EAST AFRICAN CABLES PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

AT

31 DECEMBER 2019

EAST AFRICAN CABLES PLC

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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EAST AFRICAN CABLES PLC

NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given that the fifty fifth (55th) Annual General Meeting of the shareholders will be held via electronic communication on Thursday, 3rd September 2020 at 11.00 a.m. for the following purposes:

A. Ordinary business

1. To receive and if approved, adopt the Group's audited financial statements for the year ended 31 December 2019, together with the Chairman's, Directors' and Auditors' reports thereon.
2. To approve the Directors' remuneration as provided in the financial statements for the period ended 31 December 2019.
3. Dividend. The Board of Directors does not recommend payment of a dividend for the year ended 31 December 2019.
4. To elect Directors:
   (i) In accordance with the Company's Articles of Association, Michael G. Waweru retires by rotation and being eligible offers himself for re-election.
   (ii) In accordance with the Company's Articles of Association, Mr. Bruno Thomas retires by rotation but does not offers himself for re-election.
   (iii) Pursuant to paragraph 2.5.1 of the Code of Corporate Governance Practices for Issuers of Securities to the Public 2015, to approve the continuation in office as a Director of the following directors who are above the age of seventy (70) years.
      a. Mr. Peter T. Kanyago
5. Pursuant to the provisions of Section 769 of the Companies Act 2015, Mr. Peter T. Kanyago and Mr. Njiinu Nganga (representing Transcentury PLC) being members of the Board Audit Committee be re-elected to continue to serve as members of the said committee.
6. To approve the re-appointment of KPMG Kenya as the auditors in accordance with section 721 (2) of the Companies' Act, 2015 and to authorise the Directors to fix their remuneration.

B. Special business

7. To amend the company's Articles of Association.
   In accordance with section 22 of the Companies Act, a new clause 42(5) be inserted into the company's Articles of Association as follows:
   "Article 42(5). Notwithstanding anything contained in these Articles, if the Board calls a meeting of shareholders or of the Board, the Board may determine that the meeting be held, subject to and in accordance with the Act or any other applicable regulations, entirely by means of telephonic, electronic or other communications facility that permits all participants to communicate adequately with each other during the meeting (Multi-site, virtual or hybrid meeting). In the event such a meeting is to be held, the Board shall, notwithstanding anything contained in these Articles, establish the procedures for the conduct thereof including, without limitation, the procedures for voting by telephonic, electronic or other communications facility. Participation in the multi-site, virtual or hybrid meeting held by telephonic, electronic or other communications facility shall constitute presence of the Members or Directors at the meeting and anything contained in these Articles requiring:
   42(5)(i) Members or Directors to be personally present shall be construed as including a virtual, telephonic or electronic presence; and
   42(5)(ii) Notice of a meeting to include the place of the meeting shall be construed to include the means of conduct and mechanism for assessing and participating in the meeting if it is a multi-site, virtual or hybrid meeting."
8. To transact any other business which may be properly transacted at an Annual General Meeting

BY ORDER OF THE BOARD

Virginia Ndunge
Company Secretary
P.O. Box 18243 - 00500
Nairobi
23rd July 2020

EAST AFRICAN CABLES PLC

NOTICE OF THE ANNUAL GENERAL MEETING (CONTINUED)

Notes:

1. Due to ongoing COVID-19 pandemic and the Government of Kenya directives restricting public gatherings, Shareholders will not be able to attend the Annual General Meeting ('AGM") in person as envisaged under the Company's Articles of Association and section 280 of the Companies Act 2015. However, shareholders will be able to register for, and access information pertaining to the proposed resolutions, follow the meeting in the manner detailed below and to vote electronically or by proxy. Shareholders will also have an opportunity to ask questions before and during the meeting as detailed below. On 29 April 2020, the High Court of Kenya in Miscellaneous Application No. E680 of 2020, issued an order permitting any company listed on the Nairobi Securities Exchange to convene and conduct a virtual general meeting subject to receipt of a 'No objection' from the Capital Markets Authority ('CMA'). Relying on this court order, East African Cables PLC has convened and will conduct its virtual annual general meeting following receipt of a No Objection from the CMA.

2. Shareholders wishing to participate in the meeting should register for the AGM online at https://digital.candrgroup.co.ke or via USSD using short code number ***384*046#** and follow the various prompts on the registration process.

3. To complete the registration process, shareholders will need to have their Shares Account Number or CDSC Account Number and the ID/Passport Number which were used to purchase their shares. For assistance, shareholders should dial the following helpline number: +254 20 7608216 from 8:00 a.m. to 4:00 p.m. during the registration open period. Shareholders outside Kenya should dial the helpline number or send an email to digital@candrgroup.co.ke for assistance during registration.

4. Registration for the AGM opens on Tuesday 25th August 2020 at 09:00AM and will close on Wednesday 2nd September 2020 at 12 noon. Shareholders will not be able to register after this time.

5. In accordance with Article 44(4) of the Company's Articles of Association, the following documents may be viewed on the Company's website www.eacables.com (a) a copy of this Notice and the proxy form; (b) the Company's Annual Report and Audited Financial Statements for the year ended 31st December 2019; (c) a copy of the High Court Order in Miscellaneous Application No. E680 of 2020; and (d) a copy of the No Objection issued by the CMA.

6. In accordance with Section 298 (1) of the Companies Act, any shareholder who is entitled to attend and vote at the AGM is entitled to appoint a proxy to vote on his/her behalf. Such proxy need not be a member of the Company. A proxy form is provided in the Annual Report and is also available on the Company's website www.eacables.com or Custody and Registrars Services offices, IKM Place, Tower B, 1st Floor, 5th Ngong Avenue P.O. Box 8484-00100. Nairobi, Kenya. Shareholders who do not propose to attend the AGM are requested to complete and return the proxy form to C&R Group Limited's offices or alternatively to the Registered Office of the Company so as to arrive not later than 10.00am on 1st September 2020.

7. Duly signed proxy forms may also be emailed to proxy@candrgroup.co.ke in PDF format. A proxy form must be signed by the appointer or his attorney duly authorized in writing. If the appointer is a body corporate, the instrument appointing the proxy shall be given under the Company's common seal or under the hand of an officer or duly authorized attorney of such body corporate. Any proxy registration that is rejected will be communicated to the shareholder no later than 2nd September 2020 at 10.00 am.

8. Shareholders wishing to raise any questions or clarifications regarding the AGM may do so on or before 2nd September 2020 at 12:00 p.m. by:
(a) accessing virtual AGM via https://digital.candrgroup.co.ke platform; select Attend Event; Select "East African Cables Plc AGM"; Select "Q&A" option tab and submit questions in text box provided; or
(b) accessing virtual AGM via USSD platform ***384*036#** use the menu prompts to select "East African Cables Plc AGM"; Select the menu option "Q&A" and submit their questions: or
(c) sending their written questions by email to digital@candrgroup.co.ke; or
(b) to the extent possible, physically delivering or posting their written questions with a return address (physical, postal or email) to the registered office of the Company or P.O. Box 18243 – 00500, Nairobi, or to C&R Group Limited offices at the address above. Shareholders must provide their full details (full names, National ID/Passport Number/CDSC Account Number) when submitting their questions or clarifications. The Company's Directors will provide written responses to the questions received to the return address (physical, postal or email) provided by the Shareholder, no later than 12 hours before the start of the AGM. A full list of all questions received, and the answers thereto will be published on the Company's website not later than 12 hours before the start of the AGM.

9. The AGM will be streamed live via a link which shall be provided to all shareholders who have successfully registered to participate in the AGM. Duly registered shareholders and proxies will receive a short message service (SMS/USSD) prompt on their registered mobile numbers, 24 hours prior to the AGM as a reminder of the AGM. A second SMS/ USSD prompt shall be sent two hours ahead of the AGM.

10. Shareholders wishing to vote may do so by
(a) accessing virtual AGM via https://digital.candrgroup.co.ke platform; select Attend Event; Select "East African Cables Plc AGM"; Select "Voting" option tab and vote; or
(b) accessing virtual AGM via USSD platform ***384*036#** use the menu prompts to select "East African Cables Plc AGM"; Select the menu option "voting" and follow the various prompts regarding the voting process: or

11. Results of the resolutions voted on will be published on the Company's website i.e. **www.eacables.com** within 24 hours following conclusion of the AGM.

EAST AFRICAN CABLES PLC

DIRECTORS, OFFICES AND STATUTORY INFORMATION

DIRECTORS

Michael Waweru	Chairman
Paul Muigai	Chief Executive Officer and Managing Director
Peter Kanyago	
Bruno Thomas*	
Dennis Awori	
Carole Kariuki	
TransCentury PLC	
Cable Holdings (Kenya) Limited	

* French

REGISTERED OFFICE &
PRINCIPAL PLACE OF BUSINESS
East African Cables PLC
Industrial Area, Addis Ababa Road
PO Box 18243 - 00500
Nairobi

REGISTRARS
Custody & Registrar Services Limited
6th Floor, Bruce House, Standard Street
PO Box 8484 - 00100
Nairobi

SECRETARY
Virginia Ndunge
Certified Public Secretary (Kenya)
PO Box 18243 - 00500
Nairobi

AUDITOR
KPMG Kenya
8th Floor, ABC Towers, Waiyaki Way
PO Box 40612 - 00100
Nairobi

ADVOCATES

Kaplan & Stratton Advocates
9th Floor, Williamson House
4th Ngong Avenue
PO Box 40111 - 00100
Nairobi

Muthaura Mugambi Ayugi & Njonjo Advocates
4th Floor, Capitol Hill Square
Upper Hill
PO Box 8418 - 00200
Nairobi

Majanja Luseno Advocates
Jeevan Bharati Building,
5th Floor, Harambee Avenue
P.O. Box 74580-00200
Nairobi

BANKERS

Equity Bank Kenya Limited
Lavington Supreme Centre
PO Box 75104 - 00200
Nairobi

KCB Bank Kenya Limited
Industrial Area Branch
PO Box 18031 - 00500
Nairobi

Sidian Bank Limited
K-Rep Centre, Kilimani
PO Box 25363 - 00603
Nairobi

SBM Bank Kenya Limited
Hurligham Branch
PO Box 66049 - 00800
Nairobi

Ecobank Kenya Limited
Ecobank Towers, 13th Floor
Muindi Mbingu Street
PO Box 49584 - 00100
Nairobi

Credit Bank Limited
Industrial Area Branch
PO Box 61064 - 00200
Nairobi

EAST AFRICAN CABLES PLC
CHAIRMAN'S STATEMENT

I am pleased to present to you the Annual Report and Financial Statements for the year ended 31 December 2019. I am also delighted to report that the Board and management have remained focussed on the turn-around actions and significant milestones have been achieved towards this course.

Our business environment

The Kenyan economy, which contributes to the bulk of our revenues, expanded at a slower rate of 5.6% in 2019 compared to 6.3% in 2018. The growth rate for the year was supported by a stable macroeconomic environment, and continued implementation of the Big 4 agenda. The Big 4's prioritization of manufacturing, universal healthcare, affordable housing and food security has created opportunities for growth in the sector that we operate in. Building and construction sector contracted to 6.4% compared to a growth of 6.9% in 2018 largely on reduced activity on the standard gauge railway (SGR) project. Similarly, the manufacturing sector slowed to 3.2% from 5.3% in 2018.

In our other regional markets, Tanzania economy recorded a slow down with a GDP growth of 6.3% in 2019 from 7.0% in 2018 while Uganda's GDP grew at an estimated 4.9% in 2019 from 6.3% in 2018. On average East African GDP grew by 3.7% compared to 4.5% in 2018.

Globally, the London Metal Exchange (LME) prices for Copper and Aluminium raw materials remained volatile, declining by 9% and 16% respectively. The reduction in LME prices impacted on our revenues negatively, but positively, made our products more affordable to consumers.

Going concern

The group and company remain focussed on implementation of the turn-around strategy with a clear objective of returning the business back to profitability in the medium term. In the year under review, the business completed phase 1 of debt restructure plan. The transaction, resulted to a restructure of about 82% of its total bank borrowings, a significant discount on debt and an extended loan repayment tenor of ten (10) years. After year end, the group and company completed the remaining phase of debt restructure. This restructure has not only reduced the debt burden, it has also reduced the monthly debt service requirement thereby enabling re-allocation of cashflows to finance working capital. I draw your attention to note 32(a) on page 99 which shows the impact of phase 2 of the debt restructure transaction. With this achievement, in addition to other measures in our turn-around plan, the Board is confident that the business will become sustainable and profitable. A detailed review of these initiatives is disclosed in note 2(f), on pages 46 - 49 of these consolidated and separate financial statements.

Consequently, these financial statements have been prepared on a going concern basis. In making this assessment, the Directors have considered a wide range of information relating to present and anticipated future conditions, including future projections of profitability, current order book, and debt restructuring arrangements and availability of enhanced working capital to meet business requirements.

Performance and returns to shareholders

The Group recorded a 3% decrease in revenue resulting from reduction in global London Metal Exchange Prices and depressed sales volumes to utility companies. Our continued focus on value-added products and cost management through implementation of Total Performance Management (TPM) improved our margins by 3%. In the year, the group and company booked a discount on debt of KShs 1.5 billion and KShs 1.3 billion respectively resulting from the debt restructure transaction.

The Group and Company recorded a profit of KShs 630.97 million and KShs 727.93 million respectively compared to a loss of KShs 568.38 million and KShs 399.70 million recorded in 2018.

The Board does not recommend payment of a dividend.

Reporting standards

The group and company continues to adopt the presentation and disclosure requirements of the International Financial Reporting Standards (IFRSs), The Kenya Companies Act, 2015 and other regulatory requirements. Changes and developments in the standards and other regulations within the financial period under review have been complied with.

Risk management

The board recognises that risk management is an integral part of creating value. The board has put in place processes for identifying, assessing, and proactively managing risks to ensure that the company's business objectives are achieved. The group has a fully-fledged Internal Audit function led by the parent company, Transcentury PLC. The function reports to the Audit Committee of the Board.

Corporate governance

In the upcoming AGM, Mr. Bruno Thomas, who has served as a director since 2005, retires from the board. We appreciate Mr. Bruno for his role and service especially during the capacity expansion and factory modernisation program.

2020 outlook

The advent of COVID-19, its impacts on the local as well as global economy and its potential to disrupt local and international supply chains, is a concern for the construction industry in general. In response to the threat, the company has developed a robust business continuity plan and set of mitigations to avoid disruption of operations.

We laud the Government of Kenya for implementing changes to the Finance Act to protect the welfare of vulnerable citizens and to lessen the economic burden posed by the pandemic.

Despite the challenges posed by the pandemic, we remain firmly committed to our strategy and ambition to deliver a better tomorrow for our stakeholders, confident that it will deliver the much-needed sustainability in our business.

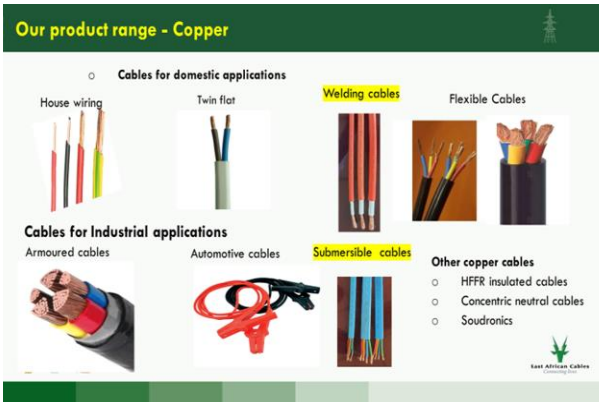
Appreciation

I take this opportunity to express my sincere appreciation and gratitude to the Board, Management and staff for their commitment and dedication during the year, as well as to our strategic partners who continue to walk this journey with us.

MG Waweru FCCA, FCPA, CBS.
Chairman

Date: 23 July 2020

Our products



East African Cables PLC has over the years invested in modern technology which has enabled it to offer safer, greener and high-quality electrical cables and conductors. Its diversified product range include Halogen free fire-retardant cables, Aerial bundled conductors and Cross-linked polyethylene (XLPE) insulated armoured cables in addition to the Polyvinyl Chloride (PVC) insulated cables and bare aluminium conductors. Aerial Bundled Conductors are revolutionary in sustaining our vegetation cover unlike the traditional bare conductors which required clearance of the vegetation along the service lines. The group provides vital support to power utilities, power infrastructure projects, industrial applications and domestic wiring including solar lighting. Other products include House Wiring copper cables, Flexible cables, Power and Control cables, Welding cables, submersible cables, Auto and Battery cables, Aluminium overhead conductors, and Super Enamelled Winding wire. The group adheres strictly to cable making standards to produce high quality cables.

We continue to respond to customer requirements and commit to continuously improve on our product offering, customer experience and be the supplier of choice for all cabling solutions.

Our business environment

Building and construction sector recorded a slower growth of 6.4% compared to a growth of 6.9% in 2018 while manufacturing sector slowed to 3.2% from 5.3% in 2018. The company also recorded reduced aluminium sales volumes due to slow-down in power connectivity projects which are key drivers to our revenues. Cement consumption data, a key indicator of our industry, showed a decline of 1.3% despite the GDP growth of 5.7%. The industry also recorded decrease in global London Metal Exchange prices, making our products cheaper but negatively affecting our revenues.

Despite the slowdown in GDP growth, the company continued to aggressively market its product recording volume growth in the copper segment. Engagements with contractors and project developers has also increased our footprint in the copper line of business. Emerging needs like irrigation, green energy solar cabling, cottage industry welding needs continue to give our business more opportunities to innovate and expand our product range.

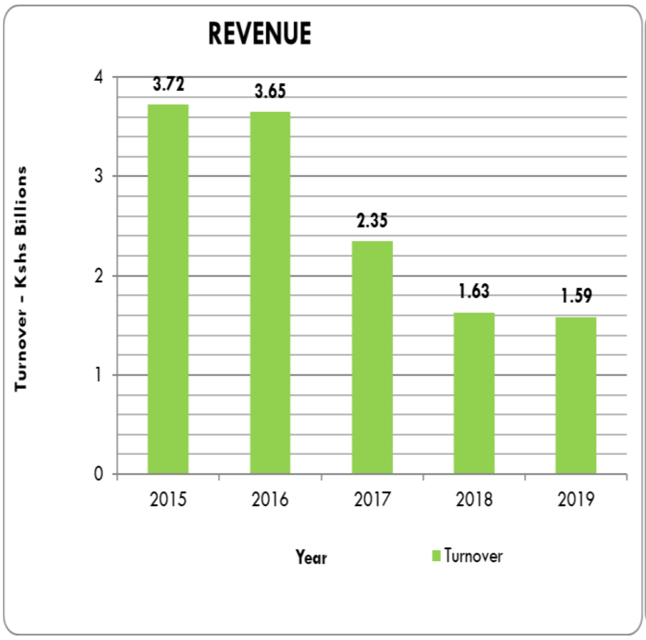
Business performance

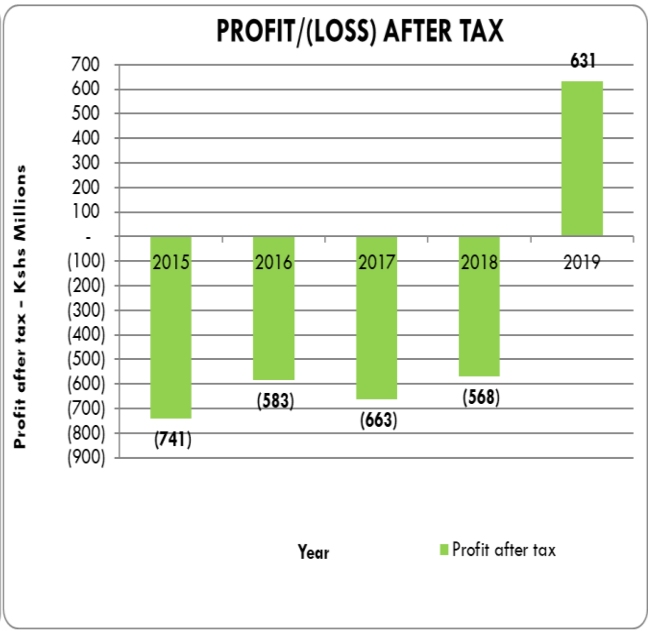
The above factors affected our sales volumes resulting in 3% reduction in revenue. However, the group recorded impressive performance buoyed by reduced interest expenses and significant discount on debt. The Group and Company recorded net profits of KShs 630.97 million and KShs 727.93 million respectively (2018: Group loss – KShs 568.38 million; Company loss – KShs 399.70 million).

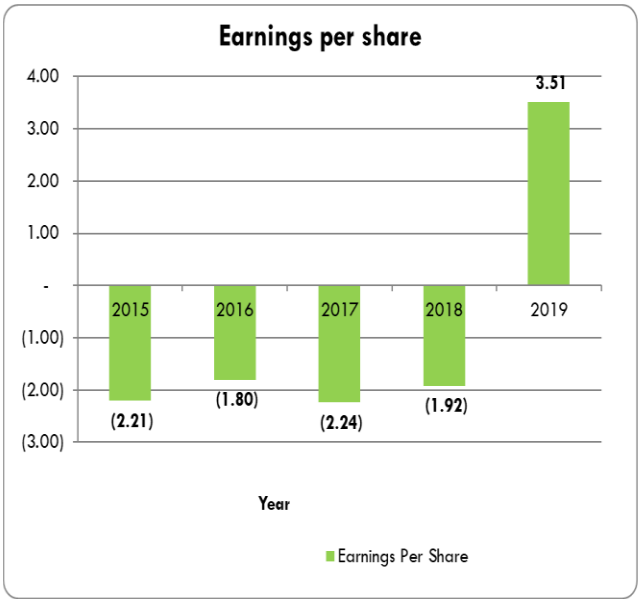
Outlook for 2020

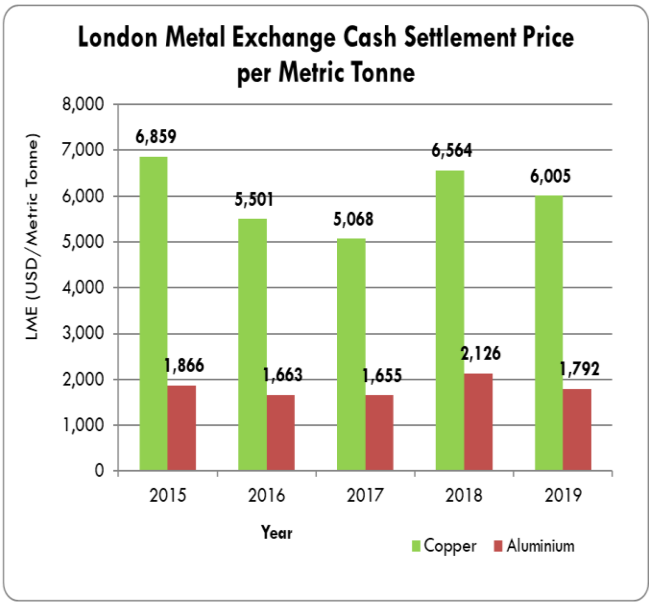
The business is focussed on growing revenues and returning back to profitability. Key actions highlighted on Note 2(f), page continue to guide the business recovery. The effects of CoVID-19 pandemic have slowed down the economy to a growth of 1% in Q1 of 2020 through disruptions in movement of people, construction projects and longer logistical lead times for our raw material supplies. This may have a negative impact on the Group and Company performance for 2020 but the business will remain focussed on turn-around actions.

FIVE-YEAR COMPARATIVE GROUP RESULTS









EAST AFRICAN CABLES PLC
SUSTAINABILITY REPORT – SAFETY, QUALITY, HEALTH, ENVIRONMENT AND SOCIAL IMPACT

Safety

Employees and customer safety come first is one of our core values. The management has put in place a committee whose mandate is to assess potential incidences related to safety, making recommendations on how such risks can be mitigated and ensuring implementation of those recommendations. To identify areas of weakness, we maintain a record of incidents which have relevance for safety and environmental protection. In addition, near misses from which we can learn lessons are documented. We believe that everyone possesses a fundamental human right to safety and it is our duty to respect and foster that right. Therefore, we have intentionally set a goal of zero incidence for occupational and process safety, quality, environmental sustainability as well as health protection. Apart from monthly safety walks, the group and company conduct regular audits on safety, security, health and environmental protection in order to monitor progress toward our goals. Risk-conscious working behaviour is emphasized and recognised. Based on our corporate values, leaders serve as safety role models for our employees. Safety briefings are conducted in all management meetings to make our operations safer and to sustain the culture of taking care of one another. All our employees and visitors to our factories are also equipped with proper protective gear.

Regrettably, in 2019, the company recorded 2 work related injury accidents (2018 – 2 cases). The group and company continue to sensitize all staff to observe safety guidelines. Safety walks are also conducted by the management team on a monthly basis to assess risk in our operations. Our safety committee analyses all incidents and uses these findings to derive appropriate measures to prevent recurrence.

Product quality

In line with our vision of being "*the leading and preferred provider of cabling solutions*", the group and company have invested in quality control and research and development to ensure delivery of products that are safe for all applications. Quality has been a key pillar in all our products. Our quality checks begin at the procurement stage where all specifications of raw materials are clearly communicated to our suppliers. All our raw material suppliers are also vetted. Incoming raw materials are tested for conformance to standards, in-process tests are carried out in all our production lines and finally all our cables are tested before dispatch to customers. To meet customer expectations and develop products which serve our customers, we work in partnership with consumers and market intermediaries in order to obtain relevant feedback for improvement. An experienced and qualified research and development team working in collaboration with the standards body has ensured guaranteed quality for all our products that are safe and reliable

Influx of substandard products remain a challenge in our market. These pose a major risk to consumers and their investments. Cognizant of the dangerous effects of using counterfeit and substandard cables, the group in conjunction with other stakeholders continue to create awareness on how to use our product verification system to ensure that you only buy our genuine products. The company continues to partner with the Anti-Counterfeit Agency, Kenya Association of Manufacturers, Kenya Private Sector Alliance, and Kenya Bureau of Standards among other government agencies to fight the illicit trade menace.

Employee wellness

People are the most important resources we have. Due to lifestyle changes and related illnesses, we have put great emphasis on work life balance to maintain a healthy workforce. Various programs are provided to staff including quarterly health checks, advice on stress management, cancer, and diabetes awareness, managing hypertension, counselling sessions and financial guidance workshops. We put great emphasis on staff overall wellness to ensure healthy workforce that is effective both at work and home.

Operational excellence

We remain focused on ensuring timely delivery of our quality products to our customers. In 2017, the Group introduced Total Performance Management (TPM) program to compliment the recently commissioned state-of-the–art production facility. TPM is a set of toolkits to put in place and sustain high performance in the work area. It aims, through people, to eliminate loss and waste in order to improve performance. Continued and scheduled trainings have resulted to significant improvement in operations through waste and loss eliminations, machine efficiency, safety, team cohesion among others. Efficiency improvement has significantly reduced power losses, scrap and other wastes which are detrimental to our environment.

Social impact

The company does not operate in a vacuum. It contributes positively to the development of our youth by nurturing talent and providing equal opportunities for students in colleges, vocational training and universities. The company is in discussion with some technical universities to develop a curriculum in electrical related training. This program will provide students with practical experience with EA Cables a resource centre for such courses.

Supporting the youth

On job creation, the company operates an internship program which allows the youth to acquire hands-on experience in the areas of profession. These programs aim to offer college students practical experience in engineering, procurement, finance, stores management and human resource management preparing them for their future careers and providing them with an opportunity to experiment their ideas for the betterment of the society.

The group and company continue to support the fundi club which comprised of ERC (Electricity Regulatory Commission) licensed electricians. We value the importance of having well rounded partners to not only provide key technical advice to our customers, but also to run profitable businesses.

In line with the Government’s quest to create an enabling environment to the youth and special groups including women and people with disability, the company supports these groups to participate in tenders for local utilities and government institutions.

Corporate Social responsibility

Despite the challenges facing the business, we have remained a responsible citizen and contributed proportionately to improve the communities we live in. During the year, the company supported SOS Village in Buruburu and By Grace Children’s home of Kayole in provision of foodstuffs and other requirements. These homes do not have any source of income, yet they have taken up a critical task of taking care of vulnerable children from our communities. It is therefore right to chip in and support them to meet their budgets.

EAST AFRICAN CABLES PLC
BOARD OF DIRECTORS

Michael G. Waweru, FCCA, FCPA, CBS – Chairman (69)
Non-Executive Director
Kenyan

M.G. Waweru is a graduate of the University of Nairobi where he attained his Bachelor of Commerce Honours Degree. He also holds an MBA degree from the Strathmore Business School. He is a Fellow of the Association of Chartered Certified Accountants (FCCA), Institute of Certified Public Accountants of Kenya (FCPA) and a member of the Institute of Directors. An accountant by profession, Mr Waweru was Managing Partner of Ernst & Young East Africa until 2002. In March 2003, he was appointed to the position of Commissioner General, Kenya Revenue Authority, where he served for 9 years up to February 2012. During the period 2003 to 2006, Mr Waweru was President of the Commonwealth Association of Tax Administrators (CATA), which brings together Revenue Administrations in the Commonwealth. He has also served as Chairman of Institute of Certified Public Accountants of Kenya (ICPAK) and is currently the Chairman of Zamara Group (formerly Alexander Forbes) and KCA University Board of Trustees. His contribution to the nation has been recognized by His Excellency the President of the Republic of Kenya by being awarded the Chief of the order of the Burning Spear (CBS).

Paul Muigai
Managing Director/ Chief Executive Officer (54)

Paul is a seasoned leader with a wealth of experience in Supply Chain management, having held various roles across the Supply Chain in Unilever, including production management, procurement, Operations Planning, Engineering and productivity improvement at various levels up to Supply Chain Director Level. He also held Asia-Africa and Africa & Middle East Regional expatriate roles in the areas of Supply Chain optimization and Safety, Health and Eco-efficiency, based in Singapore and Dubai respectively. Paul is a graduate of University of Nairobi and holds a Bachelor of Science degree in Mechanical engineering.

Nganga Njiinu, CFA – CEO, Transcentury (42) – Representing Transcentury PLC
Non-Executive Director
Kenyan

Nganga Njiinu is the Group Chief Executive Officer of TransCentury Plc and has extensive experience in investments, strategy implementation and operations. Since joining TransCentury Group in 2008, Njiinu has held various roles in corporate finance, portfolio management, business development as well as originating and developing opportunities in the infrastructure space. In addition, Njiinu has had deep experience in developing infrastructure projects in the areas of mining, energy, rail and roads. Prior to Joining TransCentury in 2008, Njiinu worked for Coldwell Banker Residential Brokerage in the USA, where he oversaw strategic initiatives, financial planning and analysis as well as evaluation and integration of acquisitions. Believing in the African story, Njiinu chose to come back home and contribute towards the wave of growth in Africa.

Njiinu holds an MBA in Finance and Investment Management from the University of Dallas in Irving, Texas and a Bachelor of Science in International Business from United States International University, he is also a CFA charter holder.

Bruno Thomas (77)
Independent Non-Executive Director
French

Consultant, Bruno Thomas, formerly of the Nexans Group, has a wealth of experience in the energy sector having been the executive vice president of Nexans Group for the rest of World Area. In addition, he was previously President of the Energy Cables Division, President of the board of Alcatel Kabel KG and Director of Industrial Strategy.

Peter Kanyago, FCCA, FCPA, EBS (72)
Non-Executive Director
Kenyan

Mr. Kanyago is a fellow of the Institute of Certified Public Accountants of Kenya and holds an MBA in Industrial Management. As an entrepreneur, he holds directorships in companies he has built, including Pekan Limited and East African Elevator Company (ThyssenKrupp). He is Chairman of Kenya Tea Development Agency and Kenya Open Golf Ltd, Corporate Insurance, Kenya Tea Packers Ltd (KETEPA), Chai Trading and Chinga Tea Factory. His contribution to the nation has been recognized in his being awarded the Moran of the order of the Burning Spear (MBS) and Elder of the order of the Burning Spear (EBS) of the Republic of Kenya. He is also a fellow of Kenya Institute of Management (KIM).

Amb. Dennis Awori (65)
Independent Non-Executive Director
Kenyan

Amb. Awori earned his BSC with Honors degree in Aeronautical Engineering from the University of Manchester in 1977. He has spent most of his working life in the Motor Industry across East Africa, in which he has held various positions including Sales and Marketing Manager, Branch Manager, General Manager, Managing Director and Chairman. He was appointed the Ambassador of the Republic of Kenya to Japan and Korea from 2003 to 2009 and during his tenure he spearheaded the establishment of the Kenyan Embassy in Korea, as well as built strong relations between Kenya and the two countries. He currently sits in various boards including CFAO Kenya Limited (a wholly owned subsidiary of Toyota Tsusho Corporation) and Toyota Kenya Limited where he is the Chairman and Bank of Africa. Amb. Awori is a keen sportsman and has been Chairman of both the Kenya Rugby Football Union and the Uganda Rugby Football Union in consecutive terms between 1990 and 1997.

Wanjuki Muchemi CBS, FCI, Arb (68) – Representing Cable Holdings (Kenya) Limited
Non-Executive Director
Kenyan

Mr. Muchemi is a senior legal practitioner with a wealth of experience in International Commercial Law, Arbitration, Alternative Dispute Resolution, Multilateral and Bilateral Finance negotiations. He is the currently serving as a non- Executive Director in the Boards of several listed and private companies. Previously, Mr. Muchemi served as the Solicitor General of the Republic of Kenya and the Principal Assistant to the Attorney General. During his tenure, he was awarded the Chief of the Order of the Burning Spear (CBS) (First Class) by His Excellency, President Mwai Kibaki, for his dedicated service. In addition, he previously served as a Director in several State Corporations as well as at the Centre for Corporate Governance for 10 years. He holds a Master of Business Administration (MBA) degree in Strategic Management and a Bachelor of Laws (LL.B. Hons.) degree from University of Nairobi. He is an Advocate of the High Court of Kenya, Fellow of The Chartered Institute of Arbitrators, London, U.K. (FCI Arb.), Member of The Institute of Certified Public Secretaries of Kenya (CPS (K)), and The Law Society of Kenya.

EAST AFRICAN CABLES PLC
BOARD OF DIRECTORS (CONTINUED)

Carole Kariuki (44)
Independent Non-Executive Director
Kenyan

Carole is the current CEO of Kenya Private Sector Alliance (KEPSA), an organisation she has helped steer to become the apex of the private sector in Kenya. She has a wealth of experience in leadership having worked for Sagamore Institute for Public Policy Research where she was the liaison between KEPSA and the institute before joining KEPSA. She currently serves in several boards including as Special Economic Zones Authority of Kenya as the Chairperson, Internet Solutions Kenya, Global Compact Network, ACF Women in Business Initiative of the Africa, France, Nailab 3.0 (Nairobi Innovation Lab). She is also a member of the Board of Trustees United States International University (USIU), a council member of The National Council of Administrative Justice of Kenya and an advisory member for the Operationalisation of the Kenya National Convention Bureau, among others. In her line of duty, Carole has been recognised with several awards for her leadership role in the development of the Private Sector in Kenya. She holds a Bachelor of Arts Degree in Economics and Sociology from the University of Nairobi and a Master's Degree in Public Administration and International Affairs from Bowling Green State University, Ohio USA. She has also pursued several professional courses on Public-Private Sector Dialogue, Global Leadership and Private Sector Development among others

Virginia Ndunge (50)
Company Secretary
Kenyan

Virginia Ndunge is a Certified Public Secretary and a member of the Institute of the Certified Public Secretaries of Kenya (ICPSK). She holds a Bachelor of Commerce degree in Finance and Diploma in Project Management. She is also an accredited governance auditor. She has substantial experience in Company Secretarial services having worked with Emu Registrars, Certified Public Secretaries for over 13 years, and Kaplan and Stratton Advocates for six years as the head of their Company Secretarial Division. She is currently the lead consultant at Virgyways Consultants, providing company secretarial and governance audit services.

EAST AFRICAN CABLES PLC
MANAGEMENT TEAM

Paul Muigai – Chief Executive Officer

Paul is a seasoned leader with a wealth of experience in Supply Chain management, having held various roles across the Supply Chain in Unilever Plc, including production management, procurement, operations planning, engineering and productivity improvement at various levels up to Supply Chain Director Level. He also held Asia-Africa and Africa & Middle East Regional expatriate roles in the areas of Supply Chain optimization and Safety, Health and Eco-efficiency, based in Singapore and Dubai respectively. Paul is a graduate of University of Nairobi and holds a Bachelor of Science degree in Mechanical engineering.

Dr. Gerald Gitau – Head of Sales

Dr. Gitau has over 16 years' experience in Sales & Marketing, Project Management and System implementations. Previously, he has worked for The Coca-Cola Company (Nairobi Bottlers) as a Marketer and a Sales Manager and Texaco (Caltex) as a Customer Care Coach.

He holds a PhD from the University of Nairobi, a Master's Degree in Project Planning and Management and a Bachelor of Business Administration degree in Marketing and in Information Science. He is a Licentiate Member of the Institute of Management of Information System (IMIS-UK) with numerous certifications in Business Management specializing in Sales and Marketing.

Joseph Kamau – Group Production Manager

Joseph is a Mechanical Engineering graduate from the University of Nairobi. Before taking up his current role, he worked for East African Cables (Tz) Limited as the Production Manager for seven years. He has also worked in similar manufacturing and engineering roles in other companies including Sameer Africa and Ministry of Lands and Settlement, among others for over 15 years.

Joseph Kinyua – Group Finance Manager

Joseph is a Certified Public Accountant and a member of the ICPAK. He holds a Master of Business Administration from the University of Nairobi and has over 20 years' experience in Audit, Accountancy and Financial Management. He joined East African Cables in 2007.

Florence Murerwa – Ag. Human Resources and Administration Manager

Florence joined the parent company, TransCentury PLC as Group Human Resources Manager in 2017, prior to Joining TransCentury PLC, Florence worked for Bank of Africa as Head of Human resources for close to 6 years, involved in formulation of strategy, policies and procedures, management of organizational performance, recruitment and selection, compensation and benefits and organization design.

She has over 15 years' experience in Human Resources Management cutting across Manufacturing, Energy and Banking industries.

Florence has a Bachelor of Arts in Sociology from Kenyatta University and is a Member of Kenya Institute of Management.

Winnie Mbau – Quality Assurance Manager

Winnie holds a Bachelor of Science in Electrical and Electronics Engineering from Kenyatta University. She also has a Certificate in Energy Management (EMiT) from Association of Energy Engineers, Certificate in Programmable Logic Controllers (PLC), Variable Speed Drives (VSD/VFD), Supervisory Control and Data Acquisition (SCADA) and Distributed Control systems (DCS).

She has vast experience in Project Management, Technical Sales, among others. She has worked as the Project Manager in Liwa Programme Trust and Centurion Systems Limited. She has also worked as a business Development Manager in Outsource Technique Ltd, among others.

She joined East African Cables in 2018 as a Key account Manager in the commercial department before her appointment as Quality Assurance Manager in 2019.

Joyce Mbugua – Procurement Manager

Joyce has over 10 years of management experience in Procurement and Logistics management in international purchasing, sourcing of materials and outbound logistics. She holds a Master's Science in Procurement and Logistics from Jomo Kenyatta University a Bachelor's degree in Business Administration & Marketing from Kenya Methodist University an advanced certificate in Purchasing & Supplies Management from the Kenya Institute of Management. Joyce serves on the Logistics and Advocacy Committee for the Shippers Council of Eastern Africa and is a member of the Kenya Institute of Supplies Management

Geoffrey Odhiambo- General Manager, EAC Tanzania

A Chemistry graduate of Kenya Polytechnic (Technical University of Kenya), he also holds an advanced certificate in marketing management from the Kenya Institute of Management. He has over 17 years' experience in Technical Sales & Service, Marketing and market development, Customer development and Sales management. Prior to joining EACTz, he was MPC Technical Sales Manager, East Africa, for Akzo Nobel / Sadolin Paints, based in Tanzania.

EAST AFRICAN CABLES PLC
CORPORATE GOVERNANCE STATEMENT

The Board of East African Cables PLC recognizes the importance of corporate governance and as such it carries out its mandate with honesty, openness and integrity and is committed to applying and enforcing relevant corporate governance principles, policies and practices within the Group. The board is committed to the principles of accountability, compliance with the law and to the provision of relevant and meaningful reporting to all stakeholders.

The Company has endeavoured to adhere to its obligations as a public listed entity in Kenya in compliance with the Capital Markets Authority (CMA) Code of Corporate Governance practices for Issuers of Securities to the Public 2015. The company also adheres to other regulations promulgated by the CMA, Nairobi Securities Exchange, the Constitution of Kenya and all other laws as a law-abiding citizen.

Board Charter

The Board Charter is critical to the company's governance framework, and offers guidance on matters including but not limited to the following:

- The separation of the roles, functions, responsibilities and powers of the board and its individual members;
- Powers delegated to the board committees;
- Matters reserved for final decision-making and approval by the board;
- Policies and practices of the board on matters of corporate governance, directors' declarations, and conflict of interest, conduct of board and board committee meetings; and
- Nomination, appointment, induction, ongoing training and performance evaluation of the board and its committees.

The Board charter can be viewed on or downloaded from the company's website *www.eacables.co.ke*

The Role of the Board

The primary role of the Board is to guide the company towards sustainable long-term success through the exercise of objective and informed judgement in determining the strategy of the company, having the best team in place to execute that strategy, monitoring business performance and maintaining an effective framework of controls to mitigate risks facing the business.

The Board ensures that Management achieves the right balance between promoting long-term growth and delivering short-term objectives. The existing corporate governance framework embeds the right culture, values and behaviours throughout the Group and supports the Board's role in determining strategic objectives and policies.

The key responsibilities of the Board include:

- To review and approve strategic, business and capital plans for the Company and monitor the Company's human, technology and capital resources, the constraints on implementing such plans and management's execution of such plans.
- To review the principal risks of the Company's business and monitor the implementation by management of appropriate systems to manage such risks.

The Role of the Board (Continued)

- To review at every meeting recent development that may impact the Company's growth strategy.
- Ensuring specific and relevant corporate measurement systems are developed and adequate internal controls and management information systems are in place with regard to business performance and the integrity thereof.
- Reviewing and approving corporate governance guidelines applicable to the Company and in accordance with statutory and regulatory requirements. To develop and implement programs for management and Board succession planning. Looking at the size and composition of the Board, compensation of directors, assessment of the performance of the Board, its committees and Directors and approval of appropriate policies and procedures.
- To monitor the practices of board and management to ensure appropriate, fair and timely communication of information concerning the Company.

Board size, composition and appointments

The Board is comprised of seven (7) Non-Executive Directors including the Chairman, and one (1) Executive Director. Out of the seven Non-Executive Directors, three are independent. The directors' biographies appear on pages 10 to 12. All non-executive directors are independent of management and have diverse skills, experience and competencies appropriate for effective management of the company's business.

The non-executive directors are subject to periodic re-appointment in accordance with company's Articles of Association which requires that one third of the longest serving directors (since their last election) retire by rotation every year and if eligible their names are submitted for re-election at the Annual General Meeting.

An age limit of seventy (70) years is recommended for directors serving in the Board. However, the Board can recommend for re-election, a director who is above this age based on his/her expertise and competencies. Such a director is required to retire at every Annual General Meeting for re-election.

The Board is responsible for recommending Non-Executive Directors for election by shareholders at the Annual General Meeting. Nominated directors undergo a formal screening process conducted by the Nominations and Remuneration Committee of the Board before they are formally appointed. Between Annual General Meetings, the Board may appoint directors to serve until the next AGM. Any such appointment of Non-Executive Directors must be ratified by the shareholders at the next AGM following their appointment.

How the Board works

The board is solely responsible for its agenda. However, it is the responsibility of the Chairman and the Company Secretary, working closely with the Chief Executive Officer, to come up with the annual Board work plan and an agenda for the board meetings.

The board meets on a quarterly basis as scheduled during the year, with additional meetings when necessary. Members of the Board are expected to attend all Board meetings. The directors are given appropriate and timely information so that they can maintain full and effective control over strategic, financial, operational and compliance issues. Except for the direction and guidance on general policy, the board has delegated authority for conduct of day-to-day business to the Managing Director / Chief Executive Officer. The Board nonetheless retains responsibility in maintaining the company's overall internal control on financial, operational and compliance issues.

The senior leadership team members may be invited to attend the board meetings if deemed necessary. Where directors are unable to attend a meeting, they are advised on the matters to be discussed and given an opportunity to make their views known to the Chairman prior to the meeting.

Directors are also invited to attend the senior leadership's strategic and operations review meetings to gain further insights into different aspects of the business.

A summary of the board meetings and attendance is shown below:

	Member	Designation	Attendance
1	MG Waweru	Chairman	6/6
2	PT Kanyago	Member	6/6
3	JB Thomas	Member	2/6
4	D Awori	Member	6/6
5	Carole Kariuki	Member	2/6
6	Transcentury PLC (Represented by N Njinu)	Member	5/6
7	Cable Holdings (K) Limited (Represented by W. Muchemi)	Member	6/6
8	P Muigai	Chief Executive Officer	6/6
9	V Ndunge	Company Secretary	6/6

Separation of powers and duties of the chairman and the Chief Executive Officer

The roles and responsibilities of the Chairman and the Chief Executive Officer are separate with each having clearly defined duties and responsibilities.

The Chairman is responsible for leadership and governance of the Board. He is also responsible for ensuring that the interests of the Company's shareholders are safeguarded and that there is effective communication with them.

The Chief Executive Officer roles and responsibilities remain the day-to-day management of the company's business and overseeing the implementation of strategy and policies approved by the board.

Board and directors' effectiveness

Board effectiveness in its oversight and leadership role is enhanced by a robust support system. This is facilitated through the following:

Nomination

There is a formal screening process conducted by the Nominations and Remuneration Committee before a nominee is appointed as a Director. The process aims at ensuring that the nominees have the requisite capabilities to carry out their responsibilities.

Nomination (Continued)

Non-executive directors are appointed to serve the Company for a period of three years. Subsequent re-appointment is subject to recommendation by the Board. In accordance with the company's Articles of Association, non-executive directors are subject to periodic re-appointment. The Articles of Association require that one third of the longest serving directors (since their last election) retire by rotation every year and if eligible their names are submitted for re-election at the Annual General Meeting.

At this year's AGM, the company will submit all eligible directors for re-election.

Board induction

On appointment to the Board, all directors receive induction which is tailored to their individual requirements. The program is designed to provide the director with an understanding of how the company works, the business environment, opportunities, and key challenges. It also gives the director an overview of the regulatory environment the business operates in.

Training and development

In order to contribute effectively to the Board, directors are encouraged to continually update their skills and knowledge of the business. Directors are also provided with the opportunity to take part in training and development. This is provided for in the board charter.

Evaluation

In line with the provisions of the Code of Corporate Governance Practices for Issuers of Securities to the Public 2015, the Board undertook an evaluation of its performance as an entity, its committees, the chairman, the Chief Executive Officer, the Company Secretary and each individual director.

Conflict of interest

Any conflict of interest or apparent conflict of interest between the Company and its Directors is avoided. Directors are required to declare any potential or actual conflicts of interest that could interfere with their ability to act in the best interests of the company. Any circumstances which may give rise to actual or potential conflicts of interest are disclosed to the Board upon appointment and subsequent changes highlighted as they arise. Directors are given an opportunity in every board meeting, to declare an actual or potential conflict of interest with their role as directors and records kept. During the year 2019, no conflict of interest was declared by any director.

Board remuneration

The Board has delegated responsibility for the consideration and approval of the remuneration arrangements of the Chairman, Directors and senior management to the Nominations and Remuneration Committee. Non-executive directors are paid a sitting allowance for every meeting attended in addition to a quarterly retainer fee.

Details of the fees paid to directors in the financial year under review are set out in the directors' remuneration report on page 23-27.

Communication with shareholders

The Board is committed to ensuring that shareholders, regulators, and the financial markets are provided with full and timely information about its performance. This is achieved through:

i. Interim and annual results publications of extracts of East African Cables Plc financial performance in the daily newspapers.
ii. Publications in the local dailies on the status of debt restructure transaction.
iii. The company holds Annual General Meeting to discuss full year performance with shareholders. Copies of the annual reports are made available to shareholders at least 21 days before the date of the AGM. The AGM provides a useful opportunity to the board and management to engage with shareholders on key issues facing the company.
iv. Interactive website containing all relevant information relating to the company.

In this regard, the company complies with the obligations contained in the Nairobi Securities Exchange's Listing Rules, the Capital Markets Authority Act and the Kenyan Companies Act.

Directors' loans

There were no loans made to the directors at any time during the year by virtue of their position in the Group.

Risk management and controls

The board recognizes that managing risk to ensure optimal mix between risk and return is an integral part of achieving corporate goals. It is responsible for determining the nature and extent of the significant risks that the company is willing to take to achieve its strategic objectives. It is also responsible for maintaining sound risk management and internal control systems. With the support of the Audit Committee, the board has put in place processes for identifying, assessing, managing, and monitoring risks to ensure that the risk of failure to achieve business objectives is mitigated. The company has defined procedures and financial controls to ensure the reporting of complete and accurate accounting information. These cover systems for obtaining authority for major transactions and for ensuring compliance with the laws and regulations that have significant financial implications. Procedures are also in place to ensure that assets are subject to proper physical controls and that the organization remains structured to ensure appropriate segregation of duties. These processes are reviewed by the Internal Auditor who reports directly to the Audit Committee of the Board.

A comprehensive management accounting system is also in place providing financial and operational performance measurement indicators. Regular senior management meetings are held to monitor performance and to agree on measures for improvement.

Financial and Business reporting

The board confirms that the financial statements are prepared on a going concern basis and is satisfied that the company has adequate resources to continue in business for the foreseeable future.

In making this assessment, the directors consider a wide range of information relating to present and anticipated future conditions including future projections of profitability, cash flows, capital and other resources. We draw your attention to note 2(f) on pages 46 to 49 detailing measures undertaken by the board and management to turnaround the business back to profitability.

Committees of the Board

The board has five standing committees namely: The Audit Committee, Nominations and Governance Committee, Human Resources and Remuneration Committee, Commercial Committee, and the Strategy Committee. These committees meet regularly under the terms of reference set by the board.

Audit Committee

Membership

The Audit committee consists of three (3) non-executive directors and reports to the board after every committee meeting. It meets quarterly or as required.

The committee met four times in the year. Attendance included internal and external auditors, as well as permanent invitees from management. Members of the audit committee, together with a record of their attendance at scheduled meetings during the year are set out in the table below.

	Member	Designation	Attendance
1	PT Kanyago	Committee chair	4/4
2	Transcentury PLC (Represented by N. Njinu)	Member	4/4
3	Cable Holdings (K) Limited (Represented by Kamal Palan)	Member	4/4
4	P Muigai	Member	4/4
5	V Ndunge	Company Secretary	4/4

Functions of the Audit committee

To fulfil its oversight responsibility, the Audit Committee receives reports from management, the internal auditors, external auditors, or any independent consultant it may have engaged during the year.
The committee's responsibilities include:

- Risk management, internal controls, and regulatory compliance. Review and assess the company's risk management process and the adequacy of the overall control environment.
- Consider the adequacy and scope of internal and external audit, monitor their effectiveness, and ensure implementation of audit recommendations,
- Ensuring integrity of financial information and communication to shareholders. Review financial statements and recommend their approval to the board of directors.
- Reviewing annual budgets.

The audit committee is comprised of members who are well experienced in financial matters including reporting and risk management.

Governance and Nominations Committee

Membership

This committee consists of three non-executive directors and reports to the board after every committee meeting. It meets quarterly or as required.

The committee met twice in the year. Members of the committee, together with a record of their attendance at scheduled meetings during the year are set out in the table below.

	Member	Designation	Attendance
1	MG Waweru	Committee chair	2/2
2	DN Awori	Member	2/2
3	Transcentury PLC	Member	2/2
4	P Muigai	Member	2/2

Governance and Nominations Committee (Continued)

Functions of the Governance and Nominations committee

This committee is mandated to review the balance and effectiveness of the board, remuneration of directors as well as the succession planning of the board members. It also has oversight on the adherence and compliance by the company to its code of ethics and to the principles and requirements of good corporate governance.

The purpose of the committee is to assist the board by:

- Monitoring the size and composition of the board and its succession plans,
- Recommending individuals for nominations as members of the board and its committees,
- Proposing remuneration structures of executive and non-executive members of the board,
- Evaluating the effectiveness of the Board and its committees and the effectiveness of the Directors in the discharge of their responsibilities,
- Monitoring compliance to code of ethics and regulatory requirements.

Human Resource and Remuneration Committee

Membership

This committee consists of three non-executive directors and reports to the board after every committee meeting. It meets quarterly or as required.

The committee met twice in the year. Members of the committee, together with a record of their attendance at scheduled meetings during the year are set out in the table below.

	Member	Designation	Attendance
1	D Awori	Committee chair	2/2
2	MG Waweru	Member	2/2
3	Transcentury PLC	Member	2/2
4	P Muigai	Member	2/2

Functions of the Human Resource and Remuneration committee

This committee is charged with the oversight of establishment, maintenance and administration of the Group and Company’s compensation programs, including reviewing and approving the Chief Executive Officer’s and other management compensation reviews. The committee also advises the Board on the development of and succession of key executives.

Strategy Committee

Membership

This committee consists of all directors and reports to the board after every committee meeting. It meets quarterly or as required.

The committee did not meet in the year.

Strategy Committee (continued)

Functions of the strategy committee

The main responsibility of the committee is to chart the strategy of the Group and to oversee implementation of strategic decisions of the board which include product and or geographical diversification, strategic partnerships and also review proposals involving capital expenditure.

Special Committees

The board is authorised by the Company's Articles of Association to form ad hoc or special committees to deal with specific matters for a defined term period. The board retains oversight over such committees.

One such committee is the Commercial Committee. This committee is mandated to evaluate the Group's route to market, customer service and regional diversification. It also evaluates regional market data and advises the board on the overall market strategy.

The membership of this committee comprises of two non-executive directors and the Managing Director/Chief executive Officer while all the senior managers are also invited. The committee did not meet in the year.

The Chief Executive Officer is a member of all committees while senior managers are invited to the relevant committees.

Employment equity

The Group is committed to the creation of an organization that supports equality of all employees and is committed to elimination of any form of discrimination in the workplace. Our practice is to comply with all laws prohibiting discrimination.

Ethics and code of conduct

The directors attach great importance to the need to conduct the business and operations of the company with integrity and in accordance with good corporate governance practices. The company adopts the best principles of good corporate culture that requires the directors and all employees to maintain the highest personal and ethical standards and to act in good faith and in the interest of the company. The company has developed and implemented a code of conduct that sets out guidelines and rules, which are based on good governance principles of:

- Full compliance with the law
- Application of best accounting practices
- Safety of all stakeholders
- Product quality and customer focus
- Care of our environment
- Application of best business practices
- Fair competition

Whistle blowing policy

East African Cables PLC has set high standards for its operations to ensure integrity and quality delivery. Employees are often the first to realize that there may be something seriously wrong within the organization. However, they may not express their concerns because they feel that speaking up would be disloyal to their colleagues or to the company. They may also fear harassment or victimization. The company has developed a whistle blowing policy to encourage and provides channels for employees to report exceptional incidences without fear of victimization, discrimination, or disadvantage.

Reportable misconducts and potential irregularities under the policy include all forms of financial malpractices, non-compliance with regulations, criminal activities, improper conduct or unethical behaviours, corporate governance breaches, non-disclosure of interests, sexual and physical abuse of staff and other stakeholders among other vices.

The policy provides clear reporting mechanism through telephone and dedicated email address with assurance of anonymity for whistle-blowers. The staff have also been sensitized through training on reportable incidences, how to make the reports and assurance of confidentiality to providers of information. All reported incidences are directed to individual or teams appropriate to handle the matters reported for further investigation and action.

The board has also maintained an open-door policy allowing for easy escalation of issues. Staff members are regularly sensitised on the need to report any suspected unethical business practices.

EAST AFRICAN CABLES PLC
DIRECTORS REMUNERATION REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

East African Cables PLC reward system seeks to recognize the contribution made by individuals to the success of the Company while reflecting the value of the roles they perform, as well as the levels to which they perform.

East African Cables PLC presents the Director's Remuneration report for the year ended 31 December 2019. This report has been prepared in accordance with the Company's reward policy, the relevant provisions of both the Capital Markets Authority (CMA) Code of Corporate Governance Guidelines on Director's remuneration and the Kenya Companies Act, 2015.

The Board of Directors consist of:

- 1 Executive Director: Mr. Paul Muigai.
- 2 Non-Executive Corporate Directors: Trans-Century Plc and Cable Holdings (K) Limited.
- 2 Non-Executive Directors: Mr. B. Thomas and Mr. P. T Kanyago.
- 3 Independent Non-Executive Directors: Mr. D. Awori, Mr. MG Waweru and Ms. C Kariuki.

(a) Directors' emoluments and loans

For the financial year ended 31 December 2019, the total Directors remuneration (executive and non-executive) was KShs 43.21 million (2018 – KShs 42.84 million).

Neither at the end of the financial year, nor at any time during the year, did there exist any arrangement to which the Company is a party, under which Directors acquired benefits by means of acquisition of the Company's shares.

(b) Non-Executive Directors' remuneration

The Group and Company have put in place a policy that adequately defines the remuneration and related privileges received by the Non-Executive Directors of the Group and Company.

All the remuneration and privileges accorded to the Non-Executive Directors and enumerated under the policy are competitive and reviewed according to the prevailing market trends for companies of a similar size and complexity of the Company.

The Board has put in place a formal process of reviewing its performance and that of its committees and individual directors. Evaluation of the board shall be conducted by an independent consultant after every two years. Each director shall complete a detailed questionnaire designed to obtain feedback on the board's performance on the following areas: -

- Strategic objectives
- Risk governance
- Board composition and skills
- Board meetings and preparation
- Board interaction and support
- Performance of governance functions
- Performance of Chairman, respective committees, and individual directors.

Each Non-Executive Director serves the Board for a term of three years which is renewable. In accordance with the company's Articles of Association, non-executive directors are subject to periodic re-appointment. However, one-third of the Non-Executive Directors are required to resign at each AGM and may offer themselves for re-appointment to continue serving the Board.

(b) Non-Executive Directors' remuneration (Continued)

No director is entitled to any compensation upon the termination or end of their tenure as a member of the board.

The details of the tenure of the current Non-Executive Directors is provided in the table below:

Name	Date of Appointment	Date of retirement
MG Waweru	6th August 2012	To retire by rotation in 2020 AGM
D Awori	1st July 2013	To retire by rotation in 2021 AGM
PT Kanyago	12th March 2004	To retire by rotation - Reappointment by a special notice in 2020 AGM
JB Thomas	24th April 2009	To retire by rotation in 2020 AGM
TransCentury PLC represented by N Njiinu	12th March 2004	To retire by rotation in 2021 AGM
Cable Holdings (K) Limited represented by W Muchemi	28th August 2018	To retire by rotation in 2021 AGM
C Kariuki	15th March 2019	To retire for re-election in 2021 AGM

The Nominations and Remuneration Committee of the Board is responsible for setting and administering the Non-Executive Directors policy.

During the year under review, there were no changes relating to Non-Executive Director's remuneration.

The following components are provided to the Non-Executive Directors:

1. **Quarterly fees**

   These are paid to the Non-Executive Directors taking into account their responsibility as directors of the Group and Company. These are paid quarterly in arrears.

2. **Sitting allowance**

   Non-Executive Directors are paid a sitting allowance for attending a duly convened and constituted meeting of the Board or of any of the Committees.

3. **Duty Travel-day(s) allowance**

   An allowance is paid to a Non-Executive Director for any day of travel away from (and back to) his regular station in order to attend to duties of the Group and Company.

4. **Duty day allowance**

   An allowance is paid to a Non-Executive Director for any day away from his regular station in order to attend to duties of the Group and Company.

5. **Travel and accommodation**

   The Group and Company provides travel and accommodation costs in line with its policy.

(b) Non-Executive Directors' remuneration (Continued)

6. Professional indemnity cover

This is provided in line with best market practice to provide protection for the Non-Executive Directors in undertaking their duties in such capacity.

(c) Executive Director's remuneration

Remuneration for the Executive Director is as per the negotiated employment contract. The Executive Director is employed on a permanent basis. The retirement age is as per the company policy. The Executive Director remuneration package comprises core fixed elements (Basic salary, House allowance, pension and other benefits) designed to recognize the skills and experience. The package is benchmarked to attract and retain talent.

The Group and Company has a formal process evaluating and measuring the performance of Executive Director through a Balanced Score Card (BSC). The Balanced Score Card reviews four key pillars including:

- Finance perspective to measure financial performance of the business.
- Customer perspective to ensure product quality and delivery.
- Internal processes to measure efficiency, compliance and risk management.
- Learning and Growth for succession planning and team productivity.

The Executive Director is entitled to the following remuneration: -

1. Consolidated basic pay

This is the consolidated base salary paid to the Executive Director.

2. Allowances

Allowances paid include a house allowance and a telephone allowance.

3. Bonus

The Executive Director is entitled to a performance-based bonus pay. The bonus is paid based on the performance of the business and on existing bonus policy.

4. Pension contribution

On a monthly basis, the business contributes 10.75% of basic pay towards pension of the Executive Director.

5. Club membership

The Executive Director is entitled to paid membership to a social or fitness club.

(c) Executive Director's remuneration (Continued)

6. Medical insurance cover

As per Group and Company's Human Resources policy, the Executive Director, like other employees, is entitled to medical insurance cover for their individual and family medical requirements covering both out-patients and in-patients.

7. Group life assurance cover

As provided to all employees, the Executive Director is entitled to a death in service benefit. This is payable to beneficiaries of the Executive Director at a maximum of three years pay.

8. Professional indemnity cover

This is provided in line with best market practice to provide protection for the Executive Director in undertaking their duties in such capacity.

(d) Summary of Directors remuneration

The following amounts were paid to Directors in the year under review.

i. Non- Executive Directors' remuneration for the year ended 31 December 2019

Name	Fees	Sitting allowances	Duty day allowances	Total
	KShs '000	KShs '000	KShs '000	KShs '000
MG Waweru	3,000	640	-	3,640
D Awori	1,800	640	-	2,440
PT Kanyago	1,800	720	-	2,520
JB Thomas	-	-	764	764
C Kariuki	1350	160		1,510
TransCentury PLC Represented by N Njiinu	-	-	-	-
Cable Holdings Limited Represented by W Muchemi.	1,800	480	-	2,280
George Njoroge	-	160	-	160
Total Company	**9,750**	**2,800**	**764**	**13,314**
East African Cables (Tanzania) Limited Directors fees	3,762	353	-	4,115
Total Group	**13,512**	**3,153**	**764**	**17,429**

Note:
Mr. G. Njoroge is a Non-Executive Director for Tanzania subsidiary but was invited to the Group Special Board Meeting.

(d) Summary of Directors remuneration (Continued)

ii. Non- Executive Directors' remuneration for the year ended 31 December 2018

Name	Fees	Sitting allowances	Duty day allowances	Total
	KShs '000	KShs '000	KShs '000	KShs '000
MG Waweru	3,000	1,180	-	4,180
D Awori	1,800	350	-	2,150
PT Kanyago	1,800	1,080	-	2,880
JB Thomas	-	-	726	726
TransCentury Limited Represented by N Njiinu	-	-	-	-
Cable Holdings Limited Represented by W Muchemi.	1,350	300	-	1,650
George Njoroge	-	150	-	150
Total Company	**7,950**	**3,060**	**726**	**11,736**
East African Cables (Tanzania) Limited Directors fees	3,919	1,782	-	5,701
Total Group	**11,869**	**4,842**	**726**	**17,437**

Note:
Mr. G. Njoroge is a Non-Executive Director for Tanzania subsidiary but was invited to the Group Strategy Committee.

iii. Executive Directors' remuneration for the year ended 31 December 2019

Name	Basic Pay	Benefits & allowances	Non cash benefits	Total
	KShs '000	KShs '000	KShs '000	KShs '000
Paul Muigai	21,105	4,666	12	25,783

iv. Executive Directors' remuneration for the year ended 31 December 2018

Name	Basic Pay	Allowances	Non cash benefits	Total
	KShs '000	KShs '000	KShs '000	KShs '000
Paul Muigai	21,000	4,386	12	25,398

Note:

As at 31st December 2019, directors' fees amounting to KShs 22.5 million and KShs 3.7 million for the Group and Company had not been paid.

By order of the Board

Virginia Ndunge
Secretary

Date: 23 July 2020

EAST AFRICAN CABLES PLC
SHAREHOLDING STRUCTURE

Share register details

Directors' interests in the shares of the company, the distribution of the Company shareholding and analysis of the ten major shareholders as at 31st December 2019 were as follows:

Directors' interest

Name of Director	Number of shares
Mr. M.G. Waweru	747,700
Mr. P.T. Kanyago	3,750

Major shareholders

No.	Names	No. of shares	% shareholding
1	Cable Holdings (Kenya) Limited	173,071,149	68.37%
2	Zed Holdings Ltd	4,054,525	1.60%
3	Ali Mohamed Adam	3,846,562	1.52%
4	Mbogori Holdings Limited	3,310,000	1.31%
5	Cyrus Njiru	3,303,250	1.30%
6	Abdulrehman Abdulkarim Juma	2,982,600	1.18%
7	The Jubilee Insurance Company of Kenya Limited	2,277,250	0.90%
8	Patrick Njogu Kariuki	2,244,900	0.89%
9	Peter Munyiri Kaka Arina	1,673,564	0.66%
10	Jitendra Chandubhai Patel & Kirankumar Chandubhai	1,419,462	0.56%
11	Others	54,941,738	21.70%
	Total	**253,125,000**	**100%**

Distribution of shareholding

Shares range	No. of Shareholders	No. of Shares held	% shareholding
1 - 500	7,064	1,388,718	0.55%
501 - 5,000	5,950	9,843,209	3.89%
5,001 – 10,000	560	3,973,162	1.57%
10,001 – 100,000	722	19,987,157	7.90%
100,001 – 1,000,000	73	17,577,292	6.94%
Above 1,000,000	14	200,355,462	79.15%
Total	**14,383**	**253,125,000**	**100%**

Shareholder analysis by domicile

Domicile	No. of Shareholders	No. of Shares held	%shareholding
Local institutions	812	190,047,445	75.08%
Local individuals	13,478	61,149,724	24.16%
Foreign institutions	9	69,150	0.03%
Foreign individuals	84	1,858,681	0.73%
Total	**14,383**	**253,125,000**	**100%**

EAST AFRICAN CABLES PLC
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2019

The directors have pleasure in submitting their report together with the audited financial statements for the year ended 31 December 2019, which disclose the state of affairs of the company and the group.

1. Activities

The group's and company's principal activities continue to be the manufacture and sale of electrical cables and conductors.

2. Group results

	2019 KShs'000	2018 KShs'000
Profit/ (loss) before taxation	658,695	(813,089)
Income tax (expense)/ credit	(27,723)	244,705
Profit/ (Loss) for the year	**630,972**	**(568,384)**

The detailed group results for the year are set out on page 36.

3. Dividends

The directors do not recommend the payment of a dividend (2018 – Nil).

4. Directors

The directors who served since 1 January 2019 and up to the date of this report are set out on page 3 and their details disclosed on pages 10 to 12.

5. Relevant audit information

The directors in office at the date of this report confirm that:

(i) There is no relevant audit information of which the company's auditors is unaware; and
(ii) Each director has taken all the steps that they ought to have taken as a director so as to be aware of any relevant audit information and to establish that the company's auditor is aware of this information.

6. Auditor

The Company's auditor, KPMG Kenya, has indicated its willingness to continue in office in accordance with the Kenyan Companies Act, 2015.

7. Approval of financial statements

The financial statements were approved and authorised for issue at a meeting of the directors held on 23rd July 2020.

BY ORDER OF THE BOARD

Virginia Ndunge
Secretary

Date: 23 July 2020

EAST AFRICAN CABLES PLC
STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for the preparation and presentation of the consolidated and separate financial statements of East African Cables PLC (Group and Company) set out on pages 36 to 101, which comprise the consolidated and separate statements of financial position as at 31 December 2019, and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies and other explanatory information.

The Directors' responsibilities include: determining that the basis of accounting described in Note 2 is an acceptable basis for preparing and presenting the consolidated and separate financial statements in the circumstances, preparation and presentation of the financial statements in accordance with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, 2015 and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Under the Kenyan Companies Act, 2015, the Directors are required to prepare financial statements for each financial year which give a true and fair view of the financial position of the group and of the company as at the end of the financial year and of the profit or loss of the group and the company for that year. It also requires the Directors to ensure the company and its subsidiary keep proper accounting records which disclose with reasonable accuracy the financial position and profit or loss of the group and the company.

The Directors accept responsibility for the annual consolidated and separate financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, 2015. The Directors are of the opinion that the consolidated and separate financial statements give a true and fair view of the financial position of the group and the company and of the group and the company profit or loss.

The Directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of consolidated and separate financial statements, as well as adequate systems of internal financial control.

As discussed at note 2(f) to the financial statement, the Directors have made an assessment of the group's and the company's ability to continue as a going concern and are aware of the existence of a material uncertainty related to events and conditions that may cast significant doubt on the Group and Company's ability to continue as a going concern and have put in place measures disclosed at note 2(f) to ensure the Group and Company continue as a going concern for at least the next twelve months from the date of this statement.

Approval of the consolidated and separate financial statements

The consolidated and separate financial statements, as indicated above, were approved and authorised for issue by the Board of Directors on 23rd July 2020.

____________________________	____________________________
MG Waweru	P Muigai
Chairman	*Chief Executive Officer and Managing Director*

Date: 23 July 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EAST AFRICAN CABLES PLC

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of East African Cables Plc (the group and company) set out on pages 36 to 101, which comprise the consolidated and separate statements of financial position as at 31 December 2019, and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of East African Cables Plc as at 31 December 2019, and of its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the Kenyan Companies Act, 2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate 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 separate financial statements in Kenya, and we have fulfilled our other 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.

Material uncertainty related to going concern

We draw attention to Note 2(f) in the consolidated and separate financial statements, which indicates that as at 31 December 2019, the group's current liabilities exceeded its current assets by KShs 493.53 million. Further, CoVid-19 affects the group and company and results in uncertainties for the future financial position and performance of the group and company. As stated in Note 2(f), these events or conditions, along with other matters as set forth in Note 2(f), indicate that a material uncertainty exists that may cast significant doubt on the group's and company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

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

Key audit matters (continued)

Impairment of trade receivables (applicable to the consolidated and separate financial statements)	
See Note 3(l)(vi), 6(a), 19 and 29(a) to the consolidated and separate financial statements	
The key audit matter	**How the matter was addressed in our audit**
The group's and company's trade receivables amounted to KShs 344 million and KShs 313 million respectively. Significant judgement is involved in assessing the recoverability of trade receivables and in estimating the impairment allowance required to be recognised against the gross trade receivables. The key areas where we identified greater levels of management judgement and therefore increased audit focus was the determination of historical loss rate and assessment of applicable forward-looking information to determine the Expected Credit Loss(' ECL'). Consequently, we considered this to be a key audit matter in our audit of the consolidated and separate financial statements.	Our audit procedures in this area included, among others: — Evaluating accuracy of the provisioning matrix used to compute the historical loss rates; — Evaluating the adequacy and completeness of financial statements disclosures, including disclosures of key judgements and estimates in the consolidated and separate financial statements; — Inspecting legal files for doubtful debts under litigation and compliance with the agreed payment plans with customers that had entered into distress arrangements with the group and company to settle outstanding debts; and — Evaluating the group's and company's policy for recognising an impairment allowance against the procedures applied by management in raising the impairment allowance to determine the appropriateness of the impairment allowance.
Recognition of deferred tax assets on unutilised tax losses included in the net deferred tax liability (applicable to the consolidated and separate financial statements)	
See Note 3 (i) and 23 to the consolidated and separate financial statements	
The key audit matter	**How the matter was addressed in our audit**
In arriving at the deferred tax liability on the statements of financial position, the group and the company have recognised deferred tax assets of KShs 505 million and KShs 329 million respectively relating to unused tax losses. The recoverability of recognised deferred tax assets is dependent on the group's and company's ability to generate future taxable profits sufficient to utilise deductible temporary differences and tax losses before they expire. We determined this to be a key audit matter in our audit of the consolidated and separate financial statements due to the inherent uncertainty in forecasting the amount and timing of future taxable profits and the reversal of temporary differences and utilisation of tax losses.	Our audit procedures in this area included, among others: — Involving our tax specialists to assist us in evaluating the group's and company's deferred tax balances against the tax calculations prepared by the management. — Evaluating the reasonableness of the group's and the company's performance/taxable profits forecasts based on supporting documentation obtained from management, our knowledge of the group and company and evidence obtained in respect of other areas of the audit; — Assessing whether the conditions for recognition of a deferred tax asset in respect of unutilised tax losses in terms of IAS 12 *Income taxes* have been met; — Checking whether any of the tax losses, included in the deferred tax liability balances have expired by understanding the years in which the tax losses arose and the expected expiry dates of those tax losses; and — Evaluating the adequacy and completeness of disclosures, including disclosures of key judgements in the consolidated and separate financial statements.

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

Other Information

The Directors are responsible for the other information. The other information comprises the Directors, offices and statutory information, Chairman's statement, Business review, Safety, quality, health, environment and social impact, Board of Directors, Management team, Corporate Governance Statement, Directors remuneration report, Shareholding structure and Five-year consolidated financial record but does not include the consolidated and separate financial statements and our auditors' report thereon, which we obtained prior to the date of this auditor's report, and the Notice of the annual general meeting, which is expected to be made available to us after that date.

Our opinion on the consolidated and separate 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 separate 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 consolidated and separate 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 that we obtained prior to the date of this auditor's report, 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 Directors for the consolidated and separate financial statements

As stated on page 30, the Directors are responsible for the preparation of consolidated and separate financial statements that give a true and fair view in accordance with IFRSs and in the manner required by the Kenyan Companies Act, 2015, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate 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 group and/or the company or to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 separate 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 separate 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 / or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate 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 auditor's report. However, future events or conditions may cause the group and/or the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate 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 and Company to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the Group and Company 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.

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

Auditor's responsibilities for the audit of the consolidated and separate financial statements (Continued)

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

Report on other legal and regulatory requirements

As required by the Kenyan Companies Act, 2015 we report to you, based on our audit, that:

(i) In our opinion, the information given in the Report of the Directors on page 29 is consistent with the consolidated and separate financial statements.
(ii) In our opinion, the auditable part of the Directors' Remuneration Report on page 23 to 27 has been prepared in accordance with the requirements of the Kenyan Companies Act, 2015; and
(iii) Our report on the consolidated and separate financial statements is unqualified.

The signing partner responsible for the audit resulting in this independent auditor's report is CPA Jacob Gathecha – Practicing Number 1610

KPMG Kenya
Certified Public Accountants
PO Box 40612 - 00100
Nairobi

Date: 23 July 2020

EAST AFRICAN CABLES PLC

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 KShs '000	2018 KShs '000
Revenue	4(a)	1,585,203	1,631,058
Cost of sales	4(c)	(1,081,676)	(1,155,959)
Gross profit		**503,527**	**475,099**
Other income	4(b)	1,512,696	61,892
Factory expenses	4(c)	(131,504)	(197,333)
Administrative expenses	4(c)	(483,347)	(325,692)
Selling and distribution expenses	4(c)	(70,986)	(73,964)
Profit/ (loss) before depreciation, impairment and finance costs		**1,330,386**	**(59,998)**
Impairment (loss)/ writeback on trade receivables and contract assets	6(a)	(137,489)	70,082
Depreciation and amortisation	6(b)	(267,756)	(286,686)
Results from operating activities		**925,141**	**(276,602)**
Interest expense	7	(270,198)	(510,720)
Net exchange gains/ (losses)	7	3,752	(25,767)
Net finance costs	7	(266,446)	(536,487)
Profit/ (loss) before income tax	8	**658,695**	**(813,089)**
Income tax (expense) / credit	9(a)	(27,723)	244,705
Profit/ (loss) for the year		**630,972**	**(568,384)**
Other comprehensive income			
Items that will never be reclassified subsequently to profit or loss:			
Re-measurement gain on retirement benefit plan		3,483	1,903
Deferred tax effect on remeasurement gain		(1,045)	(571)
Revaluation of property, plant and equipment		-	226,833
Revaluation of prepaid operating leases		-	248,485
Deferred tax on revaluation surplus		-	(142,596)
		2,438	**334,054**
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences on foreign operations		(5,174)	(30,593)
Total other comprehensive income		**(2,736)**	**303,461**
Total comprehensive income for the year		**628,236**	**(264,923)**
Profit/ (loss) for the year attributable to:			
Owners of the company		678,483	(485,773)
Non-controlling interest		(47,511)	(82,611)
		630,972	**(568,384)**
Total comprehensive income attributable to:			
Owners of the company		676,786	(168,003)
Non-controlling interest		(48,550)	(96,920)
		628,236	**(264,923)**
Basic and diluted earnings per share	10	**KShs 2.68**	**KShs(1.92)**

The notes set out on pages 44 to 101 form an integral part of these financial statements.

EAST AFRICAN CABLES PLC

SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 KShs '000	2018 KShs'000
Revenue	4(a)	1,460,868	1,385,598
Cost of sales	4(c)	(960,253)	(923,126)
Gross profit		**500,615**	**462,472**
Other income	4(b)	1,319,881	61,892
Factory expenses	4(c)	(98,907)	(151,093)
Administrative expenses	4(c)	(395,504)	(245,889)
Selling and distribution expenses	4(c)	(50,188)	(43,442)
Profit before depreciation, impairment and finance costs		**1,275,897**	**83,940**
Impairment (loss) / writeback on trade receivables and contract assets	6(a)	(85,274)	35,927
Depreciation and amortisation	6(b)	(196,664)	(213,309)
Results from operating activities		**993,959**	**(93,442)**
Interest expense	7	(239,815)	(476,736)
Net exchange gains	7	12,933	10,089
Net finance cost	7	(226,882)	(466,647)
Profit / (loss) before income tax	8	**767,077**	**(560,089)**
Income tax (expense) / credit	9(a)	(39,147)	160,394
Profit / (loss) for the year		**727,930**	**(399,695)**
Other comprehensive income			
Items that will never be reclassified subsequently to profit or loss:			
Re-measurement gain / (loss) on retirement benefit plan		2,256	(1,107)
Deferred tax effect on re-measurement (gain) / loss		(677)	332
Revaluation of property, plant and equipment		-	226,833
Revaluation of prepaid operating leases		-	248,485
Deferred tax on revaluation surplus		-	(142,596)
Total other comprehensive income		**1,579**	**331,947**
Total comprehensive income for the year		**729,509**	**(67,748)**

The notes set out on pages 44 to 101 form an integral part of these financial statements

EAST AFRICAN CABLES PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

		2019	2018
ASSETS	**Note**	**KShs'000**	**KShs'000**
Non-current assets			
Property, plant and equipment	11(a)	2,699,828	3,777,894
Right-of-use assets	12	2,100,559	-
Leasehold land	13	-	1,290,887
Investment properties	14	220,291	400,245
Intangible assets	16	-	490
		5,020,678	5,469,516
Current assets			
Inventories	18	379,344	367,877
Trade and other receivables	19	484,643	531,711
Current tax recoverable	9(c)	62,458	65,493
Cash and cash equivalents	27(b)	220,754	169,063
		1,147,199	1,134,144
Asset held for sale	15	107,000	-
		1,254,199	1,134,144
TOTAL ASSETS		**6,274,877**	**6,603,660**
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital	20(a)	126,563	126,563
Share premium	20(b)	545	545
Revaluation reserve	20(c)	2,045,342	2,045,342
Retained earnings		(200,466)	(880,966)
Foreign currency translation reserve	20(d)	(118,410)	(114,696)
Total equity attributable to equity holders of the company		1,853,574	1,176,788
Non-controlling interest	20(e)	275,930	324,480
Total equity		2,129,504	1,501,268
Non-current liabilities			
Bank loans and borrowings	21(a)	1,632,800	-
Shareholders loan	26(e)	517,924	480,436
Liability for staff gratuity	22	31,594	31,829
Deferred tax liability	23(a)	215,324	189,745
		2,397,642	702,010
Current liabilities			
Bank overdraft	27(b)	-	2,413
Trade and other payables	24	1,113,070	832,222
Short-term portion of bank loan	21(a)	626,509	3,552,458
Dividends payable	25	8,152	13,289
		1,747,731	4,400,382
TOTAL EQUITY AND LIABILITIES		**6,274,877**	**6,603,660**

The financial statements on pages 36 to 101 were approved and authorised for issue by the Board of Directors on 23rd July 2020 and were signed on its behalf by:

M.G. Waweru
Chairman

P Muigai
Chief Executive Officer and Managing Director

The notes set out on pages 44 to 101 form an integral part of the financial statements.

EAST AFRICAN CABLES PLC

SEPARATE STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

		2019	2018
ASSETS	**Note**	**KShs'000**	**KShs'000**
Non-current assets			
Property, plant and equipment	11(b)	2,201,485	2,348,198
Right-of-use assets	12	1,214,505	-
Leasehold land	13	-	1,256,999
Investment property	14	-	169,100
Intangible assets	16	-	77
Investment in subsidiary	17	115,037	115,037
		3,531,027	3,889,411
Current assets			
Inventories	18	226,648	186,802
Trade and other receivables	19	895,777	898,903
Current tax recoverable	9(c)	59,382	60,841
Cash and cash equivalents	27(b)	71,613	18,284
		1,253,420	1,164,830
Asset held for sale	15	107,000	-
		1,360,420	1,164,830
TOTAL ASSETS		**4,891,447**	**5,054,241**
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital	20(a)	126,563	126,563
Share premium	20(b)	545	545
Revaluation reserve	20(c)	1,398,665	1,398,665
Retained earnings		173,237	(556,272)
		1,699,010	969,501
Non-current liabilities			
Bank loans and borrowings	21(a)	1,289,600	-
Shareholders loan	26(e)	517,924	480,436
Liability for staff gratuity	22	21,498	22,359
Deferred tax liability	23(b)	201,455	163,090
		2,030,477	665,885
Current liabilities			
Bank overdraft	27(b)	-	2,413
Trade and other payables	24	553,968	382,942
Short-term portion of bank loans and borrowings	21(b)	599,840	3,020,211
Dividend payable	25	8,152	13,289
		1,161,960	3,418,855
TOTAL EQUITY AND LIABILITIES		**4,891,447**	**5,054,241**

The financial statements on pages 36 to 101 were approved and authorised for issue by the Board of Directors on 23rd July 2020 and were signed on its behalf by:

M.G. Waweru
Chairman

P Muigai
Chief Executive Officer and Managing Director

The notes set out on pages 44 to 101 form an integral part of the financial statements.

EAST AFRICAN CABLES PLC
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

2019:	Share capital KShs '000	Share premium KShs '000	Revaluation reserve KShs '000	Retained earnings KShs '000	Foreign currency translation reserve KShs'000	Total equity attributable to equity holders of company KShs'000	Non-controlling interest KShs'000	Total equity KShs'000
Balance at 1 January 2019	126,563	545	2,045,342	(880,966)	(114,696)	1,176,788	324,480	1,501,268
Profit for the year	-	-	-	678,483	-	678,483	(47,511)	630,972
Other comprehensive income								
Items that are or may be reclassified subsequently to profit or loss:								
Foreign currency translation differences on foreign operations	-	-	-	-	(3,714)	(3,714)	(1,460)	(5,174)
Items that will never be reclassified subsequently to profit or loss								
Re-measurement gain on defined benefit plan	-	-	-	2,881	-	2,881	602	3,483
Deferred tax effect	-	-	-	(864)	-	(864)	(181)	(1,045)
	-	-	-	2,017	-	2,017	421	2,438
Total other comprehensive income	**-**	**-**	**-**	**2,017**	**(3,714)**	**(1,697)**	**(1,039)**	**(2,736)**
Total comprehensive income for the year				**680,500**	**(3,714)**	**676,786**	**(48,550)**	**628,236**
Balance at 31 December 2019	**126,563**	**545**	**2,045,342**	**(200,466)**	**(118,410)**	**1,853,574**	**275,930**	**2,129,504**
2018:								
Balance at 1 January 2018	**126,563**	**545**	**1,712,620**	**(395,493)**	**(99,444)**	**1,344,791**	**421,400**	**1,766,191**
Profit for the year	-	-	-	(485,773)	-	(485,773)	(82,611)	(568,384)
Other comprehensive income								
Items that are or may be reclassified subsequently to profit or loss:								
Foreign currency translation differences on foreign operations	-	-	-	-	(15,252)	(15,252)	(15,341)	(30,593)
				-	(15,252)	(15,252)	(15,341)	(30,593)
Items that will never be reclassified subsequently to profit or loss								
Re-measurement gain on defined benefit plan	-	-	-	428	-	428	1,475	1,903
Deferred tax effect	-	-	-	(128)	-	(128)	(443)	(571)
Revaluation of prepaid operating lease	-	-	248,485	-	-	248,485	-	248,485
Revaluation of property plant and equipment	-	-	226,833	-	-	226,833	-	226,833
Deferred tax on revaluation surplus	-	-	(142,596)	-	-	(142,596)	-	(142,596)
	-	-	332,722	300	-	333,022	1,032	**334,054**
Total other comprehensive income	**-**	**-**	**332,722**	**300**	**(15,252)**	**317,770**	**(14,309)**	**303,461**
Total comprehensive income for the year	**-**	**-**	**332,722**	**(485,473)**	**(15,252)**	**(168,003)**	**(96,920)**	**(264,923)**
Balance at 31 December 2018	**126,563**	**545**	**2,045,342**	**(880,966)**	**(114,696)**	**1,176,788**	**324,480**	**1,501,268**

The notes set out on pages 44 to 101 form an integral part of these financial statements.

EAST AFRICAN CABLES PLC

SEPARATE STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital KShs '000	Share premium KShs '000	Revaluation reserve KShs '000	Retained earnings KShs '000	Total KShs'000
2019:					
Balance at 1 January 2019	126,563	545	1,398,665	(556,272)	969,501
Comprehensive income for the year					
Profit for the year				727,930	727,930
Other comprehensive income					
Items that will never be reclassified subsequently to profit or loss					
Re-measurement gain on defined benefit plan				2,256	2,256
Deferred tax effect				(677)	(677)
Total other comprehensive income	-	-		1,579	1,579
Total comprehensive income for the year	-	-	-	729,509	729,509
Balance at 31 December 2019	**126,563**	**545**	**1,398,665**	**173,237**	**1,699,010**
2018:					
Balance at January 2018	**126,563**	**545**	**1,065,942**	**(155,802)**	**1,037,248**
Comprehensive income for the year					
Loss for the year	-	-	-	(399,695)	(399,695)
Other comprehensive income					
Items that will never be reclassified subsequently to profit or loss					
Re-measurement loss on defined benefit plan	-	-	-	(1,107)	(1,107)
Deferred tax effect	-	-	-	332	332
Revaluation of prepaid operating lease			248,485	-	248,485
Revaluation of property plant and equipment	-	-	226,833	-	226,833
Deferred tax on revaluation surplus	-	-	(142,595)	-	(142,595)
Total other comprehensive income	-	-	332,723	(775)	331,948
Total comprehensive income for the year	**-**	**-**	**332,723**	**(400,470)**	**67,747**
Balance at 31 December 2018	**126,563**	**545**	**1,398,665**	**(556,272)**	**969,501**

The notes set out on pages 44 to 101 form an integral part of these financial statements.

EAST AFRICAN CABLES PLC

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 KShs'000	2018 KShs'000
Cash generated from operations	**27(a)**	**87,196**	**312,138**
Income taxes paid	9(c)	-	(862)
Cash flows generated from operating activities		**87,196**	**311,276**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		4,655	920
Purchase of property, plant and equipment	11(a)	(7,380)	(4,815)
Net cash used in investing activities		**(2,725)**	**(3,895)**
Cash flows from financing activities			
Bank loans and borrowings received	21(b)	1,632,800	127,670
Repayment of bank loans and borrowings	21(b)	(1,612,391)	(373,914)
Exchange loss/ (gain) on banks/shareholders loan		(5,428)	20,927
Interest paid		(40,211)	(124,785)
Dividends paid	25	(5,137)	(9,642)
Net cash used in financing activities		**(30,367)**	**(359,744)**
Net increase in cash and cash equivalents		**54,104**	**(52,363)**
Cash and cash equivalents at 1 January		166,650	219,494
IFRS 9-day 1 adjustment		-	(481)
Cash and cash equivalents at 31 December	27(b)	**220,754**	**166,650**

The notes set out on pages 44 to 101 form an integral part of these financial statements.

EAST AFRICAN CABLES PLC

SEPARATE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 KShs'000	2018 KShs'000
Cash generated from operations	**27(a)**	**88,889**	**343,602**
Income taxes paid	9(c)	-	-
Cash generated from operating activities		**88,889**	**343,602**
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		4,655	920
Purchase of property, plant and equipment	11(b)	(7,380)	(2,248)
Net cash used in investing activities		**(2,725)**	**(1,328)**
Cash flows from financing activities			
Bank loans and borrowings received	21(b)	1,289,717	127,670
Repayment of bank loans and borrowings	21(b)	(1,276,285)	(373,914)
Exchange gain on shareholders/bank loans		(883)	(138)
Interest paid		(37,834)	(123,677)
Dividends paid	25	(5,137)	(9,642)
Net cash used in financing activities		**(30,422)**	**(379,701)**
Net increase in cash and cash equivalents		**55,742**	**(37,427)**
Cash and cash equivalents at 1 January		15,871	53,779
IFRS 9-day 1 adjustment		-	(481)
Cash and cash equivalents at 31 December	27(b)	**71,613**	**15,871**

The notes set out on pages 44 to 101 form an integral part of these financial statements.

1. REPORTING ENTITY

East African Cables Limited ("the Company") is a limited liability company incorporated in Kenya under the Kenyan Companies Act, 2015 and is domiciled in Kenya. The consolidated financial statements as at and for the year ended 31 December 2019 comprise the company, East African Cables Plc and its subsidiary East African Cables Tz Ltd (together referred to as the "Group"). The Group and Company (referred to as either the Company or Group) is primarily involved in the manufacture and sale of electrical cables and conductors.

The address of its registered office and principal place of business is stated on page 3.

2. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated and separate financial statements (thereafter referred to as financial statements) have been prepared in accordance with International Financial Reporting Standards (IFRSs) and the Kenyan Companies Act, 2015.

For Kenyan Companies Act, 2015 reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income.

(b) Basis of measurement

The consolidated and separate financial statements have been prepared on the historical cost basis as modified by revaluation of certain items of property, plant and equipment, prepaid operating lease rentals and investment property which is measured at fair value and a liability for staff gratuity subjected to actuarial valuation.

Details of the significant accounting policies are included in Note 3.

(c) Functional and presentation currency

These consolidated and separate financial statements are presented in Kenya shillings (KShs), which is the Company's functional and presentation currency. All financial information presented has been rounded to the nearest thousand ("KShs '000") except where otherwise indicated.

(d) Use of judgements and estimates

The preparation of financial statements in conformity with IFRSs requires management to make judgement, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. The estimates and assumptions are based on the Directors' best knowledge of current events, actions, historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying values of assets and liabilities are not readily apparent from other sources. 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 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.

2. BASIS OF PREPARATION (Continued)

d) Use of judgements and estimates (continued)

Specifically, critical judgements, assumptions and estimation uncertainties are required in the following.

i. Consolidation

Judgement is required on whether the group has de-facto control over an investee (Note 3(b)(i)). Judgement is also made during acquisition of subsidiaries where fair value is measured on a provisional basis.

ii. Lease classification

Judgement is required in assessing whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time. Note 3(f)).

iii. Employee benefits

Certain assumptions are made when estimating employee benefit liabilities under gratuity schemes (Note 3(h)).

iv. Taxation

Recognition of deferred tax assets requires assessment of future taxable profits against which carry forward tax losses can be used (Note 3(i)).

v. Impairment tests

Key assumptions underlying recoverable amounts are made in determining carrying amounts of goodwill, receivables, investments in subsidiaries, tangible and intangible assets, investment properties etc, especially where indicators of impairment exist (Note 3 (l) and 3(n)).

vi. Recognition and measurement of contingencies

Key assumptions are made about the likelihood and magnitude of an outflow of resources

(e) Measurement of fair values

A number of the Group's and Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group and Company has an established framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Group finance manager.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations met the requirements of IFRSs, including the level in the fair value hierarchy in which such valuations should be classified.

2. BASIS OF PREPARATION (Continued)

(e) Measurement of fair values (continued)

Significant valuation issues are reported to the Group's Audit Committee.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- *Level 1:* quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2:* inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- *Level 3:* inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- *Note 11* – Property, plant and equipment
- *Note 12* – Right-of-use assets
- *Note 13* - Leasehold land
- *Note 14* – Investment property
- *Note 15* – Assets held for sale
- *Note 29* – Financial instruments

(f) Going concern

The group and company recorded net earnings of KShs 630.97 million and KShs 727.93 million respectively during the year ended 31 December 2019 (2018 Loss – Group KShs 568.38 million, Company Loss - KShs 399.70 million), and as of that date, the Group's current liabilities exceeded its current assets by KShs 493.53 million (2018 – KShs 3,266.24 million). As disclosed in note 32, Covid-19 affects the group and company and results in certain uncertainties for the future financial position and performance of the group and company. The Covid-19 pandemic is an unprecedented challenge for humanity and for the economy globally, and at the date of this report its effects are subject to significant levels of uncertainty.

The above events or conditions indicate that a material uncertainty exists that may cast significant doubt about the Group's and Company's ability to continue as a going concern, and therefore the Group and/or Company may be unable to realize their assets and discharge their liabilities in the normal course of business. The directors have put in place the following plans and initiatives to ensure the group and company continue to meet their obligations as and when they fall due.

2. BASIS OF PREPARATION (Continued)

(f) Going concern (continued)

Despite financial challenges that have affected business performance in the recent years, the Group and Company have remained focussed on the turn-around strategy. Significant milestones have been achieved which clearly validate sustainability of our business. An update on the successes achieved to date are described below.

(i) Debt restructure:

The Group and Company entire debt book has been fully restructured as below:-

Financier	Loan Balance at 31.12. 2019 KShs m	Loan Tenor	Restructure completion date
Equity Bank Kenya Limited	1,761	Ten (10) Years	April 2019
SBM Bank Kenya Limited	310	Ten (10) Years	April 2020
Ecobank Kenya Limited	188	Six (6) Years	July 2020

This restructure has reduced monthly debt service requirement allowing business to plough-back cash flows to fund working capital.

(ii) Focus on order generation:

The Group and company have continued to nature relationships with key customers among them regional utility companies. Through these partnerships, an order book of KShs 3.5 billion from regional utilities has been sustained. The primary constraint in execution of this order book has been working capital especially in the Tanzania subsidiary. The Board and management is keenly exploring options to resolve this challenge.

(iii) Product innovation:

Quality has been a key pillar in all products developed by the Group and company. The group and company work in partnership with consumers and market intermediaries in order to obtain relevant feedback on its products and the market. An experienced and qualified research and development team working in collaboration with the standards body has ensured guaranteed quality for all EA Cables products that are safe and reliable. These innovations range from XLPE insulated cables, HFFR insulated cables, Aerial Bundled Conductors (ABC), and most recently welding cables and submersible cables. The offering of these value-added products in addition to TPM implementation has contributed to improved gross margins to 32% in 2019 from 29% in 2018.

(iv) Brand protection:

To build and improve the brand equity, the Group and company have embarked on marketing activities to re-affirm the brand promise to consumers. Various activities undertaken in the year included road shows, radio advertising, billboards, branding of outlets and anti-counterfeit campaigns.

2. BASIS OF PREPARATION (Continued)

(f) Going concern (continued)

(v) Internal process improvements:

Overall efficiency of the business is anchored on Total Performance Management (TPM) Implementation. This has resulted in culture change with staff being more conscious of safety, cost, innovation, and improved attitude towards business performance. The result has been marked reduction in waste and scrap while factory efficiency has increased due to synchronized production plans. Overheads for 2019 (excluding costs associated with debt restructure) decreased by 19% compared to 2018. Other areas of focus include: -

a) *Focus on cash or near cash*
We believe that cash is king and more so in a business turn-around plan. Strict enforcement of credit control policy, cash sales or near cash sales has been the primary focus for reduced cash conversion cycle. Cash or near cash sales in the year accounted for 56% of total revenue, an improvement from the 47% recorded in the previous year.

b) *Aggressive collection of old debts*
The Group and company's drive to collect cash up-front and protect receivables has seen a decline in trade receivable balances to KShs 344m (Company – KShs 313m) in 2019 from KShs 399m (Company – KShs 349m) in 2018. While new business is conducted primarily on cash or near cash, there has been aggressive follow up on old accounts including litigation to ensure that these debtors are recovered fully.

c) *Enhanced supplier relations*
The business continues to foster good relationships with key suppliers. This has enabled the business to get favourable pricing at shorter lead times and maintain continued flow of raw materials to serve its customers better.

d) *J-I-T Inventory management*
Despite low working capital funding, inventory has been deliberately kept to a minimum through stringent planning.

(vi) Disposal of non-operating assets:

Despite the low activity in the property market, the Group and company are still focused on disposing off non-operating assets to improve liquidity with a carrying value of KShs 678 million. The proceeds from the sale will be partly used to provide working capital and partly to reduce the debt burden. The properties (2 in Nairobi and 2 in Dar es Salaam) are in prime locations. The company has contracted property agents to market and sell the properties.

The Group has received an offer of KShs 107 million on the investment property in Lavington, Nairobi. The transaction is projected to be concluded in the year 2020. Efforts to get a buyer for the other properties will continue.

(vii) Optimization of capital structure:

Following conclusion of debt restructure plan, the Group and Company have embarked on exploring options of optimizing its capital structure which could involve raising of additional equity into the business which will be utilized to recapitalise the business. This process will aim at further strengthening the balance sheets of the Group and Company and achievement of the growth strategy.

2. BASIS OF PREPARATION (Continued)

(f) Going concern (continued)

The directors continue to review the turn-around strategy and ensure its implementation for a complete turn-around. The above successes give assurance that the strategy will yield the expected outcome and return the business to full profitability. The directors are therefore confident that the going concern assumption is appropriate in the preparation of these consolidated and separate financial statements.

The consolidated and separate financial statements have therefore been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities will occur in the ordinary course of business.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements:

(a) Revenue recognition

(i) Sale of goods

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group and Company's activities. Net revenue is stated net of value-added tax (VAT), returns, rebates and discounts and after eliminating sales within the Group.

Revenue is measured based on the consideration to which the Group and Company expects to be entitled in a contract with a customer. The Group recognises revenue when it transfers control of a product or service to a customer.

The Group will recognise revenue in accordance with that core principle by applying the following five steps:
Step 1: Identify the contract(s) with a customer;
Step 2: Identify the performance obligations in the contract;
Step 3: Determine the transaction price;
Step 4: Allocate the transaction price to the performance obligations in the contract;
Step 5: Recognise revenue when (or as) the entity satisfies performance obligation.

(ii) Rental income

Rental income on the investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Rental income is presented in other income.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Consolidation principles

(i) Subsidiaries

The consolidated financial statements include the Company (which also includes a dormant branch in Uganda) and its subsidiaries, East African Cables (Tanzania) Company Limited in which the Group holds 51% of the voting rights and Yana Trading Company Limited in which the company holds 100% voting rights (refer to Note 17).

Subsidiaries are entities controlled by the Company. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date on which control ceases.

In the company financial statements, the investment in subsidiary is carried at cost and assessed for impairment at each reporting date.

Non-controlling interests (NCI) are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date.

(ii) Transactions eliminated on consolidation

All intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group balances, are eliminated in preparing consolidated financial statements.

(iii) Business combinations

All business combinations are accounted for by applying the acquisition method. Goodwill represents the difference between the cost of acquisition and the fair value of the net identifiable assets acquired.

A gain arising on a bargain acquisition is recognised directly in profit or loss.

(c) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies during the year are converted into Kenya Shillings at the exchange rate ruling at the date of the transaction. Foreign currency monetary assets and liabilities are translated at the exchange rate ruling at the reporting date. Resulting exchange differences are recognised in profit or loss.

Non-monetary assets and liabilities that are measured based on historical cost denominated in foreign currency are translated at the exchange rate ruling at the date of transaction.

(ii) Foreign operations

The assets and liabilities of foreign operations (which includes subsidiaries and branches), including fair value adjustments arising on consolidation, are translated to Kenya Shillings at foreign exchange rates ruling at the reporting date. The revenues and expenses of foreign operations are translated to Kenya Shillings at rates approximating the foreign exchange rates ruling at the dates of transaction. Foreign exchange differences arising on translation are recognised in other comprehensive income (OCI) and accumulated as a separate component of equity (foreign currency translation reserve) until the disposal of the foreign operation.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment (PPE) are measured at cost or at the revalued amount (as appropriate) less accumulated depreciation and impairment losses, if any.

Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. External revaluations for the group's buildings, plant and machinery are obtained after every three years. Surpluses arising from the valuations are recognised in other comprehensive income and accumulated in revaluation reserves in equity.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment and is recognised net within profit or loss and presented within other income/expense. When revalued assets are sold, any related amount included in the revaluation reserve is transferred to retained earnings.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and Company and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Depreciation is charged on a straight-line basis over the estimated useful lives of the assets. The annual rates of depreciation used are as follows:

Leasehold buildings	Over the shorter of the lease period and the asset's useful life
Plant and machinery	5% - 12.5%
Computers	33.3%
Motor vehicles	25%
Furniture, fittings and equipment	12.5% - 33.3%
Right of Use Assets	Lease term

Construction work-in-progress is not depreciated.

The assets' residual values, useful lives and depreciation methods are reviewed and adjusted as appropriate at each reporting date.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Property, plant and equipment (continued)

(iv) Reclassification to investment property

When the use of a property changes from owner-occupied to investment property, the property is reclassified as investment property and re-measured to fair value. Any gain arising on re-measurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in equity. Any loss is recognised immediately in profit or loss.

(e) Investment properties

Investment property is property held either to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business, use in production or supply of goods and services or for administrative purposes.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of an item) is recognised in profit or loss. When an investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

Investment properties are measured at fair value. External valuations are obtained on such a basis as to ensure that substantially all properties are valued once every three years. In the event of a material change in market conditions between the valuation date and the reporting date an internal valuation is performed, and adjustments made to reflect any material changes in value.

Surpluses and deficits arising from changes in fair value are recognised in profit or loss for the year.

(f) Leases

Policy applicable from 1 January 2019

Group and Company acting as a lessee
At inception of a contract, the Group and Company assess whether a contract is, or contains a lease. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group and Company uses the definition of a lease in IFRS 16.

The Group and Company recognize a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to branches or office premises.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Leases (continued)

Policy applicable from 1 January 2019 (continued)

periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined. The Group and Company's incremental borrowing rate. Generally, the Group and Company use their incremental borrowing rate as the discount rate.

The Group and Company determine their incremental borrowing rate by analysing their bank borrowings and makes certain adjustments to reflect the terms of the lease and type of asset leased.
Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments.
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date.
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group and Company are reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group and Company are reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group and Company's estimate of the amount expected to be payable under a residual value guarantee, if the Group and Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group and Company present right-of-use assets and lease liabilities as separate lines in the statement of financial position.

Short-term leases and leases of low-value assets
The Group and Company have elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group and Company recognise the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Leases (continued)

Policy applicable before 1 January 2019

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as operating leases. Payments made under operating leases are charged to profit and loss on a straight-line basis over the period of the lease. Prepaid operating lease rentals in respect of leasehold land are recognised as an asset and amortised over the lease period.

(g) Inventories

Work in progress and manufactured finished goods are valued at production cost including direct costs (cost of materials and labour), an appropriate proportion of production overheads and factory depreciation and other costs incurred in bringing the inventories to their present location and condition. The cost of stocks is based on the weighted average principle.

If the purchase or production cost is higher than net realisable value, inventories are written down to net realisable value. Purchase cost relates to the purchase of raw materials. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) Employee benefits

(i) Defined contribution plan

Non-unionisable employees of the Group are eligible for retirement benefits under a defined contribution plan provided through a separate fund arrangement.

Contributions to the defined contribution plan are recognised in profit or loss as incurred. The Group has no further obligation once the contributions have been paid.

(ii) Staff gratuity

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 length of service.

The cost of providing service gratuity which is 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 recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings though 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:

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Employee benefits (continued)

(ii) Staff gratuity (continued)

- Service costs comprising of current service costs recognised in profit or loss under cost of sales.
- Net interest expense or income recognised in profit or loss under cost of sales.

Employee entitlements to annual leave are recognized when they are expected to be paid to employees. A provision is made for the estimated liability for annual leave at the reporting date. Service gratuity is disclosed in Note 22 to the financial statements.

(iii) Leave accrual

The monetary value of the unutilised leave by staff as at year end is carried in the accruals as a payable and the movement in the year is recognised in profit or loss.

(iv) Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

(i) Taxation

Income tax comprises current tax and change in deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in other comprehensive income or directly in equity, in which case it is recognised in other comprehensive income or in equity respectively.

Current tax is provided on the results in the year as shown in the financial statements adjusted in accordance with tax legislation.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Taxation (continued)

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously. A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(j) Related party transactions

The group discloses the nature, volume and terms and conditions of amounts outstanding at the end of each financial year from transactions with related parties, which include transactions with the directors, executive officers and group or related companies.

(k) Dividends

Dividends are recognised as a liability in the period in which they are declared. Withholding tax is withheld for all cases where the percentage of ownership is less than 12.5% at the prevailing rates.

Proposed dividends are disclosed on Note 25.

(l) Financial instruments

Financial instruments include balances with banks, trade and other receivables, balances due from and to related parties, trade and other payables and borrowings.

(i) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group and Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets

A financial instrument is a contract that gives rise to both a financial asset for one enterprise and a financial liability of another enterprise.

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Financial instruments (continued)

(ii) Classification and subsequent measurement - continued

Financial assets are not reclassified subsequent to their initial recognition unless the Group and Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets – Business model assessment

The Group and Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management’s strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group and Company’s management.
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed.
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group and Company’s continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, ‘principal’ is defined as the fair value of the financial asset on initial recognition. ‘Interest’ is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Financial instruments (continued)

(ii) Classification and subsequent measurement – continued

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest (continued)

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group and Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group and Company considers:

- contingent events that would change the amount or timing of cash flows.
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group and Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

Additionally, for a financial asset acquired at a discount or premium to its contractual at par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual at par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets – Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Debt Investments at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Financial instruments (continued)

(ii) Classification and subsequent measurement – continued

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition.

Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(iii) De-recognition

Financial assets

The Group and Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group and Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group and Company enters into transactions whereby it transfers assets recognised in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Group and Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Group and Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred, or liabilities assumed) is recognised in profit or loss.

(iv) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when the Group and Company has an enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Financial instruments (continued)

Financial liabilities (continued)

(v) Fair value of financial assets and liabilities

Fair value of financial assets and financial liabilities is the price that would be received to sell an asset or paid to transfer a liability respectively in an orderly transaction between market participants at the measurement date.

(vi) Impairment of financial assets

Non-derivative financial assets

Financial instruments and contract assets

The Group and Company recognises loss allowances for Expected Credit Losses (ECLs) on financial assets measured at amortised cost. The Group and Company measures loss allowances at an amount equal to lifetime ECLs, except for bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group and Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group and Company's historical experience and informed credit assessment and including forward-looking information.

The Group and Company assumes that the credit risk on a financial asset has increased significantly if it is more than 180 days past due.

The Group and Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group and Company in full, without recourse by the Group and Company to actions such as realising security (if any is held); or
- the financial asset is more than 365 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.
12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group and Company is exposed to credit risk.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Financial instruments (continued)

(vi) Impairment of financial assets (continued)

Non-derivative financial assets (continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group and Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group and Company assesses whether financial assets carried at amortised cost and debt securities at Fair Value Through Other Comprehensive Income (FVOCI) are credit- impaired.

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- Presentation of allowance for ECL in the statement of financial position
- Write-off

(vii) Accounting classifications and fair values for financial assets and liabilities

The table below sets out the carrying amounts of each class of financial assets and liabilities, and their fair values:

Group

31 December 2019:	Financial assets- amortised cost	Financial liabilities- amortised cost	Total carrying amount	Fair value
	KShs'000	KShs'000	KShs'000	KShs'000
Assets				
Trade receivables	343,645	-	343,645	343,645
Due from related parties	52,098	-	52,098	52,098
Cash and bank balances	220,754	-	220,754	220,754
Total assets	**616,497**	**-**	**616,497**	**616,497**
Liabilities				
Bank loans and borrowings	2,259,309	-	2,259,309	2,259,309
Shareholder loan	517,924	-	517,924	517,924
Trade payables	-	329,264	329,264	329,264
Other payables & accruals	-	641,457	641,457	641,457
Due to related parties	-	142,349	142,349	142,349
Total liabilities	**2,777,233**	**1,113,070**	**3,890,303**	**3,890,303**

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Financial instruments (continued)

(vii) Accounting classifications and fair values for financial assets and liabilities (continued)

Group (continued)

31 December 2018:	Financial assets-amortised cost KShs'000	Financial liabilities-amortised cost KShs'000	Total carrying amount KShs'000	Fair value KShs'000
Assets				
Trade receivables	398,758	-	398,758	398,758
Due from related parties	51,505	-	51,505	51,505
Cash and bank balances	169,063	-	169,063	169,063
Total assets	**619,326**	**-**	**619,326**	**619,326**
Liabilities				
Bank overdraft	-	2,413	2,413	2,413
Bank loans and borrowings	3,552,458	-	3,552,458	3,552,458
Shareholder loan	480,436	-	480,436	480,436
Trade payables	-	276,197	276,197	276,197
Other payables & accruals	-	466,344	466,344	466,344
Due to related parties	-	89,681	89,681	89,681
Total liabilities	**4,032,894**	**834,635**	**4,867,529**	**4,867,529**

The fair values for financial instruments such as trade receivables, cash and bank balances, and trade payables carrying amounts are a reasonable approximation of fair values.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Financial instruments (continued)

(vii) Accounting classifications and fair values for financial assets and liabilities (continued)

Company

31 December 2019:	**Financial assets – amortised cost KShs'000**	**Financial liabilities- amortised cost KShs'000**	**Total carrying amount KShs'000**	**Fair value KShs'000**
Assets				
Trade receivables	312,904	-	312,904	312,904
Due from subsidiaries	475,200	-	475,200	475,200
Due from related parties	46,488	-	46,488	46,488
Cash and bank balances	71,613	-	71,613	71,613
Total assets	**906,205**	**-**	**906,205**	**906,205**
Liabilities				
Bank loans and borrowings	1,889,440	-	1,889,440	1,889,440
Shareholder loan	517,924	-	517,924	517,924
Trade payables	-	204,052	204,052	204,052
Other payables & accruals	-	238,863	238,863	238,863
Due to related parties	-	111,053	111,053	111,053
Total liabilities	**2,407,364**	**553,968**	**2,961,332**	**2,961,332**

31 December 2018:				
Trade receivables	348,640	-	348,640	348,640
Due from subsidiaries	447,871	-	447,871	447,871
Due from related parties	42,808	-	42,808	42,808
Cash and bank balances	18,284	-	18,284	18,284
Total assets	**857,603**	**-**	**857,603**	**857,603**
Liabilities				
Bank overdraft	-	2,413	2,413	2,413
Bank loans and borrowings	3,020,211	-	3,020,211	3,020,211
Shareholder loan	480,436	-	480,436	480,436
Trade payables	-	199,282	199,282	199,282
Other payables & accruals	-	97,207	97,207	97,207
Due to related parties	-	86,453	86,453	86,453
Total liabilities	**3,500,647**	**385,355**	**3,886,002**	**3,886,002**

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Asset fair values

The carrying amounts of financial instruments such as trade receivables, cash and bank balances, and trade payables are a reasonable approximation of fair values.

Valuation hierarchy

The fair value of certain items of property, plant and equipment, leasehold land and investment property was determined by external, independent property valuers in 2018, having appropriate recognized professional qualifications and experience in the location and category of the property being valued.

The table below shows the classification of investment property held at fair value into the valuation hierarchy set out below as at 31 December 2019 and 31 December 2018:

Group	**Level 1 KShs'000**	**Level 2 KShs'000**	**Level 3 KShs'000**	**Total KShs'000**
31 December 2019:				
Property, plant and equipment (Excluding Motor vehicles) (Note 11 (a))	-	2,695,461	-	2,695,461
Right-of-use assets (Note 12)	-	2,100,699	-	2,100,699
Investment property (Note 14)	-	220,291	-	220,291
Assets held for sale (Note 15)	-	-	107,000	107,000
Total	**-**	**5,016,451**	**107,000**	**5,023,451**
31 December 2018:				
Property, plant and equipment (Excluding Motor vehicles) (Note 11 (a))	-	3,776,563	-	3,776,563
Leasehold land (Note 13)	-	1,290,887	-	1,290,887
Investment property (Note 14)	-	400,245	-	400,245
Total	**-**	**5,467,695**	**-**	**5,467,695**

Company	**Level 1 KShs'000**	**Level 2 KShs'000**	**Level 3 KShs'000**	**Total KShs'000**
31 December 2019:				
Property, plant and equipment (Excluding Motor vehicles) (Note 11(b))	-	2,197,118	-	2,197,118
Right-of-use assets (Note 12)	-	1,214,505	-	1,214,505
Assets held for sale (Note 15)	-	-	107,000	107,000
Total	**-**	**3,411,623**	**107,000**	**3,518,623**
31 December 2018:				
Property, plant and equipment (Excluding Motor vehicles) (Note 11)	-	2,346,865	-	2,346,865
Leasehold land (Note 13)	-	1,256,999	-	1,256,999
Total	**-**	**3,603,864**	**-**	**3,603,864**

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Asset fair values (continued)

Valuation techniques and significant unobservable inputs

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Property, plant and equipment	Items of property, plant and equipment in Kenya, other than motor vehicles, are stated at fair value, which has been determined based on a valuation done by Ms Proland Realtors Limited on 31st December 2018. Proland Realtors Limited is an accredited independent valuer, and an industry specialist in valuing these types of investment properties. Tanzania property, plant and equipment are stated at fair value, which has been determined based on valuation by Ms Lloyd Masika Limited an accredited independent valuer as at 31st December 2015. The fair value of the properties has not been determined on transactions observable in the market because of the nature of the property and lack of comparable data. Instead valuation model in accordance with that recommended by the International Valuation Standard Committee has been applied. The resulting fair value change is dealt with through other comprehensive income.	The factory buildings are located in prime locations within the industrial area. Machinery is anchored in the factory buildings and is specialized in cable manufacturing only. Other items of property, plant and equipment like motor vehicles, furniture and fittings is moveable in nature and is used to facilitate manufacture and sale of electrical cables and conductors.	The management assessment as at 31st December 2019 determined that the carrying values of property, plant and equipment represented the fair value of these assets. No gain or loss was recognized in the year.
Investment Property	This is a residential property situated in Dar-es-salaam Tanzania and is stated at fair value, which has been determined based on a valuation by Ms. Accurate Valuers Limited an accredited independent valuer as at 30th April 2019. The property unoccupied in the year. The resulting fair value change is dealt with through profit or loss.	The property is located in a prime area adjacent to the National Referral Hospital	Fair value decrease in the year amounted to KShs 9.84 million.
Right of use assets	This relates to leasehold land upon which the manufacturing plants are set up. These assets are stated at fair value, based on valuation done by Ms Proland Realtors Limited on 31st December 2018. Proland Realtors Limited is and accredited independent valuer and an industry specialist in valuing these types of properties. The fair value of the leasehold land has been determined on the basis of comparable transaction in the market. Additionally, valuation model in accordance with that recommended by the International Valuation Standard Committee has been applied. **Note:** The leasehold land in Tanzania is stated fair value, based on valuation by Ms Lloyd Masika Limited an accredited independent valuer on 31st December 2015.	The right-of-use land is located in prime locations within Nairobi's industrial area and Dar es salaam Nyerere road.	The management assessment as at 31st December 2019 determined that the carrying values of right-of-use assets represented the fair value of these assets. No gain or loss was recognized in the year.
Assets held for sale	This is a commercial property situated in Nairobi, Kenya and is stated at fair value, which has been determined based on market estimate and offers being given by prospective buyers. The resulting fair value change is dealt with through profit or loss. The property is released to a related party on renewable annual lease.	The property is located in the Lavington area approximately 15kms from Nairobi City Centre	Fair value decrease in the year amounted to KShs 62.10 million.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Impairment of non- financial assets

The carrying amounts of the Group's and Company's non-financial assets, other than investment properties, inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss.

Impairment losses recognised in respect of cash-generating units are allocated first reduce the carrying amount of any goodwill allocated to the cash generating unit and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Impairment losses in respect of goodwill are not reversed.

(o) Assets held for sale

Non-current assets or disposal groups comprising assets and liabilities that are expected to be recovered primarily through sale or distribution than through continuing use are classified as held for sale or distribution. Immediately before classification as held for sale or distribution the assets or components of a disposal group are measured in accordance with the Group's accounting policies. Thereafter generally the assets or disposal group are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill and then to the remaining assets and liabilities on a pro rata basis.

Impairment losses on initial classification as held for sale or distribution and subsequent gains and losses on re-measurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Once classified as held for sale or distribution, assets are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

(p) Intangible assets

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software and are measured at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Intangible assets (continued)

Amortisation is based on the cost of an asset less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives (3 years) of intangible assets.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(q) Provisions

A provision is recognised in the statement of financial position when the company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(r) Finance income and expenses

Finance income and expenses comprise interest expense on borrowings and foreign currency losses. Borrowing costs, not relating to qualifying assets, are recognised in profit or loss using the effective interest rate.

Foreign exchange gains and losses are report on a gross basis.

(s) Segmental reporting

The Group determines and presents operating segments based on the information that internally is provided to the Group Chief Executive Officer (CEO), who is the Group’s chief operating decision maker.

The Group has three reportable segments which are the Group’s geographic locations.
The geographic locations offer similar products to different markets and are managed separately because they require different marketing strategies.

The CEO reviews the internal management reports on each of the segments on a monthly basis. The performance of each segment is measured on segment profit as included in the management report. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of the businesses.

Specific segmental information is disclosed in Note 33.

(t) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Comparative information

Where necessary, comparative figures have been represented to conform with changes in presentation in the current year.

(v) New standards, amendments and interpretations

(i) New standards, amendments and interpretations effective and adopted during the year

The Group and Company has adopted the following new standards and amendments during the year ended 31 December 2019, including consequential amendments to other standards with the date of initial application by the Group and Company being 1 January 2019.
The nature and effects of the changes that have an effect to the Group and Company are as explained here in.

New standard or amendment	Effective for annual periods beginning on or after
— IFRS 16 Leases	1 January 2019
— IFRS 9 Prepayment Features with Negative Compensation	1 January 2019
— IAS 28 Long-term Interests in Associates and Joint Ventures	1 January 2019
— IAS 19 Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)	1 January 2019
— Annual improvement cycle (2015-2017) – various standards	1 January 2019
— IFRIC 23 Uncertainty over income tax treatments	1 January 2019

Apart from IFRS 16, the other new standards, amendments and interpretations did not have a material impact on the financial statements of the Group and Company.

Impact of initial application of IFRS 16 Leases

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

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

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

The Group and Company has applied IFRS 16 using the cumulative catch-up approach and therefore comparative information has not been restated.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) New standards, amendments and interpretations (continued)

(i) New standards, amendments and interpretations effective and adopted during the year - continued

presented under IAS 17. The impact of changes under both IFRS 16 and IAS 17 are presented separately under Note 12 and Note 13 to the financial statements.

The impact of the adoption of IFRS 16 on the company financial statements at 1 January 2019 is shown below:

Impact on assets at 1 January 2019 as a result of recognition of:

Right-of-use asset

	Group	Company
As at 1 January 2019	**KShs '000**	**KShs '000**
Assets		
Right of use assets	2,187,812	1,256,999
Transfer from leasehold land (Note 15)	(1,290,887)	(1,256,999)
Property, plant and equipment (Note 11)	(896,925)	-
Impact on profit or loss	-	-

The standard had no impact on profit or loss, the statement of cash flows and liabilities on 1 January 2019.

(ii) New standards, amendments and interpretations in issue but not effective for the year ended 31 December 2019

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2019 and have not been early adopted by the Group and Company. The Group and Company are in the process of assessing the impact of these standards on the Company Financial Statements.

New standard or amendments	Effective for annual periods beginning on or after
— IFRS 3 Definition of a Business	1 January 2020
— Amendment to References to the Conceptual Frameworks in IFRS Standards	1 January 2020
— Amendments to IAS 16	1 January 2022
— Amendments to IAS 37	1 January 2022
— IFRS 7 Insurance Contracts	1 January 2023
— Sale or Contribution of Assets between an Investor and its Associate or Company (Amendments to IFRS 10 and IAS 28).	To be determined

All standards and interpretations will be adopted at their effective date (except for those standards and interpretations that are not applicable to the entity). The new standards, amendments and interpretations above will not have a material impact on the financial statements of the Group and Company.

4. REVENUE, OTHER INCOME AND EXPENSES

	Group		Company	
	2019	2018	2019	2018
	KShs '000	KShs '000	KShs '000	KShs '000
(a) Revenue				
Sale of electrical cables and conductors	1,585,203	1,631,058	1,460,868	1,385,598
(b) Other income				
Fair value gain on investment property	-	54,100	-	54,100
Gain on disposal of plant, property & equipment	4,655	920	4,655	920
Rent income	7,413	6,872	7,413	6,872
Discount on loans (Note 21(b))	1,500,628	-	1,307,813	-
	1,512,696	61,892	1,319,881	61,892
(c) Expenses by nature				
Raw materials and consumables	1,032,545	1,101,400	922,295	885,641
Employee benefits and other staff costs (Note 5)	258,479	248,093	189,207	182,555
Electricity expenses	35,157	36,452	31,564	29,425
Repairs and maintenance	12,608	15,457	11,879	12,553
Professional and consultancy costs	207,547	38,506	180,595	33,347
Vehicle expenses	6,222	8,719	4,870	4,212
Other expenses	214,955	304,321	164,442	215,817
	1,767,513	1,752,948	1,504,852	1,363,550
Comprising:				
Cost of sales	1,081,676	1,155,959	960,253	923,126
Factory expenses	131,504	197,333	98,907	151,093
Administrative expenses	483,347	325,692	395,504	245,889
Selling and distribution expenses	70,986	73,964	50,188	43,442
	1,767,513	1,752,948	1,504,852	1,363,550

5. STAFF COSTS

Direct labour	49,131	53,127	37,959	37,484
Indirect factory salaries	65,915	63,966	46,936	49,496
Administration salaries and wages	100,076	93,439	73,788	70,035
Distribution salaries and wages	28,290	23,181	20,902	17,082
Pension contributions	15,067	14,380	9,622	8,458
	258,479	248,093	189,207	182,555

6. OTHER OPERATING EXPENSES

	Group		Company	
	2019	2018	2019	2018
	KShs '000	KShs '000	KShs '000	KShs '000
(a) Impairment losses/(writeback)				
Fair value loss on investment property	71,941	-	62,100	-
Impairment loss/(writeback) on trade receivables	65,587	(84,514)	23,213	(50,359)
Impairment (writeback)/ loss on other financial assets	(39)	5,536	(39)	5,536
Impairment loss on revaluation of property, plant and equipment	-	8,896	-	8,896
	137,489	**(70,082)**	**85,274**	**(35,927)**
(b) Depreciation and amortisation				
Depreciation of property, plant and equipment	183,201	246,165	154,093	175,358
Depreciation of right-of-use assets	84,070	-	42,494	-
Amortisation of intangible assets	485	6,423	77	4,564
Amortisation of leasehold land	-	34,098	-	33,387
	267,756	**286,686**	**196,664**	**213,309**

7. NET FINANCE COST

	Group		Company	
	2019	2018	2019	2018
	KShs '000	KShs '000	KShs '000	KShs '000
Interest expense	(270,198)	(510,720)	(239,815)	(476,736)
Exchange gains	12,933	15,335	12,933	15,335
Exchange losses	(9,181)	(41,102)	-	(5,246)
Net exchange (gain) / loss	3,752	(25,767)	12,933	10,089
	(266,446)	**(536,487)**	**(226,882)**	**(466,647)**

8. PROFIT/ (LOSS) BEFORE TAX

Profit/ (loss) before tax is arrived at after charging:

	Group		Company	
	2019	2018	2019	2018
	KShs '000	KShs '000	KShs '000	KShs '000
Depreciation expense (Note 11)	183,201	246,165	154,093	175,358
Depreciation – Right of use assets (Note 12)	84,070	-	42,494	-
Amortisation of leasehold land (Note 13)	-	34,098	-	33,387
Amortisation of intangible assets (Note 16)	485	6,423	77	4,564
Interest expense (Note 7)	270,198	510,720	239,815	476,736
Directors' emoluments (Note 26):				
- Fees (Non-executive directors)	13,512	11,869	9,750	7,950
- Others	3,917	5,568	3,564	3,786
- Executive Director's remuneration	25,783	25,398	25,783	25,398
Auditors' remuneration	13,271	10,003	10,914	7,602
Write off of property, plant and equipment	-	8,896	-	8,896

9. INCOME TAX

(a) Income tax expense / (credit)

	Group		Company	
	2019	2018	2019	2018
	KShs'000	KShs'000	KShs'000	KShs'000
Current year	3,006	3,095	1,459	2,054
Prior year over provision	-	-	-	-
	3,006	**3,095**	**1,459**	**2,054**
Deferred tax expense/ (credit) (Note 23)				
Movement through profit or loss	5,016	(232,768)	37,331	(147,416)
Prior year overprovision	19,701	(15,032)	357	(15,032)
	24,717	**(247,800)**	**37,688**	**(162,448)**
Total income tax expense/ (credit)	**27,723**	**(244,705)**	**39,147**	**(160,394)**

(b) Tax reconciliation

The tax on the Group and Company results differs from the theoretical amount using the basic tax rate as follows:

	Group		Company	
	2019	2018	2019	2018
	KShs '000	KShs '000	KShs '000	KShs '000
Loss before income tax	658,695	(813,089)	767,077	(560,089)
Tax calculated at the statutory income tax rate of 30%	197,609	(243,927)	230,123	(168,027)
Prior year overprovision- deferred tax	19,701	(15,032)	357	(15,032)
Tax effect of other deductible costs	(189,587)	14,254	(191,333)	22,665
	27,723	**(244,705)**	**39,147**	**(160,394)**

(c) Current tax balances

	Group 2019	Group 2018	Company 2019	Company 2018
Balance as at 1 January	65,493	67,908	60,841	62,895
Current tax charge	(3,006)	(3,095)	(1,459)	(2,054)
Paid during the year	-	862	-	-
Foreign exchange translation differences	(29)	(182)	-	-
Balance as at 31 December	**62,458**	**65,493**	**59,382**	**60,841**
Comprising:				
Current tax recoverable	62,458	65,493	59,382	60,841
	62,458	**65,493**	**59,382**	**60,841**

10. BASIC AND DILUTED EARNINGS PER SHARE

	2019 KShs '000	2018 KShs '000
The calculation of basic and diluted earnings per share is based on:		
Profit/(loss) attributable to ordinary shareholders (KShs'000)	678,483	(485,773)
Weighted average number of ordinary shares outstanding during the year	253,125,000	253,125,000
Basic and diluted earnings per share (KShs)	2.68	(1.92)

11. PROPERTY, PLANT AND EQUIPMENT

(a) Group

2019:	Buildings	Plant and machinery	Motor vehicles	Furniture, fittings & equipment	Construction work in progress (WIP)	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Cost or valuation:						
At 1 January 2019	2,228,738	1,632,263	41,327	91,867	162,778	4,156,973
Additions	1,907	678	3,922	873	-	7,380
Transfers to /(from) WIP	-	9,566	-	-	(9,566)	-
Transfer to right of use assets	(1,027,994)	-	-	-	-	(1,027,994)
Disposals	-	-	(8,719)	-	-	(8,719)
Exchange differences	(5,522)	(1,094)	(80)	(103)	(150)	(6,949)
At 31 December 2019	1,197,129	1,641,413	36,450	92,637	153,062	3,120,691
Depreciation:						
At 1 January 2019	170,413	108,199	39,996	60,471	-	379,079
Charge for the year	29,800	146,612	888	5,901	-	183,201
Transfer to right of use assets	(131,069)	-	-	-	-	(131,069)
Disposals	-	-	(8,719)	-	-	(8,719)
Exchange differences	(1,399)	(79)	(82)	(69)	-	(1,629)
At 31 December 2019	67,745	254,732	32,083	66,303	-	420,863
Net carrying value:						
At 31 December 2019	**1,129,384**	**1,386,681**	**4,367**	**26,334**	**153,062**	**2,699,828**

11. PROPERTY, PLANT AND EQUIPMENT (Continued)

(a) Group (continued)

2018:	Buildings	Plant and machinery	Motor vehicles	Furniture, fittings & equipment	Construction work in progress	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Cost or valuation:						
At 1 January 2018	2,318,797	1,827,042	43,669	111,857	162,666	4,464,031
Additions	-	571	1,361	1,369	1,514	4,815
Transfers from assets held for sale (Note 15)	65,000	-	-	-	-	65,000
Reclassification	-	20,387	-	(20,387)	-	-
Disposals	-	-	(2,891)	-	-	(2 ,891)
On revaluation	(100,650)	(204,936)	-	-	-	(305,586)
Exchange differences	(54,409)	(10,801)	(812)	(972)	(1,402)	(68,396)
At 31 December 2018	2,228,738	1,632,263	41,327	91,867	162,778	4,156,973
Depreciation:						
At 1 January 2018	158,661	409,790	42,744	54,020	-	665,215
Charge for the year	74,204	161,487	946	9,528	-	246,165
Disposals	-	-	(2,891)	-	-	(2,891)
On revaluation	(59,365)	(464,158)	-	-	-	(523,523)
Transfers from assets held for sale (Note 15)	2,383	-	-	-	-	2,383
Reclassification	-	2,394	-	(2,394)	-	-
Exchange differences	(5,470)	(1,314)	(803)	(683)	-	(8,270)
At 31 December 2018	170,413	108,199	39,996	60,471	-	379,079
Net carrying value:						
At 31 December 2018	**2,058,325**	**1,524,064**	**1,331**	**31,396**	**162,778**	**3,777,894**

11. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Company

2019:	**Buildings**	**Plant and machinery**	**Motor vehicles**	**Furniture, fittings & equipment**	**Construction work in progress**	**Total**
	KShs'000	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**
Cost or valuation:						
At 1 January 2019	893,800	1,358,757	21,412	66,933	127,115	2,468,017
Additions	1,907	678	3,922	873	-	7,380
Transfers to/ (from) WIP	-	9,566	-	-	(9,566)	-
Disposals	-	-	(8,719)	-	-	(8,719)
At 31 December 2019	895,707	1,369,001	16,615	67,806	117,549	2,466,678
Depreciation:						
At 1 January 2019	-	57,722	20,079	42,018	-	119,819
Charge for the year	17,813	130,783	888	4,609	-	154,093
Disposals	-	-	(8,719)	-	-	(8,719)
At 31 December 2019	17,813	188,505	12,248	46,627	-	265,193
Net carrying value:						
At 31 December 2019	**877,894**	**1,180,496**	**4,367**	**21,179**	**117,549**	**2,201,485**
2018:						
Cost or valuation:						
At 1 January 2018	929,450	1,542,951	22,942	87,027	126,876	2,709,246
Additions	-	355	1,361	293	239	2,248
Transfers from assets held for sale	65,000	-	-	-	-	65,000
Reclassification	-	20,387	-	(20,387)	-	-
Disposals		-	(2,891)	-	-	(2,891)
On revaluation	(100,650)	(204,936)	-	-	-	(305,586)
At 31 December 2018	893,800	1,358,757	21,412	66,933	127,115	2,468,017
Depreciation:						
At 1 January 2018	36,876	371,864	22,346	37,406	-	468,492
Charge for the year	20,106	147,622	624	7,006	-	175,358
Disposals	-	-	(2,891)	-	-	(2,891)
On revaluation	(59,365)	(464,158)	-	-	-	(523,523)
Transfers from assets held for sale	2,383	-	-	-	-	2,383
Reclassification	-	2,394	-	(2,394)	-	-
At 31 December 2018	-	57,722	20,079	42,018	-	119,819
Net carrying value:						
At 31 December 2018	**893,800**	**1,301,035**	**1,333**	**24,915**	**127,115**	**2,348,198**

11. PROPERTY, PLANT AND EQUIPMENT (Continued)

Revaluation

The directors are of the view that the value carried in the books is a fair estimate of the current value of the assets as at the statement of financial position date.

Included in property, plant and equipment are assets with a gross value of KShs 128 million (2018 – KShs 164 million), which are fully depreciated, and still in use. Such assets would have attracted a notional depreciation of KShs 76 million (2018 – KShs 82 million).

If the buildings, plant and machinery were stated on the historical cost basis, the amounts would be as follows:

Group	**Buildings**	**Plant and machinery**	**Total**
	KShs'000	**KShs'000**	**KShs'000**
At 31 December 2019			
Cost	824,718	2,094,076	2,918,794
Accumulated Depreciation	(181,382)	(1,637,646)	(1,819,028)
Net carrying value	**643,336**	**456,430**	**1,099,766**
At 31 December 2018			
Cost	828,333	2,064,540	2,892,873
Accumulated Depreciation	(164,888)	(1,373,337)	(1,538,225)
Net carrying value	**663,445**	**691,203**	**1,354,648**
Company			
At 31 December 2019			
Cost	835,003	1,835,794	2,670,797
Accumulated Depreciation	(161,049)	(1,383,227)	(1,544,276)
Net carrying value	**673,954**	**452,567**	**1,126,521**
At 31 December 2018			
Cost	833,096	1,805,163	2,638,259
Accumulated Depreciation	(144,049)	(1,343,963)	(1,488,012)
Net carrying value	**689,047**	**461,200**	**1,150,247**

11. PROPERTY, PLANT AND EQUIPMENT (Continued)

Security

At 31 December 2019, land and buildings with a carrying amount of KShs 1,984 million (2018 – KShs 2,099 million) are subject to a registered debenture securing a bank loan facility for the company. Plant and machinery with a carrying amount of KShs 1,387 million (2018 – KShs 1,506 million) are subject to a registered debenture to secure bank loan facilities for the company. A motor vehicle with a cost of KShs 4.3 million (2018 – KShs 3.9 million) is also held as security for a bank loan.

The subsidiary has charged property, plant and equipment with a carrying value of KShs 1,010 million equivalent (2018 – KShs 1,430 million) to secure its bank loan facilities.

12. RIGHT-OF-USE ASSETS

	Group		Company	
	2019	**2018**	**2019**	**2018**
	KShs '000	**KShs '000**	**KShs '000**	**KShs '000**
Carrying value at 1 January	-	-	-	-
Transfer from property, plant and equipment – (Note 11)	896,925	-	-	-
Transfer from leasehold land – (Note 13)	1,290,887	-	1,256,999	-
Charge for the year	(84,070)	-	(42,494)	-
Exchange adjustment	(3,183)	-	-	-
Balance as at 31 December	**2,100,559**	**-**	**1,214,505**	**-**

13. LEASEHOLD LAND

	Group		Company	
	2019	**2018**	**2019**	**2018**
	KShs '000	**KShs '000**	**KShs '000**	**KShs '000**
Carrying value of leasehold land at 1 January	1,290,887	856,066	1,256,999	820,380
Transfer from assets held for sale – (Note 15)	-	235,000	-	235,000
Transfer to right of use assets – (Note 12)	(1,290,887)		(1,256,999)	
Revaluation	-	248,485	-	248,485
Amortisation adjustment – asset held for sale (Note 15)	-	(13,479)	-	(13,479)
Amortisation for the year	-	(34,098)	-	(33,387)
Exchange adjustment	-	(1,087)	-	-
Balance as at 31 December	**-**	**1,290,887**	**-**	**1,256,999**

13. LEASEHOLD LAND (CONTINUED)

If the leasehold land was stated on the historical cost basis, the amounts would be as follows:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	KShs '000	**KShs '000**	**KShs '000**	**KShs '000**
Carrying value at 1 January	278,877	62,161	247,395	27,236
Transfer to right-of-use assets	(278,877)	-	(247,395)	
Transfer from / (to) to assets held for sale (Note 15)	-	235,000		235,000
Amortisation adjustment: assets held for sale (Note 15)	-	(13,479)	-	(13,479)
Amortisation for the year	-	(3,108)	-	(1,362)
Exchange adjustment	-	(1,697)	-	-
Balance as at 31 December	**-**	**278,877**	**-**	**247,395**

14. INVESTMENT PROPERTIES

	Group		Company	
	2019	**2018**	**2019**	**2018**
	KShs '000	**KShs '000**	**KShs '000**	**KShs '000**
Balance as at 1 January	400,245	-	169,100	-
Transfer (to)/from assets held for sale (Note 15)	(107,000)	346,145	(107,000)	115,000
On revaluation	(71,941)	54,100	(62,100)	54,100
Exchange differences	(1,013)	-	-	-
Balance as at 31 December	**220,291**	**400,245**	**-**	**169,100**

Investment properties comprise of residential houses that have been leased to third parties and are carried at fair value.

15. ASSETS HELD FOR SALE

	Group		Company	
	2019	**2018**	**2019**	**2018**
	KShs '000	**KShs '000**	**KShs '000**	**KShs '000**
Balance as at 1 January	-	639,704	-	399,138
Transfers:				
To property, plant & equipment (Note 11)	-	(62,617)	-	(62,617)
To leasehold land (Note 13)	-	(221,521)	-	(221,521)
From/(to) investment property (Note 14)	107,000	(346,145)	107,000	(115,000)
Exchange differences	-	(9,421)	-	-
Balance as at 31 December	**107,000**	**-**	**107,000**	**-**

15. ASSETS HELD FOR SALE (CONTINUED)

In 2019, directors committed to a plan to sell investment property located in Lavington area, Nairobi. Efforts to sell the asset have started. Details of the asset held sale are shown below.

Property description	Group 2019 KShs '000	Company 2019 KShs '000
LR. No. 3734/126, on Elmolo Drive, Lavington, Nairobi, Kenya	107,000	107,000
Balance as at 31 December	**107,000**	**107,000**

Prior to commitment to sell the investment property, an impairment assessment resulted to a write-down of its carrying amount by KShs 62.10 million (see note 6(a)). The fair value loss has been recognised through profit or loss and applied to reduce the carrying amount of the investment property.

16. INTANGIBLE ASSETS

Computer software:

	Group		Company	
	2019 KShs '000	**2018 KShs '000**	**2019 KShs '000**	**2018 KShs '000**
Net carrying value at 1 January	490	6,980	77	4,641
Amortisation for the year	(485)	(6,423)	(77)	(4,564)
Exchange adjustment	(5)	(67)	-	-
Net carrying value at 31 December	**-**	**490**	**-**	**77**

17. INVESTMENT IN SUBSIDIARIES

	2019 KShs'000	2018 KShs'000
East African Cables (Tanzania) Limited	**115,037**	**115,037**

On 31 October 2005, the Company purchased 51% of the share capital of East African Cables (Tanzania) Limited, a company incorporated in Tanzania. The investment is carried at cost less impairment losses. In the opinion of the Directors, the investment is not impaired as at 31 December 2019 (2018 – KShs Nil).

The company also owns Yana Trading Limited a company incorporated in South Africa which is dormant.

The overall results of operations for the subsidiary, East African Cables (Tanzania) Limited is as follows:

	2019 KShs '000	2018 KShs '000
Revenue for the year ended 31 December	**124,335**	**245,460**
Loss after tax for the year ended 31 December	**(96,264)**	**(167,883)**

18. INVENTORIES

	Group		Company	
	2019	2018	2019	2018
	KShs '000	KShs '000	KShs '000	KShs '000
Finished goods	74,302	78,204	33,062	33,008
Raw materials	180,377	209,762	103,831	109,544
Work in progress	61,491	18,330	53,752	10,653
Strategic spares and lubricants	59,022	57,352	35,505	33,029
Stationery and printing	4,152	4,229	498	568
	379,344	**367,877**	**226,648**	**186,802**

The group and company expensed inventories amounting to KShs 1,032.55 million and KShs 922.30 million during the year (2018 – KShs 1,101.40 million and KShs 885.64 million, respectively.

19. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019	2018	2019	2018
	KShs '000	KShs '000	KShs '000	KShs '000
Net trade receivables (Note 29 (a))	343,645	398,758	312,904	348,640
Prepaid expenses	18,268	14,897	14,093	2,366
Prepayments for machinery & spares	70,632	66,551	47,092	57,218
Due from subsidiary (Note 26 (c))	-	-	475,200	447,871
Due from other related parties (Note 26 (c))	52,098	51,505	46,488	42,808
	484,643	**531,711**	**895,777**	**898,903**

20. CAPITAL AND RESERVES

(a) Share capital

	2019		2018	
Group and Company: Authorised, issued and fully paid	**Number of shares (Thousands)**	**KShs'000**	**Number of shares (Thousands)**	**KShs'000**
Ordinary shares of KShs 0.50 each at 1 January and 31 December	**253,125**	**126,563**	**253,125**	**126,563**

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the company.

(b) Share premium

	2019	2018
	KShs '000	KShs '000
Share premium (Group and company)	**545**	**545**

(c) Revaluation reserve

The revaluation reserve relates to the revaluation of property, plant and equipment, leasehold land, right of use assets and investment property revaluation prior to transfer on reclassification as investment property. The revaluation reserve is stated net of the associated deferred tax and is not available for distribution as dividends.

20. CAPITAL AND RESERVES (Continued)

(d) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statement of foreign operations, which include subsidiaries, Group and Company.

(e) Non-controlling interests

The following table summarises the information relating to East Africa Cables Tanzania Limited, a subsidiary that has material non-controlling interest (NCI) before any intra-group eliminations:

In KShs'000	**2019**	**2018**
NCI percentage	**49.00%**	**49.00%**
Non-current assets	1,573,677	1,661,256
Current assets	368,976	433,807
Non-current liabilities	(393,835)	(36,126)
Current liabilities	(1,049,029)	(1,460,711)
Lease operating rentals	31,012	33,887
Net assets	**530,801**	**632,113**
Carrying amount of NCI	**275,930**	**324,480**
Revenue	124,335	245,460
Loss	(96,264)	(167,883)
OCI	368	2,107
Total comprehensive income	**(96,632)**	**(165,776)**
Loss allocated to NCI	(47,169)	(82,263)
OCI allocated to NCI	182	1,033
Cash flows from operating activities	92,964	22,394
Cash flows from investment activities	-	(1,245)
Cash flows from financing activities (dividends to NCI: nil)	(93,461)	(19,500)
Net decrease in cash and cash equivalents	**(497)**	**(1,649)**

(f) Dividend per share

The directors do not propose the payment of a dividend in respect of the year ended 31 December 2019 (2018 – Nil) per share. Dividend is paid less withholding tax of 5% for residents, 10% for non-residents where applicable and 0% for local entities owning 12.5% shareholding or more.

21. BANK LOANS AND BORROWINGS

(a) Outstanding balances, terms and repayment schedule

	Currency	Nominal interest rate (p.a)	Group 2019 KShs '000	Group 2018 KShs '000	Company 2019 KShs '000	Company 2018 KShs '000
Standard Chartered Bank (Kenya) Ltd	US$ and KShs	9% & 13%	-	2,569,847	-	2,569,847
Standard Chartered Bank (Tanzania) Ltd	US$	6.5%	-	532,247	-	-
Equity Bank	KShs	13%	1,760,976		1,391,107	
Ecobank Kenya Limited	KShs	13%	188,169	161,521	188,169	161,521
SBM Bank Kenya Limited	KShs	13%	310,164	285,018	310,164	285,018
Credit Bank Kenya Limited	KShs	13%	-	3,825	-	3,825
			2,259,309	**3,552,458**	**1,889,440**	**3,020,211**

Comprising:	**Year of maturity**	Group 2019 KShs '000	Group 2018 KShs '000	Company 2019 KShs '000	Company 2018 KShs '000
Non-current liability	2020 to 2029	1,632,800	-	1,289,600	-
Current liability	2019	626,509	3,552,458	599,840	3,020,211
		2,259,309	**3,552,458**	**1,889,440**	**3,020,211**

(b) Loan movement schedule

	Group 2019 KShs '000	Group 2018 KShs '000	Company 2019 KShs '000	Company 2018 KShs '000
Balance at 1 January	3,552,458	3,426,005	3,020,211	2,947,699
Received during the year	1,632,800	127,670	1,289,717	127,670
Repaid during the year	(1,612,391)	(373,914)	(1,276,285)	(373,914)
Interest net of payments	192,498	351,770	162,710	318,894
Discount on loan*	(1,500,628)*	-	(1,307,813)*	-
Foreign currency translations	(5,428)	20,927	900	(138)
Balance at 31 December	**2,259,309**	**3,552,458**	**1,889,440**	**3,020,211**

* Refer to Note 2 (f) for details of the loan discount.

21. BANK LOANS AND BORROWINGS (Continued)

(c) Securities and covenants

East African Cables Plc has facility arrangements with Equity Bank Kenya Limited and the borrowings are secured by certain land and buildings for KShs 1,984 million (2018 - KShs 2,099 million) and debentures over all assets of East African Cables Plc and East African Cables (Tanzania) Limited for KShs 1.7 billion (2018 - KShs 3.2 billion). The bank facility comprises of term loans from Equity Bank Kenya Limited and Ecobank Kenya Limited.

As at 31 December 2019, the company had overdue loans amounting to KShs 498 million owed to SBM Bank Kenya Limited (KShs 310 million) and Ecobank Kenya Limited (KShs 188 million). These loans are due and payable on demand. Subsequent to year end, the Company signed facility agreements with SBM Bank Kenya Limited and Ecobank Kenya Limited to restructure the outstanding balances to tenors of ten (10) years and six (6) years respectively.

22. RETIREMENT BENEFITS OBLIGATIONS

The Group and Company operate a Gratuity arrangement for its unionisable employees. The Gratuity arrangement is provided under a Collective Bargaining Agreement effective from 1 September 2016.

The benefits in the Memorandum of agreement are defined on retirement and death. The Gratuity arrangement is defined benefit in nature with benefits linked to past service and salary at time of exit. Generally, on retirement, the benefit provided to employees for service from 1 to 5 years is 16 days pay for each completed year of service, for service from 6 to 10 years 20 days pay for each year of service and for service over 10 years 23 days pay for each year of service.

	Group		Company	
	2019 KShs '000	**2018 KShs '000**	**2019 KShs '000**	**2018 KShs '000**
Opening benefit obligation	31,829	29,312	22,359	17,183
Current service cost net of employees' contributions - charged to profit or loss cost of sales	2,077	2,362	1,471	1,743
Interest cost charged to profit or loss cost of sales	4,066	3,944	2,784	2,326
Actuarial (gain) / loss charged to other comprehensive income	(3,483)	(1,903)	(2,256)	1,107
Benefits and expenses paid	(2,860)	(1,895)	(2,860)	-
Translation (gains) /losses	(35)	9	-	-
Closing benefit obligation	**31,594**	**31,829**	**21,498**	**22,359**

22. RETIREMENT BENEFITS OBLIGATIONS (Continued)

The principal actuarial assumptions used in determining service gratuity obligations for the company are shown below: -

	Kenya		Tanzania	
Actuarial assumptions	**2019**	**2018**	**2019**	**2018**
Discount rate (% p.a.)	12.25%	12.05%	13.50%	13.24%
Future salary increases (% p.a.)	10.00%	10.00%	10.00%	10.00%
Mortality Assumptions – Males	KE 2001-2003 Males	KE 2001-2003 Males	KE 2001-2003 Males	KE 2001-2003 Males
Mortality Assumptions – Females	KE 2001-2003 Females	KE 2001-2003 Females	KE 2001-2003 Males	KE 2001-2003 Females
Weighted average duration of defined benefit obligation	10.9	7.4	8.1	8.1

Sensitivity of the results

The results of actuarial valuation will be more sensitive to changes in financial assumption than changes in the demographic assumptions. In preparing the sensitivity analysis of the results to the discount rate used, the actuaries have relied on the calculations of the duration of the liability.

A quantitative sensitivity analysis for significant assumptions as at 31 December 2019 is as shown below:

Group	**Discount rate**		**Salary rate**	
	1%	**-1%**	**1%**	**-1%**
	KShs '000	**KShs '000**	**KShs '000**	**KShs '000**
Net liability at start of the period	31,829	31,829	31,829	31,829
Net expense recognised in the profit or loss	3,283	3,283	3,283	3,283
Net expense recognised in the other comprehensive income	(4,229)	(4,661)	(202)	(6,346)
Employer contributions	-	-	-	-
Net liability at end of the period	**30,883**	**30,451**	**34,910**	**28,766**

Company	**Discount rate**		**Salary rate**	
	1%	**-1%**	**1%**	**-1%**
	KShs '000	**KShs '000**	**KShs '000**	**KShs '000**
Net liability at start of the period	22,359	22,359	22,359	22,359
Total Net expense recognized in the profit or loss	1,395	1,395	1,395	1,395
Net expense recognized in the other comprehensive income	(2,256)	(4,288)	150	(4,344)
Net liability at end of the period	**21,498**	**19,466**	**23,904**	**19,410**

22. RETIREMENT BENEFITS OBLIGATIONS (Continued)

Key Risks

The key risks associated with the Gratuity arrangement are as follows:

- The benefits are linked to salary and consequently have an associated risk to increases in salary.
- The benefits are defined as per the Memorandum of Agreement, normally effective for two years. Negotiations with the trade union could change these benefits and materially change the costs of the company.
- The Arrangement is unfunded with no separate assets. Investment risk would therefore not arise on the Arrangement.
- Benefits in the Arrangement are payable on retirement, death or redundancy. The actual cost to the Company of the benefits is therefore subject to the demographic movements of employees.

23. DEFERRED TAX LIABILITIES

(a) Group

Movements in the deferred tax liabilities during the year are as follows:

2019:	At 1 January KShs'000	Under / over provision in prior years KShs'000	Recognised through profit or loss KShs'000	Recognised through other comprehensive income KShs'000	Exchange difference KShs'000	Balance at 31 December KShs'000
Staff gratuity provision	(9,161)	(883)	542	1,045	5	(8,452)
Other provisions and accruals	(429,962)	-	(82,294)	-	406	(511,850)
Tax losses	(693,859)	20,104	167,404	-	1,099	(505,252)
Property, plant & equipment	1,276,163	480	(78,689)	-	(1,797)	1,196,157
Revaluation of investment property	48,600	-	-	-	(164)	48,436
Unrealised exchange gain	(2,036)	-	(1,947)	-	268	(3,715)
	189,745	**19,701**	**5,016**	**1,045**	**(183)**	**215,324**

2018:	At 1 January KShs'000	Under / over provision in prior years KShs'000	Effect of IFRS 9 adoption KShs'000	Recognised through profit or loss KShs'000	Recognised through other comprehensive income KShs'000	Exchange difference KShs'000	Balance at 31 December KShs'000
Staff gratuity provision	(8,964)	-	-	(896)	571	128	(9,161)
Other provisions and accruals	(379,729)	-	(48,262)	(10,092)	-	8,121	(429,962)
Tax losses	(528,669)	(1,371)	-	(171,121)	-	7,302	(693,859)
Property, plant & equipment	1,219,162	(13,661)	-	(54,610)	142,595	(17,323)	1,276,163
Revaluation of investment property	47,513	-	-	2,705	-	(1,618)	48,600
Unrealised exchange gain	(3,282)	-	-	1,246	-	-	(2,036)
	346,031	**(15,032)**	**(48,262)**	**(232,768)**	**143,166**	**(3,390)**	**189,745**

23. DEFERRED TAX LIABILITIES (Continued)

(b) Company

Movements during the year are as follows:

2019:	Balance at 1 January KShs'000	Under / over provision in prior years KShs'000	Recognise through profit or loss KShs'000	Recognised through other comprehensive income KShs'000	Balance at 31 December KShs'000
Staff gratuity provision	(7,040)	-	591	677	(5,772)
Other provisions and accruals	(212,662)	-	(63,171)	-	(275,833)
Tax loss	(489,058)	-	159,641	-	(329,417)
Unrealised exchange gain	191	-	808	-	999
Property, plant and equipment	863,921	357	(60,538)	-	803,740
Revaluation on investment property	7,738	-	-	-	7,738
	163,090	**357**	**37,331**	**677**	**201,455**

2018:	At 1 January KShs'000	Under / over provision in prior years KShs'000	Effect of IFRS 9 adoption KShs'000	Recognised through profit or loss KShs'000	Recognised through other comprehensive income KShs'000	Balance at 31 December KShs'000
Staff gratuity provision	(5,156)	-	-	(1,552)	(332)	(7,040)
Other provisions and accruals	(203,029)	-	(24,860)	15,227	-	(212,662)
Tax loss	(353,512)	(1,371)	-	(134,175)	-	(489,058)
Unrealised exchange gain	(1,056)	-	-	1,247	-	191
Property, plant and equipment	765,855	(13,661)	-	(30,868)	142,595	863,921
Revaluation on investment property	5,033	-	-	2,705	-	7,738
	208,135	**(15,032)**	**(24,860)**	**(147,416)**	**142,263**	**163,090**

23. DEFERRED TAX LIABILITIES (Continued)

The ageing of deferred tax asset arising from tax losses is as follows:

	2015 KShs'000	2016 KShs'000	2017 KShs'000	2018 KShs'000	2019 KShs'000	Total KShs'000
Group	107,135	97,872	136,154	164,091	-	**505,252**
Company	11,824	81,567	100,480	135,546	-	**329,417**

The directors are confident that the Group and Company will be able to utilise these tax assets from future taxable profits.

24. TRADE AND OTHER PAYABLES

	Group		Company	
	2019 KShs '000	2018 KShs '000	2019 KShs '000	2018 KShs '000
Trade payables	329,264	276,197	204,052	199,282
Due to other related parties (Note 26 (d))	142,349	89,681	111,053	86,453
Other payables and accrued expenses	641,457	466,344	238,863	97,207
	1,113,070	**832,222**	**553,968**	**382,942**

25. DIVIDEND PAYABLE

The movement in the dividend payable account is as follows:

	Group		Company	
	2019 KShs '000	2018 KShs '000	2019 KShs '000	2018 KShs '000
At beginning of year	13,289	22,931	13,289	22,931
Declared during the year	-	-	-	-
Paid during the year	(5,137)	(9,642)	(5,137)	(9,642)
At end of year	**8,152**	**13,289**	**8,152**	**13,289**

No dividend was paid to related parties in the year (2018 – KShs Nil).

26. RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties:

(a) Directors and executive officers

The total remuneration of directors and executive officers is as follows:

	Group		Company	
	2019 KShs '000	2018 KShs '000	2019 KShs '000	2018 KShs '000
Directors' emoluments				
— Non-executive directors fees	13,512	11,869	9,750	7,950
— Sitting allowances	3,153	4,842	2,800	3,060
— Duty day allowances	764	726	764	726
— Executive director's remuneration	25,783	25,398	25,783	25,398
Senior managements' remuneration	70,035	71,034	49,074	49,585

113,247	**113,869**	**88,171**	**86,719**

26. RELATED PARTY TRANSACTIONS (Continued)

(b) Amounts due from the directors

No amounts were due from the directors at close of the year (2018 – Nil).

The terms and conditions of the transactions with key management personnel were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

(c) Due from related parties

	Group		Company	
	2019	**2018**	**2019**	**2018**
	KShs '000	**KShs '000**	**KShs '000**	**KShs '000**
i) Owed by subsidiaries				
East African Cables (Tz) Limited	-	-	**475,200**	**447,871**
ii) Owed by other related parties				
Kewberg Cables & Braids (Pty)	36,774	37,723	36,774	37,723
Cableries Du Congo	187	168	187	168
Civicon Limited	5,767	3,956	5,767	3,956
AEA Limited	3,739	320	3,739	320
Tanelec Limited	5,631	9,338	21	641
	52,098	**51,505**	**46,488**	**42,808**

(d) Amounts due to related parties

	Group		Company	
	2019	**2018**	**2019**	**2018**
	KShs '000	**KShs '000**	**KShs '000**	**KShs '000**
***i)* Owed to subsidiaries**				
East African Cables (Tz) Limited	-	-	-	-
***ii)* Owed to other related parties**				
AEA Limited	-	273	-	249
Tanelec Limited	31,296	3,204	-	
TransCentury PLC	111,053	86,204	111,053	86,204
	142,349	**89,681**	**111,053**	**86,453**

All entities mentioned in (c) and (d) above have common ownership with the Group. All outstanding balances with these related parties are priced on an arm's length basis and on the same terms and conditions as those entered into by other Group employees or customers. None of the balances is secured.

	2019	**2018**
(e) Shareholders loan	**KShs'000**	**KShs'000**
Group and Company:		
Balance at 1 January	480,436	446,271
Accrued interest	39,271	39,015
Exchange gain	(1,783)	(4,850)
Balance at 31 December	**517,924**	**480,436**

On 22 April 2014, the company received unsecured loan of USD 4 million from Trans-Century Plc with a tenor of 20 months from the drawdown date at an interest rate of 11% per annum (2014 to 2018 – 9% per annum). The loan is subordinated to bank borrowings.

It is revalued from USD to KShs at the closing rates at the end of each reporting date. The loan is repayable after the existing bank borrowings are fully settled.

27. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of loss before tax to cash flow from operating activities

	Group		Company	
	2019	2018	2019	2018
	KShs '000	KShs '000	KShs '000	KShs '000
Profit/ (loss) before tax	658,695	(813,089)	767,077	(560,089)
Adjustments for:				
Depreciation for property, plant and equipment (Note 11)	183,201	246,165	154,093	175,358
Depreciation for right-of-use asset (Note 12)	84,070	-	42,494	-
Amortisation of leasehold land (Note 13)	-	34,098	-	33,387
Amortisation of intangible assets (Note 16)	485	6,423	77	4,564
Profit on disposal of property, plant and equipment (Note 4(b))	(4,655)	(920)	(4,655)	(920)
Fair value loss / (gain) on revaluation of investment property (Note 6(a))/ 14	71,941	(54,100)	62,100	(54,100)
Impairment loss on revaluation of property, plant and equipment	-	8,896	-	8,896
Interest expense (Note 7)	270,198	510,720	239,815	476,736
Discount on loans (Note 21(b))	(1,500,628)	-	(1,307,813)	-
Net foreign currency changes	4,157	36,416	1	-
Increase in provision for staff gratuity	3,283	4,411	1,395	4,069
Operating loss before working capital changes	**(229,253)**	**(20,980)**	**(45,416)**	**87,901**
Decrease/(increase) in inventories	(11,467)	179,979	(39,847)	198,281
Decrease in trade and other receivables	47,068	209,102	3,126	183,510
Increase/(decrease) in trade and other payables	280,848	(55,963)	171,026	(126,090)
Cash generated from operations	**87,196**	**312,138**	**88,889**	**343,602**

(b) Cash and cash equivalents at 31 December

Group

	2019	2018	Change in year
	KShs '000	KShs '000	KShs '000
Bank overdraft	-	(2,413)	2,413
Bank balances	220,754	169,063	51,691
Cash and cash equivalents	**220,754**	**166,650**	**54,104**

27. NOTES TO THE STATEMENT OF CASH FLOWS (Continued)

(b) Cash and cash equivalents at 31 December (Continued)

Company

	2019 KShs '000	2018 KShs '000	Change in year KShs '000
Bank overdraft	-	(2,413)	2,413
Bank balances	71,613	18,284	53,329
Cash and cash equivalents	**71,613**	**15,871**	**55,742**

28. CONTINGENT LIABILITIES

Guarantees with the bankers amounted to KShs 56 million as at 31 December 2019 (2018 – KShs 1.4 million. Letters of credit amounted to KShs 98 million as at 31 December 2019 (2018 – KShs 18 million) whose related liabilities have been accrued in the financial statements as appropriate for the supplies.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Overview

The Group and Company has exposure to the following risks from its use of financial instruments:

(a) Credit risk;
(b) Liquidity risk; and
(c) Market risk.

This note presents information about the Group's and Company's exposure to each of the above risks, the Group's and Company's objectives, policies and processes for measuring and managing risk, and the Group's and Company's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The board of directors has overall responsibility for the establishment and oversight the Group's and Company's risk management framework. The finance department identifies, evaluates and addresses financial risks. The Board provides written principles for overall risk management, as well as written policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk, and investing excess liquidity.

The Board of Directors oversees how management monitors compliance with the Group's and Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group and Company.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(a) Credit risk

Credit risk is the risk of financial loss to the Group and Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's and Company's receivables from customers and investment securities.

Trade and other receivables
The Group's and Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's and Company's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk.

The Group and Company has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's and Company's standard payment and delivery terms and conditions are offered. Customers that fail to meet the Group's and Company's benchmark creditworthiness may transact with the Group only on a prepayment basis.

The Group and Company has a stringent debt provisioning policy that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main component of this allowance specific loss component that relates to individually significant exposures.

The Group and Company also manages the level of credit risk by focusing on customer satisfaction as a key performance indicator. It also maintains a short credit period. Due to the nature of the Group's and Company's activities, credit risk concentrations are high due to reliance on some customers and as such close monitoring of credit relationships is carried out.

The carrying amount of financial assets represents the maximum exposure to credit risk. The maximum exposure to credit risk at the reporting date was:

	Carrying amount			
	Group		Company	
	2019	2018	2019	2018
	KShs '000	KShs '000	KShs '000	KShs '000
Trade receivables	343,645	398,758	312,904	348,640
Due from subsidiaries	-	-	475,200	447,871
Due from related parties	52,098	51,505	46,488	42,808
Bank balances	220,754	169,063	71,613	18,284
	616,497	**619,326**	**906,205**	**857,603**

Short term deposits
The Group and Company's limits its exposure to credit risk by only investing in short term deposits in money market.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(a) Credit risk (continued)

Expected credit loss (ECL) assessment as at 1 January and 31 December 2019

The Group and Company use a provision matrix to measure the ECL based on a factor of the following: -

- Probability of default
- Exposure at default, and
- The loss given default.

The probability of default is based on 12-month flow rates with an adjustment for forward looking information.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2019.

(i) Trade receivables

Group **Aging bucket**	**Loss rate**	**Carrying amount KShs'000**	**Loss allowance KShs'000**	**Net amount KShs'000**
Due from government institutions	4%	120,705	(4,966)	115,739
Not past due	17%	104,657	(13,851)	90,806
Past due 31-60 Days	20%	74,319	(14,541)	59,778
Past due 61-90 Days	34%	46,947	(15,840)	31,107
Past due 91-120 Days	47%	25,766	(12,054)	13,712
Past due 121-150 Days	68%	13,773	(9,350)	4,423
Past due 151-180 Days	81%	8,401	(6,768)	1,633
Past due 181-365 Days	88%	32,180	(28,362)	3,818
More than a year	97%	793,013	(770,384)	22,629
	72%	**1,219,761**	**(876,116)**	**343,645**

Company **Aging bucket**	**Loss rate**	**Carrying amount KShs'000**	**Loss allowance KShs'000**	**Net amount KShs'000**
Due from government Institutions	0%	76,782	(4,411)	72,371
Not past due	18%	104,657	(13,851)	90,806
Past due 31-60 Days	19%	74,013	(14,454)	59,559
Past due 61-90 Days	28%	25,818	(7,084)	18,734
Past due 91-120 Days	46%	22,994	(10,486)	12,508
Past due 121-150 Days	67%	9,793	(6,290)	3,503
Past due 151-180 Days	88%	8,401	(6,768)	1,633
Past due 181-365 Days	88%	19,074	(15,256)	3,818
More than a year	91%	580,749	(530,777)	49,972
	72%	**922,281**	**(609,377)**	**312,904**

Loss rates are based on actual credit loss experience over the past 24 months, current conditions plus the Group's view of economic conditions such as inflation, commercial bank interest rates and growth in the economy's gross domestic product.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(a) Credit risk (continued)

(ii) Intercompany receivables

For Group and Company, the calculated ECL which represents the probability of default was 7.6% which considers historical experience over the last 12 months, current conditions, exchange rates and country risk. This was applied to the gross outstanding amount and resulted in a loss allowance of KShs 39,737,000 and KShs 39,625,000 for the Group and Company respectively for the year ended 31 December 2019.

(iii) Cash and cash equivalents

The Group and company held cash and bank balances of KShs 220,754,000 and KShs 71,613,000 respectively (2018: Group - KShs 169,063,000 and Company KShs 18,284,000). The cash and bank balances are held with banks and financial institution counterparties, which are rated between A1 to Ba1, based on GCR, S&P and Moody's ratings.

Impairment on cash and cash equivalents has been measured on a 12-month expected credit loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. A reduction in impairment amounting to KShs 39,000 was recorded in the year.

(b) Liquidity risk

Liquidity risk is the risk that the Group and Company will not be able to meet their financial obligations as they fall due. The Group's and Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's and Company's reputation.

Typically, the Group and Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The maturities of the Group's and Company's financial liabilities are shown below:

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Liquidity risk (continued)

Group

31 December 2019 **Financial liabilities**	**Due within 3 months** **KShs'000**	**Due between 3-12 months** **KShs'000**	**Due between 1-5 years** **KShs'000**	**Due after 5 years** **KShs'000**	**Total** **KShs'000**
Bank overdraft	-	-	-	-	-
Loans and borrowings	(626,509)	-	(731,358)	(901,442)	(2,259,309)
Shareholders loan	-	-	-	(517,924)	(517,924)
Trade and other payables	(329,264)	-	-	-	(329,264)
Due to related parties	(142,349)	-	-	-	(142,349)
At 31 December 2019	**(1,098,122)**	**-**	**(731,358)**	**(1,419,366)**	**(3,248,846)**
31 December 2018					
Financial Liabilities					
Bank overdraft	(2,413)	-	-	-	(2,413)
Loans and borrowings	(3,465,803)	(86,655)	-	-	(3,552,458)
Shareholders Loan	-	-	-	(480,436)	(480,436)
Trade and other payables	(276,197)	-	-	-	(276,197)
Due to related parties	(89,681)	-	-	-	(89,681)
At 31 December 2018	**(3,834,094)**	**(86,655)**	**-**	**(480,436)**	**(4,401,185)**

Company

31 December 2019 **Financial liabilities**	**Due within 3 months** **KShs'000**	**Due between 3-12 months** **KShs'000**	**Due between 1-5 years** **KShs'000**	**Due after 5 years** **KShs'000**	**Total** **KShs'000**
Bank overdraft	-	-	-	-	-
Loans and borrowings	(599,840)	-	(577,633)	(711,967)	(1,889,440)
Shareholders loan	-	-	-	(517,924)	(517,924)
Trade payables	(204,052)	-	-	-	(204,052)
Due to related parties	(111,053)	-	-	-	(111,053)
31 December 2019	**(914,945)**	**-**	**(577,633)**	**(1,229,891)**	**(2,722,469)**
At 31 December 2018					
Financial liabilities					
Bank overdraft	(2,413)	-	-	-	(2,413)
Loans and borrowings	(2,933,556)	(86,655)	-	-	(3,020,211)
Shareholders loan	-	-	-	(480,436)	(480,436)
Trade payables	(199,282)	-	-	-	(199,282)
Due to related parties	(86,453)	-	-	-	(86,453)
At 31 December 2018	**(3,221,704)**	**(86,655)**	**-**	**(480,436)**	**(3,788,795)**

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Liquidity risk (continued)

In addition, the Group and Company maintains the following lines of credit:

KShs 100 Million (2018 - KShs 100 million) letter of credit facility for importation of raw materials. The line of credit is utilised in issuance of letters of credit to suppliers of critical raw materials

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's and Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

(i) Interest rate risk

The Group's and Company's operations are subject to the risk of interest rate fluctuations to the extent that interest earning assets (including investments) and interest-bearing liabilities mature or reprice at different times or in differing amounts. Risk management activities are aimed at optimizing net interest income, given market interest rates levels consistent with the group's and company's business strategies. The company does not have any significant interest rate risk exposures.

The table below summarises the exposure to interest rate risks. Included in the table below are the Group's and Company's assets and liabilities at carrying amounts, categorized by the earlier of contractual reprising or maturity dates:

Group

At 31 December 2019	Average effective interest rate	Due within 3 months KShs '000	Due between 3 and 12 months KShs '000	Due between 1 and 5 years KShs '000	Due after 5 years KShs '000	Non-interest bearing KShs '000	Total KShs'000
Bank overdraft	-	-	-	-	-	-	-
Bank loans and borrowings	10.2%	(626,509)	-	(731,358)	(901,442)	-	(2,259,309)
Shareholder loan	8.2%	-	-	-	(517,924)	-	(517,924)
		(626,509)	**-**	**(731,358)**	**(1,419,366)**	**-**	**(2,777,233)**
At 31 December 2018							
Bank overdraft	13%	(2,413)	-	-	-	-	(2,413)
Bank loans and borrowings	5.7%	(3,465,803)	(86,655)	-	-	-	(3,552,458)
Shareholder loan	8..7%	-	-	(480,436)		-	(480,436)
		(3,468,216)	**(86,655)**	**(480,436)**	**-**	**-**	**(4,035,307)**

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Market risk (continued)

(i) Interest rate risk (continued)

Company

At 31 December 2019	Average effective interest rate	Due within 3 months KShs '000	Due between 3 and 12 months KShs '000	Due between 1 and 5 years KShs '000	Due after 5 years KShs '000	Non-interest bearing KShs '000	Total KShs'000
Bank overdraft	-	-	-	-	-	-	-
Bank loans and borrowings	10.6%	(599,840)	-	(577,633)	(711,967)	-	(1,889,440)
Shareholder loan	8.2%	-	-	-	(517,924)	-	(517,924)
		(599,840)	**-**	**(577,633)**	**(1,229,891)**	**-**	**(2,407,364)**
At 31 December 2018							
Bank overdraft	13%	(2,413)	-	-	-	-	(2,413)
Bank loans and borrowings	14.5%	(2,933,556)	(86,655)	-	-	-	(3,020,211)
Shareholder loan	8.7%	-	-	(480,436)	-	-	(480,436)
		(2,935,969)	**(86,655)**	**(480,436)**	**-**	**-**	**(3,503,060)**

(ii) Currency risk

The Group and Company is exposed to currency risk through transactions in foreign currencies. Foreign currency gains and losses are recognised in profit or loss.

In respect of monetary assets and liabilities in foreign currencies, the company ensures that its net exposure is kept to an acceptable level by buying foreign currencies at spot rates to enable the company to meet its obligations.

The Group's and Company's exposure to currency risk mainly arises from transactions denominated in US Dollar.

The Group's and Company's exposure to foreign currency risk was as follows based on notional amounts in US dollars:

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Market risk (continued)

(ii) Currency risk (continued)

	Group		Company	
	2019	**2018**	**2019**	**2018**
	KShs'000	**KShs'000**	**KShs'000**	**KShs'000**
Financial assets				
Cash and bank balances	1,273	460	1,238	345
Trade receivables	106,298	245,946	106,298	245,946
	107,571	246,406	107,536	246,291
Financial liabilities				
Shareholders loan	(517,924)	(480,436)	(517,924)	(480,436)
Bank overdraft	-	(2,413)	-	-
Bank loan	-	(603,523)	-	(71,276)
Trade payables	(134,269)	(182,320)	(134,218)	(140,566)
	(652,193)	(1,268,692)	(652,142)	(692,278)
Net exposure	**(544,622)**	**(1,022,286)**	**(544,606)**	**(445,987)**

The following significant exchange rates applied during the year:

	Closing rate		Average rate	
	2019	**2018**	**2019**	**2018**
	KShs	**KShs**	**KShs**	**KShs**
USD	101.34	101.85	102.15	101.34

Sensitivity analysis

A 10 percent strengthening/weakening of the Kenya shilling against the following currencies would have increased profit or loss by amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2018:

	Profit or loss			
	Group		Company	
	2019	**2018**	**2019**	**2018**
	KShs '000	**KShs '000**	**KShs '000**	**KShs '000**
At 31 December	**54,462**	**102,229**	**54,461**	**44,599**

(d) Capital risk management

The group's and company's objectives when managing capital are to safeguard the group's and company's ability to continue as a going concern in order to provide returns for shareholders and the benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Board's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital and the level of dividend pay-out to its shareholders.

The group and company monitor capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings) less cash and cash equivalents. Total capital is calculated as equity as shown in the consolidated and separate statement of financial position plus net debt. The gearing ratio at end of the reporting period was as follows:

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(d) Capital risk management (continued)

	Group		Company	
	2019	**2018**	**2019**	**2018**
	KShs'000	**KShs'000**	**KShs'000**	**KShs'000**
Borrowings				
Bank loans	2,259,309	3,552,458	1,889,440	3,020,211
Bank overdraft	-	2,413	-	2,413
Shareholders Loan	517,924	480,436	517,924	480,436
Cash and bank balances	(220,754)	(169,063)	(71,613)	(18,284)
Net debt	**2,556,479**	**3,866,244**	**2,335,751**	**3,484,776**
Total equity	**2,129,643**	**1,501,268**	**1,699,010**	**969,501**
Gearing ratio	**120%**	**258%**	**137%**	**359%**

30. CAPITAL COMMITMENTS

	2019	**2018**
	KShs '000	**KShs '000**
Authorised and contracted for	-	-

31. ULTIMATE HOLDING COMPANY

The ultimate holding company is Trans-Century Plc, a company incorporated in Kenya.

32. EVENTS AFTER BALANCE SHEET

a) Debt Restructure

After year end, the Company signed a facility agreement with SBM Bank Kenya Limited to restructure the outstanding balance to a tenor of ten (10) years effective April 2020. A similar loan facility was signed with Ecobank Kenya Limited in June 2020 resulting to restructure of the outstanding debt balance to a tenor of six (6) years with effect from July 2020. If these transactions were booked on 31 December 2019, these loan balances would have been reclassified to non-current liabilities thereby improving the net current asset position of the business.

	31 December 2019 As reported	**Impact of Debt restructure**	**31 December 2019 Memorandum**
	KShs '000	**KShs '000**	**KShs '000**
Group			
Non-current liabilities			
Bank loans and Borrowings	1,632,800	498,333	2,131,133
Current liabilities			
Short-term portion of bank loans and Borrowings	626,509	(498,333)	128,176
Company			
Non-current liabilities			
Bank loans and Borrowings	1,289,000	498,333	1,787,333
Current liabilities			
Short-term portion of bank loans and Borrowings	599,840	(498,333)	101,507

32. EVENTS AFTER BALANCE SHEET

b) COVID-19 pandemic

The containment measures effected by the Government of Kenya to reduce the spread of the COVID-19 pandemic have impacted he business environment. These measures, which include movement restriction and reduced working hours have affected productivity and access to the market. The risks arising from this pandemic could include market contraction, services and supply chain disruptions, unavailability of key people resources, locations being quarantined, among others.

The directors note that demand for our products will be affected. At the time of issuing these financial statements, the directors estimate that the effect of COVID-19 to the Group and Company revenues for 2020 will be about 30%. It is reasonably possible, based on existing knowledge, that outcomes within the next financial year that are different from the judgements and assumptions used, could require a material adjustment to the carrying amount of the assets or liabilities reported in these financial statements

c) Changes in tax laws

On 25 April 2020, the Kenyan government enacted the Tax Laws (Amendment) Act, 2020 which includes but is not limited to the below amendments.

i) Reduction of the corporate tax rate from 30% to 25%. This decrease does not affect the amounts of current or deferred income taxes recognised as at 31 December 2019. However, this change will decrease the Group and Company's future current tax charge accordingly.

ii) If the new tax rate were applied to calculate taxable and deductible temporary differences as at 31 December 2019, the effect would be the net deferred tax liability disclosed at Note 23(b) would decrease by KShs 33,576 for Group and Company.

Introduction of minimum tax based on 1% of turnover, effective from 1 January 2021. Given that the Group and Company have been recording tax losses, this change will have an impact on their future current tax charge from 1 January 2021.

33. SEGMENTAL REPORTING

Management has determined the operating segments based on the reports reviewed by the Strategy committee. The committee considers the business from a geographical perspective. This committee has the primary responsibility of overseeing implementation of strategic decisions of the board including product and geographical diversification. Geographically, management considers the performance of the business in Kenya, Uganda and Tanzania. The reportable operating segments derive their revenues primarily from manufacture and sale of electric cables, conductors and traded products. The Strategy committee assesses the performance of the operating segments on a measure of profit/(loss) before tax.

	Kenya & Uganda		Tanzania		Consolidated	
	2019	2018	2019	2018	2019	2018
	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
External sales	1,460,868	1,385,598	124,335	245,460	1,585,203	1,631,058
Inter-segment sales	-	-	-	-	-	-
Total sales	**1,460,868**	**1,385,598**	**124,335**	**245,460**	**1,585,203**	**1,631,058**
Segment profit/ (loss) from operations	993,959	(93,442)	(68,123)	(183,160)	925,141	(276,602)
Net finance costs	(226,882)	(466,647)	(39,564)	(69,840)	(266,446)	(536,487)
Profit/ (loss) before tax	**767,077**	**(560,089)**	**(107,687)**	**(253,000)**	**658,695**	**(813,089)**
Other information:						
Segment assets	4,891,447	5,054,241	1,942,653	2,095,063	6,274,877	6,603,660
Segment liabilities	3,192,437	4,084,740	1,442,863	1,496,838	4,145,373	5,102,392
Capital expenditure	7,380	2,248	-	2,567	7,380	4,815
Depreciation expense & amortisation	196,664	213,309	70,398	72,665	267,756	286,686

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period. Segment revenue is based on the geographical location of both customers and assets. Sales between segments are carried out at arm's length. The revenue from external parties reported to the Strategy committee is measured in a manner consistent with that in the income statement. There is no reliance on individually significant customers by the group. The amounts provided to the Strategy committee in respect of total assets and total liabilities are measured in a manner consistent with that of the financial statements.

EAST AFRICAN CABLES PLC

FIVE YEAR CONSOLIDATED FINANCIAL RECORD

A STATEMENT OF COMPREHENSIVE INCOME SUMMARY

	2015 Consolidated KShs'000	2016 Consolidated KShs'000	2017 Consolidated KShs'000	2018 Consolidated KShs'000	2019 Consolidated KShs'000
Sales	3,724,212	3,650,451	2,345,086	1,631,058	1,585,203
Profit/(loss) before tax	(1,087,004)	(810,349)	(926,945)	(813,089)	658,695
Tax (expense)/credit	345,800	227,747	264,110	244,705	(27,723)
Profit/(loss) after tax	(741,204)	(582,602)	(662,835)	(568,384)	630,972
Non-controlling interest	181,184	127,877	96,497	82,611	47,511
Profit/(loss) attributable to parent company shareholders	(560,020)	(454,725)	(566,338)	(485,773)	678,483
Dividends	-	-	-	-	-
Retained profit/(loss)	(560,020)	(454,725)	(566,338)	(485,773)	678,483
Earnings per share (KShs) - Restated	(2.21)	(1.80)	(2.24)	(1.92)	2.68
Dividend per share (KShs)	-	-	-	-	-

B STATEMENT OF FINANCIAL POSITION

	2015	2016	2017	2018	2019
Non-current assets	5,439,068	5,318,844	4,661,862	5,469,516	5,020,678
Current assets	2,945,075	2,229,562	2,376,559	1,134,144	1,254,199
TOTAL ASSETS	**8,384,143**	**7,548,406**	**7,038,421**	**6,603,660**	**6,274,877**
Equity and liabilities					
Share capital	126,563	126,563	126,563	126,563	126,563
Reserves	2,424,589	1,969,864	1,403,526	1,164,921	1,845,421
Exchange differences	(91,987)	(97,475)	(99,444)	(114,696)	(118,410)
Non-controlling interest	690,822	557,457	448,157	324,480	275,930
Total equity	3,149,987	2,556,409	1,878,802	1,501,268	2,129,504
Non-current liabilities	2,079,046	1,672,873	1,193,075	702,010	2,397,642
Current liabilities	3,155,110	3,319,124	3,966,544	4,400,382	1,747,731
TOTAL EQUITY AND LIABILITIES	**8,384,143**	**7,548,406**	**7,038,421**	**6,603,660**	**6,274,877**