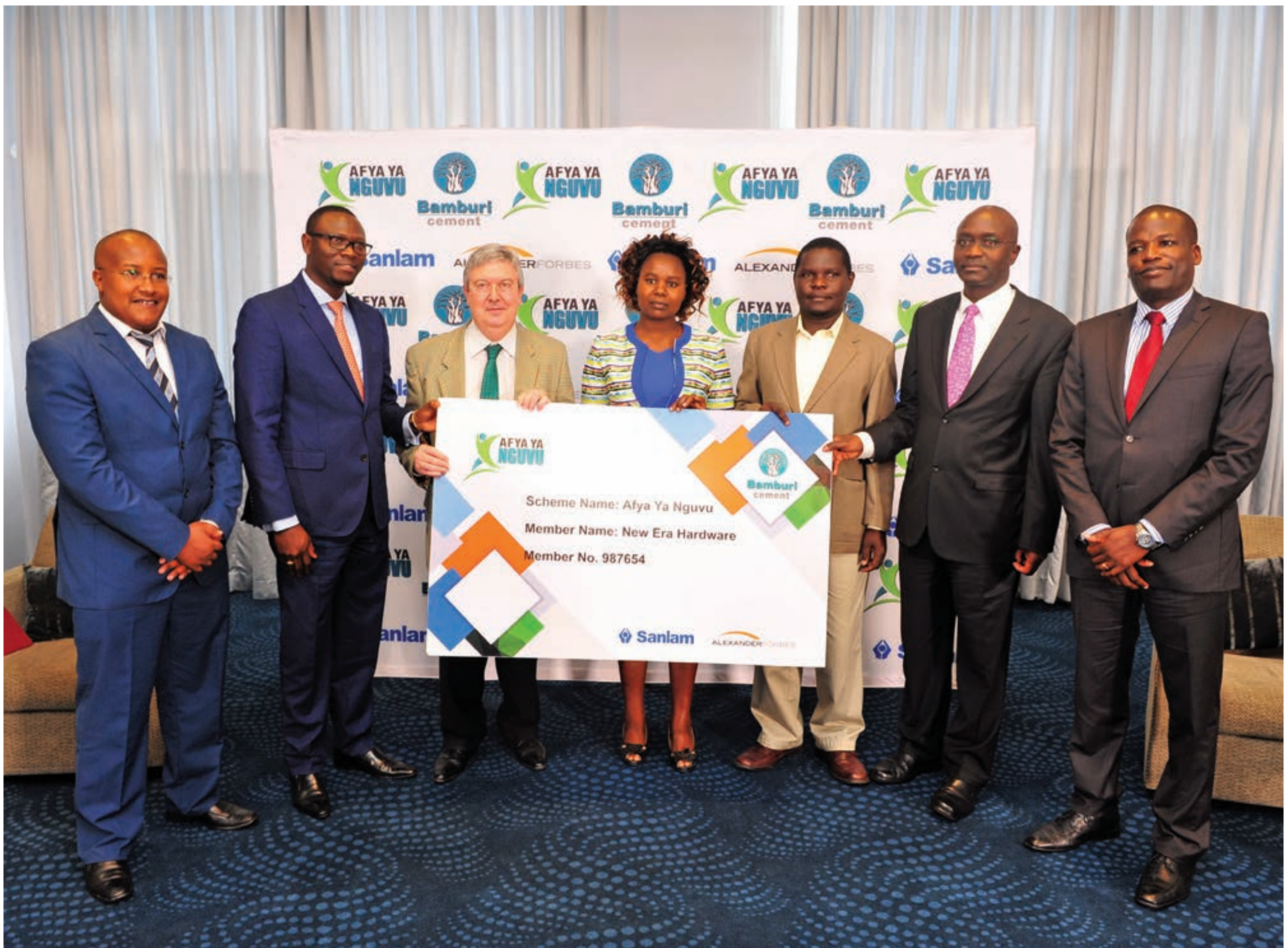
Building the Brand *(continued)*

Afya Ya Nguvu medical cover

On the 1st of April 2017, Bamburi Cement Limited launched the 'Afya Ya NGUVU' medical insurance cover for its valued customers. This revolutionary offer was developed with the assistance of Alexander Forbes Insurance Brokers (Zamara). The cover is worth Shs 750,000 per annum for both inpatient and outpatient services for 4 family members or employees. About 200 customers signed up to the scheme. This unique initiative will ensure that customers enjoy peace of mind and reduced anxiety in the event of illness knowing that they have access to quality healthcare services which will ultimately grow Bamburi's brand loyalty and equity.

'Nguvu Ya Wakenya' ATL campaign

To support the on-ground activities, an Above The Line (ATL) campaign dubbed 'Nguvu Ya Wakenya' kicked off in July with the aim of reminding Kenyans that 'Nguvu' is a strong local quality brand for all general construction. The campaign targeted Individual Home Builders was also used to remind Kenyans that they should remain strong and united even with the impending election that was slated to take place in August. The campaign was promoted on various TV and radio stations.



Innovation

Mobile Concrete Laboratory

In 2017 we increased the number of sites visited by the Mobile Concrete Laboratory from 232 in 2016 to 276 for both our cement and ready mix concrete customers. 31.5% (87sites) were outside of Nairobi. Tests conducted included tests on fresh concrete (65%}. Tests on hardened concrete (27%) and aggregate analysis (8%). The Mobile Concrete Laboratory provides technical support through onsite testing, aggregate analysis and concrete mix design solutions.

Launch of Tembo

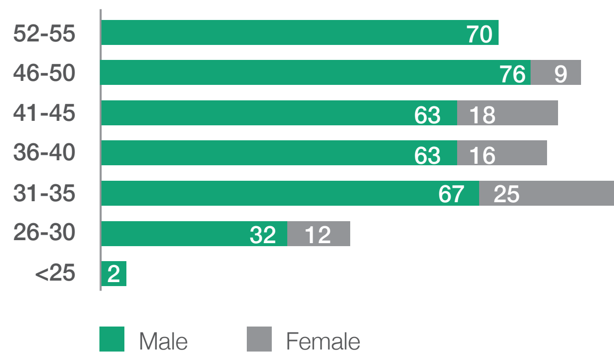
For the price sensitive markets where Bamburi brands were initially not available, we launched our value brand 'Tembo', which has penetrated these markets and continues on a steady growth path. Tembo is a high quality general purpose cement with wide applications from domestic concrete to large building and construction projects.

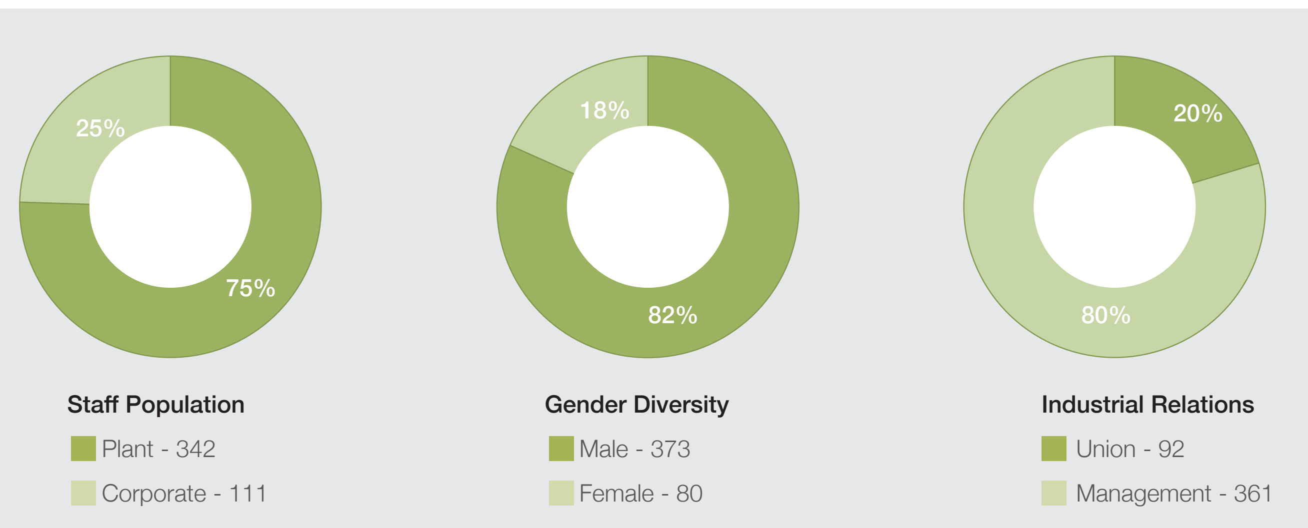
Our People

Kenya

Employee Headcount and demographics	
Mombasa Plant:	201
Nairobi Grinding Plant:	59
Head Office:	111
BSP:	58
LES:	24
Total	**453**

Age Distribution





Our People *(continued)*

Health and Safety (H&S)

Building on the foundation of prior years, our health program's key focus areas continue to be occupational health risk prevention, health promotion, medical intervention and stakeholder's health. The year 2017 presented an opportunity to evaluate the progress of our workplace health program.

Consequently, we started the year by evaluating the health program against 17 indicators, which were classified into four thematic areas, Protect, Support, Grow and Governance. This evaluation highlighted areas where we needed to pay special attention for the 2017- 2018 period.

As a Company committed to health promotion, a wellness team was created at the beginning of the year to champion behavioural changes which if adopted will have a long-term impact on the personal health and wellbeing of our employees. The team rolled out a 10-week fun and engaging wellness campaign which was meant to encourage and challenge employees to re-examine their habits and realize that health is wealth.

ACE Behaviors Communication

We undertook a behavioural change initiative under the ACE Behaviours Communication in a bid to create change and improve people's mindsets on three key workplace behavioural aspects, namely, Agility, Collaboration and Empowerment (ACE). These behaviours are underpinned by three foundational elements i.e. health and safety, digital, and people, organization and process and cut across four key workstreams – cost leadership, sustainability, commercial transformation and asset light growth.

Talent, Reward and Recognition

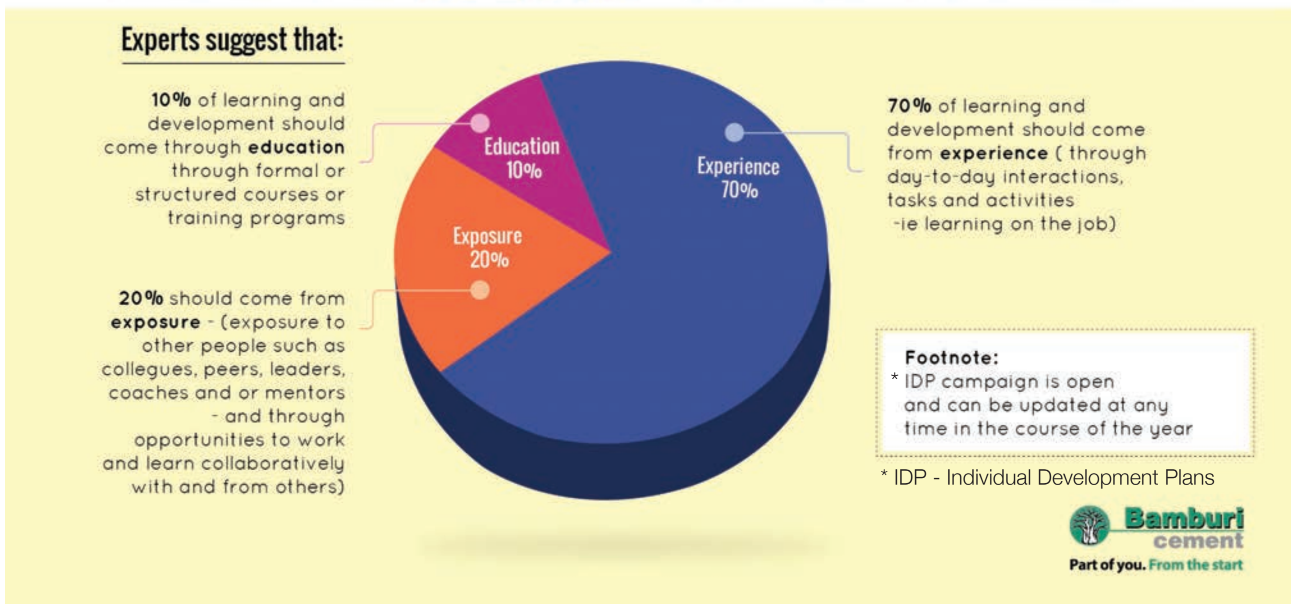
In 2017 under Talent, we focused on people through the Talent Review and Succession Plan. This entailed managers identifying high potential, high performers and successor candidates for critical roles within the organization in order to develop a robust pipeline for future leadership. The strategy covered all the functional and technical roles and implementation is ongoing using the 70/20/10 rule. This program will ensure that our people have the right skills and ability to deliver on our business results and into the future horizon.

We also carried out technical competency assessments through our People for Tomorrow Program for the cement industrial technical teams in Nairobi and Mombasa, so as to identify and address their development needs through different programs. Technical development needs have been identified and training will take place in 2018 in all the Plants.

Human Resource (HR) Information Systems have been a key focus since 2016. Workday is our primary source of HR data and in 2017 it was interfaced with the newly launched SAP business model. The HR Information System allows all employees to carry out performance management functions as well as view and own their personal data. It also enables managers to engage in succession planning and assess talent in the organization.

We continue to focus on maintaining a highly driven performance culture. To support this, we have an annual bonus program which is applicable to all employees and is linked to the performance management process. We also have a sales incentive for commercial employees as well as an industrial bonus for Plant staff.

We review our reward programs on an annual basis so that we remain competitive and are able to attract and retain the best talent in the market and remain an employer of choice.



Diversity and Inclusion

Gender status by employee group

		2015			2016			PROJECTED END 2017		
Grade/ Level	Hay Grade Equivalent	Male	Female	Percentage	Male	Female	Percentage	Male	Female	Percentage
B-C-D	18 & above	7	2	22%	10	1	9%	9	2	2%
E-F	16 - 17	18	8	30%	18	10	35%	40	21	34%
Below F	15 & Below	391	69	15%	361	71	19%	324	57	15%
TOTAL		416	79	16%	389	82	18%	373	80	18%

Bamburi Women Series Reloaded!

Bamburi Women Series is a women employee resource group that is dedicated to promoting women leadership and excellence in Bamburi. It strives to develop and support female employees through opportunities such as conferences, networking events, and mentoring enabling them to compete effectively in the workplace. Focus is placed on the following three aspects:

- Encouraging high performance standards
- Creating a forum for constructive feedback and support
- Encouraging personal growth, learning and teaming

In 2017, The Bamburi Women Series Reloaded! Conference was held under the theme *'be bold for change'* with the key topic being *'how to make it happen!'*. This was a highly inspirational session that emboldened the participants in line with the Series objective.

Training and Development

LIFE (H&S Leadership Program)

The first batch of LIFE was launched in Kenya on 9th October 2017 with 21 supervisors from our Nairobi Grinding Plant (NGP) participating in the program. This is an intensive training involving On-the-job assignments, systematic coaching, peer review and face to face sessions and aimed at strengthening leadership and management abilities. LIFE program is expected to have a critical impact on the company's bottom line as it impacts on H&S, production, costs, methods and quality. It will also drive employee engagement and empower front line supervisors.

Perform Together

Perform Together (PT) is a program aimed at behavioural development for Plant Leadership Teams to drive industrial performance. It is part of the Cement Industrial Framework (CIF), a transformational project by LafargeHolcim aimed at achieving sustainable industrial excellence in our Plants. The PT program is runs for six months and combines a series of workshops followed by workplace implementation of practical actions developed during the workshops. The first workshop, a 2 days retreat, took place on 7th and 8th September 2017. Subsequent workshops will last between ½ day and one full day. There are currently 26 participants in total with 17 from Mombasa Plant leadership and the balance from transformation team.

The objectives of the PT program are to:

- Align Plant Leadership Teams towards a compelling vision
- Developing critical leadership competencies to support the vision
- Implementing key actions to transform the vision into reality

Build the Perfect Home Sessions

Together with the Cross Selling / Brand Ambassador Team, we rolled out the *'Build the Perfect Home'* half-day training activity across all our sites starting on 15th September 2017. A total of 221 staff and contractors participated in the sessions. This is part of HR support to Commercial Transformation with the aim of getting staff members to drive sale volumes. The objectives of the session are to:

- Instil basic building knowledge.
- Link our products to each stage of construction.
- Align staff members towards BCL commercial activities i.e. Affordable Housing / Maskani.
- Ignite a passion within staff members to refer BCL products to their circle of friends and family.
- Launch a reward system where staff members will be rewarded for every sale they make.
- Encourage staff members to build their own homes by taking advantage of affordable Housing / Maskani and Employee Cement Discount Policy / Loan Policy.

STEP UP: Commercial Graduate Trainee Program

On 1st August 2017, we launched the first graduate trainee program targeted at the Commercial Department with three trainees. This is a 6 months program that aims to recruit, develop and provide real commercial role experience to young trainees with leadership potential and strengthen our existing talent pipeline.

Our People *(continued)*

Bag Filters Training

Dust is a challenge for many cement operations around the world. At Bamburi, we manage both dust emmissions from the Plants and fugitive dust. As dust presents many problems including negative health effects, impact on the safety of equipment, product losses and sometimes triggers conflict with our stakeholders. In terms of motivation, a clean plant has a big psychological boost amongst employees. There are also legal limits for dust emission stipulated by NEMA.

There are several ways to control dust in the Plant including Electrostatic Precipitators, Bag Filters and water spraying on roads. This one-day training focused on Bag Filters and involved Plant visits in the afternoon where improvement actions using the Walk by Inspection (WBI) approach were shared in class. The actions were consolidated for further review with Plant Teams.

Cement Industrial Framework (CIF)

The CIF trainings took place in Mombasa Plant to improve operational performance. The trainings are based on the needs identified in the Cement Industrial Framework (CIF) assessment. One of the key focus in 2017 was CIF workstream training for Maintenance & Production departments. Their training is scheduled to continue in January and February 2018. Other departments like HR, Quality & Process conducted CIF workstream trainings related to their operations.

The specific trainings were:

- Control Room Operator (CRO) Certification - Flame Theory & Kiln filling degree,
- Quality Mix Control (QMC),
- CRO Certification - Raw Materials Quality,
- CIF Content - People workstream ,
- CRO Certification - Quality Management,
- CIF Content - Process Management,
- CIF Quality Management,
- Production Supervisors - Refractory training.

Inventory Excellence Initiatives

The main objective of this workshop was to optimize plant inventory value through sustainable stock management strategies and business process, aligned with LafargeHolcim requirements (LHARP, MAC-SAP). The training content covered inventory and warehouse, procurement and work planning, high level checks, maintenance management system and Capex.

The Learning Objectives were:

- Proper obsolescence and slow-moving parts identification / analysis.
- Understanding stock strategy management to optimize inventory values.
- Getting prepared to apply the right maintenance organization aligned with our maintance application, MAC-SAP.
- Applying correct maintenance procurement workflow through MAC-SAP work frame.
- Proper quality of work planning process.
- Parts Preventive Maintainance Report (PMR) integration within plant preventive program.

Maintenance Team Building

This team building activity took place at Flamingo Beach Resort & Spa on 4th November 2017. The objective included engaging in the Perform Together program covering discussions on the Plant draft vision and receiving contributions from the maintenance team. The team had an opportunity to create a maintenance and section Mission statement. The participants also made individual commitments and will endeavour to practice and live by the identified and agreed behaviours, to live out the Mission.

The team also engaged in a Social Identity Mapping exercise which enabled them to know one another better and bond further through exploration of their identities. The team committed to improvements on communication, agility, proactiveness, execution and problem solving. Because of the success of the social identity methodology, it will be cascaded to other teams in the course of 2018.

Uganda

As Hima continues to evolve and grow its commercial footprint in the building sector, the staffing profile reflects a strengthened commercial team. We recruited 43 new employees to our teams, bringing a range of skills and competencies to support the business growth strategy. At the close of 2017 the employee headcount was 347.

In particular, the launch of the Bonastore franchise and the progression of our Route to Market strategy has resulted in upskilling and resourcing for our commercial and logistics teams. There was a focus on supporting the development of our sales and commercial teams to ensure true partnership with our customers.

Within our industrial operations, the commencement of our new Grinding Plant in Tororo is underway and the Operational Preparation team (future Plant team) was successfully resourced through existing staff, not only providing growth opportunities for our industrial team members but also supporting the organizational efficiency initiatives in our Kasese Plant.

In Kasese, we completed the first phase of the Housing Welfare Plan, renovating 14 staff houses and completed the estate walls, providing an additional level of security and safety for our staff. The Plant Health facilities were improved and investments made to better manage medical emergencies and to enhance the medical staff's advanced life supports skills.

Our health awareness initiatives continue to be a priority. In 2017, we carried out various Malaria Prevention Initiatives including providing the Plant teams with mosquito nets. We also engaged with our communities holding diverse outreach sessions including Dental Camps, Blood Donation Drives and HIV Awareness and Testing Camps.

Hima signed a partnership agreement with the Private Sector Fund through the Skills Development Facility, a component of the Uganda Skills Development Project, a Government of Uganda project funded by World Bank and will provide opportunities to train students in various industrial fields.

Staff welfare

We have a robust staff welfare program that comprises diverse services, facilities and benefits that are accessible to our employees. These include

Financial Assistance Benefits

- **Property/Land Ownership**:

  5% rebate on interest for mortgage for first residential (ready-built) house. Qualifying period is 1 year after joining company.
- **Citibank Unsecured Loan:**

  Maximum Shs 1.5 million (based on ability to pay), interest at 3.5% above KBRR. Qualification is after probation
- **Car Loan Facilities with Commercial Bank of Africa (CBA)**

  Employee's can get Car Loans from CBA at preferential rates

Long Term Benefits

- **Group Life cover/Group Personal Accident/WIBA:**

  Covers accident, illness, natural risks & occupational risks
- **Company Pension Scheme:**

  Employee contribution 6%, Company contribution 12% (after probation)
- **Post-Retirement Medical Benefit:**

  Company continues covering retired employees and qualifying dependents for one year after retirement.

Other Cash Benefits

We have three Performance Bonus Schemes:

- **Performance Bonus:**

  Quarterly Industrial Scheme- Unions included

  Quarterly Commercial scheme and

  Annual Company scheme.

  Max Bonus opportunity: Staff 30% & Union 15% of annual salary
- **Retention Bonus:**

  Cash accumulation program. Paid after 2yrs to 5yrs
- **School fees:**

  Company assistance with school fess to employees. Covers tuition, boarding, lunch and transport

Employee Care

- **Company Medical Scheme:**

  Provided to staff and dependents (M+3)

  Alexander Forbes & Jubilee Insurance.

  Inpatient, Outpatient, Maternity, Dental, Optical
- **Long Service Award:**

  Reward Employees who have been with company from 10 to 30yrs

  Reward Ranges from Shs 68,000 – 170,000.
- **Annual leave:**

  Annual Leave ranges

  Starts from a minimum of 22 working days per annum

Our Systems

On 1st January 2017, the Group went live on a new business model, using an upgraded version of SAP as the main anchor. This involved significant business transformation through the implementation of the standard LafargeHolcim Business Model.

This is a common business model, with eight standardized business processes on a single IT platform across all our business segments [Cement, BSP- (Readymix & Precast) and LES. The other suite of integrated applications within the Business Model include; LOGON - Logistics Management System, HODIM - Dispatch Management System and BCMIX/LABMIX for BSP - Readymix operations.

Some of the improved business processes and efficiencies that have been realized to date due to the new business model are:

- **Procurement** - Centralized master data management, efficiencies in procurement process through categorized business purchases across the business.
- **Logistics and Dispatch** - Better cost control procedures in place, incorporating inbound and outbound logistics processes with an end to end approach and delivery monitoring functionality. Logistics and Dispatch processes incorporate LOGON platform as a logistics management tool with web ordering functionality and HODIM as Dispatching system. Both LOGON and HODIM are integrated with SAP.
- **Commercial** - Improved sales planning processes, and customer relationship management. Opportunity to utilize order scheduling option
- **Operations** - Better planning on production and maintenance activities as well as better control of storage and issuance on stores items through the bar code system - Mobisys.
- **Ready Mix systems (BCMIX, LABMIX)** integration with LOGON and SAP
- **Finance and Reporting** - Standardized business processes and accounting principles aligned to the entire International Financial Reporting Standards (IFRS)

We continue to monitor business processes adherence on the business model functionalities in 2018, so as to realize the full potential of integrated processes as well as ensure process alignment and compliance.

A set of process performance Indicators have been defined to measure process adherence. The business model also promotes digital solutions to improve efficiencies with our customers leveraging on the Business Model commercial processes, which is part of the commercial transformation journey.

4 SUSTAINABILITY REVIEW

Sustainability Performance

Through the 2030 Plan, LafargeHolcim intends to play this leadership role and help transform the way our industry works and encourage the whole construction sector to play its full part in addressing our planet's biggest challenges.

Sustainable development presents enormous opportunities and challenges for companies like Bamburi Cement. We recognize that our operational nexus – extraction, processing and distribution – creates several sustainability impacts and benefits. We seek to mitigate these impacts through world class sustainability practices and where possible to enhance value for our stakeholders. Our sustainability agenda is underpinned by LafargeHolcim's overarching sustainability intention to *'create shared value with society'* and the 2030 Plan.

LafargeHolcim's 2030 Plan is a broad set of clear commitments and targets that are supportive of the United Nations Sustainable Development Goals (SDGs). It sets the Group's sustainability vision and defines the actions needed to achieve this vision comprising quantitative targets related to direct and indirect impacts over the life-cycle of our products and services. As the building materials industry leader, LafargeHolcim has an additional responsibility, based on its scale and geographic footprint to enable widespread, positive, global and local change in the construction sector. Through the 2030 Plan, LafargeHolcim intends to play this leadership role and help transform the way our industry works and encourage the whole construction sector to play its full part in addressing our planet's biggest challenges.

Sustainability at Bamburi Cement

Bamburi Cement recognizes sustainability as a critical business imperative that seeks to create value for the business, people and the planet. A passion for people, health, safety and the environment remains at the heart of everything we do. We conduct our activities professionally and responsibly, carefully managing the sustainability risks of our business. This protects our employees, the natural environment and the communities in which we operate while creating value for our customers and stakeholders. Our sustainability policy guides our sustainability practices under four key facets, namely people and communities, water and nature, circular economy and climate.

People and Communities

Health and Safety

Kenya

Health and Safety is an overarching value for Bamburi Cement. We have numerous programs to support the health of our most valued stakeholders – people. Implementation of the Health and Safety (H&S) Improvement Plan continued in 2017 with good results as shown in table below.

No	Pillar	Action	Status
1	Road Safety	Improvement in Road Safety with focus on driver management, relationships with transporters and *IVMS upgrade for all transporters not meeting specs	Done
2	Health	Health Program maturity assessment and follow-up actions	Done
3	*HSMS Audits	Cross plants HSMS audits by cross functional teams from different sites with inclusion of Area team	Done
4	H&S Leadership Training	H&S Leadership Training for Supervisors	Done
5	Housekeeping	Each site to identify and implement an iconic action on housekeeping each quarter	Done
6	Fatality Prevention Action	Implement actions from structural integrity survey carried out in 2016 for Mombasa Plant	Done

*IVMS - In Vehicle Management System
*HSMS - Health and Safety Management System

Sustainability Performance *(continued)*

Safety

Description	FY 2017	Budget FY 2017	Actual FY 2016
TIFR	0.62	0.7	0.83
LTIFR	0.31	-	0.55
Fatalities	4 (1 road incident)*	-	-
LTI	1	-	2
Medical Injuries	1	-	1
First Aid Injuries	9	-	12
Road Overall Compliance	94.57%	95%	95%
Safety Observation Reports	17,677	13,090	17,470
Risk Assessment Audits	4,684	3,480	3,529
VFL Reports	1,594	1,468	1,838

LTI (Lost Time Injury) - Number of injuries sustained by an employee that will ultimately lead to the loss of productive work time in the form of worker delays or absenteeism.
TIFR (Lost Time Injury Rate) - Number of injuries relative to the total number of hours worked multplied by 1,000,000.
LTIFR (Lost Time Injury Frequency Rate) - The number of lost time injuries within a given accounting period, relative to the total number of hours worked in that period multplied by 1,000,000.
Fatalities - a death caused by a workplace or work-related accident
VFL – Visibly Felt Leadership
*Refer to fatalities information provided in Group MD's statement on Page 8

Safety of our employees, contractors and third-party suppliers

The leading indicators i.e. actions put in place to prevent accidents proactively, tracked well against budget and against quarter four 2016 performance. These leading indicators are safety observations, Visible Felt Leadership (VFL) reports carried out by the Executive Committee and Managers, risk assessment audits to help improve the quality of our risk assessments and closure of high risk actions.

Implementation of the Health and Safety Improvement Plan (HSIP) in 2017 went according to plan with 100% closure of planned actions in all sites. This success was attributed to leadership commitment by Group Managing Director, the Executive Committee and Site leadership teams. The improvement plan progress was tracked at high level in the monthly Industrial and Executive leadership meetings.

Housekeeping

Housekeeping is a key element in our safety actions and in our improvement plan. Good housekeeping is a vital factor in preventing accidents. The great majority of all work accidents are caused during handling of goods or materials and by people falling, being hit by falling objects or striking against objects in the workplace. All these causes can be reduced by good housekeeping practices. Furthermore, we believe that efficient production and a good working environment are complementary. The elimination of inefficiencies and accident hazards caused by unfavourable conditions in and about the workplace is essential in getting work done properly and safely. In 2017, all sites at both corporate and Plant level came up with iconic actions on which to focus so as to solve identified housekeeping issues in a sustainable manner. All sites were able to close out the agreed actions by the end of the year.

Reward and sanction policy

In Kenya, we rolled out a transporters reward and sanction policy that was developed by ourselves and representatives of our transporters. The policy was launched in the last quarter of the year. For rewards, a total of 40 employees and contractors were rewarded on positive H&S behaviour such as stopping unsafe work, being H&S champions, reporting safety observations, innovative ideas in H&S and most importantly refusal to do unsafe work. In addition, there were 180 sanctions carried out with most of the violations being employees and/or contractors departing from the H&S rules. The three rules mostly violated were

- Rule No. 1 - Control and assess all risks before carrying out any task,
- Rule No. 3 – Use of Personal Protective Equipment (PPE)
- Rule No. 4 - Use of alcohol and drugs.

Plant audits

A total of 4 Health and Safety Management Systems (HSMS) audits were conducted in 2017 as follows:

Period	Site
Quarter 1	Bamburi Special Products (BSP)
Quarter 2	Mombasa Plant
Quarter 3	Lafarge Eco Systems (LES)
Quarter 4	Nairobi Grinding Plant (NGP)

Closure of remedial actions generated by these audits is ongoing with a target given for all sites to close all level 1 findings within 3 months from the date of the audit. We closed the year at a closure rate of 98% of level 1 finding across all sites. The audit teams were cross-functional from different departments and sites i.e. BSP, Mombasa Plant, NGP, LES and Head Office. All the audits were led by Executive Committee members.

Leadership training

In the year, we also rolled our H&S Leadership training for Supervisors in all sites in a module known as Operational Safety training. LIFE program was also launched in Nairobi Grinding Plant targeting the supervisors.

Road safety

We recognize that road safety is an issue of utmost national concern, and this is reflected in our investments over the last fifteen years in our standards, practices and procedures. To enhance this commitment, we launched a new vehicle management system from the fleet tracking system, which resulted in transporters undertaking an In-Vehicle Monitoring System (iVMS) upgrade. The iVMS includes speed and iVMS digital mapping, driving hours monitoring, ability to perform geo-fencing and web based data transfer via cellular or satellite networks. By close of the year, implementation was at 22% of transporters against a target of 15%.

'Train the trainer' defensive driving training was also initiated with our transporter partners with a pass rate of 90% achieved. A total of 51% of drivers in the country have already been trained against the new curriculum against a target of 50%.

In Uganda, all our transporters installed iVMS leading to closure at 100%. In addition, 85% of the trucks have camcorders installed which is a step change in our ability to monitor driver behaviour and reference during investigations.

We expect that in the first quarter of 2018, we will have concluded the 'Train the trainers' program by AEGIDE and later certify 100% of drivers by year end. This will not only empower drivers but also go a long way in improving road safety performance.

To complement the Government's efforts, we have continued to share our experiences and knowledge in safety with Kenyans, especially communities next to our sites and along the corridors where our raw materials and finished products are transported. Bamburi Cement has for the last ten years conducted annual road safety awareness campaigns in December to sensitize road users of road safety issues ahead of the festive season, a period traditionally associated with high incidences of accidents on Kenyan roads. The theme for 2017 was *'Makinika Barabarani, Okoa Maisha'* that simply translates to *'Drive Safely, Save Lives'*. In the campaign, more than 1,200 drivers and 1,000 boda-boda operators benefited from defensive driving / riding training and as well as improved awareness on road safety.

A challenge participant being rewarded with a first aid box by the Plant Manager

2017 road safety campaign flag off at the Mombasa Plant

Sustainability Performance *(continued)*

Uganda

Safety

Our safety practice continues to showcase an overall safe workplace. Risk assessment audits increased almost seven fold while VFL and safety observation reports where above budget. We experience a decline in Lost Time Injuries although LTIFR was higher than in 2016. Unfortunately, we also experienced one fatality in the year.

Description	FY 2017	Budget FY 2017	Actual FY 2016
TIFR	2.74	-	1.51
LTIFR	1.1	-	0.5
Fatalities	1	-	-
LTI	2	-	1
Medical Injuries	7	-	5
First Aid Injuries	19	-	11
Road Overall Compliance	94%	90%	95%
Safety Observation Reports	3115	2028	3617
Risk Assessment Audits	987	600	145
VFL Reports	608	400	2920

The priority for Hima Cement is to eliminate work place risks by closing gaps related to the *'no onsite fatality initiative'*. In the year, we are proud to note that Hima Cement emerged among the top four winners, of the Health and Safety days competition held throughout the LafargeHolcim Middle East Africa (MEA) Region. Going forward, focus will be placed on eliminating fatalities at the workplace by closing gaps related to the *'no onsite fatality initiative'*.

Health

We attach a lot of importance to health, both for our employees and the communities where we operate. Health remains one of our priority areas for *'creating shared value with society'*. We conducted a dental camp for children between the ages of 3 and 15 in June and managed to reach over 3400 children with interventions including education on oral health, extractions, fillings and referrals for more serious conditions. The exercise which lasted three days was conducted by a team of 20 dental specialists from Case Hospital.

We run a community Anti-Retroviral Therapy (ART) Program at the company clinic at Hima Plant. ART is care given to HIV positive persons covering counselling, nutritional education, treatment of opportunistic infections and antiretroviral drugs. The program has registered over 300 community members. Through partnership with Ministry of Health, the Hima ART program had supported numerous families and individuals within a 10km radius of Hima Plant. In addition, through the peer education program and Hima Post Test Club, we conducted 11 community health outreaches educating the community on various topical health concerns.

We implemented a robust well-being program both at the work place and within the community. Focus was placed on but not limited to;

- Employee Professional Health talks by the medical team
- Peer health engagements
- Dependants health engagements
- Schools health program
- Community sensitization outreaches and
- Hima community day
- World AIDS day celebrations

The key health aspects targeted by the program included;

- Mental wellness
- Hygiene
- HIV/AIDS
- Cancer awareness
- Occupational health (noise, dust & ergonomics)
- Hepatitis
- Fevers
- Family health
- Deworming
- Fungus treatment

In addition to the health talks, we actively participated in major events such as the World AIDS day celebrations, cancer awareness talks and mental wellbeing at the work place.

Community Health

Kenya

Health

The Maternal Child Health (MCH) Promotion Program at the staff clinic in Mombasa, is founded on the premise of preventing diseases and premature deaths among mothers and children; and the realization that healthy mothers are more likely to bear and raise healthy children. Healthy children are more likely to become healthy adults, a benefit that extends to the entire society.

In 2017, this program received more than 4,900 children under the age of five and about 1,000 mothers who received various services ranging from information, family planning, antenatal care, tetanus toxoid immunization, advice regarding proper nutrition, breastfeeding, easing discomforts of pregnancy, early detection and management of problems such as eclampsia, advice on nutrition and hygiene and child growth and development monitoring. This program has also incorporated male participation especially in couple counselling and testing.

Additionally, the Company launched the Bamburi Cement Cancer Centre, an investment of Shs 18M, together with the Mombasa County under a private public partnership (PPP) model at the Coast General Hospital, the largest referral hospital in the former Coast Province. This is a contribution to the fight against cancer. With the establishment of this state of the art chemotherapy centre, the hospital which caters for for more than 3 million people annually will now be able to offer cancer prevention and treatment services including the facility ranging from counselling, consultations and administration of chemotherapy drugs; thus, reducing mortality (deaths) and morbidity (illness) among the Coast Community.

The Company launched the Bamburi Cement Cancer Centre, an investment of Shs 18M, together with the Mombasa County under a private public partnership (PPP) model at the Coast General Hospital, the largest referral hospital in the former Coast Province.

Uganda

World AIDS/HIV commemorations

Hima Cement management usually dedicates World AIDS day commemoration activities to the greater Hima community to enhance our relationships, achieve our commitments of *'creating shared value with society'* and improve general wellbeing. This is also done as part of the initiatives to sustain the community HIV/AIDS (ART) program with an overall goal of saving lives.

The day's activities included:

- Wearing of the AIDS commemoration (red) ribbon
- Health awareness and sensitization through health talks, music, dance and drama/skits (edutainment) among other avenues - focusing on HIV/AIDS, sanitation, family planning
- HIV/AIDS counselling & testing for staff and community members
- Referral of positive clients to various ART clinics including the Hima staff clinic
- Blood donation drive conducted at every world AIDS day to support the Ministry of Health move to secure enough blood for critically ill patients.

The turnout was overwhelming with about 223 members testing for HIV and only 1.3% being positive. The Western Regional Blood Bank was our key partner in this exercise which also included a blood donation drive that resulted in the donation of 24 pints.

Hima Cement's *'creating shared value with society'* program in the areas of health, education and environmental conservation has yielded positive results ranging from improving livelihoods to climatic modifications in the area, evidenced by increased rainfall as result of afforestation.

Sanitation

At the start of the year, we constructed two boreholes in Nyakesi, Tororo to provide clean water to the communities around our new Grinding Station in Eastern Uganda.

Due to the growing rate of enrolment in schools and limited resources, many schools grapple with the challenge of sufficient sanitary facilities for students. Through the Green Schools Project started in 2007, we embarked on the construction of VIP latrines for schools. Last year, Hima Cement constructed latrines in three schools, Kanara Primary School in Kamwenge, Harugongo Primary School in Kabarole (two five stance VIP latrines), Rukoki Model Primary School in Kasese and renovated the facilities at Hima Primary School.

Sustainability Performance *(continued)*

Affordable Housing

In Kenya, Bamburi Cement is aligned to LafargeHolcim's global objective of establishing business initiatives with social impact. The Affordable Housing initiative provides customers with access to construction funding through partner financial institutions, architectural drawings, bill of quantities, technical assistance and construction advice. These services are packaged in a product which is part of Bamburi Cement's value-added offering, known as Maskani.

This Affordable Housing Initiative focuses on three main initiatives:

i. Housing Finance

ii. Earth and Cement

iii. Mass Housing

The initiative which offers a value proposition to individual home builders, developers and contractors has so far served over 500 home builders since its inception in 2016. Under the Maskani Brand, we have broadened our regional scope to cover Nairobi, Kiambu, Thika, Machakos, Mombasa, Kisumu, Migori, Bondo, Homabay, Nakuru, Muranga and Meru. The customers have benefited from our technical services provided by an in-house team of Architects, Quantity surveyors and Engineers and as a result more than 1500 technical visits were conducted in 2017. The initiative also spearheaded the manufacture of more than 100,000 stabilized soil bricks in Western Kenya.

Container Program

As part of its contribution to spurring job creation in rural areas, Bamburi Cement established an initiative to engage youth groups across the country in cement based brick production and sale of cement.

Last year, the company begun converting shipping containers to stand alone retail shops and then handing them over to entrepreneurs in Kisii and Kisumu Counties. Through the offering, youth have benefitted down-stream, from a comprehensive offer that includes brick making training, guidance on soil analysis and mix design, brick-making machines, masons training and sales and marketing skills.

In 2017, Bamburi expanded the project to cover six more Counties including Kericho, Eldoret, Kitale, Homabay, Busia and Bomet.

Community Relations

Kenya

Poverty, in its varied forms, remains a major concern in Kenya. Companies provide an important ally in the effort to address poverty through diverse approaches. While community engagement is voluntary, the poverty context creates a major demand on leading companies like Bamburi to express solidarity with society. Bamburi Cement strives to be a trusted corporate citizen and to fulfil its responsibilities to the communities in which it operates. This is done by contributing through social investments and engagements building relationships based on mutual respect and trust with all stakeholders in the community.

Bamburi Cement operates the 'Shamba' system on its reserve land in Vipingo and Diani on the Kenyan Coast. The Shamba system entails annually apportioning and allocating land to community members for farming purposes through a participatory and inclusive process. This is part of enhancing community relations with these communities and also improving food security. In addition, we supported tree planting in several schools and institutions by providing tree seedlings for planting.

Community Empowerment

The following donations were made to assist in construction and renovation of institutions:

Institution	Bags of Cement (50KG)
Nyalenda Girl's High School	200
St. John's Korogocho Community Center	480
Wanja's Needy Family Shelter	227
St. Paul's Kanyakwar School	100
Little Sisters of the Poor Old People's Home	300
Kavantanzou Secondary School	100
Sisters of Immaculate Heart of Mary	200
Nyaani Primary School - Wamunyu Ward	200
Machakos Institute for the Blind	350 m^2 Blocks & 50 bags

Uganda

Community Empowerment

Hima Cement provided 200 bags of cement towards the construction of a kitchen at Ewafe Project, a home for abandoned children in Busika, Wakiso district and 100 bags to Tangaza Arts Centre in Kampala to complete their perimeter wall. The Centre supports youths living with HIV through counselling, music and arts.

Partnership with SOS Children's Village

Hima Cement signed a Memorandum of Understanding (MOU) with SOS Children's Villages in Fort Portal, Western Uganda, to support viable income generating activities and sustainable livelihood initiatives in Harugongo sub-county. The project aims at reducing at reducing the impact of poverty by strengthening the capacities of households to have increased income, food security and improved nutrition. The implementation started in Busaiga and Kyakaigo with 60 households and 10 saving groups of 30 members each formed.

Education

Kanara Primary School in Kamwenge District is a sanctuary for 825 pupils. The school however has very few suitable structures for the increased number of students and lessons were being conducted under trees due to inadequate space. We constructed a four-classroom block for the school and a five stance VIP latrine.

Hima Primary School is located right next to the Hima Plant with over 1000 students. The school got a facelift with painting of all the classrooms and renovation of three pit latrines for the students.

Fifty students are now enrolled onto the Hima Cement Bursary Scheme. The company awards scholarships to the best performing students at Primary Leaving Examinations in Kasese and Kamwenge districts (twelve each year) for secondary school education.

Rukoki Model Primary School in Kasese is special-needs children's school that is lacking in infrastructure and scholastic materials. St Anthony's Primary School in Kamwenge District also admits special needs children who make up about one third of the school population. We donated aides including wheel chairs, walking frames, braille printers, braille papers, white canes for the blind, hearing aids, sign language dictionaries for the two schools.

In August, Hima Town was hit by heavy rains that led to floods which destroyed numerous properties and homes. The Hima Plant provided an excavator to help in the desilting of Hima - Kasojo Drainage Channel in an effort to control flooding.

Stakeholder engagement

Kenya

LafargeHolcim Sustainable Building Design Competition Awards

In 2017, Kenya hosted the LafargeHolcim Sustainable Building Design Competition Awards for LafargeHolcim Middle East and Africa (MEA) in conjunction with the LafargeHolcim Foundation for Sustainable Construction. The awards recognised projects at an advanced stage of design in the fields of architecture, building and civil engineering; landscape and urban design; as well as materials, products and construction technologies with 11 prizes worth Shs 33.9 million offered. It is the world's most significant competition in sustainable design and takes place across five geographic regions – each with its own jury of renowned and independent specialists. Apart from Middle East Africa this includes Europe, Latin America, North America and Asia Pacific. Leading and world renowned Architects - Francis Kéré, Joe Addo, (architect and planner - Ghana) and Kunlé Adeyemi, (architect – Nigeria) were in attendance.

Hosting the National Mining Institute Committee.

The Cabinet Secretary for Mining established a National Mining Institute Committee as per gazette notice no.4725, to develop the framework for the establishment of a National Mining Institute. The committee identified Bamburi Cement Limited as a key partner and visited our Mombasa Plant on 13th October 2017.

The Committee was hosted at the Plant School and comprised the Head of Geology at the University of Nairobi (UON), Head of Mining at Taita Taveta University and the Director of Mining and other Senior Officers from the Ministry of Mining. The purpose of the Committee visit was to learn and replicate best practices on issues of Curriculum Development and propose areas of research to support the growth of the National Mining Institute.

Other stakeholder engagements

Bamburi Cement has supported key initiatives in the year in line with our *'creating shared value with society'* pillars. We engaged with several stakeholders including the Kenya Association of Manufacturers on the Energy Management Awards (EMA), the Kenya Roads Board on hydraulic road stabilizers (Roadcem) a soil stabilizing products for roads and National Construction Authority on the training of Masons.

Uganda

Hima Cement supported the Mineral Wealth Conference for the 5th year as Gold sponsor in October and was recognized by UNDP for having the best environment program in the mining industry. We also participated in the Uganda National Bureau of Standards Quality Awards and were recognized as the Best in the Construction Category at the Award's gala in November. Hima Cement was also recognised as the Best Cement Company at the People's Choice Awards and the Exporter of the Year at the President's Export Awards organised by Export Promotions Board.

Sustainability Performance *(continued)*

Water and Nature

Kenya

Environmental Sustainability

Environmental sustainability is a critical component in addressing livelihood concerns and an essential pillar alongside economic and social sustainability. Kenya's coastal forests though fragmented and small are of critical importance to the country since they provide much needed ecosystems services. These forests are important water catchment areas for rivers and streams used by local communities, provide herbal and medicinal trees including moringa, neem and other medicinal plants, enable the conservation of globally threatened indigenous varieties of flora and fauna and attract local and international tourists and visitors.

However, they are under immense threat due to population pressure leading to unsustainable actions including uncontrolled tree felling, over-exploitation of forest produce, overgrazing and charcoal burning, among others. Therefore, there is an urgent need to entrench a culture of tree growing and forest protection among Kenyan coastal communities.

It is against this backdrop that LES continues to grow and manage forest plantations and ecosystems in both rehabilitated quarries and reserve lands (which occupy over 700 hectares) for sustainable utilization, protection and conservation.

Biodiversity in our rehabilitated quarries

Sustainable Development Goal (SDG) 15 calls for all to protect, restore and promote the sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, halt and reverse land degradation and halt biodiversity loss. In line with this call, LES has established world class ecosystems through the restoration of Bamburi Cement coral limestone quarries.

Between 1971 and 2017, more than 400 species of indigenous trees, shrubs and lianas have been introduced into the rehabilitated quarries. 61 of these species are listed on the International Union for Conservation of Nature (IUCN) Red List while 21 species are designated as critical, endangered or vulnerable. Many of the indigenous species are now reproducing in the restored ecosystems and forming populations that positively impact on ecosystems services. The IUCN Red List of Threatened Species is the world's most comprehensive inventory of the global conservation status of plant and animal species.

Food plants as well as flowering plants have also been introduced to attract and sustain the rich biodiversity, including butterflies and birds. More than 180 species of birds have been recorded in the rehabilitated areas. Two of the bird species are listed as endangered and both are seasonal or occasional visitors to the sites. In addition, we have over 80 species of butterflies and 17 species of dragonflies.

Wildlife integration

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

We have recorded 34 mammal species, two of which are listed as vulnerable/endangered on the IUCN Red List and 14-amphibian species.

Several animal species such as monkeys, bush-babies and antelopes, act as seed dispersers and are intentionally used as such, while butterflies and other insects, as well as bats, bush-babies and others act as pollinators. Diverse insects, millipedes and other arthropods as well as fungi act as decomposers in the ecosystem, turning the former quarry into a functional ecosystem.

The rehabilitated quarries are a well-documented success story and act as a showcase for The National Environmental Management Authority and Kenya Wildlife Service, who are partners in the environmental management and conservation efforts.

Climate Change

LES contributes significantly towards combating climate change through the rehabilitation of Bamburi Cement's quarries, biodiversity conservation and sustainable land utilization. Our rehabilitation programme has resulted in the greening of over 600 ha of land. These greening activities contribute to pollution control through the absorption of CO_2 emissions and release of oxygen, essential for human wellbeing. Bamburi forest plantations also plays a major role in maintaining hydrology. The plantations also provide renewable timber and firewood for energy. Here, the focus is on maintaining the country's natural capital and ensuring that the rate of harvest does not exceed the rate of regeneration (renewable resources).

Ecotourism and Environmental education

LES aligns its activities with SDG 4, which calls for the provision of inclusive and equitable quality education and promotion of lifelong learning opportunities for all. Our environmental education programme promotes continuous learning at our sites. We have built a vibrant interactive environmental education programme that is based on Mining and Environmental Management. The material transformation of resource from mining, through rehabilitation, ecosystems management and biodiversity, forms the basis of our Environmental Education.

In line with our mission to champion environmental education, LES Education Guides and technical staff are on hand to receive, interact and provide educational tours to visitors at Haller Park and Forest Trails. These experiential tours allow individuals to explore environmental issues indepth.

Green Initiative Challenge (GIC)

In the arid and semi-arid areas of Kitui, Machakos and Embu Counties, primary and secondary school students are planting drought resistant trees to improve their environment and mitigate the effects of climate change. Arid and Semi-Arid lands (ASALs) constitute about 80% of Kenya's total land mass.

Bamburi Cement has established a program to address this challenge. Dubbed the Green Initiative Challenge (GIC), the program targets schools around the 7-Forks hydropower stations in Embu, Kitui and Machakos counties. The program mission is to combat desertification through afforestation project.

The project was designed to encourage and enable schools to participate in environmental activities by developing small forests and woodlots within their compounds for multiple benefits via sustainable management of woodlots; provision of schools with renewable source of wood fuel thereby reducing pressure on surrounding forest resources; the diversification of income through sale of timber and non-timber products as well as fruits; contribution to the reduction of greenhouse gases through carbon sequestration; and the control of soil erosion by increasing topsoil infiltration and reducing runoff.

The GIC Program is a ten-year initiative in partnership with Kengen Foundation and Better Globe Forestry (BGF) that was commenced in 2014 and runs on two-year phases. It is currently in Phase IV. The overall goal of the program is to enrol 1,000 schools and green 460 acres with 324,300 tree seedlings and 113,956 fruit seedlings by 2023. School participation in Phase I, II and III was 81, 120 and 99 schools respectively. Phase IV has enrolled 100 schools.

Participating schools plant multi-purpose tree seedlings on 0.5-acre school plots. Phase II saw the introduction of the 'Green Teacher', an instrumental figure in the running, guiding and mentorship of the participating students on tree planting and husbandry.

Baobab Trust

Nguuni Nature Sanctuary

The Sanctuary continues to create awareness on nature conservation for the youth of Mombasa and other peri-urban residents. School children visit the sanctuary for wildlife conservation education, and other recreational activities. During the 2017 period, infrastructure rehabilitation was enhanced by grading the 1.5km access road from the main gate to the sundowner picnic site.

This improved accessibility for school children and other visitors to the sanctuary. Sanctuary perimeter tracks and firebreaks were grown to avoid bushfires spreading. Due to increased human pressure from the neighbourhood of the sanctuary, security patrols were intensified by using a rehabilitated vehicle.

Nguuni Nature Sanctuary hosted 183 school children from various schools. A cycling event was held in October organized by Kenya Kesho School for Girls. A 7km route was created to cater for the event. Due to its success, a repeat event will take place in October 2018.

The bird's wetland is an added attraction and draws different species of birds during the year. The sanctuary was listed at number 3 out of 10 in Ebird Kenya Top Hotspots at the Coast. Over160 species were registered.

Mtopanga Organic Farm

The farm has continued to support rural grassroot farmers with Community Based Organizations (CBOs) attending induction courses at the farm. CBOs from Marimani and Mapatano in Mwakirunge area attended trainings on various aspects of farming. 332 community farmers were trained both at the farm and in the community. Overall in 2017, five training courses were conducted providing in-depth training on aquaculture, horticulture and poultry production. In addition, 23 students were trained on general organic farming.

Educational tours were also conducted with a total of 713 visitors made up of school children and individuals participating. The Family Backyard Aquaponic System was improved by automating the water movement system and therefore reducing labour requirements while making the system more efficient.

Green Initiative Challenge program

Family backyard Aquaponic System

Sustainability Performance *(continued)*

Environmental Conservation

In our 28th year in sea turtle conservation, we continued to collaborate with Kenya Wildlife Service, local fisher folk and other local turtle conservation groups. The Bamburi hatchery houses secured nests along Bamburi, Shanzu and Jumba Beach.

Nesting summary	
No. of nests	90
No. of eggs	10,495
No. of hatchlings	8,208
No. of turtles tagged	3

Health & Education

The library and health clinic are supported by Bamburi Cement. A total of 7,378 students visited the library. New stocks of 16 revision books were purchased to cater for the current primary and secondary curriculum. 7,788 patients were attended to at the clinic. In addition, 1,194 children were immunized through the clinic's outreach program.

Uganda

Environment Partnership with World Wide Fund for Nature (WWF)

In July, we renewed our partnership with WWF in a new initiative of Promoting Sustainable Land Management Practices among farmers in Kasese district under the Payment for Watershed Services Scheme. Interventions are aimed at soil protection, increased land cover through planting of trees, promoting food security and protection of River Mubuku catchment area from flooding. 204 farmers with over 200 acres of land benefited from the project. 6300 tree seedlings from the Hima Plant nursery comprising different species of trees including Eucalyptus, Pine and Cassia were planted by various communities in Kasese.

Circular Economy

Kenya

Geocycle

Co-processing: a safe, more responsible solution.

Waste is increasingly becoming an urgent challenge globally with existing solutions unable to offers long term sustainable results. The existing waste management solutions consume rather than conserve thus complicating the challenge. In Kenya, the situation is untenable considering that the main waste management solution is dumping and landfilling both of which have a negative impact on people's health and the environment, in addition to consuming valuable and scarce land.

Bamburi Cement Ltd, taping from the expertise and knowledge within LafargeHolcim, provides an economical and sustainable solution to waste management challenge in the country. The solution employs globally accepted waste management systems and utilizes Bamburi Cement kilns to dispose waste through co-processing. Co-processing offers a superior environment solution based on the following;

- High temperatures,
- Excess oxygen and long residence time completely destroys waste materials that leaves no residue that needs to be landfilled. Residues react with other components to form the final product,
- Reduces greenhouse gas emissions as waste is used to replace fossil fuels,
- Preserves non-renewable fossil fuels and natural resources as the energy and mineral value of the waste materials are recovered.

To offer the waste management service efficiently, in 2016 Bamburi Cement Ltd launched Geocycle brand in Kenya. Geocycle is a waste management organization owned by LafargeHolcim and its main objective is to recycle waste to energy that is then used to process raw material for cement plants with a promise of a zero waste future.

Sustainable Waste Management Solutions - recycling waste to Alternative Fuels

In 2017, Bamburi Cement continued to work with various local industries to dispose their hazardous and non-hazardous industrial waste via co-processing. By disposing their waste in Bamburi Cement kilns, they are able to achieve zero-landfill policies thus contributing positively to the environment. Utilizing our Geocycle global network and expertise, we want to engage more companies in future to dispose their industrial waste.

Waste-oil, if not well controlled and managed can be misused to adulterate fuel or be recycled and sold as contraband lubricants. Such actions have a devastating economic impact to the society and oil marketers. To have a sustainable solution on waste oil, Bamburi Cement entered into a contract with oil marketers through Petroleum Institute of East Africa and launched the Safe Waste Oil Disposal initiative (SWOD) which is now fully operational and endorsed by National Environment Management Authority (NEMA).

The Kenyan transportation system is dominantly by road thus it generates large quantities of used tyres. Previously, the disposal of tyres was through open burning thus emitting poisonous fumes. Bamburi Cement is working with local transporters to dispose used tyres through co-processing at our cement kilns. In 2017, Bamburi Cement disposed 1,700 tons of used tyres solving environmental challenge and reducing the quantity of fossil fuels consumed in cement making process.

The community forms part of our environmental effort and utilising agricultural waste as a source of energy, while providing solutions to the community is part of our engagement. We continue to work with the community from Mwea irrigation scheme and Ahero irrigation scheme to collect and deliver rice husks to NGP. Rice husks are used as an alternative fuel substituting 60% of fossils fuels consumption at NGP.

Finally, we continue to provide sustainable waste management solutions to industrial and service companies, municipalities and the agriculture sector. We do so by closely collaborating with them to understand their specific requirements and construct tailored solutions. Our waste management solutions achieve superior environmental performance to alternative solutions. We carry out our work in a professional manner drawing on our long-standing, international expertise, embracing new ideas and developing innovative solutions and approaches to waste management.

Uganda

Geocycle

The Geocycle brand was officially launched in Uganda in May 2017 at the Kampala Serena Hotel.

Geocycle, formerly known as Industrial Ecoclogy, supplies the Hima Plant with biomass as an alternative fuel. In the future, Geocycle will also collect waste directly from municipalities, industries, oil and gas industry and agricultural companies. The fossil fuels substitution rate at Hima Cement currently stands at approximately 60%. This will further enable Hima Cement to improve its energy efficiency by repurposing other forms of waste and also contribute to the company's objective to reduce its carbon footprint.

Climate and other Sustainability agenda

Managing emissions

Our ambitions are focused on reduction of specific CO_2 emissions by 2030 through innovative solutions. We have invested in the past 5 years in the upgrade of Electrostatic Precipitators with more efficient bag filter technology, to curb stack emissions in our operations in Kenya and Uganda. Further to this, we consistently undertake emission monitoring within our operations and conduct regular external air quality audits to ensure that the ambient air quality at all our operations are within the legislated limits and report to the national regulators required by law.

Environmental Management System Implementation

ISO 14001 is an internationally agreed standard that sets out guidelines on how to set up an environment management system. Accreditation to this standard is purely voluntary but has many benefits for an organization. It signals to your contractors, suppliers and customers that you are capable of complying with legal and contractual agreements. ISO certification gives an organization a competitive edge by helping it utilize its resources better and minimize waste thus reducing its operational costs.

In both Kenya and Uganda, we are committed to achieving 1S0 14001 certification by 2020. In Kenya, our Nairobi Grinding Plant achieved ISO 14001 certification in 2017 with our operations in Mombasa on track to achieve certification in 2018.In Uganda, we concluded the migration and development environmental management system in line with ISO 14001:2015 which will not only make us a responsible organization but also give us an edge in business.

5 FINANCIAL REVIEW

Corporate Information

DIRECTORS

Executive

B Pescheux	(French)	Group Managing Director, resigned 30 September 2017
E Kironde	(Ugandan)	Finance Director and Ag Managing Director up to 9 February 2018
D Pettersson	(Swedish/Nigerian)	Managing Director, Hima Cement Limited, resigned 30 November 2017
S Hassani	(Moroccan)	Group Managing Director, appointed on 9 February 2018
N George	(French)	Managing Director, Hima Cement Limited, appointed 9 February 2018

Non-executive

J Simba	(Kenyan)	Chairman
S W Karanja	(Kenyan)	Resigned 8 June 2017
C C Kisire	(Kenyan)	Resigned 8 June 2017
D Drouet	(French)	Resigned 8 June 2017
J Cantillana	(Spanish)	
J M Kimote	(Kenyan)	
A Owuor	(Kenyan)	Appointed 9 March 2017
H Gichohi	(Kenyan)	Appointed 9 March 2017
R Kavashe	(Kenyan)	Appointed 9 March 2017
Olivier Guitton	(French)	Appointed 8 June 2017
T M Dornon	(French)	Alternate to D Drouet
		Alternate to O Guitton - appointed 24 August 2017

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Citibank NA Uganda
Centre Court Nakasero
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Kampala, Uganda

Standard Chartered Bank Uganda Limited
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17 Hannington Road,
Crested Towers Building
P. O. Box 7131
Kampala, Uganda

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2017

The Directors have the pleasure of presenting their annual report together with the audited financial statements for the year ended 31 December 2017, which show the state of affairs of Bamburi Cement Limited (the 'Company') and its Subsidiaries (together, the 'Group').

This report has been prepared in accordance with section 157 of the repealed Kenyan Companies Act, as if that repeal had not taken effect as stipulated in Section 42 of the Sixth Schedule of the Kenyan Companies Act, 2015, Transitional and Saving Provisions.

1. PRINCIPAL ACTIVITIES

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

2. RESULTS

	2017 Shs'million	2016 Shs'million
Group profit before tax	4,116	8,271
Tax charge	(2,143)	(2,381)
Group profit for the year	1,973	5,890
Attributable to:		
Owners of the parent Company	1,647	5,243
Non-controlling interests	326	647
	1,973	5,890

3. DIVIDENDS

During the year, an interim dividend of Shs 2.50 (2016 – Shs 6.00) per ordinary share amounting to Shs 907.5 million (2016 – Shs 2,178 million) was paid.

Subject to the approval of the shareholders at the Annual General Meeting, the Directors recommend payment of a final dividend of Shs 1.50 (2016 – Shs 6.00) per ordinary share equivalent to a total sum of Shs 544 million (2016 – Shs 2,178 million).

4. DIRECTORS

The directors who served during the year and to the date of this report are shown on page 1.

5. AUDITORS

The Company's auditors, Deloitte & Touche, have expressed their willingness to continue in office in accordance with section 721(2) of the companies Act, 2015.

6. DISCLOSURE OF INFORMATION TO AUDITORS

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

By Order of the Board

B Kanyagia
Secretary

26 March 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES

FOR THE YEAR ENDED 31 DECEMBER 2017

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 Group and the Company maintains proper accounting records that are sufficient to show and explain the transactions of the Group and the Company and disclose, with reasonable accuracy, the financial position of the Group and the Company. The directors are also responsible for safeguarding the assets of the Group and the Company, and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

designing, implementing and maintaining such internal control as they determine necessary to enable the presentation of

(i) 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 and the Company's ability to continue as a going concern, the directors are not aware of any material uncertainties related to events or conditions that may cast doubt upon the Group and the Company's ability to continue as a going concern.

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 March 2018 and signed on its behalf by:

……………………………….

Eric Kironde

Director

……………………………….

Dr John P. N. Simba

Director

Deloitte & Touche
Certified Public Accountants (Kenya)
Deloitte Place
Waiyaki Way, Muthangari
P.O. Box 40092 - GPO 00100
Nairobi
Kenya

Tel: +254 (0) 20 423 0000
Cell: +254 (0) 719 039 000
Dropping Zone No.92
Email: admin@deloitte.co.ke
www.deloitte.com

Report of the Independent Auditors

TO THE MEMBERS OF BAMBURI CEMENT LIMITED

Report on the audit of consolidated and company financial statements

Our opinion

We have audited the accompanying financial statements of Bamburi Cement Limited (the "Company") and the consolidated financial statements of the Company and its subsidiaries (together, the "Group") set out on pages 60 to 142 of which each comprise a statement of financial position at 31 December 2017 and statements of profit or loss and other comprehensive income, changes in equity and 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 2017 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 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.

Other matters

The consolidated and company financial statements of the Group and the Company for the year ended 31 December 2016 were audited by another auditor who expressed an unmodified opinion on those statements on 09 March 2017.

Key Audit Matter

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. The key audit matter covered in this report was 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 this matter.

Partners: S. O. Onyango F. O. Aloo H. Gadhoke* N. R. Hira* B. W. Irungu I. Karim D. M. Mbogho A. N. Muraya R. Mwaura J. Nyang'aya F. Okwiri F. O. Omondi J. W. Wangai

*British

Key Audit Matter (continued)

Key audit matter	How our audit addressed the key audit matter
Contingencies relating to tax matters	
Bamburi Cement Limited has an open tax assessment in relation to certain tax issues arising from a tax audit that was concluded in July 2014. The Kenya Revenue Authority (KRA) issued an assessment based on this audit. The Company lodged an appeal against this assessment to the Local Committee but the Local Committee made a ruling in favour of the KRA. The Company has appealed the Local Committee ruling in the High Court of Kenya. The assessment of the existence of a present legal or constructive obligation, assessment of the probability of a related payment/settlement and the determination of a reliable estimate require Directors' judgement to ensure reasonableness of the liability recognised and appropriateness of disclosures made in the financial statements. Due to the level of judgement relating to recognition, valuation and presentation of the provisions and the contingent liability by the Directors, this is considered to be a key audit matter. Detailed disclosure on contingencies in respect of tax matters are presented in note 30 (d).	We obtained written legal confirmation on the status of the on-going legal proceedings and the estimate of the potential liability from the Group's external legal advisor on the matter. We reviewed the correspondence file with the KRA and held discussions with executive management to inquire about the status of the case assessments by the tax authority. We performed procedures to help us gain an understanding of the Group processes for recording and assessment of contingencies. With the support of our tax specialist, we reviewed calculations of the provision recognized in the financial statements, assessed its adequacy and the attendant assumptions for reasonableness. We also assessed the nature of the dispute as well as the judgement applied by the Directors in determining the amount disclosed as a contingent liability. Based on our audit procedures, the judgement relating to the tax matter used was determined to be appropriate. In addition, the disclosures in the financial statements in respect of the tax position and contingent liability were found to be appropriate.

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 Managing director's statement, Corporate governance statement, the Operational review report and the Sustainability report which were obtained prior to date of this report. The other information does not include the consolidated and company financial statements 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 in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated and 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.

Report of the Independent Auditors

TO THE MEMBERS OF BAMBURI CEMENT LIMITED (CONTINUED)

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.
- 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 Company and/or its subsidiaries 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 Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

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

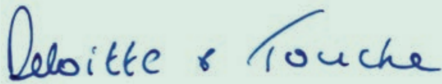
Report of the Directors

In our opinion, the information given in the report of directors' report on page 54 is consistent with the financial statements.

Directors' remuneration report

In our opinion, the auditable part of the directors' remuneration report on page 23 - 27 has been properly prepared in accordance with the Kenyan Companies Act, 2015.

The engagement partner responsible for the audit resulting in this independent auditors' report is FCPA ***J.W Wangai – P/No. 1118.***



Certified Public Accountants (Kenya)

Nairobi, Kenya

6 April 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 Shs'million	2016 Shs'million
Revenue	4	35,974	38,281
Cost of goods sold	5	(21,230)	(21,820)
Cost of transport service	5	(4,831)	(4,684)
Gross profit		9,913	11,777
Marketing and sales expenses	9(i)	(908)	(594)
Administration expenses	9(ii)	(2,461)	(1,771)
Impairment of assets	9(iii)	(243)	-
Other income	7(i)	40	23
Other gains and losses	8	(425)	(40)
Other operating expenses	10	(1,687)	(1,400)
Operating Profit		4,229	7,995
Finance income	7(ii)	150	369
Finance costs	7(iii)	(263)	(93)
Finance (cost)/income - net		(113)	276
Profit before income tax	11(a)	4,116	8,271
Tax charge	12(a)	(2,143)	(2,381)
Profit for the year		1,973	5,890
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Gain/(loss) on valuation of available –for-sale financial assets	19(b)	39	(257)
Income tax effect	12(a)	(12)	-
		27	(257)
Revaluation of property plant and equipment	15(a)	6,323	-
Income tax effect	12(a)	(1,897)	-
		4,426	-
Exchange differences on translation of foreign operations		25	(771)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		4,478	(1,028)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Actuarial gains	28	22	45
Income tax effect	12(a)	(7)	(14)
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		15	31
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR,NET OF TAX		4,493	(997)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		6,466	4,893
Profit for the year attributed to:			
Owners of the parent Company		1,647	5,243
Non-controlling interest		326	647
		1,973	5,890
Total comprehensive income attributed to:			
Owners of the parent Company		6,052	4,251
Non-controlling interest		414	642
		6,466	4,893
Earnings per share – basic and diluted	13	4.54	14.44

COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

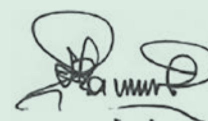
	Notes	2017 Shs'million	2016 Shs'million
Revenue	4	21,446	24,895
Cost of goods sold	5	(13,903)	(15,403)
Cost of transport service	5	(2,413)	(2,510)
Gross profit		5,130	6,982
Marketing and sales expenses	9(i)	(528)	(453)
Administration expenses	9(ii)	(1,371)	(1,004)
Impairment of assets	9(iii)	(243)	(-)
Other income	7(i)	40	112
Other gains and losses	8	(317)	153
Other operating expenses	10	(935)	(838)
Operating profit		1,776	4,952
Finance income	7(ii)	148	352
Finance costs	7(iii)	(58)	(70)
Finance income - net		90	282
Profit before tax	11(a)	1,866	5,234
Tax charge	12(a)	(1,025)	(1,455)
Profit for the year		841	3,779
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Gain/(loss) on revaluation of available-for-sale financial assets	19(b)	39	(257)
Income tax effect	12(a)	(12)	-
		27	(257)
Revaluation of property plant and equipment	15(b)	5,904	-
Income tax effect	12(a)	(1,771)	-
		4,133	-
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		4,160	(257)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Other changes in actuarial valuation		30	-
Actuarial gains	28	13	35
Income tax effect	12(a)	(4)	(10)
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		39	25
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR,NET OF TAX		4,199	(232)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		5,040	3,547

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 Shs'million	2016 Shs'million
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	15(a)	32,502	21,093
Prepaid operating lease rentals	16	136	145
Intangible assets	17	43	78
Other equity investments	19(a)	317	278
Other long term investments	18(c)	10	-
Goodwill	20	217	217
		33,225	21,811
CURRENT ASSETS			
Inventories	21	5,893	6,331
Trade and other receivables	22(a)	4,595	5,529
Corporate tax recoverable	12(c)	-	168
Cash and cash equivalents (excluding bank overdraft)	23(a)	3,490	6,972
		13,978	19,000
TOTAL ASSETS		47,203	40,811
EQUITY AND LIABILITIES			
EQUITY			
Share capital	24	1,815	1,815
Asset revaluation reserve	25(a)	11,263	7,163
Fair value reserve	25(b)	102	75
Translation reserve	25(c)	(1,771)	(1,796)
Retained earnings		17,963	19,148
Equity attributable to owners of the Company		29,372	26,405
Non-controlling interests		3,828	3,414
Total equity		33,200	29,819
NON-CURRENT LIABILITIES			
Deferred tax liability	26	4,456	2,674
Provisions	27	921	695
Employees' defined benefit liabilities	28	493	577
		5,870	3,946
CURRENT LIABILITIES			
Unclaimed dividends	14(a)	6	6
Short term borrowings	23(c)	1,450	-
Provisions	27	52	59
Employees' defined benefit liabilities	28	80	98
Trade and other payables	29	6,096	6,883
Corporate tax payable	12(c)	449	-
		8,133	7,046
TOTAL EQUITY AND LIABILITIES		47,203	40,811

The financial statements were approved and authorised for issue by the Board of Directors on 26 March 2018 and were signed on its behalf by:



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Eric Kironde   **Dr John P. N. Simba**

COMPANY STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 Shs'million	2016 Shs'million
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	15(b)	19,487	12,211
Prepaid operating lease rentals	16	1	1
Intangible assets	17	11	41
Investments in subsidiaries	18(a)	1,062	1,062
Other equity investments	19(a)	317	278
Loan to subsidiary	33(iii)	54	83
		20,932	13,676
CURRENT ASSETS			
Inventories	21	3,299	3,879
Loan to subsidiary	33(iii)	29	29
Trade & other receivable	22(a)	2,364	3,320
Corporate tax recoverable	12(c)	-	105
Cash and cash equivalents (excluding bank overdraft)	23(a)	2,557	5,231
		8,249	12,564
TOTAL ASSETS		29,181	26,240
EQUITY AND LIABILITIES			
EQUITY			
Share capital	24	1,815	1,815
Asset revaluation reserve	25(a)	10,899	6,990
Fair value reserve	25(b)	102	75
Retained earnings		9,019	11,000
Total equity		21,835	19,880
NON-CURRENT LIABILITIES			
Deferred tax liability	26	2,451	753
Provisions	27	614	668
Employees' defined benefit liabilities	28	444	526
		3,509	1,947
CURRENT LIABILITIES			
Unclaimed dividends	14(a)	6	6
Provisions	27	29	33
Employees' defined benefit liabilities	28	70	25
Trade and other payables	29	3,612	4,349
Corporate tax payable	12(c)	120	-
		3,837	4,413
TOTAL EQUITY AND LIABILITIES		29,181	26,240

The financial statements were approved and authorised for issue by the Board of Directors on 26 March 2018 and were signed on its behalf by:

....

Eric Kironde

....

Dr John P. N. Simba

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	Attributable to the equity holders of the parent							
Year ended 31 December 2017	Share capital Shs'million Note 24	Asset revaluation reserve Shs'million Note 25(a)	Fair value reserve Shs'million Note 25(b)	Translation reserve Shs'million Note 25(c)	Retained earnings Shs'million	Owners of the Company Shs'million	Non-controlling interests Shs'million	Total equity Shs'million
At 1 January 2017	1,815	7,163	75	(1,796)	19,148	26,405	3,414	29,819
Profit for the year	-	-	-	-	1,647	1,647	326	1,973
Other comprehensive income for the year	-	4,338	27	25	15	4,405	88	4,493
Total comprehensive income for the year	-	4,338	27	25	1,662	6,052	414	6,466
Transfer of excess depreciation (net of tax)	-	(238)	-	-	238	-	-	-
Dividends: (Note 14(b))								
- Final dividends for 2016 declared and approved	-	-	-	-	(2,178)	(2,178)	-	(2,178)
- Interim dividends for 2017 declared and approved	-	-	-	-	(907)	(907)	-	(907)
	-	-	-	-	(3,085)	(3,085)	-	(3,085)
At 31 December 2017	1,815	11,263	102	(1,771)	17,963	29,372	3,828	33,200

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 available-for-sale reserve represents the cumulative gains and losses arising from revaluation of available-for-sale investments (other equity investments) from cost to fair value based on the market values of the equities at the end of the reporting period – Note 25(b).
- 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 2016

	Attributable to the equity holders of the parent							
Year ended 31 December 2016	Share capital Shs'million Note 24	Asset revaluation reserve Shs'million Note 25(a)	Fair value reserve Shs'million Note 25(b)	Translation reserve Shs'million Note 25(c)	Retained earnings Shs'million	Total Shs'million	Non-controlling interests Shs'million	Total equity Shs'million
At 1 January 2016	1,815	7,424	332	(1,030)	18,348	26,889	2,817	29,706
Profit for the year	-	-	-	-	5,243	5,243	647	5,890
Other comprehensive income for the year	-	-	(257)	(766)	31	(992)	(5)	(997)
Total comprehensive income for the year	-	-	(257)	(766)	5,274	4,251	642	4,893
Transfer of excess depreciation (net of tax)	-	(261)	-	-	261	-	-	-
Withholding tax paid on Subsidiary's dividend payout [Note 14(b)]:	-	-	-	-	(16)	(16)	-	(16)
Final dividends for 2015 declared and approved	-	-	-	-	(2,541)	(2,541)	(45)	(2,586)
Interim dividends for 2016 declared and approved	-	-	-	-	(2,178)	(2,178)	-	(2,178)
	-	-	-	-	(4,719)	(4,719)	(45)	(4,764)
At 31 December 2016	1,815	7,163	75	(1,796)	19,148	26,405	3,414	29,819

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 available-for-sale reserve represents the cumulative gains and losses arising from revaluation of available-for-sale investments (other equity investments) from cost to fair value based on the market values of the equities at the end of the reporting period – Note 25(b).
- 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 2017

Year ended 31 December 2017	Share capital Shs'million Note 24	Asset revaluation reserve Shs'million Note 25(a)	Fair value reserve Shs'million Note 25(b)	Retained earnings Shs'million	Total equity Shs'million
At 1 January 2017	1,815	6,990	75	11,000	19,880
Profit for the year	-	-	-	841	841
Other comprehensive income for the year	-	4,133	27	39	4,199
Total other comprehensive income for the year	-	4,133	27	880	5,040
Transfer of excess depreciation	-	(224)	-	224	-
Dividends: (Note 14(b))					
- Final dividends for 2016 declared and approved	-	-	-	(2,178)	(2,178)
- Interim dividends for 2017 declared and approved	-	-	-	(907)	(907)
	-	-	-	(3,085)	(3,085)
At 31 December 2017	1,815	10,899	102	9,019	21,835

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 available–for-sale reserve represents the cumulative gains and losses arising from revaluation of available-for-sale investments (other equity investments) from cost to fair value based on the market values of the equities at the end of the reporting period – Note 25 (b).

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 2016

Year ended 31 December 2016	Share capital Shs'million Note 24	Asset revaluation reserve Shs'million Note 25(a)	Fair value reserve Shs'million Note 25(b)	Retained earnings Shs'million	Total equity Shs'million
At 1 January 2016	1,815	7,214	332	11,691	21,052
Profit for the year	-	-	-	3,779	3,779
Other comprehensive income for the year	-	-	(257)	25	(232)
Total other comprehensive income for the year	-	-	(257)	3,804	3,547
Transfer of excess depreciation	-	(224)	-	224	-
Dividends: (Note 14(b))					
- Final dividends for 2015 declared and approved	-	-	-	(2,541)	(2,541)
- Interim dividends for 2016 declared and approved	-	-	-	(2,178)	(2,178)
	-	-	-	(4,719)	(4,719)
At 31 December 2016	1,815	6,990	75	11,000	19,880

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 available–for-sale reserve represents the cumulative gains and losses arising from revaluation of available-for-sale investments (other equity investments) from cost to fair value based on the market values of the equities at the end of the reporting period – Note 25 (b).
- The retained earnings represent accumulated profit retained by the Company after payment of dividends to the shareholders.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 Shs'million	2016 Shs'million
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	32	6,458	6,814
Interest received	7(ii)	150	369
Interest paid		(25)	-
Net foreign currency gain		-	190
Tax paid	12(c)	(1,632)	(3,424)
Net cash generated from operating activities		4,951	3,949
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	15(a)	(6,961)	(407)
Purchase of intangible assets	17	-	(34)
Proceeds from disposal of property, plant and equipment		120	9
Withholding tax paid on dividend to Group	6	-	(16)
Net cash used in investing activities		(6,841)	(448)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid to owners of the Company	14(b)	(3,085)	(4,719)
Dividends paid to non-controlling interests	14(d)	-	(45)
Net cash used in financing activities		(3,085)	(4,764)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(4,975)	(1,263)
MOVEMENT IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at the beginning of the year		6,972	8,453
Net decrease in cash and cash equivalents during the year		(4,975)	(1,263)
Effects of exchange rate changes on cash held in foreign currencies		43	(218)
Cash and cash equivalents and at end of the year	23(b)	2,040	6,972

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 Shs'million	2016 Shs'million
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	32	3,691	4,811
Interest received	7(ii)	148	352
Tax paid	12(c)	(888)	(2,371)
Net cash generated from operating activities		2,951	2,792
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	15(b)	(2,588)	(278)
Purchase of intangible assets	17	-	(6)
Dividends received	6	-	89
Loans repayments received	33(iii)	29	36
Net cash used in from investing activities		(2,559)	(159)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid to owners of the Company	14(b)	(3,085)	(4,719)
Net cash used in financing activities		(3,085)	(4,719)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(2,693)	(2,086)
MOVEMENT IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at the beginning of the year		5,231	7,307
Net decrease in cash and cash equivalents during the year		(2,693)	(2,086)
Effects of exchange rate changes on cash held in foreign currencies		19	10
Cash and cash equivalents at the end of the year	23(b)	2,557	5,231

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Basis of preparation

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

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

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

b) New and amended standards, interpretations and improvements

i) New standards and amendments to published standards effective for the year ended 31 December 2017

The Group and the Company applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2017. The Group and the Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments applied for the first time in 2017, they did not have a material impact on the annual financial statements of the Group and the Company.

The following standards, amendments and interpretations are effective as of 1 January 2017:

- *Amendments to IAS 7 Disclosure initiative*
- *Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealized Losses*
- *Amendments to IFRS 12 included in the 2014-2016 annual improvements cycle (Disclosure of interest in other entities*

Amendments to IAS 7 Disclosure initiative.

The amendment require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including both cash and non-cash changes.

The application of these amendments has had no impact on the Group and the Company financial statements as the Group and the Company did not have any such transaction during the year.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) New and amended standards, interpretations and improvements (continued)

i) New standards and amendments to published standards effective for the year ended 31 December 2017 (continued)

Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealized Losses

The amendments clarify the following:

i. Unrealized losses on debt instrument measured in fair value for which the tax base remains at cost give rise to temporary difference, irrespective of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use, or whether it is probable that the issuer will pay all the contractual cash flows;

ii. When an entity assesses whether taxable profits will be available against which it can utilize a deductible temporary difference, and the tax laws restricts the utilization of losses to deduction against income of a specific type, an entity assesses a deductible temporary difference in combination with other deductible differences of that type but separately from other types of temporary differences.

iii. The estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this; and

iv. In evaluating whether sufficient future taxable profits are available, an entity should compare the deductible temporary differences with future taxable profits excluding tax deductions resulting from the reversal of those deductible temporary differences.

The amendment had no impact on the Group and the Company financial statements as the Group and the Company did not have any such transactions in the year.

Amendments to IFRS 12 included in the 2014-2016 annual improvements cycle (Disclosure of interest in other entities)

The amendment include clarification of the scope of the standard. IFRS 12 states that an entity needs not provide summarized financial information for interests in subsidiaries, associates or joint ventures that are classified as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interests.

The amendment had not effect on the Group and Company financial statements as the Group and the Company did not have any subsidiary, associate or joint venture classified as held for sale during the year.

ii). New and amended standards in issue but not yet effective in the year ended 31 December 2017

New standards and Amendments to standards	*Effective for annual periods beginning on or after*
IFRS 9 Financial Instruments	1 January 2018
IFRS 15 Revenue from contracts with customers	1 January 2018
Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2018
Amendments to IAS 7 Disclosure Initiative	1 January 2018
IFRS 16 Leases	1 January 2019
IFRS 17 Insurance contracts	1 January 2021

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) New and amended standards, interpretations and improvements (continued)

ii). New and amended standards in issue but not yet effective in the year ended 31 December 2017

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

During 2017 and 2016, the Group and the Company performed a high-level impact assessment of all three aspects of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. The Group and the Company continues to monitor significant impact of the standards on its statement of financial position and equity. The Group's and the Company's preliminary assessment are as follows:

(i) Classification and measurement

The Group and the Company does not expect a significant impact on its statement of financial position or equity on applying the classification and measurement requirements of IFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value.
The Group and the Company expects to apply the option to present fair value changes in OCI, and, therefore, believes the application of IFRS 9 would not have a significant impact.

Trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. Thus, the Group and the Company expects that these will continue to be measured at amortised cost under IFRS 9. However, the Group and the Company will analyse the contractual cash flow characteristics of those instruments in more detail before concluding whether all those instruments meet the criteria for amortised cost measurement under IFRS 9.

(ii) Impairment

IFRS 9 requires the Group and the Company to record expected credit losses on all of its trade receivables, either on a 12-month or lifetime basis. The Group and the Company expects to apply the simplified approach and record lifetime expected losses on all trade receivables. The Group and the Company does not expect a significant impact on its equity due to secured nature of its receivables, but it will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of the impact.

(iii) Hedge accounting

The Group and the Company has no existing hedge relationships that qualify for hedge accounting under IFRS 9. As IFRS 9 does not change the general principles of how an entity accounts for effective hedges, the Group expects no impact as a result of applying IFRS 9.

The Group and the Company plans to adopt the new standard on the required effective date.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) New and amended standards, interpretations and improvements (continued)

ii). New and amended standards in issue but not yet effective in the year ended 31 December 2017

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group and the Company plans to adopt the new standard on the required effective date using the full retrospective method. During 2016, the Group performed a preliminary assessment of IFRS 15, which is subject to changes arising from a more detailed ongoing analysis. Furthermore, the Group and the Company is considering the clarifications issued by the IASB in April 2016 and will monitor any further developments.

The Group is in the business of manufacture and sale of cement and cement related products.

(i) Sale of goods

Contracts with customers in which sale of cement is the only performance obligation are not expected to have any impact on the Group and the Company. The Group and the Company expects the revenue recognition to occur at a point in time when control of the goods is transferred to the customer, generally on delivery of the goods.

In applying IFRS 15, the Group and the Company is considering the following:

(i) Variable consideration

Some contracts with customers provide for trade discounts or volume rebates. Currently, the Group and the Company recognises revenue from the sale of goods measured at the fair value of the consideration received or receivable, net of allowances, trade discounts and volume rebates. The Group and the Company does not have instances in which it has to defer revenue recognition due to variable consideration under IFRS 15. IFRS 15 requires the estimated variable consideration to be constrained to prevent over-recognition of revenue.

(ii) Warranty obligations

The Group and the Company does not provide warranties to its customers due to the nature of its business.

(iii) Loyalty points programme

The Group and the Company does not currently have in place a loyalty programme offered to its customers.

iv. Rendering of services

The Group carries out tourism activities through its subsidiary, Lafarge Eco Systems limited. These services are sold on their own in contracts with the customers. The Group has preliminarily assessed that the services are satisfied over time given that the customer simultaneously receives and consumes the benefits provided by the Group. Consequently, the Group does not expect any significant impact to arise from these service contracts.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) New and amended standards, interpretations and improvements (continued)

ii). New and amended standards in issue but not yet effective in the year ended 31 December 2017

IFRS 16 Leases

The IASB issued IFRS 16 Leases on 13 January 2016. The scope of the new standard includes leases of all assets, with certain exceptions. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

Key features:

- The new standard requires lessees to account for all leases under a single on-balance sheet model (subject to certain exemptions) in a similar way to finance leases under IAS 17.
- Lessees recognise a liability to pay rentals with a corresponding asset, and recognise interest expense and depreciation separately.
- The new standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computer) and short-term leases (i.e., leases with a lease term of 12 months or less).
- Reassessment of certain key considerations (e.g., lease term, variable rents based on an index or rate, discount rate) by the lessee is required upon certain events.
- Lessor accounting is substantially the same as today's lessor accounting, using IAS 17's dual classification approach.

The new standard is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. The new standard permits a lessee to choose either a full retrospective or a modified retrospective transition approach. The Group and the Company plans to adopt the new standard on the required effective date. The Group and the Company are still assessing the impact of IFRS 16.

IFRS 17 Insurance contracts

IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2021. The standard is not applicable to the Group and the Company as they are not in insurance business.

Amendments to IAS 7 Disclosure Initiative

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including both changes arising from cash flows and non-cash changes. The amendments do not prescribe a specific format to disclose financing activities. However, an entity may fulfil the disclosure objective by providing a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

The amendments apply prospectively for annual periods beginning on or after 1 January 2018 with early application permitted. The directors of the Group and the Company do not anticipate that the application of these amendments will have a material impact on the consolidated financial statements.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The amendment is effective from 1 January 2018. The Group and the Company is currently evaluating the impact.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2017. 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 listing of the subsidiaries in the Group is provided in Note 18(a).

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

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

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

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

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

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
- 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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Business combinations and goodwill

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

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

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 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 IAS 39, 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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Translation of foreign currencies

i) Transactions and balances

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

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

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

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

ii) Translation of foreign operations

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated into Kenya Shillings using exchange rates prevailing at the end of the reporting period;
- income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised under other comprehensive income and accumulated in a separate heading, translation reserve, in the consolidated statement of changes in equity.

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The specific recognition criteria described below must also be met before revenue is recognised.

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually upon dispatch for self collection or else on delivery of products to customers. The sales are stated net of value added tax and discounts, and after eliminating sales within the Group.

Interest income

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

Dividends

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

Rental income

Rental income is recognised when the Group's right to receive the rent payment is established. The Group has residential buildings and sublets some of them to its employees.

Transport revenue

Transport revenue is the surcharge to customer by the Group and Company for arranging delivery of cement and cement products to the customer. It is based on actual cost incurred where no prearranged subsidies have been given.

Rendering of services

The Group through its subsidiary LES, operates a private park and charges entry fees to tourists. Income from rendering of services is recognized to the extent that it is probable that the economic benefits will flow to the Group and it can be reliably measured, regardless of when the payment is being made.

Rebates

Rebates are given to the customers who meet condition set by the 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Leases

Determination

The determination of whether an arrangement is, (or contains), a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Group as a lessee

Finance leases that transfer substantially all the risks and benefits incidental to ownership of the leased item to the Group, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in profit or loss. The Company currently does not have any finance leases.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

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 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Property, plant and equipment (continued)

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

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

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

Freehold land is not depreciated as it is deemed to have an indefinite useful life and is tested for impairment on an annual basis.

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

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition through disposal or retirement of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year in which the asset is derecognised.

The 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 are 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.

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.

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.

Value added tax

Expenses and assets are recognised net of the amount of value added tax, except:

- When the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and
- When receivables and payables are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

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 consolidated statement of financial position when the Company has become party to the contractual provisions of the instrument.

The entity's classification of financial assets and financial liabilities is as follows:

Description of asset/liability	*Classification*
Other equity investments (Note 19)	Available-for-sale investments
Trade and other receivables [Note 22 (a)]	Loans and receivables
Loan to subsidiary [Note 33 (iii)]	Loans and receivables
Cash and cash equivalents - cash and bank balance [Note 23 (a)]	Loans and receivables
Cash and cash equivalents - short term deposits [Note 23 (a)]	Loans and receivables
Trade and other payables (Note 29)	Loans and borrowings

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Financial instruments (continued)

Financial assets

i) Classification and measurement

The Group classifies its financial assets into the following IAS 39 categories: Financial assets at fair value through profit or loss; loans and receivables; held to maturity financial assets; and available-for-sale financial assets. Management determines the appropriate classification of its financial instruments at initial recognition.

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

Financial assets at fair value through profit or loss

This category has two sub-categories: Financial assets held for trading and those designated at fair value through profit or loss at inception.

A financial asset is classified as held for trading if:

a) it has been acquired or incurred principally for the purpose of selling or repurchasing it in the near term; or

b) on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and for which there is evidence of a recent actual pattern of short-term profit taking; or

c) it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at fair value through profit or loss if:

a) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

b) the financial asset forms part of a Group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy and information about the grouping is provided internally on that basis; or

c) it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement, permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

Financial instruments at fair value through profit or loss are recognised initially at fair value; transaction costs are taken directly to profit or loss. Gains and losses arising from changes in fair value are included directly in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. The Group has not designated any financial assets at fair value through profit or loss.

Loans and receivables

This category is the most relevant to the Group. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss and other comprehensive income. The losses arising from impairment are recognised in other gains and losses in profit or loss.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Financial instruments (continued)

Financial assets (continued)

i) Classification and measurement (continued)

Held to maturity financial assets

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that management has the positive intention and ability to hold to maturity. Where a sale of other than an insignificant amount of held-to-maturity assets occurs, the entire category would be tainted and classified as available-for-sale.

Held to maturity investments are initially recognised at fair value including direct and incremental transaction costs and measured subsequently at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

Available-for-sale financial assets

Available–or-sale investments are those that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates or equity prices or that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale investments are initially recognised at fair value, which is the cash consideration including any transaction costs, and measured subsequently at fair value. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the fair value reserve with the exception of impairment losses, which are recognised in profit or loss.

Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified to profit or loss.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

ii) De-recognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Financial instruments (continued)

Financial assets (continued)

iii) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been affected.

Additional disclosures for impairment losses are in Note 2, to the financial statements.

For listed and unlisted equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include; the Group's past experience of collecting payments, an increase in the number of delayed payments past the average credit period, delinquency, and initiation of bankruptcy proceedings as well as observable changes in national or local economic conditions that correlate with default on receivables.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Financial instruments (continued)

Financial liabilities and equity instruments issued by the Group

i) Classification and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

The Group has not designated any financial liabilities at fair value through profit or loss. The Group also did not have derivatives designated as hedging instruments.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables.

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Financial liabilities classified as loans and borrowings.

Loans and borrowings, including trade and other payables, are initially measured at fair value, net of directly attributable transaction costs.

Loans and borrowings are subsequently measured at amortised cost using the effective interest (EIR) method, with interest expense recognised on an effective yield basis. 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 through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition. The EIR amortisation is included in finance costs in profit or loss.

Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to changes in fuel prices and foreign exchange rate risk.

Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently measured at their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately.

A derivative with a positive fair value is recognised as a financial asset; a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

In the current year, the Group had no derivatives in the financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Financial instruments (continued)

Financial liabilities and equity instruments issued by the Group (continued)

i) Classification and measurement (continued)

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 recorded at the proceeds received, net of direct issue costs.

ii) De-recognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on net basis, or realise the asset and settle the liability simultaneously.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Impairment of non-financial assets (continued)

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.

The following assets have specific characteristics for impairment testing:

Goodwill

Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying amount may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

p) Employee entitlements

Retirement benefits obligations - defined contribution plans

The Group operates a defined contribution pension scheme for eligible employees. The scheme is administered by an independent administration Company and is funded by contributions from the Group companies and employees. These are further discussed under Note 35.

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

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

q) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date taking into account the risks and uncertainties surrounding the obligation.

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. Site restoration provisions are disclosed in Note 27, to the financial statements.

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.
- Net interest expense or income is recognised in profit or loss under cost of sales.

Employee entitlements to annual leave are recognised when they expected to be paid to employees. A provision is made for the estimated liability for annual leave at the reporting date. Service gratuity, long service awards and leave pay provisions are disclosed in Note 27, to the financial statements.

The Group recognises a liability and expense for termination benefits at the earlier of the following dates:

(a) when the Group can no longer withdraw the offer of those benefits; and
(b) when the Group recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits.

s) Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above.

t) Segment reporting.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

u) Fair value measurement

The Group measures financial instruments such as available-for-sale at fair value at each reporting date. The Group also measures certain items of property, plant and equipment at fair value. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 38(b), to the financial statements.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.
The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- 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.

2. SIGNIFICANT ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, the Directors have made estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities within the next financial year.

Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. 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.

The key areas of judgement and sources of estimation uncertainty are as set out below:

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, pozollana 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 2012. Land and buildings were valued on the basis of open market value by independent valuers, Knight Frank Valuers Limited.

Plant and machinery were revalued on a depreciated replacement cost basis using a valuation model prescribed by engineers and consultants at the technical centre of the ultimate shareholder.

Further details on property, plant and equipment are given in Note 15, to the financial statements.

Fair value of financial instruments

When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See Note 38, to the financial statements, for further discussion.

Site restoration

The Group makes full provision for the future cost of rehabilitating its quarry sites and related production facilities on a discounted basis at the time of developing the quarries and installing and using those facilities. On an annual basis, management, with the assistance of technical staff, makes estimations on the adequacy of the site restoration provisions. The provisions are made based on the additional open space, net of rehabilitated areas, arising from quarrying operations that took place in the year. The estimated cost per hectare is then applied to determine this adequacy. The cost per hectare is periodically assessed to factor in inflation.

Site restoration provisions are disclosed in Note 27, to the financial statements.

2. SIGNIFICANT ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

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

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Impairment exists when the carrying amount of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

In assessing whether there is any indication that the tangible and intangible assets may be impaired, the Group considers the following indications:

a) there are observable indications that the asset's value has declined during the period significantly more than would be expected as a result of the passage of time or normal use.

b) significant changes with an adverse effect on the entity have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the entity operates or in the market to which an asset is dedicated.

c) market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

d) the carrying amount of the net assets of the entity is more than its market capitalisation.

e) evidence is available of obsolescence or physical damage of an asset.

f) significant changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.

g) evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

2. SIGNIFICANT ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Impairment losses (continued)

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:

- 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.

Income taxes

The Group is subject to income taxes in various jurisdictions. Significant judgement is required in determining the Group's provision for income taxes. There are many transactions and calculations for which the 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 outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provision in the period in which such determination is made. Further details on income taxes are disclosed in Notes 12, 26 and 30 (d), to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

3. SEGMENT INFORMATION

In accordance with IFRS 8, Operating Segments, the information presented hereafter by operating segment is the same as that reported to the Chief Operating Decision Maker (the Group Managing Director) for the purposes of making decisions about allocating resources to the segment and assessing its performance.

The Group analyses its organisational structure and internal reporting system for the purpose of identifying suitable segment reporting format for the Group. The Group is organised on a regional basis into two main geographical segments: Kenya and Uganda.

Both geographical segments are mainly involved in the manufacture and sale of cement which comprises over 95% of the business activities of the Group. The remaining business activities, which include manufacture and sale of ready mix concrete, precast products and rehabilitation of quarries that are used as source of raw materials for cement production, are not deemed significant for separate segment reporting. There are no segments that are aggregated.

Revenue, assets and liabilities of the segment are measured in a manner consistent with that of the financial statements. The transactions are carried at arm's length sales between the segments are made at prices that approximate market prices.

Group management internally evaluates its performance based upon:

- Operating income before capital gains, impairment and restructuring; and
- Capital employed (defined as the total of goodwill, intangible and tangible assets and working capital).

Year ended 31 December 2017 - All figures in millions of Kenya Shillings

	Kenya	Uganda	Adjustments and eliminations	Consolidated
Revenue:				
External customers	19,594	16,380	-	35,974
Inter-segment	2,951	-	(2,951)	-
Total revenue	22,545	16,380	(2,951)	35,974
Cost of sales	(17,249)	(11,763)	2,951	(26,061)
Gross profit	5,296	4,617	-	9,913
Gross profit margin	23%	28%	-	28%
Other income	40	-	-	40
Finance income	138	12	-	150
Finance costs	-	25	-	25
Profit before tax	1,953	2,163	-	4,116
Income tax expense	(1,080)	(1,063)	-	(2,143)
Profit for the year	873	1,100	-	1,973
Segment assets	29,479	18,872	(1148)	47,203
Segment liabilities	7,467	6,987	(451)	14,003
Depreciation and amortisation	1,067	595	-	1,662
Impairment of assets	243	-	-	243

3. SEGMENT INFORMATION (continued)

Year ended 31 December 2016 - All figures in millions of Kenya Shillings

	Kenya	Uganda	Adjustments and eliminations	Consolidated
Revenue:				
External customers	21,261	16,773	-	38,034
Inter-segment	3,064	-	(3,064)	-
Total revenue	24,325	16,773	(3,064)	38,034
Cost of sales	(16,919)	(10,935)	3,064	(24,790)
Gross profit	7,406	5,838	-	13,244
Gross profit margin	30%	35%	-	35%
Finance income	428	30	(89)	369
Interest expense	-	-	-	-
Profit before tax	5,301	3,059	(89)	8,271
Income tax expense	(1,480)	(901)	-	(2,381)
Profit for the year	3,821	2,158	(89)	5,890
Segment assets	26,473	15,272	(934)	40,811
Segment liabilities	6,461	5,122	(591)	10,992
Capital additions	284	157	-	441
Depreciation and amortisation	1,034	571	-	1,605
Impairment of assets	-	-	-	-

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.

Information about major customers:

Included in the Group's revenues of Shs 35,974 million (2016: Shs 38,281 million) are approximately Shs 2,950 million (2016: Shs 3,064 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 2017

4. REVENUE

	GROUP		COMPANY	
	2017 Shs'million	2016 Shs'million	2017 Shs'million	2016 Shs'million
Cement (Note 6(i))	33,309	35,229	19,586	23,379
Precast products	635	795	-	-
Ready mix	958	1,034	-	-
Others*	41	46	-	-
Transport services	1,031	1,177	1,860	1,516
Net sales	35,974	38,281	21,446	24,895

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

5. COST OF SALES

	GROUP		COMPANY	
	2017 Shs'million	2016 Shs'million	2017 Shs'million	2016 Shs'million
Distribution costs				
Cost of Transport Services	4,831	4,684	2,413	2,510
Packaging materials	1,054	1,205	622	568
Staff costs (Note 11(b))	369	247	178	167
Diesel	48	44	2	2
Other distribution expenses	1,119	658	721	438
Total distribution cost	7,421	6,838	3,936	3,685
Production cost of goods sold				
Elimination of cost of sales-intra-group	(3,663)	(3,803)	-	-
Cost of finished goods purchased	4,681	5,963	1,897	2,803
Third party raw materials costs	4,580	3,361	1,932	1,609
Production materials	573	211	339	200
Energy	2,776	2,648	1,688	1,378
Electricity	3,209	3,180	2,170	2,160
Staff costs (plant excl maintenance) (Note 11b)	1,221	1,159	639	624
Staff costs (maintenance) (Note 11 b)	562	952	525	409
Other production expenses	1,751	2,093	1,466	1,953
Maintenance expenses	1,416	2,084	950	1,915
Changes in inventory	28	283	(101)	220
Depreciation	1,492	1,516	861	938
Amortisation	14	19	14	19
Total production cost of goods sold	18,640	19,666	12,380	14,228
Cost of sales	26,061	26,504	16,316	17,913
Cost of goods sold	21,230	21,820	13,903	15,403
Transport service costs	4,831	4,684	2,413	2,510
Cost of sales	26,061	26,504	16,316	17,913

6. i) REBATES

The Group and the Company offer rebates to the customers who meet the terms and conditions based on the existing rebates policies. The cement revenues are presented net of rebates. During the year the rebates offered by the Group and the Company were as follows:

	GROUP		COMPANY	
	2017 Shs'million	2016 Shs'million	2017 Shs'million	2016 Shs'million
Rebates (note 4)	1,094	1,339	1,166	1,400

7. OTHER INCOME AND FINANCE INCOME/COSTS

i) Other income

	GROUP		COMPANY	
	2017 Shs'million	2016 Shs'million	2017 Shs'million	2016 Shs'million
Investment income-Dividends	-	-	-	89
Rental income	40	23	40	23
Total other income	40	23	40	112

ii) Finance income

	GROUP		COMPANY	
	2017 Shs'million	2016 Shs'million	2017 Shs'million	2016 Shs'million
Interest income-cash deposits with local banks	150	369	138	339
Interest income-Group	-	-	10	13
Total finance income	150	369	148	352

iii) Finance costs

	GROUP		COMPANY	
	2017 Shs'million	2016 Shs'million	2017 Shs'million	2016 Shs'million
Interest paid to banks	25	14	-	-
Interest on tax matters	173	-	-	-
Interest cost on pension benefit obligations	65	79	58	70
Total finance costs	263	93	58	70

8. OTHER GAINS AND LOSSES

	GROUP		COMPANY	
	2017 Shs'million	2016 Shs'million	2017 Shs'million	2016 Shs'million
Gain/(loss) on disposal of assets	37	(3)	(79)	1
Bad debts write back/(charge)	-	75	-	(120)
Foreign exchange losses	(203)	(176)	-	-
Foreign exchange gains	19	64	40	272
Write down of valuation balances	(278)	-	(278)	-
Total other gains and losses	(425)	(40)	(317)	153

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 Sh 908 million (2016: Shs 594 million) and for the Company Shs 528 million (2016: Shs 453 million).

ii) Administration expenses

	GROUP		COMPANY	
	2017 Shs'million	2016 Shs'million	2017 Shs'million	2016 Shs'million
Staff costs (note 11(b))	1,038	446	547	429
Third party services	583	222	390	329
Other administration expenses	650	1,005	275	181
Bank Charges	33	46	14	33
Bad debts allowance	16	-	-	-
Depreciation	129	41	143	20
Amortisation	12	11	2	12
Total Administration expenses	2,461	1,771	1,371	1004

iii) Impairment of assets

	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
Capital work in progress (Note 15a) *	171	-	171	-
Intangible assets – software (Note 17)	14	-	14	-
Prepayments	58	-	58	-
Total impairments of assets	243	-	243	-

*The impairment of capital work in progress was as a result of an assessment of costs incurred in respect of geological and land surveys; drillings, prospecting and exploration relating capacity increase feasibility and other projects. The assessment done in 2017 deemed the projects not viable hence the write down.

10 OTHER EXPENSES

	GROUP	COMPANY	GROUP	COMPANY
	2017 Shs'million	2016 Shs'million	2017 Shs'million	2016 Shs'million
Technical fees (Note 33 (i))	1,687	1,400	935	838

11. (a) PROFIT BEFORE TAX

	GROUP		COMPANY	
	2017 Shs'million	2016 Shs'million	2017 Shs'million	2016 Shs'million
Profit before tax is arrived at after charging				
Staff costs (Note 11(b))	3,190	2,804	1,889	1,629
Depreciation on property, plant and equipment (Note 15, 11(c))	1,621	1,557	1,004	957
Amortisation of intangible assets (Note 17)	26	40	17	31
Amortisation of prepaid lease rentals (Note 16)	8	8	-	-
Directors' fees (Note 33)	10	7	10	7
Auditors' remuneration	10	11	6	5
And after crediting:				
Interest income (Note 7)	150	369	148	352
Gain/(loss) on disposal of property, plant and equipment (Note 8)	37	(3)	(79)	1
Dividend income (Note 7)	-	-	-	89
Net foreign exchange (losses)/gains (Note 8)	(184)	(112)	40	272

(b) Staff costs

Salaries and wages	1,710	1,909	1,016	1,140
Retirement benefits costs	241	187	123	340
Staff welfare costs	1,239	708	750	149
	3,190	2,804	1,889	1,629
Presented as:				
Cost of sales (Note 5)	2,152	2,358	1,342	1,200
Administration expenses (Note 9)	1,038	446	547	429
	3,190	2,804	1,889	1,629

(c) Depreciation on property, plant and equipment is presented as follows:

Depreciation				
Cost of production (Note 5)	1,492	1,516	861	938
Administration expenses (Note 9)	129	41	143	20
	1,621	1,557	1,004	958

Amortisation				
Cost of production (Note 5)	14	19	14	19
Administration expenses (Note 9)	12	11	2	12
	26	30	16	31

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

12. TAX

	GROUP		COMPANY	
	2017 Shs'million	2016 Shs'million	2017 Shs'million	2016 Shs'million
(a) Tax charge				
Profit and loss				
Current tax based on the adjusted profit at 30%	1,956	2,915	1,113	1,794
Income taxation - previous years	335	-	-	-
Deferred tax credit (Note 26)	(331)	(534)	(298)	(405)
Under provision of deferred tax in prior years	183	-	210	66
Total tax charge	2,143	2,381	1,025	1,455
Other comprehensive income				
Actuarial gain (Note 28)	7	14	4	10
Revaluation of property plant and equipment	1,897	-	1,771	-
Revaluation of available for sale securities	12	-	12	-

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

	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
Profit before tax	4,116	8,271	1,866	5,234
Tax calculated at the domestic rates applicable of 30%	1,234	2,481	560	1,570
Tax effect of income not subjected to tax				(181)
Tax effect of expenses not deductible for tax purposes	391	(172)	255	-
Under provision of deferred tax in prior years	183	72	210	66
Income tax prior years	335	-	-	-
Total tax charge	2,143	2,381	1,025	1,455

Income not subject to tax relates to dividends from entities where shareholding is 12.5% or more. Expenses not allowable for tax purposes include donations, disallowable staff benefits and disallowable items related to property, plant and equipment.

(c) Corporate tax payable/(recoverable)

	GROUP		COMPANY	
	2017 Shs'million	2016 Shs'million	2017 Shs'million	2016 Shs'million
At the beginning of the year	(168)	341	(105)	472
Tax charge - Current	1,956	2,915	1,113	1,794
- Prior years	325	-	-	-
Tax paid	(1,632)	(3,424)	(869)	(2,371)
Withholding tax paid	(32)	-	(19)	-
Tax payable/(recoverable) at end of the year	449	(168)	120	(105)

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 2017 and as at 31 December 2016.

	GROUP	
	2017 Shs'million	2016 Shs'million
Profit for the year attributable to owners of the parent Company (Shs million)	1,647	5, 243
Weighted average number of ordinary shares (million)	363	363
Basic and diluted earnings per share (Shs)	4.54	14.44

14. DIVIDENDS

	GROUP AND COMPANY	
	2017 Shs'million	2016 Shs'million
(a) Unclaimed dividends		
At beginning of year	6	6
Declared and approved during the year –[Note 14 (b)]	3,085	4,719
Dividends claimed/paid in the year	(3,085)	(4,719)
At end of year	6	6
(b) Dividends declared/approved during the year 2017 and 2016:		
Final dividends for previous year	2,178	2,541
Interim dividends for current year	907	2,178
	3,085	4,719
(c) Dividends declared/proposed in respect of the year		
Interim dividend - paid in the year*	907	2,178
Proposed for approval at the annual general meeting (not recognised as a liability as at 31 December)**	544	2,178
	1,451	4,356
Dividends per share (based on 363 million shares)	Shs 4.00	Shs 12.00
(d) Dividends payable to non-controlling interest		
Dividends declared/approved during the year 2017 and 2016:		
Final dividends previous year	-	45
Dividends paid/claimed	-	(45)
	-	-

* On 23 August 2017, an interim dividend of Shs 2.50 (30 June 2016: Shs 6.00) per share representing an amount of Shs 907 million (2016: Shs 2,178 million) was declared and paid.

** In respect of the current year, the directors propose that a final dividend of Shs 1.5 (2016 – Shs 6.00) per share equivalent to a total sum of Shs 544 million (2016 – Shs 2,178 million) be paid to the shareholders.

The final dividend is subject to approval by owners of the Company at the Annual General Meeting and has not been included as a liability in these financial statements.

Withholding tax

Payment of dividends is subject to withholding tax at a rate of 10% for non-resident owners 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 2017

15. PROPERTY, PLANT AND EQUIPMENT

a) GROUP

Year ended 31 December 2017

	Freehold land and residential buildings Shs'million	Plant and machinery Shs'million	Office equipment and tools Shs'million	Capital work-in-Progress** Shs'million	Total Shs'million
Cost or valuation					
At 1 January 2017	7,619	33,516	1,128	565	42,828
Reclassifications****	2,395	(116)	743	63	3,085
Additions	230	121	35	6,575	6,961
Revaluations	1,838	4,485	-	-	6,323
Transfers from capital work in progress	34	210	-	(244)	-
Retirement***	(79)	-	(54)	-	(133)
Impairments	-	-	-	(171)	(171)
Translation differences*	(1)	34	1	(39)	(5)
At 31 December 2017	12,036	38,250	1,853	6,749	58,888
Depreciation					
At 1 January 2017	386	20,402	947	-	21,735
Reclassifications****	1,196	1,232	657	-	3,085
Charge for the year	213	1,308	100	-	1,621
Depreciation on retirement***	-	-	(54)	-	(54)
Translational differences*	1	(3)	1	-	(1)
At 31 December 2017	1,796	22,939	1,651	-	26,386
NET BOOK VALUE	10,240	15,311	202	6,749	32,502

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

** Capital work-in-progress represents costs incurred on ongoing work in respect of additions and replacements to various plants at year-end. Capital work-in-progress is not depreciated until the plants are completed and brought into use. See Note 9 (iii) for details on impairments.

***Retirements include property, plant and equipment that was scrapped off (derecognised) during the year.

****Reclassifications (See Note 15c) for details of 2017 reclassifications.

15. PROPERTY, PLANT AND EQUIPMENT (continued)

a) GROUP (continued)

Year ended 31 December 2016

	Freehold land and residential buildings	Plant and machinery	Office equipment and tools	Capital work-in-Progress **	Total
	Shs'million	Shs'million	Shs'million	Shs'million	Shs'million
Cost or valuation					
At 1 January 2016	7,738	35,097	1,415	612	44,862
Reclassifications*****	(75)	276	(201)	-	-
Translation adjustments*	(21)	(888)	(16)	(28)	(953)
Additions	5	14	4	384	407
Disposals	-	(287)	(68)	-	(355)
Transfers on capitalisation	-	373	30	(403)	-
Retirement***	(28)	(1,069)	(36)	-	(1,133)
At 31 December 2016	7,619	33,516	1,128	565	42,828
Depreciation					
At 1 January 2016	555	20,196	1,214	-	21,965
Reclassifications*****	(184)	409	(238)	-	(13)
Translation adjustments*	(11)	(285)	(14)	-	(310)
Charge for the year	43	1,425	89	-	1,557
Disposals	-	(275)	(68)	-	(343)
Retirement***	(17)	(1,068)	(36)	-	(1,121)
At 31 December 2016	386	20,402	947	-	21,735
Net carrying amount					
At 31 December 2016	7,233	13,114	181	565	21,093

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

** Capital work-in-progress represents costs incurred on ongoing work in respect of additions and replacements to various plants at year-end. Capital work-in-progress is not depreciated until the plants are completed and brought into use.

***Retirements include property, plant and equipment that was scrapped off (derecognised) during the year.

*****Reclassification in 2016 represents movement of assets between asset classes.

15. PROPERTY, PLANT AND EQUIPMENT (continued)

b) COMPANY

Year ended 31 December 2017

	Freehold land and residential buildings Shs'million	Plant and machinery Shs'million	Office equipment and tools Shs'million	Capital work-in-Progress Shs'million	Total Shs'million
Cost or valuation					
As at 1 January 2017	7,113	21,564	901	187	29,765
Reclassification****	978	(418)	523	-	1,083
Transfers	-	-	-	36	36
Additions	88	121	31	2,348	2,588
Revaluations	1,419	4,485	-	-	5,904
Retirement*	(79)	-	(51)	-	(130)
Impairments	-	-	-	(171)	(171)
At 31 December 2017	9,519	25,752	1,404	2,400	39,075
Depreciation					
As at 1 January 2017	149	16,640	765	-	17,554
Reclassification****	661	(45)	467	-	1,083
Charge for the year	85	843	76	-	1,004
Retirement*	-	-	(53)	-	(53)
At 31 December 2017	895	17,438	1,255	-	19,588
Net carrying amount					
At 31 December 2017	8,624	8,314	149	2,400	19,487

Year ended 31 December 2016

	Freehold land and residential buildings Shs'million	Plant and machinery Shs'million	Office equipment and tools Shs'million	Capital work-in-Progress Shs'million	Total Shs'million
Cost or valuation					
At 1 January 2016	7,108	22,484	933	230	30,755
Additions	5	-	-	273	278
Transfers	-	288	28	(316)	-
Disposals	-	(147)	(30)	-	(177)
Retirement*	-	(1,061)	(30)	-	(1,091)
At 31 December 2016	7,113	21,564	901	187	29,765
Depreciation				-	
At 1 January 2016	132	16,982	751	-	17,865
Charge for the year	17	866	74	-	957
Disposals	-	(147)	(30)	-	(177)
Retirement*	-	(1,061)	(30)	-	(1,091)
At 31 December 2016	149	16,640	765	-	17,554
Net carrying amount					
At 31 December 2016	6,964	4,924	136	187	12,211

* Retirements include property, plant and equipment that was scrapped (derecognised) during the year.

**** Reclassifications (See Note 15c) for details.

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	
	2017 Shs'million	2016 Shs'million	2017 Shs'million	2016 Shs'million
Land	533	534	528	529
Buildings and installations	2,668	881	1,004	363
Machines	18,477	21,960	8,809	10,666
TOTAL	21,678	23,375	10,341	11,558
ACCUMULATED DEPRECIAITON				
Land	-	-	-	-
Buildings and installations	(1,048)	(276)	(497)	(90)
Machines	(8,700)	(10,504)	(5,940)	(6,864)
TOTAL	(9,748)	(10,780)	(6,437)	(6,954)
Net carrying amount	11,930	12,595	3,904	4,604

The Group's and the Company's land, buildings, plant, and machinery were re-valued on 1 December 2017. Land and residential buildings were valued on the basis of open market value by independent valuers, Knight Frank Valuers Limited.

Plant and machinery were re-valued on a depreciated replacement cost basis using a valuation model prescribed by engineers and consultants at the technical centre of the ultimate shareholder.

Freehold land and residential buildings at cost include land with a carrying amount of Shs 529 million (2016: Shs 529 million) located in Mombasa and Athi River.

There were no borrowing costs capitalised during the year ended 31 December 2017 (2016: Nil).

**** Reclassification: In 2017, the management carried out a full reconciliation between the property, plant and equipment register and the prior year property, plant and equipment disclosures in the consolidated and company financial statements. As a result of the reconciliation exercise, management made certain classification adjustments in to the cost and accumulative depreciation within the notes of property, plant and equipment. Consequently, a net reclassification of Shs 3,086 million and Shs 1,083 million for the Group and the Company respectively were made to correct the notes and reflect the correct position per asset register. The reclassification did not have an impact on the net book value of the assets as disclosed in the 2016 financial statements.

15. PROPERTY, PLANT AND EQUIPMENT (continued)

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

The current Constitution, enacted on 27 August 2010, introduced significant changes in the rules for landholding by non-citizens. The Constitution no longer allows foreigners and foreign bodies to own freehold land and leasehold land in excess of 99 years. Freehold land and leasehold land of more than 99 years tenure owned by foreigners and foreign bodies automatically becomes 99 year leases upon enactment of the required legislation under Articles 65(4) of the constitution. These changes in the landholding rules took effect on 2 May 2012 upon the enactment of the Land Registration Act No. 3 of 2012.

As per the definition of Articles 65(3) of the constitution, the Company is a non-citizen and hence the status of its freehold land changes to 99 years lease.

Under the International Accounting Standards (IAS) No. 17 Leases, a 99 year lease qualifies for a finance lease classification if the lessor transfers significantly all risks and rewards incidental to the ownership of the land to the Company.

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

16. PREPAID OPERATING LEASE RENTALS

	GROUP		COMPANY	
	2017 Shs'million	2016 Shs'million	2017 Shs'million	2016 Shs'million
Cost				
At 1 January	199	210	3	3
Foreign exchange adjustments*	(2)	(11)	-	-
At 31 December	197	199	3	3
Amortisation				
At 1 January	54	46	2	2
Foreign exchange adjustments*	(1)	-	-	-
Charge for the year	8	8	-	-
At 31 December	61	54	2	2
Net carrying amount	136	145	1	1

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

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

17. INTANGIBLE ASSETS – COMPUTER SOFTWARE

	GROUP		COMPANY	
	2017 Shs'million	2016 Shs'million	2017 Shs'million	2016 Shs'million
Cost				
At 1 January	703	673	554	548
Additions	-	34	-	6
Impairment of software	(172)	-	(172)	-
Foreign exchange adjustments	3	-	-	-
At 31 December	534	707	382	554
Amortisation				
At 1 January	625	589	513	482
Impairment of software	(158)	-	(158)	-
Charge for the year	26	40	16	31
Foreign exchange adjustments	(2)	-	-	-
	491	629	371	513
Net carrying amount	43	78	11	41

*During the year, the Group and the Company adopted a new business model running on an upgraded version of SAP (SAP PR1). The impairment of software relates to legacy ERP software (SAP- Live) retired and replaced by the upgraded version of the SAP software in the current year. This resulted in a net impairment of Shs 14 million (2016: Nil). Please refer to Note 9(iii) for details.

18. INVESTMENTS IN SUBSIDIARIES

a) Information about subsidiaries

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

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

	Principal place of business	Holding %	COMPANY 2017 Shs'million	COMPANY 2016 Shs'million
Bamburi Special Products Limited	Kenya	100	20	20
Bamburi Cement Limited, Uganda*	Uganda	100	-	-
HimCem Holdings Limited	Channel Islands	100	911	911
Lafarge Eco Systems Limited**	Kenya	100	130	130
Diani Estate Limited	Kenya	100	1	1
Kenya Cement Marketing Limited*	Kenya	50	-	-
Portland Mines Limited*	Kenya	50	-	-
			1,062	1,062

Except where indicated above, the subsidiaries are incorporated in Kenya. HimCem Holdings Limited has a 70% holding in its subsidiary, Hima Cement Limited, a Company incorporated in Uganda.

* The amount of investments for Kenya Cement Marketing Limited, Bamburi Cement Limited, Uganda and for Portland Mines Limited are below Shs 1,000,000.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

18. INVESTMENTS IN SUBSIDIARIES (continued)

a) 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	2017	2016
Hima Cement Limited	Uganda	30%	30%

	2017 Shs' million	2016 Shs' million
Accumulated balances of material non-controlling interest	3,828	3,421
Profit for the year allocated to material non-controlling interest	326	647
Other comprehensive income/(loss)	88	(5)
Total comprehensive income allocated to material non-controlling interest	414	642

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	2017 Shs' million	2016 Shs' million
Revenue	16,380	17,190
Cost of goods sold	(9,391)	(10,221)
Cost of transport service	(2,372)	(2,174)
Gross profit	4,617	4,795
Marketing and sales expenses	(315)	(216)
Administration expenses	(984)	(798)
Other gains and losses	(222)	(170)
Other operating expenses	(752)	(560)
Operating Profit	2,344	3051
Finance income	12	30
Finance costs	(205)	(22)
Net finance (costs)/income	(193)	8
Profit before tax	2,151	3,059
Tax charge	(1,064)	(901)
Profit for the year	1,087	2,158
Other comprehensive income/(loss) , net of tax	293	(18)
Total comprehensive income	1,380	2,140
Attributable to non-controlling interests	452	642
Profit for the year	326	647
Other comprehensive income/(loss)	88	(5)
	414	642
Dividends paid and allocated to non-controlling interests	-	45

18. INVESTMENTS IN SUBSIDIARIES (Continued)

b) Material partly-owned subsidiary (Continued)

Summarised statement of financial position as at 31 December

	2017 Shs' million	2016 Shs' million
Non-current assets		
Property, plant and equipment and other non-current assets	12,827	8,656
Current assets		
Inventories and cash and bank balances and other current assets	6,045	6,616
Current liabilities		
Trade and other payables and other current liabilities	(5,002)	(2,908)
Non-current liabilities		
Deferred tax liabilities	(1,985)	(1,881)
Total equity and reserves	11,885	10,483
Equity holders of parent	8,057	7,062
Non-controlling interest	3,828	3,421
	11,885	10,483

Summarised cash flow information for year ending 31 December

	2017	2016
Operating	2,115	1,024
Investing	(4,366)	(401)
Financing	-	(148)
Net (decrease)/increase in cash and cash equivalents	(2,251)	475

c) Long-term investment

Hima Cement Rwanda Limited, a 100% owned subsidiary of Hima Cement Limited entered into a Joint Venture to undertake manufacture of soil stabilized bricks. The Joint Venture shall be carried out in phased approach. With Phase 1 lasting a maximum of eight months during which the parties shall assess the commercial viability of manufacturing soil stabilized bricks on a larger scale through a Phase 2. A new company will be incorporated in Rwanda as a private limited liability company with ownership as follows during Phase 1:

- Modulus BVBA – 83% shareholding
- Hima – 17% shareholding
- All shares of the Company shall rank pari passu with the same entitlement to distributions.

As at 31 December 2017 Shs 10 million (2016: Nil) had been invested.

19. OTHER EQUITY INVESTMENTS – Available-for-sale

These represent available-for-sale investments which are carried at fair value annually at the close of business on the reporting date. For investments traded in active markets, fair value is determined by reference to Stock Exchange quoted bid prices.

The market value of the quoted equity shares at 31 December 2017 was Shs 317 million (2016: Shs 278 million). Changes in the fair values are recognised in other comprehensive income and accumulated in the available-for-sale revaluation reserve in equity. The investments as at 31 December 2017 were both quoted in the stock market.

a) Movement in the equity investments- available-for-sale investments

	GROUP AND COMPANY	
	2017 Shs'million	2016 Shs'million
At 1 January	278	535
Fair value gain/(loss) (Note 19(b))	39	(257)
At 31 December	317	278

b) Analysis of the equity investments

	Number of shares			Valuation			
Quoted investments	At 1.1.2017 units	Additions/ (disposals) units	At 31.12.2017 units	At 1.1.2017 Shs' million	Additions/ (disposals) Shs' million	Increase/ (decrease) in market value Shs' million	At 31.12.2016 Shs' million
East African Portland Cement Limited	11,265,068	-	11,265,068	265	-	40	305
Kenya Oil Company Limited	905,500	-	905,500	13	-	(1)	12
				278	-	39	317

	Number of shares			Valuation			
Quoted investments	At 1.1.2016 units	Additions/ (disposals) units	At 31.12.2016 units	At 1.1.2016 Shs' million	Additions/ (disposals) Shs' million	Increase/ (decrease) in market value Shs' million	At 31.12.2016 Shs' million
East African Portland Cement Limited	11,265,068	-	11,265,068	526	-	(261)	265
Kenya Oil Company Limited	905,500	-	905,500	9	-	4	13
				535	-	(257)	278

20. GOODWILL

	GROUP	
	2017 Shs'million	2016 Shs'million
At beginning and end of the year	217	217

The goodwill amounting to Shs 217 million arose from the acquisition of a subsidiary, HimCem Holdings Limited, in 1999. HimCem is the majority owner of the Group's operating Company in Uganda, Hima Cement Limited. The whole amount has been allocated to the subsidiary, which the Group considers as a cash generating unit (CGU). Determination of goodwill impairment involves an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The Company estimates the dividend expected yearly from the CGU and discounts it using estimated discount rates.

The amount of the goodwill has been determined based on a value in use calculation using cash flow projections covering a period of 16 years from the year 2014. This is based on the expected life of the plant. The cash flows from the cash generating unit are based on expected return on capital invested of 8% and a stable market share. The expected cash flows are based on past experience on dividend received from the CGU. The yearly dividend received is 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.

21. INVENTORIES

	GROUP		COMPANY	
	2017 Shs'million	2016 Shs'million	2017 Shs'million	2016 Shs'million
Parts and supplies	2,373	3,002	1,401	1,628
Provision for obsolete inventory (Parts and supplies)	(475)	(767)	(272)	(438)
Parts and supplies net of provision	1,898	2,235	1,129	1,190
Raw materials	2,227	1,854	547	1,069
Semi-finished and finished products	876	1,582	731	1,009
Fuels	421	189	421	140
Bio fuel supplies*	471	471	471	471
	5,893	6,331	3,299	3,879

*The bio fuel supplies relate to direct operating costs incurred in respect to the on-going bio-fuels project. These costs include those relating to labour, seedlings, transportation and other directly attributable overheads. This is included in inventories as there is a plan to utilise the same in future, upon maturity, as alternative fuel in the clinker production process. The bio-fuels are not for sale.

During 2017, Shs 10.8 billion (2016: Shs 14.3 billion) and Shs 6.3 billion (2016: Shs 8.5 billion), for the Group and the Company, respectively, was recognised as an expense for inventories. This is recognised in cost of sales.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

22. TRADE AND OTHER RECEIVABLES

(a) Analysis of trade and other receivables:

	GROUP		COMPANY	
	2017 Shs'million	2016 Shs'million	2017 Shs'million	2016 Shs'million
Trade receivables	2,948	3,102	840	1,291
Other receivables*	98	501	82	165
Provision for bad and doubtful debts	(225)	(209)	(116)	(116)
Net trade and other receivables	2,821	3,394	806	1,340
Prepayments	1,575	2,086	415	1,090
Deposits	-	16	-	7
Receivables from related companies [Note 33 (ii)]	199	33	1,143	883
	4,595	5,529	2,364	3,320
Movement in provisions for bad and doubtful debts				
At beginning of year	209	284	116	176
Increase/(decrease) in allowance for bad debts charged /(credited) to profit or loss (Note 9)	16	(75)	-	(60)
At end of year	225	209	116	116

**The other receivables include advances to staff, insurance recoverable and accrued interest.*

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 36 (ii).

23. CASH AND CASH EQUIVALENTS

(a) Analysis of cash and cash equivalents:

	GROUP		COMPANY	
	2017 Shs'million	2016 Shs'million	2017 Shs'million	2016 Shs'million
Cash at bank and on hand	3,387	5,457	2,454	3,731
Short term bank deposits-Held to maturity	103	1,515	103	1,500
	3,490	6,972	2,557	5,231

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	
	2017 Shs'million	2016 Shs'million	2017 Shs'million	2016 Shs'million
Bank and cash balances: - Note 23(a)	3,490	6,972	2,557	5,231
Bank overdrafts (Note 23(c))	(1,450)	-	-	-
Balances per statement of cash flows	2,040	6,972	2,557	5,231
(c) Analysis of bank overdrafts				
Standard Chartered Bank Uganda Limited	1,216	-	-	-
Citibank Uganda Limited	234	-	-	-
	1,450	-	-	-

Bank overdrafts are unsecured and have been classified as current liabilities.

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

(d) Short term deposits – Held to maturity (all figures in millions of shillings)

Call deposits-at amortised cost	103	1,515	103	1,500

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

	GROUP		COMPANY	
	2017	2016	2017	2016
Local currencies	3.01%	10.05%	3.01%	9.15%
Foreign currencies	0.3%	0.3%	0.20%	0.30%

24. SHARE CAPITAL

	GROUP AND COMPANY	
	2017 Shs'million	2016 Shs'million
Authorised		
366,600,000 ordinary shares of Shs 5 each	1,833	1,833
100,000, 7% redeemable cumulative preference shares of Shs 20 each	2	2
	1,835	1,835
Issued and fully paid		
362,959,275 ordinary shares of Shs 5 each	1,815	1,815

Fully paid ordinary shares, which have a par value of Shs 5 each, carry a right of one vote per share and have rights to dividends.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

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) Available-for-sale reserve

The available-for-sale reserve represents accumulated gains and losses arising on the revaluation of available- for-sale financial assets that have been recognised in other comprehensive income, net of amounts reclassified to profit or loss when those assets have been disposed of or are determined to be impaired.

	GROUP AND COMPANY	
	2017 Shs'million	2016 Shs'million
At 1 January	75	332
Net gain/(loss) arising on revaluation of available-for-sale investments (Note 19(b))	39	(257)
Income tax effect	(12)	-
At 31 December	102	75

c) Translation reserve

Exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currency to the Group's presentation currency (Kenya shillings) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve are reclassified to profit or loss on disposal or partial disposal of a foreign operation.

26. DEFERRED TAX LIABILITY

Deferred taxes are calculated on all temporary differences under the liability method using a principal tax rate of 30% (2016: 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:

26. DEFERRED TAX LIABILITY (continued)

GROUP	At 1.01.2017 Shs'million	Profit or loss (Note 12(a)) Shs'million	Other comprehensive income (Note 12(a)) Shs'million	Foreign exchange adjustment* Shs'million	At 31.12.2017 Shs'million
Property, plant and equipment	3,157	(116)	1,897	-	4,938
Provision for staff gratuity, long service awards and leave	(204)	14	7	-	(183)
Bonus payable	(71)	3	-	-	(68)
Net foreign exchange gain	102	(72)	-	-	30
Net foreign exchange loss	(11)	19	-	-	8
Provision for site restoration and litigation costs	(39)	(8)	-	-	(47)
Provision for bad debts	(38)	(22)	-	-	(60)
Tax losses	2	(7)	-	-	(5)
Provision for obsolete inventories	(224)	53	-	-	(171)
Provision for Petcoke and slag	-	(13)	-	-	(13)
Provision for site inventory	-	36	-	-	36
Provision for customer rebates	-	(23)	-	-	(23)
Provision for wage increment	-	(12)	-	-	(12)
Foreign exchange gain/loss on translations	-	-	-	14	14
Fair value on asset held for sale	-	-	12	-	12
	2,674	(148)	1,916	14	4,456

GROUP	At 1.1.2016 Shs'million	Profit or loss (Note 12(a)) Shs'million	Other comprehensive income (Note 12(a)) Shs'million	Foreign exchange adjustment* Shs'million	At 31.12.2016 Shs'million
Property, plant and equipment	3,747	(442)	-	(148)	3,157
Provision for staff gratuity, long service award and leave	(217)	9	14	(10)	(204)
Bonus payable	(93)	13	-	9	(71)
Net foreign exchange gain	59	77	-	(34)	102
Net foreign exchange loss	-	(26)	-	15	(11)
Provision for site restoration and litigation	(26)	(6)	-	(7)	(39)
Provision for bad debts	(46)	8	-	-	(38)
Tax losses	2	-	-	-	2
Provision for obsolete inventories	(61)	(167)	-	4	(224)
	3,365	(534)	14	(171)	2,674

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

26. DEFERRED TAX LIABILITY (continued)

GROUP (continued)

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

COMPANY	At 1.1.2017 Shs'million	Profit or loss (Note 12 (a)) Shs'million	Other comprehensive income Shs'million	At 31.12.2017 Shs'million
Property, plant and equipment	1,065	(38)	1,771	2,798
Provision for site restoration and litigation costs	(22)	(6)	-	(28)
Bonus payable	(38)	(6)	-	(44)
Foreign exchange gain	90	(81)	-	9
Provision for staff gratuity, long service awards and leave	(184)	13	4	(167)
Provision for obsolete inventories	(133)	50	-	(83)
Foreign exchange loss	(10)	10	-	(-)
Provision for bad debts	(15)	(7)	-	(22)
Provision for customer rebates	-	(24)	-	(24)
Fair value on asset held for sale	-	-	12	12
	753	(89)	1,787	2,451

COMPANY	At 1.1.2016 Shs'million	Profit or loss (Note 12 (a)) Shs'million	Other comprehensive income Shs'million	At 31.12.2016 Shs'million
Property, plant and equipment	1,425	(360)	-	1,065
Provision for site restoration and litigation costs	(18)	(4)	-	(22)
Bonus payable	(52)	14	-	(38)
Foreign exchange gain	18	72	-	90
Provision for staff gratuity, long service awards and leave	(195)	1	10	(184)
Provision for obsolete inventories	(65)	(68)	-	(133)
Foreign exchange loss	(16)	6	-	(10)
Provision for bad debts	(15)	-	-	(15)
	1,082	(339)	10	753

27. PROVISIONS

Year ended 31 December 2017

	Site restoration and litigation Shs' million	Leave pay Shs' million	2017 Total Shs' million
GROUP			
At beginning of year	695	59	754
Additional provisions	290	-	290
Utilised during the year	(64)	(7)	(71)
At end of year	921	52	973
Categorised as:			
Current portion	-	52	52
Non-current portion	921	-	921
	921	52	973
COMPANY			
At beginning of year	668	33	701
Additional provisions	10	-	10
Utilised during the year	(64)	(4)	(68)
At end of year	614	29	643
Categorised as:			
Current portion	-	29	29
Non-current portion	614	-	614
	614	29	643

Year ended 31 December 2016

	Site restoration and litigation Shs' million	Leave pay Shs' million	Total Shs' million
GROUP			
At beginning of year	848	56	904
Additional provisions	75	18	93
Utilised during the year	(228)	(15)	(243)
At end of year	695	59	754
Categorised as:			
Current portion	-	59	59
Non-current portion	695	-	695
	695	59	754

27. PROVISIONS (Continued)

	Site restoration and litigation Shs' million	Leave pay Shs' million	Total Shs' million
COMPANY			
At beginning of year	877	29	906
Additional provisions	19	9	28
Utilised during the year	(228)	(5)	(233)
At end of year	668	33	701
Categorised as:			
Current portion	-	33	33
Non-current portion	668	-	668
	668	33	701

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

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.

In the ordinary course of its business, the Group is involved in a certain number of litigation proceedings. The Group is also subject to a number of claims and lawsuits which fall outside the scope of the ordinary course of its business.

The amount of provisions made is based on the Group's assessment of the basis for the claims and the level of risk on a case-by-case basis. The provision depends on the Group's assessment of the stage of the proceedings and the arguments in its defence. The occurrence of events during proceedings may lead to a reappraisal of the risk at any time.

Leave pay relates to employee benefits in the form of annual leave entitlements provided for when they accrue to employees with reference to services rendered up to the reporting date. Employees are entitled to carry forward a maximum of 10 leave working days per annum which should be fully utilised by the end of the following year.

28. EMPLOYEE BENEFIT LIABILITIES

Service gratuity and long service

The provisions for service gratuity and long service awards represent entitlements that accrue as a result of services offered by employees. These are classified as defined benefit plans and are not funded. The cost and the present value of the obligation of the service gratuity and long service awards are determined using actuarial valuations by an independent actuarial valuer.

The following table summarises the components of net benefit expense recognised in the statement of profit or loss and other comprehensive income and the amounts recognised in the statement of financial position for the respective plans:

Year ended 31 December 2017

	GROUP			COMPANY		
	Long service award Shs'million	Gratuity Shs'million	Total Shs'million	Long service award Shs'million	Gratuity Shs'million	Total Shs'million
Opening employee benefit obligation	58	617	675	27	524	551
Current service cost- charged to profit or loss cost of sales	5	22	27	2	20	22
Benefits payments	(8)	(100)	(108)	(8)	(97)	(105)
Interest cost - charged to profit or loss cost of sales	6	61	67	3	56	59
Reversal of unutilised provisions	(11)	(53)	(64)	-	-	-
Actuarial gain-charged to other comprehensive income	(9)	(13)	(22)	(2)	(11)	(13)
Translation gains	(1)	(1)	(2)	-	-	-
Closing employee benefit obligation	40	533	573	22	492	514
Categorised as:						
Current portion	10	70	80	5	65	70
Non-current portion	30	463	493	17	427	444
Total	40	533	573	22	492	514

28. EMPLOYEE BENEFIT LIABILITIES (continued)

Year ended 31 December 2016

	GROUP			COMPANY		
	Long service award Shs'million	Gratuity Shs'million	Total Shs'million	Long service award Shs'million	Gratuity Shs'million	Total Shs'million
Opening employee benefit obligation	65	618	683	53	537	590
Current service cost- charged to profit or loss cost of sales	8	27	35	4	14	18
Benefits payments	(6)	(78)	(84)	(22)	(75)	(97)
Interest cost - charged to profit or loss cost of sales	10	76	86	5	70	75
Actuarial gain-charged to other comprehensive income	(19)	(26)	(45)	(13)	(22)	(35)
Closing employee benefit obligation	58	617	675	27	524	551
Categorised as:						
Current portion	6	92	98	2	23	25
Non-current portion	52	525	577	25	501	526
Total	58	617	675	27	524	551

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

	2017		2016	
	Kenya %	Uganda %	Kenya %	Uganda %
Interest rate	12.3%	14.9%	12.8%	17.5%
Future salary increases	10.3%	12.9%	10.8%	15.5%
Long service award escalation rate	7.3%	9.9%	7.8%	12.5%

A quantitative sensitivity analysis for significant assumption as at 31 December 2017 is as shown below:*

Group	Interest rate		Future salary increases rate		Award escalation rate	
	+1/2% Shs'million	-1/2% Shs'million	+1/2% Shs'million	-1/2% Shs'million	+1/2% Shs'million	-1/2% Shs'million
Gratuity	(15)	6	6	(15)	(5)	(5)
Long service awards	(1)	1	-	-	1	(1)
Total	(16)	7	6	(15)	(4)	(6)

28. EMPLOYEE BENEFIT LIABILITIES (continued)

Company	Interest rate		Salary escalation rate		Award escalation rate	
	+1/2% Shs'million	-1/2% Shs'million	+1/2% Shs'million	-1/2% Shs'million	+1/2% Shs'million	-1/2% Shs'million
Gratuity	(17)	2	1	(17)	(8)	(8)
Long service awards	(1)	-	-	-	-	(1)
Total	(18)	2	1	(17)	(8)	(9)

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 2017 of 12.3% (2016-12.8%) per annum and 14.9% (2016-17.51%) 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 6 years and with a yield of 12.8% per annum. At this yield, the bond and the liabilities had discounted mean term of 4.13 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% per annum. It was considered appropriate to use the yield on the longest bond available as the valuation interest rate.

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.

29. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2017 Shs'million	2016 Shs'million	2017 Shs'million	2016 Shs'million
Trade payables	3,467	4,920	1,606	3,357
Accrued expenses	651	1,325	492	480
Other payables	561	343	435	191
Payable to related companies - Note 33 (ii)	1,417	295	1,079	321
	6,096	6,883	3,612	4,349

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. CONTINGENCIES

a) Contingent Liabilities

	GROUP		COMPANY	
	2017 Shs'million	2016 Shs'million	2017 Shs'million	2016 Shs'million
Guarantees and bonds issued by the Group's bankers in favour of Kenya Revenue Authority and Uganda National Roads Authority	588	588	571	571
Guarantees and bonds issued by the Group's bankers in favour of other parties	595	388	522	315
At end of year	1,183	976	1,093	886

b) Guarantees

The guarantees and bonds are issued by the Group's and the Company's bankers in favour of third parties. The Group and the Company has entered into counter-indemnities with the same banks. These guarantees and bonds are part of the borrowing facilities disclosed in Note 30 (e) and are issued in the normal course of business.

Included in the guarantees and bonds issued in favour of Kenya Revenue Authority is an amount of Shs 471 million (2016: Shs 471 million) given in favour of Kenya Revenue Authority as the Company appeals the decision of the Local Committee in respect of a tax dispute (see Note 30 (d)).

c) 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:

Hima Cement Uganda Limited (HLC) - mining lease suit

Hima Cement Limited had a mining lease over limestone deposits in Kasese, western Uganda, whose expiry date was 31 December 2012. In February 2012, East Africa Gold Sniffing Company Limited (EAGSCL) gave notice that it had been issued with an exploration license over the area covered by the mining lease. Hima Cement Limited filed an application for administrative review by the Ministry of Energy and Mineral Development against the issuance of the exploration license, which was heard and determined on 26 April 2012. The Minister for Energy and mineral development held that EAGSCL's application for the exploration license did not comply with requirements of the Mining Act, 2003 and was cancelled. The Minister also held that the expiry date indicated in the Hima Cement Limited's mining lease was incorrect and that the lease had expired on 31 December 2011. Subsequent to this, Hima Cement Uganda Limited applied for, and received a new mining lease which was granted on 14 March 2013.

Following the granting of the new mining lease to Hima Cement Limited, EAGSCL filed an application for judicial review in the High Court on the Minister's decision on grounds that the Minister erred in hearing an administrative review application filed by Hima Cement Limited, which had no legal right under the law since the Company's mining lease had expired and that no Company known as Hima Cement Limited existed. Hima Cement Limited applied and was enjoined in this case as an interested party.

30. CONTINGENCIES (continued)

c) Legal matters (continued)

Hima Cement Uganda Limited - mining lease suit (continued)

0n 26 March 2013, the High Court ruled that Hima Cement Limited did not follow the law in changing its name and as such no entity known as Hima Cement Limited exists in law and, therefore, there was no competent legal person to file an administrative review before the Minister. The decision by the Minister that revoked the EAGSCL's exploration license was cancelled and the mining rights of Hima Cement Limited conferred to EAGSCL.

In conjunction with the Attorney General Chambers, Hima Cement Limited filed a Civil Appeal in the Court of Appeal of Uganda and an interim stay of execution was granted on 12 April 2013. Both parties to the suit (Hima Cement Limited and EAGSCL) subsequently agreed to have the interim stay of execution remain in force until the disposal of the suit in the court of appeal. The stay of execution allows Hima Cement Limited to continue with its operation, until the Court of Appeal makes a judgement.

On the issue of existence of the Company, Hima Cement Limited's lawyers carried out a thorough search at the Ugandan Companies Registry and confirmed that Hima Cement Limited's files did exist. The Company was duly incorporated in 1994 as Hima Cement (1994) Limited and it changed its name to Hima Cement Limited in 1999, and all the documents filed subsequent to the said change of name read the new name Hima Cement Limited. Consequently, the Company received the certificate of change of name on 23 June 1999. Since the change of name in 1999, Hima Cement Limited has been fulfilling its obligations including filing returns and paying taxes.

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 2017 have been prepared on a going concern basis.

d) 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 February 2012, the Kenya Revenue Authority (KRA) issued a tax assessment of Shs 3.9 billion representing principal tax of Shs 2 billion and, penalties and interest of Shs 1.9 billion. This assessment is in respect of the Company's corporate tax, value added tax and withholding tax affairs for the years 2007 to 2011. In August 2013, the Company received a confirmed assessment of Shs 2.67 billion comprising principal tax of Shs 1.31 billion and penalties and interest of Shs 1.36 billion. In accordance with the tax legislation, the Company appealed to the Local Committee and the Value Added Tax Tribunal. The basis of the Company objection relates to the specific matters of application and interpretation of tax legislation affecting the Company and the industry in which it operates.

The matters under appeal to the Local Committee related to corporate and income tax and were heard and a ruling made in July 2014. The Company won some of the cases and lost in others. Subsequent to the Local Committee ruling, the Kenya Revenue Authority issued an assessment of Sh 997 million (being principal tax of Shs 456 million and interest and penalties of Shs 541 million). The Company has appealed this decision in the High Court but in the meantime, the Company's bankers, on the instructions of the Company, issued a bond of Shs 471 million in favour of KRA, as the Company appeals the local committee decision (see Note 30 (b) above).

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

30. CONTINGENCIES (continued)

d) Tax matters (continued)

With the assistance of professional advice, the Directors have considered all matters in contention and are confident that the appeal will be successful and no material liability will crystallise to the Group and the Company in connection with the pending cases.

e) Borrowing facilities

As at end of the year, the Group had working capital facilities amounting to a total of Shs 6,577 million (2016 – Shs 3,628 million), out of which the undrawn facilities amounted to Shs 3,550 million (2016 – Shs 2,652 million). The drawn amounts mainly relate to supplier trade finance, bonds and guarantees.

The working capital facilities are annual facilities that were 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	
	2017 Shs'million	2016 Shs'million	2017 Shs'million	2016 Shs'million
Commitments for the acquisition of property, plant and equipment	2,298	5,917	787	2,719

Commitments during the year relate to phase 1 of capacity expansion in both Kenya and Uganda.

Authorised but not contracted

Capital expenditure authorised but not contracted for at the reporting date:

	GROUP		COMPANY	
	2017 Shs'million	2016 Shs'million	2017 Shs'million	2016 Shs'million
Commitments for the acquisition of property, plant and equipment	-	541	-	-

32. CASH GENERATED FROM OPERATIONS

Reconciliation of profit before tax to cash generated from operations:

GROUP	Notes	2017 Shs'million	2016 Shs'million
Profit before tax		4,116	8,271
Adjustments for:			
Depreciation on property, plant and equipment	15(a)	1,621	1,557
Amortisation of intangible assets	17	26	40
Amortisation of prepaid lease rentals		8	-
Amortisation of limestone reserves		6	8
Impairment of property, plant and equipment		171	-
Impairment of intangible assets		14	-
Interest income	7(ii)	(150)	(369)
Interest expense		24	-
Gain on disposal of property, plant and equipment	8	(37)	(3)
Loss on retirement of property, plant and equipment		-	12
Net foreign exchange gains		(19)	(208)
Provisions and employees' defined benefits charged to profit or loss		(22)	214
Operating profit before working capital changes		5,758	9,522
Changes in working capital balances:			
Decrease in inventories		435	273
Decrease in trade and other receivables		392	(2,677)
Decrease in provisions and employees' defined benefits liabilities		-	(360)
Decrease/(increase) in trade and other payables		(127)	56
Cash generated from operations		6,458	6,814

COMPANY	Notes	2017 Shs'million	2016 Shs'million
Profit before tax		1,866	5,234
Adjustments for:			
Depreciation on property, plant and equipment	15(b)	1,004	957
Amortisation of intangible assets	17	16	31
Impairment of property, plant and equipment		171	-
Impairment of intangible assets		14	-
Interest income	7	(148)	(352)
Interest expense		-	-
Dividend income	7	-	(89)
Loss/(gain) on disposal of property, plant and equipment	8	79	(1)
Provisions and employees' defined benefits charged to profit or loss		(13)	121
Net foreign exchange(gains)/loss		(37)	26
Operating profit before working capital changes		2,952	5,927
Changes in working capital balances:			
Decrease in inventories		575	2
Increase in trade and other receivables		(124)	(889)
Decrease in provisions and employees' defined benefits liabilities		-	(365)
Increase in trade and other payables		288	136
Cash generated from operations		3,691	4,811

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

33. RELATED PARTY TRANSACTIONS

Note 18 provides the information about the Group's structure including the details of the subsidiaries.

The ultimate parent of the Group is LafargeHolcim Ltd, incorporated in Switzerland. There are other companies which are related to Bamburi Cement Limited through common shareholdings and directorships.

(i) Related party transactions

The Company receives technical assistance from the majority shareholder, LafargeHolcim Ltd, which is paid for under a five-year agreement.

The following transactions were carried out with related parties during the year.

GROUP		Sales of goods and services Shs'million	Purchases of goods and services Shs'million	Interest received Shs'million
Entity with significant influence over the Group:				
Lafarge SA(technical fees)	2017	-	1,687	-
	2016	-	1,400	-
Other related companies				
Cementia Holdings	2017	-	892	-
	2016	-	1,551	-
Lafarge Energy Solutions	2017	-	921	-
	2016	-	1,204	-

COMPANY		Sales of goods and services Shs'million	Purchases of goods and services Shs'million	Interest received Shs'million
Entity with significant influence over the Group:				
Lafarge SA	2017	-	935	-
	2016	-	838	-
Subsidiaries:				
Hima Cement Limited	2017	2950	-	-
	2016	3,064	-	-
Bamburi Special Products Limited	2017	617	-	-
	2016	740	-	13
Other Related parties				
Cementia Holdings	2017	-	892	-
	2016	-	1,551	-
Lafarge Energy Solutions	2017	-	817	-
	2016	-	1,015	-

33. RELATED PARTY TRANSACTIONS (continued)

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

RECEIVABLES FROM RELATED PARTIES	GROUP		COMPANY	
	2017 Shs'million	2016 Shs'million	2017 Shs'million	2016 Shs'million
Receivables from related parties				
Lafarge France	10	6	10	10
Lafarge South Africa	5	5	5	5
Lafarge Technical Centre Europe	10	1	10	10
Chilanga Cement Plc Zambia	6	6	6	6
Mbeya Cement	(5)	(6)	(5)	(7)
Malawi Portland Cement	8	17	8	8
West Africa Portland Cement	-	(4)	-	8
Ashaka Cement Co.	2	2	2	2
Lafarge Cairo	7	6	7	7
Other related parties	156	-	141	35
	199	33	184	84
Receivables from subsidiaries				
Hima Cement Limited	-	-	450	294
Bamburi Special Products Limited	-	-	318	369
Lafarge Eco Systems Limited	-	-	158	103
Diani estate Limited	-	-	33	25
	-	-	959	799
Total receivables [Note 22(a)]	199	33	1,143	883

PAYABLES TO RELATED PARTIES	GROUP		COMPANY	
	2017 Shs'million	2016 Shs'million	2017 Shs'million	2016 Shs'million
Holcim Technology Limited	452	126	303	126
Lafarge France	421	158	303	133
Lafarge Eco Systems	-	-	154	51
Other related parties	544	11	319	11
Total payables to related parties (Note 29)	1,417	295	1,079	321

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 and settlement occurs in cash. For the year ended 31 December 2017 the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2016: Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates. There have been no guarantees or commitments provided or received for any related party receivables or payables.

33. RELATED PARTY TRANSACTIONS (continued)

(iii) Loan to subsidiary

As at the end of the year, the balance due to the Company in respect of a loan to its subsidiary, Bamburi Special Products Limited, amounted to Shs 83 million (2016 - Shs 112 million). The loan is unsecured and the effective interest on the loan was 10% (2016 – 10%). The loan repayment period is 10 years from January 2011. The loan comprises:

	COMPANY	
	2017 Shs'million	2016 Shs'million
Current portion	29	29
Non-current portion	54	83
	83	112
The movement in loan to subsidiary is as shown below:		
At 1 January	112	148
Paid during the year	(29)	(36)
At 31 December	83	112
Interest charged on the above loan (Note 7)	10	13

(iv) Key management personnel compensation

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

	GROUP AND COMPANY	
	2017 Shs'million	2016 Shs'million
Fees for services as a director		
Executive	-	-
Non-executive	10	7
Total directors' fees	10	7
Emoluments for directors		
Salaries and bonuses	101	106
Short term employee benefits	47	58
Post-employment pension-defined contribution	19	27
Total emoluments for executive directors	167	191
Total emoluments for the directors	177	198
Guaranteed loans to executive directors	1	2
Emoluments for key management personnel (excluding the directors):		
Salaries and bonuses	55	53
Short term employee benefits	17	17
Post-employment pension-defined contribution	5	6
	77	76
Total emoluments for directors and other key management personnel	254	274

33. RELATED PARTY TRANSACTIONS (continued)

Guaranteed long-term loans to key management staff	1	2
Guaranteed long-term loans to executive directors and key management personnel	2	4

Terms and conditions of the guaranteed long-term loans

The long-term loans to executive directors and key management staff are issued as part of the employee benefit from the general loans for unsecured loans from Citibank. The Company acts as the guarantor for these loans. Any guaranteed loans that exceed Shs. 1.5 million require a security from all staff. The loans are at a company-negotiated rate.

34. OPERATING LEASES

Group as a lessor

The Group has entered into operating lease agreements for leasing out of various properties and premises. Future lease incomes expected under operating leases are as follows:

	GROUP	
	2017 Shs'million	2016 Shs'million
Lease income expected under operating leases:		
Not later than 1 year	40	38
Later than 1 year but not later than 5 years	132	172
	172	210

All the commitments relate to future rent payable based on the existing contracts and projected renewals. The lease agreements are between the Group and tenants and have no provisions relating to contingent rent payable. The terms of renewal vary from one lease to another and may include a written notice to the lessors before the expiration of the leases and the lessors will grant to the lessee new leases of the said premises/properties for a further term as may be mutually agreed by the parties.

Group as a lessee

The Group has entered into operating lease agreements for leasing of motor vehicles and commercial premises. Future lease payments under non-cancellable operating leases are as follows:

	GROUP	
	2017 Shs'million	2016 Shs'million
Lease payments committed under operating leases:		
Not later than 1 year	52	83
Later than 1 year but not later than 5 years	67	50
	119	133

All the commitments relate to future rent payable based on the existing contracts and projected renewals. The lease agreements are between the Group and landlords and have no provisions relating to contingent rent payable. The terms of renewal vary from one lease to another and may include a written notice to the lessors before the expiration of the leases and the lessors will grant to the lessee new leases of the said premises/properties for a further term as may be mutually agreed by the parties.

During the year ended 31 December 2017, Shs 204 million was recognised as an expense in the statement of profit or loss and other comprehensive income in respect of the operating leases (2016: Shs 46 million).

35. RETIREMENT BENEFITS SCHEME

The Group operates a defined contribution retirement plan for eligible employees. The assets of the plans are held separately from those of the Group in funds under the control of trustees. The scheme is administered by an independent administration Company and is funded by contributions from the Group companies and employees. The Group's obligations to the staff retirement benefits plans are charged to profit or loss as they fall due and as they accrue to each employee.

The Group also makes contributions to the statutory defined contribution schemes in the two countries where its operations are based. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

The total expense recognised in profit or loss of Shs 198 million (2016: Shs 121million) and Shs 94 million (2016: Shs 35 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).

36. FINANCIAL RISK MANAGEMENT

Introduction and overview

The Group's principal financial liabilities are trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations.

The Group's principal financial assets include trade and other receivables, and cash and short-term deposits that derive directly from its operations. The Group also holds available for sale investments.

The Group is exposed to
- market risk;
- credit risk; and
- liquidity risk.

The Group's overall risk management programme focuses on the unpredictability of changes in the business environment and seeks to minimise potential adverse effects of such risks on its financial performance within the options available in Kenya and Uganda by setting acceptable levels of risks.

Risk Management Framework

Financial risk management is carried out by Group's Corporate Treasury Department under policies approved by the Board of Directors. The Group's Corporate Treasury function identifies, evaluates and manages financial risks in close cooperation with operating units. The board provides written principles for overall risk management, as well as written policies covering specific areas such as credit risk, liquidity risk, foreign exchange risk, interest rate risk and price risk. The Group does not enter into or trade in financial instruments, including derivative financial instruments, for speculative purposes.

The Corporate Treasury function reports quarterly to the LafargeHolcim Ltd 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.

36. FINANCIAL RISK MANAGEMENT (continued)

(i) Market risk (continued)

There has been no change to the Group's exposure to market risks or the manner in which it measures and manages the risk.

a) Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies. Therefore, exposures to exchange rate fluctuations arise. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities. The group manages foreign exchange risk by converting its foreign currency collections into local currency on an ongoing basis to cater for its operational requirements. The group raises some bills in foreign currency and receives the settlements in the same currency to avoid the effect of swinging currency exchange rates.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of the reporting period are as follows:

Group foreign currency risk:

	EUR Shs'million	USD Shs'million	TOTAL Shs'million
31 December 2017:			
Assets			
Trade and other receivables	-	42	42
Bank balances	26	1,607	1,633
Total assets	26	1,649	1,675
Liabilities			
Trade and other payables	441	935	1,376
Bank Overdraft	-	1,216	1,216
Net exposure position	(415)	(502)	(917)
31 December 2016:			
Assets			
Trade and other receivables	299	472	771
Bank balances	105	2,027	2,132
Total assets	404	2,499	2,903
Liabilities			
Trade and other payables	306	224	530
Net exposure	98	2,275	2,373

36. FINANCIAL RISK MANAGEMENT (continued)

(i) Market risk (continued)

a) Foreign currency risk management (continued)

Company foreign currency risk:

	EUR Shs'million	USD Shs'million	TOTAL Shs'million
31 December 2017			
Assets			
Trade and other receivables	-	4	4
Bank balances	9	1,283	1,292
Total assets	9	1,287	1,296
Liabilities			
Trade and other payables	287	59	346
Net exposure position	(278)	1,228	950
31 December 2016			
Assets			
Trade and other receivables	284	12	296
Bank balances	58	1,669	1,727
Total assets	342	1,681	2,023
Liabilities			
Trade and other payables	299	203	502
Net exposure	43	1,478	1,521

36. FINANCIAL RISK MANAGEMENT (continued)

(i) Market risk (continued)

a) Foreign currency risk management (continued)

Foreign currency sensitivity analysis

The following sensitivity analysis shows how profit and equity would change if the Kenya Shilling had depreciated against the other currencies by 5% (2016: 5%) on the reporting date with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant. This is mainly attributable to the change in value of foreign exchange receivables, payables and bank balances.

The following sensitivity analysis shows how profit and equity would change if the Kenya Shilling had depreciated against the other currencies by 5% (2016: 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	
	2017 Shs' million	2016 Shs' million	2017 Shs' million	2016 Shs' million
GROUP				
EUR	1	5	1	4
USD	80	101	56	71
	81	106	57	75
COMPANY				
EUR	1	3	1	2
USD	64	84	45	59
	65	87	46	61

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% (2016:5%) increase/decrease of the annual interest rate would have resulted in an increase/ decrease in pre-tax profit of Shs 5 million (2016: Shs 18 million) and an increase/decrease in equity of Shs. 3.5 million (2016: Shs. 13 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

36. FINANCIAL RISK MANAGEMENT (continued)

(i) Market risk (continued)

a) 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 2017, if the prices at the Nairobi Securities Exchange had appreciated/depreciated by 5% with all other variables held constant would have resulted in an increase/ decrease on other comprehensive income and equity for the Group and Company of Shs 14 million (2016- Shs 14 million) as a result of changes in fair value of available-for-sale shares.

(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.

The credit risk exposures are classified in three categories:

- Fully performing
- Past due
- Impaired

Maximum exposure to credit risk before collateral held or other credit enhancements:

The carrying amount of financial assets recorded in the financial statements representing the Group's and the Company's maximum exposure to credit risk is as follows:

	GROUP		COMPANY	
	2017 Shs'million	2016 Shs'million	2017 Shs'million	2016 Shs'million
Loan to subsidiary	-	-	83	112
Trade receivables	2,763	2,933	1,357	1,215
Bank balances	3,490	6,972	2,557	5,231

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored by the credit department. The credit risk on bank balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group and the Company did not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group and the Company defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk did not exceed 5% of gross monetary assets at any time during the year.

36. FINANCIAL RISK MANAGEMENT (continued)

(ii) Credit risk (continued)

a) *Analysis of the Group credit exposure:*

	2017			2016		
	Gross Shs'million	Impairment Shs'million	Net Shs'million	Gross Shs'million	Impairment Shs'million	Net Shs'million
Fully performing	1,030	-	1,030	1,890	-	1,890
Past due	1,918	225	1,693	1,212	209	1,003
Trade receivables - Note 22 (a)	2,948	225	2,723	3,102	209	2,893

b) *Analysis of the Company credit risk:*

	2017			2016		
	Gross Shs'million	Impairment Shs'million	Net Shs'million	Gross Shs'million	Impairment Shs'million	Net Shs'million
Fully performing	724	-	724	865	-	865
Past due	116	116	-	426	116	310
Trade receivables - Note 22(a)	840	76	724	1,291	116	1,175

As at 31 December, the ageing analysis of trade receivables is, as follows:

Ageing analysis of trade receivables for the Group

		Neither past	Past due but not impaired				Impaired
	Carrying amount Shs'million	due nor Impaired Shs'million	< 30 days Shs'million	30–60 days Shs'million	91–120 days Shs'million	> 120 days Shs'million	Shs'million
2017	2,763	1,011	642	486	401	243	(20)
2016	2,933	1,805	318	305	540	174	(209)

Ageing analysis of trade receivables for the Company:

		Neither past	Past due but not impaired				Impaired
	Carrying amount Shs'million	due nor Impaired Shs'million	< 30 days Shs'million	30–60 days Shs'million	91–120 days Shs'million	> 120 days Shs'million	Shs'million
2017	764	390	190	93	57	110	(76)
2016	1,215	905	53	88	13	272	(116)

36. FINANCIAL RISK MANAGEMENT (continued)

ii) Credit risk (continued)

Fully performing

The Group and the Company classifies financial assets under this category for those exposures that are up to date and in line with contractual agreements. These exposures will normally be maintained within approved product programs and with no signs of impairment or distress.

Past due but not impaired

The financial assets that are past due relate to trade receivables overdue by over 30 days. The receivables are not impaired and continue to be paid. The Group and the Company are actively following these receivables.

Impaired financial assets

Impaired financial assets are financial assets for which the Group and the Company determines that it is probable that it will be unable to collect all payments due according to the contractual terms of the agreement(s). No collateral is held with respect to the debt. These are fully provided for.

Management considers that the financial assets is impaired and impairment losses are incurred only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Management considers the following factors in determining that the financial statements are impaired:

a) significant financial difficulty of the customer;
b) a breach of contract, such as a default of payment by the customer;
c) it becoming probable that the customer will enter bankruptcy or other financial reorganisation; and
d) adverse changes in the payment status of customer such an increased number of delayed payments.

Collateral held on trade receivables

The Group holds collateral against credit advanced to customers in the form of cash deposits and bank guarantees. Collateral is usually not held against bank balances and amounts due from related parties, and no such collateral was held at 31 December 2017 or 2016. Management assessed that the fair value of the collateral and bank guarantees approximates their carrying amounts largely due to the short-term maturities of these instruments. An estimate of the fair value of collateral held against financial assets is shown below.

There are no other significant terms and conditions associated with the use of collateral.

Fair value of collateral held against trade receivables as at 31 December 2017 and 31 December 2016 was:

	31 December 2017 Shs' million	31 December 2016 Shs' million
Bank guarantees collateral	979	886

36. FINANCIAL RISK MANAGEMENT (continued)

(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.

GROUP – Financial liabilities:

	Total amount Shs'million	0-30 days Shs'million	31-90 days Shs'million	91-120 days Shs'million	120 days and above Shs'million
31 December 2017:					
Trade payables (Note 29)	3,467	2,684	487	296	-
Related party payables (Note 29)	1,417	142	420	420	435
Other payables (Note 29)	561	561	-	-	-
Accrued expenses (Note 29)	651	245	406	-	-
31 December 2016:					
Trade payables (Note 29)	4,920	4,451	242	157	70
Related party payables (Note 29)	295	156	85	54	-
Other payables (Note 29)	343	343	-	-	-
Accrued expenses (Note 29)	1,325	867	458	-	-

36. FINANCIAL RISK MANAGEMENT (continued)

(iii) Liquidity risk (continued)

COMPANY – Financial liabilities:

	Total amount Shs' million	0-30 days Shs' million	31-90 days Shs' million	91 - 120 days Shs' million	120 days and above Shs' million
31 December 2017:					
Trade payables (Note 29)	1,606	1,112	346	148	-
Related party payables (Note 29)	1,079	88	463	528	-
Other payables	435	435	-	-	-
Accrued expenses (Note 29)	492	175	168	147	-
31 December 2016:					
Trade payables (Note 29)	3,357	3,033	265	59	-
Related party payables (Note 29)	321	166	101	54	-
Other payables (Note 29)	191	191	-	-	-
Accrued expenses (Note 29)	480	276	204	-	-

37. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are:

- To ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance.
- To maintain a strong capital base to support the current and future development needs of the business.

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

The Board of Directors reviews the capital structure on a regular basis. As part of this review, the board considers the cost of capital and the risks associated with each class of capital. Based on the review, the Group analyses and assesses the gearing ratio to determine the level and its optimality.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents. The Group's policy is to keep the gearing ratio between 20% and 40%, where applicable. As at 31 December 2017, the Group and Company were in net cash position hence not geared (2016: net cash position).

There have been no material changes in the Group's management of capital during the year.

The constitution of capital managed by the Group is as shown below:

	GROUP		COMPANY	
	2017 Shs'million	2016 Shs'million	2017 Shs'million	2016 Shs'million
Equity	33,200	29,819	21,835	19,880
Trade and other payables – Note 29	6,096	6,883	3,612	4,349
Less: cash and cash equivalents - Note 23(b)	(3,490)	(6,972)	(2,557)	(5,231)
Net cash position	(2,606)	(89)	(1,055)	(882)

38. 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

		Carrying amount		Fair Value	
		2017	2016	2017	2016
	Notes	Shs'million	Shs'million	Shs'million	Shs'million
Financial assets					
Other equity investments	19	317	278	317	278
COMPANY					
Financial assets					
Other equity investments	19	317	278	317	278

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.

38. FAIR VALUE OF ASSETS AND LIABILITIES (continued)

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)

GROUP	Level 1 Shs'million	Level 2 Shs'million	Level 3 Shs'million
31 December 2017			
Assets			
Property, plant and equipment			
-Freehold land and buildings	-	-	10,240
-Plant and machinery	-	-	15,310
Available -for -sale financial assets			
-Other quoted investments	317	-	-
31 December 2016			
Assets			
Property, plant and equipment			
-Freehold land and buildings	-	-	7,233
-Plant and machinery	-	-	13,414
Available -for -sale financial assets			
-Other quoted investments	278	-	-

COMPANY	Level 1 Shs'million	Level 2 Shs'million	Level 3 Shs'million
31 December 2017			
Assets			
Property, plant and equipment			
-Freehold land and buildings	-	-	8,624
-Plant and machinery	-	-	8,314
Available-for-sale financial assets			
-Other quoted investments	317	-	-
31 December 2016			
Assets			
Property, plant and equipment			
-Freehold land and buildings	-	-	6,964
-Plant and machinery	-	-	4,824
Available-for-sale financial assets			
-Other quoted investments	278	-	-

37. 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 revalued on 1 December 2017.

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.

38. FAIR VALUE OF ASSETS AND LIABILITIES (continued)

b) Fair value hierarchy (continued)

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

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

LEVEL 3	Valuation technique	Significant unobservable inputs	Range (weighted average)	Sensitivity of the input to fair value
Land	Market Comparable Approach	Price per acre	Between Shs 1 million and Shs 30 million	0.5% (2016: 0.5%) increase (decrease) would result in an increase/(decrease) in fair value by Shs 32.25 million.
Buildings	Market Comparable Approach	Estimated rental value per square meter per month. Rent growth p.a	Shs 30 per square meter 5%	0.5% (2016: 0.5%) increase (decrease) would result in an increase/(decrease) in fair value by Shs 2.0 million.
Plant and machinery	Depreciated replacement cost for plant and machinery	Capital expenditure for a model plant at above capacity assuming supply from China.	Between Shs 1,358 million and Shs 2,729 million.	0.5% (2016: 0.5%) increase (decrease) would result in an increase/(decrease) in fair value by Shs 20.4 million.

The significant unobservable inputs used in the fair value measurement of the the Group and the Company's property and equipment are price per acre, estimated rental value per sqm 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.

39. RECLASSIFICATION OF PRIOR YEAR PRESENTATION

Certain prior year amounts have been reclassified for consistency with the current year presentation. Material adjustment was done on the Group's and the Company's cost and accumulated depreciations (See Note 15(a) and (b) and (c)) for details. These reclassifications had no effect on the reported results of net carrying value of the property, plant and equipment and the operations.

40. COUNTRY OF INCORPORATION

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

41. EVENTS AFTER THE REPORTING DATE

The Board of Directors approved the financial statements on 26 March 2018 and authorised that the financial statements be issued. On this date, the Directors were not aware of any matter or circumstances arising since the end of the financial year, not otherwise dealt with in the financial statements, which would significantly affect the financial position of the Group and results of its operation as laid out in these financial statements.

6 SHAREHOLDER INFORMATION

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 67th Annual General Meeting of the Shareholders of Bamburi Cement Limited will be held in Mombasa at the Nyali International Beach Hotel on Thursday 7 June 2018 at 2.30 pm. for the following purposes:

1. To table the proxies and to note the presence of a quorum.
2. To read the notice convening the meeting.
3. To receive the Chairman's statement, the Report of the Directors and the Audited Accounts for the year ended 31 December 2017.
4. To declare dividends:
   4.1. To ratify the payment of the interim dividend of KES. 2.50/= per ordinary share paid on 27 October 2017;
   4.2. To declare a final dividend payment of KES. 1.50/= per ordinary share for the year ended 31 December 2017.
5. To approve Directors' fees for 2017 and increase Directors' fees in 2018.
6. To re-elect directors:
   6.1. In accordance with Article 110 of the Company's Articles of Association to re-elect the following directors who retire by rotation and being eligible, offer themselves for re-election:
      6.1.1. Eric Kironde
      6.1.2. Joseph Kimote
   6.2. In accordance with Article 115 of the Company's Articles of Association, to re-elect the following directors appointed since the last Annual General Meeting, who retire from office and, being eligible, offer themselves for re-election:
      6.2.1. Olivier Guitton Appointed 8 June 2017
      6.2.2. Seddiq Hassani Appointed 9 February 2017
      6.2.3. Nicolas George Appointed 9 February 2017
   6.3. In accordance with the provisions of Section 769 of the Companies Act 2015, to appoint the following Directors as members of the Audit Committee:
      6.3.1. Alice Owuor
      6.3.2. Joseph Kimote
      6.3.3. Rita Kavashe
7. To note that Deloitte and Touche continue in office as Auditors in accordance with Section 159 (2) of the Companies Act and to authorize the Directors to fix their remuneration for 2018.

SPECIAL BUSINESS

8. To consider and, if thought fit, pass the following resolution as a special resolution:
   8.1. that the Articles of Association be amended as per the attached proposals;
   8.2. that the Articles of Association be reprinted and signed by the Chairman for purposes of identification;
   8.3. that the signed Articles of Association be adopted as the new Articles of Association of the Company in substitution for and to the exclusion of the existing Articles of Association.
9. To transact any other business of the Company of which due notice has been received.

By order of the Board

B Kanyagia
SECRETARY
24 April 2018

A member entitled to attend and vote at the above meeting is entitled to appoint a proxy, who need not be a member of the Company, to attend and vote in his stead. Proxy forms must be lodged at the registered office of the Company, P.O. Box 10921, 00100 Nairobi not less than 48 hours before the time of the meeting. A proxy form is provided with this report.

Proxy Form

**The Secretary
Bamburi Cement Limited
Corporate Offices
Kenya Re Tower, 6th Floor
Upper Hill, Ragati Lane
P O Box 10921, 00100
NAIROBI, KENYA**

I/WE____

____

of ____

____

a member of BAMBURI CEMENT LIMITED hereby appoint

of ____

or in his/her place THE CHAIRMAN OF THE MEETING as my/our proxy and/or representative to vote at his/her discretion for me/us and on my/our behalf at the Annual General Meeting to be held on Thursday 7 June 2018 and at every adjournment thereof.

AS WITNESS my/our hand(s) this ____________________ day of ____________________ 2018

____

(Usual Signature)

Proxy forms must reach the registered office of the company by 2.00 pm Tuesday 5 June 2018.

Building a sustainable future

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