East African Cables
Connecting lives

2020

Annual Report & Financial Statements

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NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given that the fifty sixth (56th) Annual General Meeting of the shareholders will be held via electronic communication on Tuesday, 2nd November at 11.00 a.m. for the following purposes:

Ordinary business

1. To receive, consider and if approved, adopt the Group's audited financial statements for the year ended 31 December 2020, together with the Chairman's, Directors' and Auditor's reports thereon.

2. To approve the Directors' remuneration and the Directors' Remuneration Report for the year ended 31 December 2020.

3. The Board of Directors does not recommend payment of a dividend for the year ended 31 December 2020.

4. To elect Directors:

   (i) In accordance with the Company's Articles of Association, Amb. Dennis Awori retires by rotation and being eligible offers himself for re-election.
   (ii) In accordance with the Company's Articles of Association, Mr. Nganga Njiinu (representing Transcentury Plc and Mr. Wanjuki Muchemi (representing Cable Holdings (Kenya) Limited) retire by rotation and being eligible offers himself for re-election.
   (iii) In accordance with the Company's Articles of Association, Mr. Julius Waita Mwatu who was appointed as a director of the Company with effect from 24th November 2020 to fill a casual vacancy, retires from the Board and being eligible, offers himself for re-election as a director.
   (iv) 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 directors, Mr. Michael G. Waweru and Mr. Peter T. Kanyago who are above the age of seventy (70) years.

5. Pursuant to the provisions of Section 769 of the Companies Act 2015, Mr. Julius Waita Mwatu, Mr. Peter T. Kanyago and Mr. Nganga Njiinu (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 auditor in accordance with section 721 (2) of the Companies' Act, 2015 and to authorise the Directors to fix their remuneration for the ensuing year in accordance with the provisions of Section 724 (1) of the Companies Act, 2015.

7. To transact any other business of which due notice has been given.

BY ORDER OF THE BOARD
Virginia Ndunge
Company Secretary
P.O. Box 18243 - 00500
Nairobi

8 October 2021

Notes accompanying this Notice of Annual General Meeting are contained in pages 2 to 4.

NOTICE OF THE ANNUAL GENERAL MEETING - NOTES (CONTINUED)

1. Any Member who is entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote on his behalf. Such proxy need not be a member of the Company.

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*042# and following the various prompts regarding the registration process. In order to complete the registration process, Shareholders will need to have their ID/Passport Number which were used to purchase their shares.

3. Registration for the AGM opens on 18th October at 08:00am and will close on 1st November 2021 at 12:00 Noon.

4. For assistance, Shareholders should dial the following helpline numbers: +254 20 7608216 from 8:00 a.m. to 4:00 p.m. during the registration Open Period. Any Shareholder outside Kenya should dial the helpline number to be assisted to register or send an email to digital@candrgroup.co.ke.

5. Shareholders can access the Virtual AGM using their log in credentials via a link to the AGM Platform to view the livestream, vote and submit questions. Shareholders without internet access can access the Virtual AGM and vote and submit questions using their log in credentials via USSD using short code number *384*042#.

6. Shareholders wishing to raise any questions for the AGM may do so by:
   (a) Accessing Virtual AGM via link to the AGM Platform; Select Attend Event; Select "East Africa Cables Plc AGM"; Select "Q&A" option tab and submit questions in text box provided; or
   (b) Accessing Virtual AGM via USSD platform using short code number *384*042#; Use the menu prompts to Select option for "Q&A" and submit their questions (within 160-character limit for SMS text); or questions (within 160 character limit for SMS text); or
   (c) Sending their written questions by email to digital@candrgroup.co.ke; or
   (d) To the extent possible, physically delivering their written questions with a return physical address or email address to the offices of Custody and Registrars Services Ltd, Company's Registrars, at IKM Place, Tower B, 1st Floor, 5th Ngong Avenue.
      - Shareholders sending questions by email or delivering to C&R Group must provide their full details (full names, Shares Account Number/CDSC Account Number) when submitting their questions and clarifications. Also attach a copy of your ID/Passport.
      - All questions and clarification must reach the C&R Group on or before 1st November 2021 by 12:00 Noon.

7. Shareholders wishing to vote may do so by:
   (a) Accessing Virtual AGM via a link to the AGM platform; Select Attend Event; Select "East Africa Cables Plc AGM"; Select "Voting" option tab and vote; or
   (b) Accessing Virtual AGM via USSD platform; Use the menu prompts to Select "East Africa Cables Plc AGM"; Select the menu option for "Voting" and follow the various prompts regarding the voting process.

8. In accordance with Section 298(1) of the Companies Act, Shareholders entitled to attend and vote at the AGM are entitled to appoint a proxy to vote on their behalf. A proxy need not be a member of the Company.

   A Proxy Form is available on the Company's website www.eacables.com and on the last page of this Annual Report.

   Physical copies of the Proxy Form are also available at the following address: Custody and Registrars Services offices, IKM Place, Tower B, 1st Floor, 5th Ngong Avenue. To be valid, the proxy form must be duly completed by the shareholder, or his attorney duly authorized in writing. If the shareholder is a body corporate, the instrument appointing the proxy shall be give under its common seal (if any) or under the hand of an officer or duly authorized attorney of such body corporate. A completed form of proxy should be emailed to proxy@candrgroup.co.ke in pdf format or delivered to Custody and Registrars Services, IKM Place, Tower B, 1st Floor, 5th Ngong Avenue Nairobi or be posted to Custody and Registrars Services, P.O. Box 8484-00100 Nairobi so as to reach the Registrar or the Company Secretary not later than 10.00 a.m. on 20th October, 2021. Duly completed form must be supported by a copy of ID/ valid Passport of the member and include the ID/Passport, email or telephone number of the proxy to facilitate registration. Any proxy registration that is rejected will be communicated to the shareholder concerned no later than 1st November 2021 at 3.00 pm to allow time to address any issues.

9 The AGM will be streamed live to all shareholders who will have registered to participate in the general meeting.

10 Duly registered shareholders and proxies will receive a short message service SMS/ and/or an email two hours ahead of the AGM, reminding duly registered shareholders and proxies that the AGM will begin in two hours' time and providing a link to the livestream.

11 Duly registered shareholders and proxies may vote (when prompted by the Chairman) via the USSD *384*042# or on the AGM Platform.

NOTICE OF THE ANNUAL GENERAL MEETING - NOTES (CONTINUED)

Notice of the annual general meeting - notes (continued)

12 A poll shall be conducted for all the resolutions put forward in the notice.

13 Results of the AGM shall be published within 24 hours following conclusion of the AGM.

14 For any unclaimed dividends, the preferred method of paying dividends which are below KShs 140,000 is through M-PESA. Shareholders who wish to receive their dividend through M-PESA and who have not registered for this mode of payment can opt to receive future dividends by dialing *483*038# or contacting the Share Registrar, Custody & Registrars Services Limited.

15 All present and former shareholders of the Company are hereby notified that pursuant to the provisions of the Unclaimed Financial Assets Act No 40 of 2011 Parts II and III, dividends and shares which have not been claimed for a period of three (3) years or more will require to be delivered to the Unclaimed Financial Assets Authority ('the Authority) as abandoned assets on the appointed date.

Therefore, all shareholders with unpaid dividends are requested to urgently contact the Share Registrar, Custody & Registrars Services Limited at the address indicated below to claim any unpaid dividends to avert the risk of the dividends being forwarded to the Authority.

Explanatory Notes to Resolutions proposed to be passed at the AGM to be held on 2nd November 2021.

ORDINARY BUSINESS

Agenda Item 1 - Report and Accounts 2020

Resolution 1: THAT the Report of the Directors and the Financial Statements for the year ended 31 December 2020, as audited, and reported by the Company's Auditor now submitted to this meeting be and are hereby approved and adopted.

The Report and Accounts are for the year ended 31 December 2020 were approved by the Directors on 8 October 2021 and are presented for adoption by Shareholders.

Agenda Item 2 - Directors Remuneration and Remuneration Report

Resolution 2: THAT the Directors remuneration as stated in Note 25(a) to this Annual Report and Financial Statements and the Remuneration Report set out from page 34 to 36, be and are hereby Approved

Resolution 2 is an advisory vote to approve the Directors' remuneration as stated on Note 25 (a) to the Financial Statements and to approve the Director's Remuneration Report as prescribed by the CMA Code of Corporate Governance Practices for Issuers of Securities to the Public.

The Remuneration Report is set out from page 39 to 41 of this 2020 Annual Report and Financial Statements, which is also available on the Company's website www.eacables.com.

Agenda Item 3 - Dividend

Resolution 3: THAT the Board of Directors recommendation not to pay a dividend for the year ended 31 December 2021 be and is hereby approved.

Shareholders are requested to approve that no dividend will be paid for the year ended 31 December 2020.

Agenda Item 4 – Re-election of Directors

Resolution 4: THAT Amb. Dennis Awori, be and is hereby re-elected a Director of the Company in accordance with Article 29 of the Articles of Association.

Amb. Dennis Awori retires by rotation and offers himself for re-election in accordance with Article 29 of the Company's Articles of Association.

NOTICE OF THE ANNUAL GENERAL MEETING - NOTES (CONTINUED)

Notice of the annual general meeting - notes (continued)

Resolution 5: THAT Mr. Nganga Njiinu, representing Transcentury Plc, be and is hereby re-elected a Director of the Company in accordance with Article 29 of the Articles of Association

Mr. Nganga Njiinu retires by rotation and offers himself for re-election in accordance with Article 29 of the Company's Articles of Association.

Resolution 6: THAT Mr. Wanjuki Muchemi, representing Cable Holdings (Kenya) Limited, be and is hereby re-elected a Director of the Company in accordance with Article 29 of the Articles of Association.

Mr. Wanjuki Muchemi retires by rotation and offers himself for re-election in accordance with Article 29 of the Company's Articles of Association.

Resolution 7: THAT Mr. Julius Mwatu, be and is hereby re-elected a Director of the Company in accordance with Article 29 of the Articles of Association.

Mr. Julius Mwatu, who was appointed as a director of the Company on 24th November 2020 to fill a casual vacancy retires by rotation and offers himself for re-election in accordance with Article 29 of the Company's Articles of Association.

Resolution 8: THAT Mr. Michael G. Waweru and Mr. Peter T. Kanyago, be and are hereby re-elected as Directors of the Company in accordance with Article 29 of the Articles of Association.

Pursuant to paragraph 2.5.1 of the Code of Corporate Governance Practices for Issuers of Securities to the Public 2015, Mr. Michael G. Waweru and Mr. Peter T. Kanyago who are above the age of seventy (70) years, offer themselves for re-election to continue in office as directors of the Company.

In relation to the re-election of all the above named Non-Executive Directors, the Nominations and Governance Committee and the Board have determined that each of them continue to perform effectively and demonstrate commitment to their roles, and that they are all influential individuals in their respective fields and backgrounds. Their balance of knowledge and skills combined with their diversity and business experience, makes a major contribution to the proper functioning of the Board and its Committees. Detailed biographies of the Directors are set out on page 23 to 25 of this Annual Report and Financial Statements.

Agenda Item 5 - Directors re-election to Audit & Risk Committee

Resolution 9: THAT Mr. Julius Mwatu, Mr. Peter T. Kanyago and Mr. Nganga Njiinu, be and are hereby elected to continue to serve as Members of the Board Audit, Risk & Compliance Committee.

In accordance with the provisions of Section 769 of the Companies Act 2015, the Directors listed in Agenda Item 5 offer themselves for election to continue to serve as Members of the Board Audit, Risk & Compliance Committee.

Agenda Item 6 - Re-Appointment of Auditor and Auditor's Remuneration

Resolution 10: THAT in accordance with Section 721(2) of the Companies Act 2015, of KPMG Kenya be and are hereby re-appointed as the Auditor of the Company and that the Directors be and are hereby authorised to fix their remuneration.

KPMG Kenya having expressed their willingness to continue in office as the Company's Auditor in accordance with the provisions of Section 721(2), KPMG Kenya offer themselves for reappointment and it is proposed that the Directors be authorized to fix Auditor's remuneration for the ensuing financial year.

CORPORATE INFORMATION

DIRECTORS

Michael Waweru	Chairman
Paul Muigai	Chief Executive Officer and Managing Director
Peter Kanyago	
Dennis Awori	
Carole Kariuki	
TransCentury PLC	
Cable Holdings (Kenya) Limited	
Julius Mwatu	Appointed 24th November 2020
Bruno Thomas (French)	Retired on 3rd September 2020

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

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

SECRETARY
Virginia Ndunge
Certified Public Secretary (Kenya)
P.O. Box 18243 - 00500
Nairobi

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

ADVOCATES
Kaplan & Stratton Advocates
9th Floor, Williamson House
4th Ngong Avenue
P.O. Box 40111 - 00100
Nairobi

Muthaura Mugambi Ayugi & Njonjo Advocates
4th Floor, Capitol Hill Square
Upper Hill
P.O. 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
P.O. Box 75104 - 00200
Nairobi

KCB Bank Kenya Limited
Industrial Area Branch
P.O. Box 18031 - 00500
Nairobi

Sidian Bank Limited
K-Rep Centre, Kilimani
P.O. Box 25363 - 00603
Nairobi

SBM Bank Kenya Limited
Hurligham Branch
P.O. Box 66049 - 00800
Nairobi

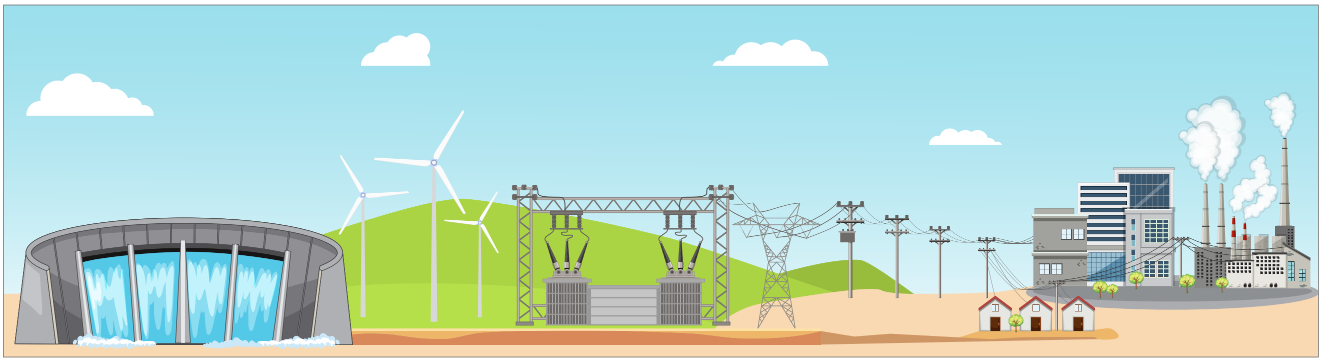
Ecobank Kenya Limited
Ecobank Towers, 13th Floor
Muindi Mbingu Street
P.O. Box 49584 - 00100
Nairobi

Credit Bank Limited
Industrial Area Branch
P.O. Box 61064 - 00200
Nairobi

ABOUT US

East Africa Cables Plc (the "Group") is a premier cable manufacturer in East and Central African region with three manufacturing facilities: two (2) in Nairobi and one (1) in Dar es Salaam, Tanzania. It is headquartered in Nairobi's Industrial area and is listed in the Nairobi Securities Exchange. The Company has over 56 years' experience making it the oldest and a pacesetter in cable manufacturing in the region. The company supports the power eco-system from generation, transmission, distribution and last mile through provision of quality cables and conductors.

OVER 50 YEARS OF SUPPLYING ELECTRICAL CABLES FROM SOURCE TO CONSUMER



Power Generation

1. Armored cables
2. Control cables
3. Flexible cables
4. House wire

Transmission Cables

1. Aluminium conductors steel reinforced (ACSR)
2. All aluminium conductors (AAC)
3. Binding wire

Distribution / Last Mile Cables

1. Concentric neutral cables (CNC)
2. Aluminium conductors
3. Aluminium conductors steel reinforced (ACSR)
4. House wire
5. Flexible cables
6. Armored cables
7. Control cables
8. Aerial bundled conductors (ABC)

OUR PRODUCTS

The group 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.

ABOUT US (CONTINUED)

Our products (continued)

Copper

Cables for domestic application
House wiring
Twin flat
Welding cables
Flexible cables

Cables for Industrial application
Armoured cables
Automotive cables
Submersive cables

Other copper cables
HFFR insulated cables
Concentric neutral cables
Soudronics

Aluminium

Overhead conductors
Bare conductors
Steel reinforced
Insulated conductors
Concentric neutral
Aerial bundled conductors

Conductors for underground reticulation
Aluminium armoured cables

Our Mission

To be a dynamic company committed to exceeding customer expectation and increasing our market share through the provision of high-quality products and services.

Our Vision

To be the leading and preferred provider of cabling solutions.

Our Core Values

- Employees and customer safety comes first.
- Being ethical and acting with respect, integrity, fairness, and care in our dealings with all partners.
- Pride in what we do and continuously pursuing maximum productivity in a safe environment.
- Getting it right the first time and consistently pursuing excellence.
- Freedom with responsibility and accountability in all we do.

The group and company remain focussed on implementation of the turn around strategy with a clear objective of returning the business back to profitability.

MG Waweru
Chairman

CHAIRMAN'S STATEMENT

Overview

2020 was a tough year for business around the world. The Covid-19 disruption presented the biggest challenge to the Kenyan and regional economies where we operate.

The Kenyan economy, which contributes to the bulk of our revenues, contracted by 1.1% in 2020 compared to a growth of 5.6% in 2019. This marks Kenya's first recession in over two decades, as the adverse effects of containment measures to curb COVID-19 infections continued to be felt. Construction sector, where we operate, was adversely affected by movement restrictions, supply chain disruptions and closure of some construction sites. In the second half of the year, following easement of the Covid-19 restrictions, our sector recorded growth mainly form individual home builders and retail customers.

In our other regional markets, Tanzania economy recorded a slow down recording a GDP growth of 1% in 2020 from a high of 7% in 2019 while Uganda's GDP contracted by 2% in 2020 compared to a growth of 8% in 2019. Up take of materials by regional utilities also slowed down significantly.

Despite these challenges, our business remained resilient and adaptive to the unfolding situation to record a volume growth of 22% and revenue growth of 14%. Of key concern was to protect our staff, customers, and our communities from the ravages of the pandemic.

Safety

Our business puts safety on the fore of all its activities. Following the confirmation of the first case of Covid-19 in Kenya, the Board and management instituted measures to enforce adherence to guidelines issued by Ministry officials. These measures include: - social distancing, sanitizing and wearing of face masks. The company provided sanitization points in all points of entry and exit into the premises while equipping the customer-facing team with the right PPE to avoid infection, providing thermal guns and maintaining a register of readings for staff and stakeholders visiting the premises and ensuring social distance in all our premises. Being an industrial set-up, it may not be practical to work from home for all employees. However, meticulous planning of shift was put into action ensuring that the personnel working in different shifts do not interact physically while sanitizing the commonly touched surfaces. Additionally, all meetings with staff and other stakeholders were facilitated virtually to minimise physical contact. Strict adherence to these measures ensured that our business continued with minimal interruptions and without exposing our people.

Our business environment

In the first half of the year, metal prices reduced significantly due to depressed demand of materials. However, in the second half of the year, with the easing of restrictions and roll-out of Covid-19 vaccines, our raw material prices, primarily Copper and Aluminium have risen to unprecedented levels. Copper prices dipped to low levels of USD 4,354 per MT in March 2020 but started to rise when China resumed production. At the close of the year copper prices had risen to a high of USD 7,750per MT while aluminium prices closed at USD 2051 per MT. Post year-end the prices have continued to soar reaching levels of USD 10,528 per MT and USD 2,550 per MT respectively for copper and aluminium in May 2021. The increment in LME makes our products more expensive and less affordable to our consumers. The high metal prices may therefore impact on our volumes for 2021.

Going concern

The group and company continue to register decent milestones on the recovery journey. In 2020, the company completed debt restructure arrangements with its lenders. The group and company have embarked on measures to generate working capital from internally generated funds including collection of long outstanding receivables. To date a total of about KShs 316m had been released into the business to fund operations. These measures together with what has been achieved to date are detailed in in note 2(f), on pages 61 - 63 of these consolidated and separate financial statements.

CHAIRMAN'S STATEMENT (CONTINUED)

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, cashflows expected from sale of non-operating assets and availability of enhanced working capital to meet business requirements.

Performance overview

The Group recorded a 14% increase in revenue supported by volume growth from individual homeowners, retail market, new products and new market channels. Continued focus on value-added products and cost management through implementation of Total Performance Management (TPM) supported our gross margins for the year.

Our business is on the right path to recovery, and I am confident that once the turnaround strategy is fully implemented, the business will become profitable and give return to shareholders. While major improvement in volume and revenue was recorded in the year, the performance was below break-even level. The Group and Company therefore, recorded a loss of KShs 753.22 million and KShs 330.59 million respectively compared to a profit of KShs 630.97 million and KShs 727.93 million recorded in 2019.

Dividend

Considering the loss reported in the year and the need for the business to generate internal funds, the Board does not recommend payment of a dividend.

Corporate governance

In the year under review, Mr. Julius Mwatu, was appointed as an independent director to fill a casual vacancy. As per our articles of association, Julius will retire in the next AGM and offer himself for nomination as a director. Mr. Mwatu brings on board vast experience gained from the private sector, public sector, non-profit and donor funded agencies.

I also take this opportunity to thank Mr. Jean Bruno Thomas, who retired as a director on 3rd September 2020 after serving the Board for 14 years as the Technical Advisor. His contribution to the company is evident in the transformation and modernization of our manufacturing facilities to world class status. Mr. Bruno leaves a legacy of safety, quality conformance, cost optimization and efficiency in production. The Board recognizes his invaluable contribution and wish him well in his endeavours.

2021 outlook

Despite the challenges brought about by Covid-19 pandemic and increasing metal prices, we will remain steadfast in delivering our turnaround strategy. Our growth is pegged on innovation in new products, market channels and commitment by the staff and the Board who have worked in unison to deliver growth even in a very difficult year. We will continue to protect our people and all stakeholders, without whom we will not be able to achieve our strategy.

We therefore look forward with optimism for achievement of other milestones in our recovery journey.

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: 8 October 2021

BUSINESS REVIEW

Our market review

Financial year 2020 started as a normal year but soon became extremely challenging due to Covid-19 disruptions. The pandemic impacted negatively on the construction sector resulting to low business activity especially due to movement restrictions imposed by the Ministry Health officials. Many construction projects were put on hold in the first half of the year thereby reducing demand for our products. Supply chain disruptions on the other hand caused delays in delivery of raw materials to our factories and finished products to our customers. Positively, prices of primary raw materials reduced, making our products more affordable to consumers. This sparked demand from individual home builders for sustainability. The strategy to focus on this new market channel coupled with market activation campaigns, paid-off resulting to volume growth of 23% and revenue growth of 14% and 19% for the group and company respectively.

Our major business risks are:-

a) **Volatility in prices of raw materials**
At the beginning of the pandemic, respective copper and aluminium raw material prices dropped to levels of USD 4,354 per MT and USD 1,457 per MT and rising to levels of USD 7,750 per MT and USD 2,051 per MT by end of the year. These fluctuations require the management to maintain a delicate balance in inventory holding levels to mitigate risk especially when global metal prices drop suddenly.

b) **Foreign currency risk**
Our primary raw materials are imported. Therefore, purchases are dollar denominated while our large proportion of sales revenue is Kenya Shilling denominated. Significant fluctuations in the local currency against the United States Dollar poses a risk to our business. The business is striving to grow the export market while at the same time pricing big ticket orders in USD to hedge against exchange fluctuations.

c) **Illicit trade**
Infiltration of counterfeits and substandard products not only pose a risk to the consumers, but they also erode the value of a successful brand. The Group and Company have partnered with key stakeholders in the government to curtail this trade. We laud the multi-agency team for their support on this front.

Tanzania operations

Our Tanzania subsidiary faced a very challenging year thereby recording very low performance. Apart from the risks enumerated above, the unit had challenge in raising funding for working capital required to deliver its order book. Interventions from the Group ensured sustainability as the business continue to seek for funding solutions. The Board formed a sub-committee to oversee implementation of the turn-around initiatives of the subsidiary. Post year-end, significant strides have been made to sustain the business, including collection of long-outstanding receivables and release of cash held under lien. This has gone a long way in funding working capital while the Group and Company seek for long term sources of working capital funding.

Safety

Employees and customer safety come first is one of our core values. The management has put in place a health and safety committee mandated to assess potential safety incidences, record safety incidences and near misses, recommend action, and ensure implementation of risk mitigation to avoid recurrence. Safety is key in our operations; 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. 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 appropriate protective gear.

Regrettably, in 2020, the company recorded 3 work related injury accidents (2019 – 2 cases). The group and company continue to sensitize all staff to observe safety guidelines.

BUSINESS REVIEW (CONTINUED)

Covid-19 mitigation

The Covid-19 pandemic was and still is a major concern globally. To protect our employees, customers, visitors, and other stakeholders who interact with us in the course of our business, we implemented the required measures as stipulated by the Ministry of Health.
Measures implemented included screening of temperature and other Covid-19 related symptoms at the entry of our premises, provision of handwashing and sanitization points, provision of masks to all employees, emphasis on social distancing including introduction of virtual meetings instead of in-person meetings and continuous awareness to stakeholders to keep safe. The health and safety committee also conducted assessments on a regular basis to ensure compliance and for continuous improvement.

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. In the year, most of the workshops were held virtually and relevant reading materials distributed to staff.

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 modernised production facility. TPM is a set of toolkit 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.

Supporting the youth

On job creation, the company operates an internship program which allows the youth to acquire hands-on experience. 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 comprise 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.

Impacting communities

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 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.

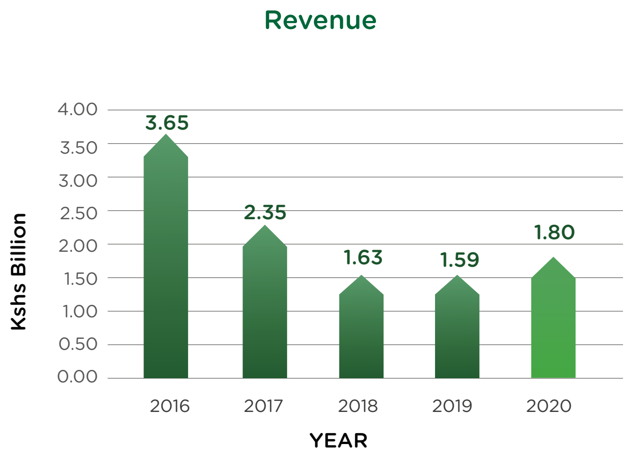
BUSINESS REVIEW (CONTINUED)

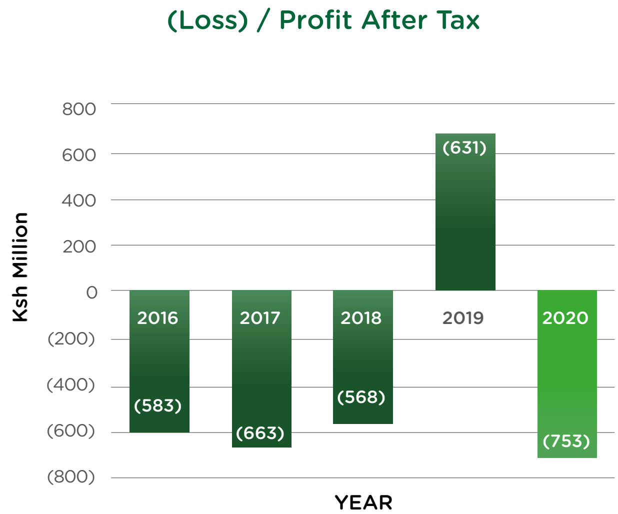
Business performance

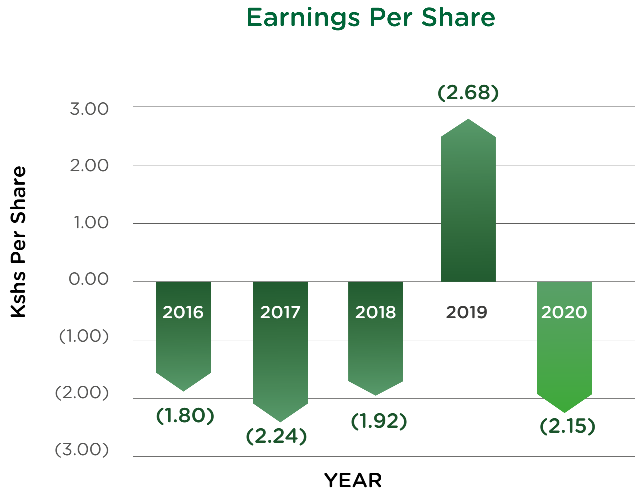
In the year under review, the Group recorded a 14% increase in revenue supported by volume growth from individual homeowners, retail market, new products and new market channels. Continued focus on value-added products and cost management through implementation of Total Performance Management (TPM) supported our gross margins for the year.

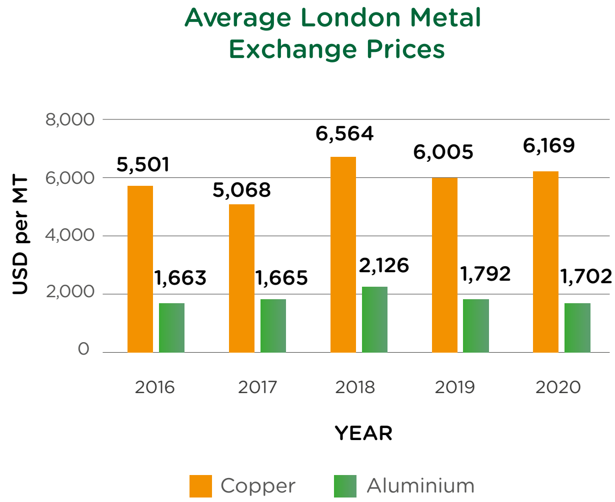
While major improvements in volume and revenue were recorded in the year, the performance was below break-even level. The Group and Company therefore, recorded a loss of KShs 753.22 million and KShs 330.59 million respectively compared to a profit of KShs 630.97 million and KShs 727.93 million recorded in 2019.

Five-year comparative group results









Outlook for 2021

As demonstrated by the growth in 2020, our business remains resilient, and the board and management have no doubt that continued implementation of the turn-around measures will yield positive results. The escalation in metal prices in H1 of 2021 dampened demand resulting to price adjustment of our product prices to cover our costs of production. Innovation in new products and new market channels have created a new impetus on revenue generation despite low off-take of aluminium products by the regional utilities. The business has embarked on revenue generation activities and is confident to sustain the growth trajectory.

SUSTAINABILITY REPORT

In September 2015, the world through the UN General Assembly came together and designed a blueprint to achieve a better and more sustainable future for all through a set of 17 Social Development Goals. The business world formed a voluntary initiative known as the UN Global Compact. The group and company, a responsible corporate has made commitment to implement universal sustainability development goals and to make the world a better place for all. This is done through alignment of strategies and operations with universal principals on human rights, labour, environment, and anti-corruption, and take actions that advance societal development. East African Cables Plc has committed to 9 of the 17 SDGs. These goals are highlighted below including how the group is working to achieve them.

Sustainable Development Goals

Goal 1. End poverty in all its forms everywhere

Despite minimal impact to the global problem, the Group has committed to do what it can to help needy communities. To this end, the company adopted By Grace Children's Home in Kayole, Nairobi where it provides foodstuffs and other basic needs every month. This home does not have any source of income, yet it has taken up a critical role of providing food, shelter, and education to vulnerable children in our community.

Goal 2. End hunger, achieve food security and improved nutrition and promote sustainable agriculture

The company has developed submersible cables for use in irrigation to boost food production and DC cables used in solar lighting. These products go a long way in securing sustainable food production even in arid and semi-arid areas.

Goal 3. Ensure healthy lives and promote well-being for all at all ages

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.

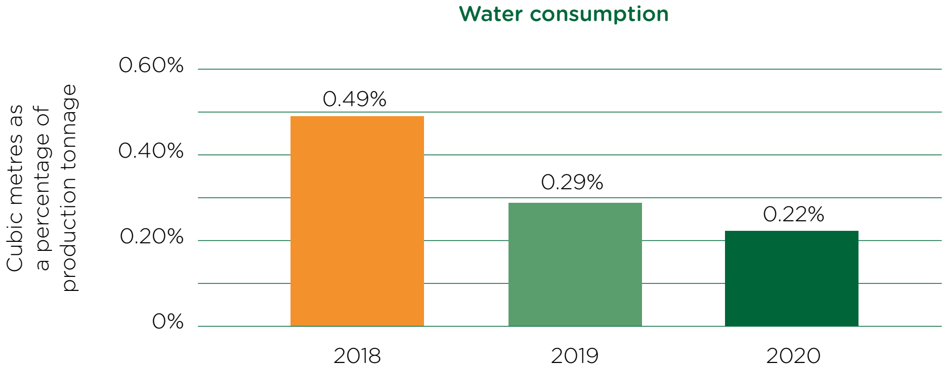
SUSTAINABILITY REPORT (CONTINUED)

Goal 3. Ensure healthy lives and promote well-being for all at all ages (continued)

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. The company also takes extreme caution in disposal of waste generated from its production process. Disposal of effluents is undertaken by certified handlers to avoid water and soil pollution which may be hazardous to humans and environment.

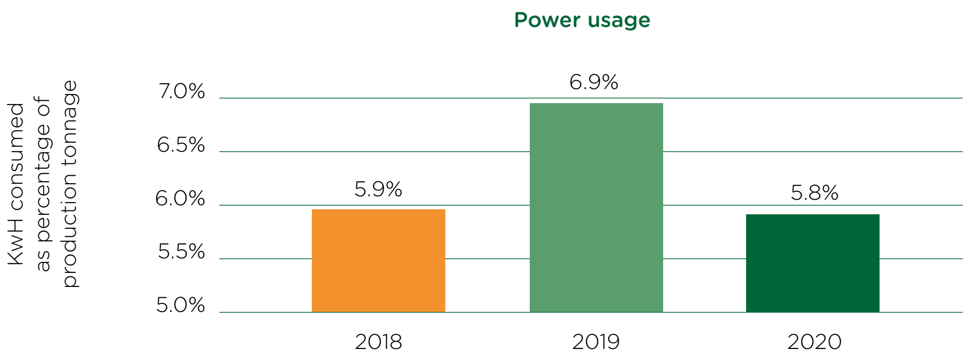
Goal 6. Ensure availability and sustainable management of water and sanitation for all

Our manufacturing operations have been improved to reduce the amount of water consumed during production of cables. This water is used in cooling extruded insulation and sheathing material. The cooling system is a closed circuit with no spillage and minimal evaporation. The company has also installed a purification system for water consumed by staff within the facilities to minimise use of bottled water which has been a major source of plastic pollution. Our measure of consumption is cubic metres per tonne of production, which we aim to reduce as we increase our production. Below is our three-year trend.



Goal 7. Ensure access to affordable, reliable, sustainable, and modern energy for all.

The company actively participates in the supply of cables to regional government utilities in support of electrification. Recent innovations by the company include Aerial Bundled Conductors (ABC) which are more efficient in power distribution, Halogen Free Fire Retardant Cables for use in high density buildings, Solar lighting cables for harnessing renewable energy and Submersible Cables for irrigation and horticulture management. Our machinery run on national grid-power, and this contributes to a significant portion of our factory overheads. The company has integrated Total Performance Management (TPM) in its operations and strives to continually reduce power consumption. Below is our trend for the last three years.



SUSTAINABILITY REPORT (CONTINUED)

Goal 8. Promote sustained, inclusive, and sustainable economic growth, and decent work for all.

The company protects labor rights and promotes safe and secure working environments for all workers and complies with governing labour laws. Unionisable workers have freedom of association and collective bargaining through their union. The company ensures personal safety of employees at the workplace as evidenced by zero fatal or serious injuries and only two minor injuries per year over the last three years.

The company maintains active continuous education program for employees, including collaborating with external parties to embrace safety in all areas of our operations. Some of the trainings undertaken in the year are shown below.

Training	Trainer
Post Employment Financial Management Training	Retirement Benefits Authority
Cyber Security Awareness Training	Smplify IT
Personal Financial Management	Britam Kenya

On job creation, the company operates an internship program which allows the youth to acquire hands-on experience in the areas of their 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 comprise of EPRA (Energy & Petroleum Regulatory Authority) 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.

Goal 9. Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation

The company prides itself in having the largest manufacturing capacity in the region. In 2015, the company commissioned an advanced manufacturing plant which is optimized to meet specific quality standards and is benchmarked against the best cables manufacturing plants in the world. The factory modernization program not only tripled copper production capacity, but also expanded our product range to include other value-added products like XLPE, HFFR, Aerial Bundled Conductors (ABC), control cables Submersible cables, welding cables and DC cables for solar lighting. This new factory has enabled the company to manufacture a wider range of value-added, innovative, and high-quality cables more efficiently and sustainably.

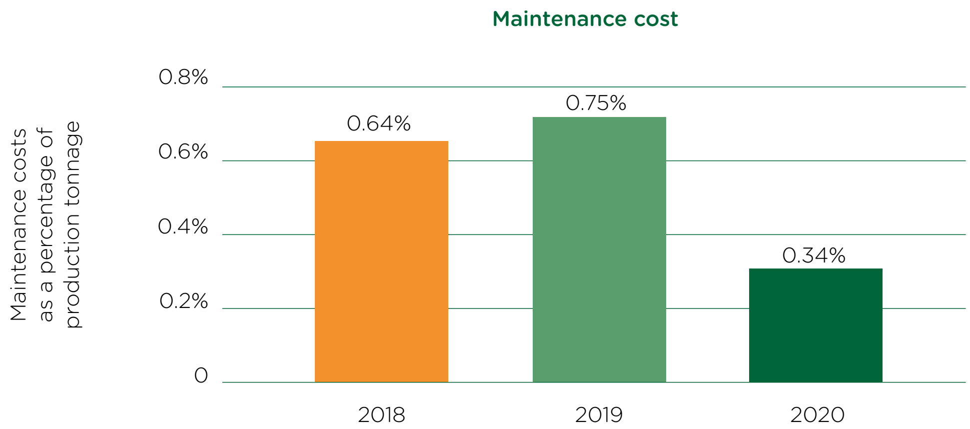
The investment has greatly supported regional governments' requirement in their aggressive drive for increased power penetration through rural electrification programs. Innovation has also provided support to various sectors of our economy through provision of cables used in boreholes and in solar lighting.

To promote sustainability in our operations, the group and company embraced Total Performance Management (TPM). TPM is a set of toolkit to put in place and sustain high performance in the work area. It aims, through people, to eliminate loss and waste and 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.

SUSTAINABILITY REPORT (CONTINUED)

Goal 9. Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation (continued)

These activities have contributed to lower costs of operations like power usage, water consumption (as shown above) as well among other costs. One such cost is maintenance of our equipment which is measured in KShs per unit of production.



Goal 12. Ensure sustainable consumption and production patterns

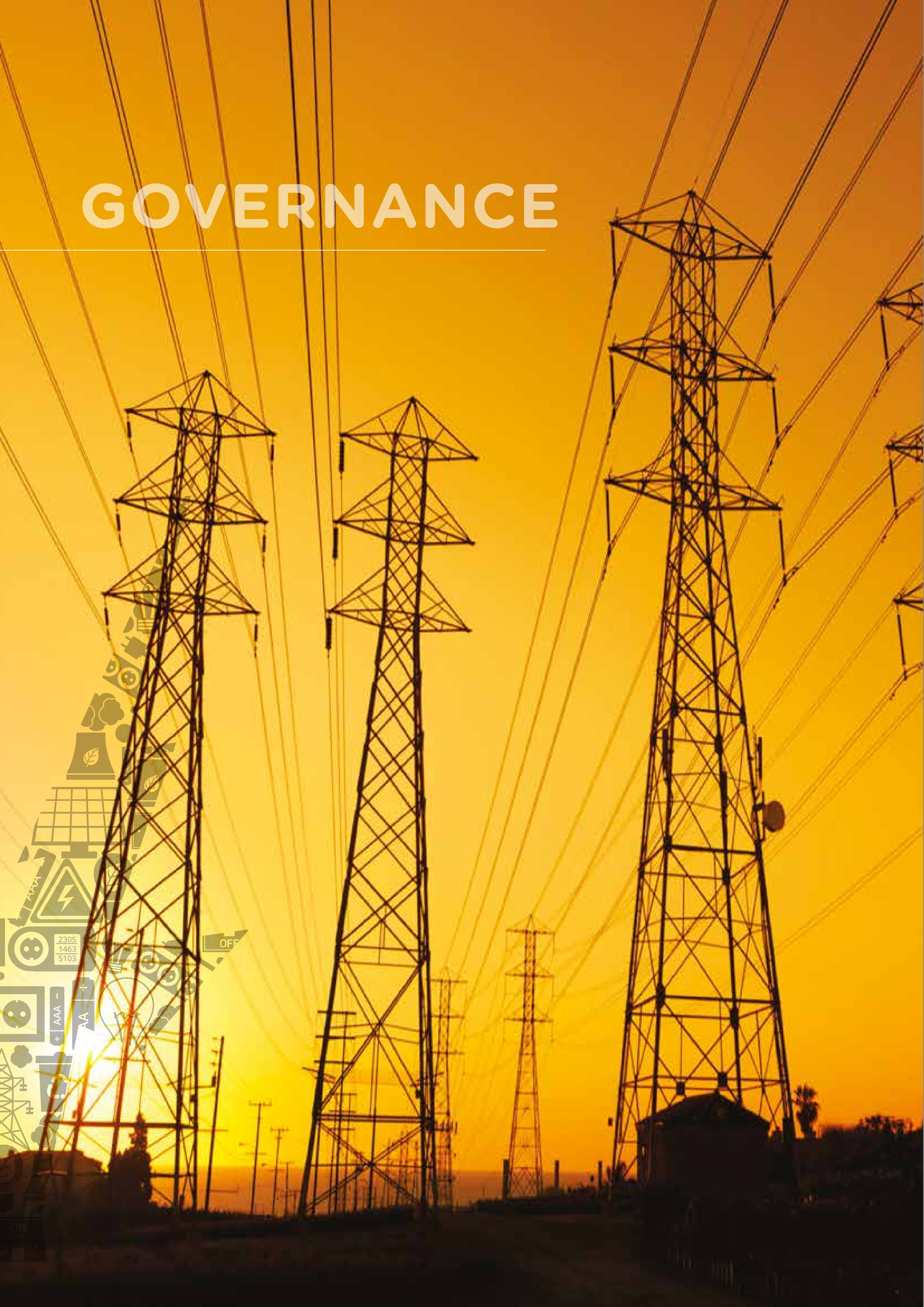
One of the pillars of this goal is sustainable use of natural resources. By substantially reducing waste generation through, reduction, recycling and reuse of raw material and wooden drums the group and company has maintained average scrap produced to below 1% of total production. The group and company commissioned usage of metal drums / bobbins in its production processes to reduce the usage of wooden drums thereby conserving trees and forests.

The group and company have also been on the forefront in campaign to utility companies to adopt Aerial Bundled Conductors in power distribution. The conductors can be used in forested areas thereby conserving vegetation which would otherwise be cleared to pave way for conventional power lines.

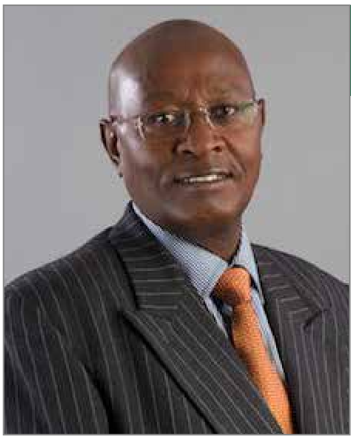
Goal 17. Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development.

East African Cables Plc has a manufacturing plant in one other East African country and works closely with third party partners to establish presence in the other Eastern African Countries. We share human capital to develop expertise in areas such as production, market development and organizational management.

GOVERNANCE



BOARD OF DIRECTORS



Michael G. Waweru, FCCA, FCPA, CBS - Chairman (70)
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 (55)
Managing Director / Chief Executive Officer, Kenyan

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 (43)
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 leadership 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. Since taking up the CEO role in 2016, Njiinu has led the Group through a restructure that has led to reduction of debt in addition to a Groupwide organisation redesign reflecting Group's strategic direction. Under his leadership, the Group has attracted additional funding into the business and successfully exited infrastructure projects and portfolio investments.

Prior to joining TransCentury, Njiinu worked for Coldwell Banker Residential Brokerage in the USA for 7 years, where he oversaw strategic initiatives, financial planning, and analysis as well as evaluation and integration of acquisitions.

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.

BOARD OF DIRECTORS

Peter Kanyago, FCCA, FCPA, EBS (73)
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, Winguards Services Ltd, 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).

Julius Mwatu, FCPA (49)
Independent Non-Executive Director, Kenyan

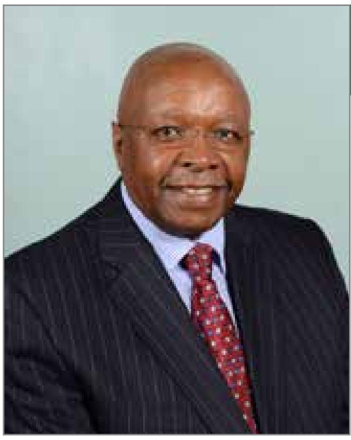
FCPA Julius Mwatu is a Fellow of the Institute of Certified Public Accountants of Kenya (ICPAK) and former Chairman of ICPAK. He is also a member of the Institute of Certified Secretaries (ICS) and a Member of the Institute of Certified Investment & Financial Analysts (ICIFA). During his tenure at ICPAK, he was also a Council member of the International Federation of Accountants (IFAC) and a board member of the Pan-African Federation of Accountants (PAFA).

Julius sits in various boards and has vast board experience both locally and internationally, gained from the private sector, public sector, non-profit and donor funded agencies.

FCPA Mwatu is the Managing Partner at CPJ & Associates (CPA-K) and has extensive experience in the accountancy profession spanning over 20 years specialising in audit, tax, integrated reporting, and governance. He previously worked as an auditor and tax advisor with PKF (EA), Ernst & Young, and KPMG.

Julius was also a Chief Finance Officer at Indigo Telecoms for over 10 years.

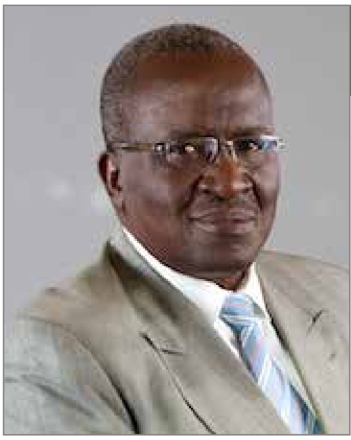
FCPA Mwatu holds a Bachelor of Science Degree in Statistics from Egerton University and a Master's Degree in Business Administration (Finance) from the United States International University (USIU) Africa.



Wanjuki Muchemi CBS, FCI, Arb (69)
Representing Cable Holdings (Kenya) Limited, Non-Exec 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 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 as 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.

BOARD OF DIRECTORS



Amb. Dennis Awori (66)
Independent Non-Executive Director, Kenyan

Amb. Dennis 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.

Carole Kariuki (46)
Independent Non-Executive Director, Kenyan

Carole is the Chief Executive Officer 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 (51)
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.

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 G. Gitau - Commercial Manager

Dr. Gitau has over 17 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 eight 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 16 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 21 years' experience in Audit, Accountancy and Financial Management. He joined East African Cables in 2007.

MANAGEMENT TEAM

Esther Lulonde – Human Resources and Administration Manager

Esther joined the East African Cables PLC in 2020. Prior to Joining the Company, she worked for Universal Corporation LTD as Human Resources Manager for 5 years and was instrumental in the formulation and implementation of strategy, policies, procedures and management of organizational performance. She also played a critical role designing and implementing of employee development programs like future Leaders Program, Fresh Graduate trainee program and the internship program through TVET. Her strengths include Industrial Relations management, employee relations management and adept at organization design.
Esther has a Bachelor of Arts in Sociology from Kenyatta University, diploma in Human Resource Management and is a member of the Institute of Human Resource 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 11 years of management experience in Procurement and Logistics management in international purchasing, sourcing of materials and outbound logistics. She holds a Master of Science in Procurement and Logistics from Jomo Kenyatta University, a Bachelor's degree in Business Administration & Marketing from Kenya Methodist University and 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 18 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.

GOVERNANCE AUDITOR'S REPORT

The Code of Corporate Governance Practices for Issuers of Securities in Kenya, 2015 ("the Code"), sets out the principles and specific recommendations on structures and processes, which companies should adopt in making good Corporate Governance an integral part of their business dealings and culture. The Code further specifically requires listed companies to engage the services of an independent and accredited Governance Auditor to establish the extent to which the Board and the Company have applied Corporate Governance principles.

The Annual Governance Audit should be conducted by a competent and recognized professional accredited for that purpose by the Institute of Certified Secretaries (ICS). The Company, in compliance with the Companies Act, 2015 ("Act") and Code, retained **CS. George Athiambo** ("the Auditor") to conduct a Governance Audit of the governance structures, procedures and processes of the Company in order to assure the Board that its goals, structure and operations are consistent with the law, the Code, as well as the latest developments in Corporate Governance; and that the Company has adopted best practices in Corporate Governance as a means of ensuring sustainability. The Code further requires that after undergoing the Governance Audit, the Board should provide an explicit statement on the level of compliance.

The scope of the Audit is derived from the Code, the Companies Act, 2015 and the Governance Audit Tool developed by the ICS. More specifically, the Audit covers the following broad areas;

1. Leadership and strategic management;
2. Transparency and disclosure;
3. Compliance with laws and regulations;
4. Communication with stakeholders;
5. Board independence and governance;
6. Board systems and procedures;
7. Consistent shareholder and stakeholders' value enhancement; and
8. Corporate social responsibility and investment.

Statement of the responsibilities of the Directors

The Board of Directors of East African Cables PLC (**"the Company"** or **"EAC"**) recognizes that it is responsible for formulating policies, procedures, standards and guidelines, which ensure that the Company is governed in line with the best Corporate Governance standards and that all decisions by the Board and Management are made in accordance with prudent Corporate Governance practices.

In this regard therefore, the Board is committed to the highest standards of Corporate Governance and strives to ensure that not only is it fully aware of the legal and regulatory requirements in Corporate Governance, but that it has adopted global best practice. Recognizing the role of Management, the Board also ensures that Management is fully aware of Corporate Governance requirements and that the same are implemented in all spheres of the business.

Being fully aware of its fiduciary duties under the Act, the Board has taken steps to ensure that all Directors promote the success of the Company, that they act in good faith, at all times exercise reasonable care, skill and diligence, while ensuring that conflicts of interest are avoided or where they occur and that there is a process for managing them.

It is on this premise that the Board commissioned a Governance Audit for the year ended 31st December 2020 with a view to identifying any loopholes and gaps in the Company's governance structures and processes and in order to satisfy itself that the Corporate Governance framework adopted by the Company is appropriate and will support the achievement of the strategy as approved by the Board.

The Directors of EAC have therefore adopted this Governance Audit Report for the year ended 31st December 2020, which discloses the state of Governance within the Company.

GOVERNANCE AUDITOR'S REPORT (CONTINUED)

Governance Auditor's responsibility

Our responsibility is to express an opinion on the existence and effectiveness of governance instruments, policies, structures, systems and practices in the organization in accordance with best governance practices as envisaged within the legal and regulatory framework. We conducted our audit in accordance with ICS Governance Audit Standards and Guidelines, which conform to global Standards. These standards require that we plan and perform the Governance Audit to obtain reasonable assurance on the adequacy and effectiveness of the organization's policies, systems, practices and processes. The Audit involved obtaining audit evidence on a sample basis. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Opinion

In our opinion, the Board has put in place a sound governance framework in compliance with the Corporate Governance framework, and in this regard, we issue an unqualified opinion.

CS. GEORGE ATHIAMBO, ICPSK GA. No 198
For KIRUKI & KAYIKA ADVOCATES
For more information about this GAR, please contact:
KIRUKI & KAYIKA ADVOCATES

Date: 8 October 2021

STATEMENT OF THE LEGAL AND COMPLIANCE AUDITOR

East African Cables PLC ("the Company" or "EAC"), a publicly listed entity on the Nairobi Securities Exchange, is regulated under the Capital Markets Act by the Capital Markets Authority. The Company's Board is responsible for establishment of internal procedures and monitoring systems to promote compliance with applicable laws, regulations and standards. The Board is also responsible for ensuring that the compliance strategy is aligned to the operations of the Company.

In compliance with the provisions of the Corporate Governance Code for Issuers of Securities to the Public, 2015, an independent legal and compliance audit for the financial year ending 31 December 2020 was undertaken with the objective of ascertaining the Company's state of compliance with applicable laws, regulations and standards.

The independent legal and compliance audit was carried out by Ms. Kiruki & Kayika Advocates, led by Mr. Kiruki Mutwiri, an Advocate of the High Court of Kenya in good standing with the Law Society of Kenya. The legal and compliance audit confirmed that during the year ending 31 December 2020 the Company was generally in compliance with applicable laws and regulations including the Companies Act, 2015 and the Occupational Safety and Health Act, 2007.

KIRUKI MUTWIRI,
For KIRUKI & KAYIKA ADVOCATES

Date: 8 October 2021

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.com*

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.
- 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.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

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, four are independent. The directors' biographies appear on pages 23 to 25. 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	4/5
2	PT Kanyago	Member	5/5
3	JB Thomas	Member (retired 3rd September 2020)	1/5
4	D Awori	Member	4/5
5	C Kariuki	Member	3/5
6	J Mwatu	Member (appointed 24th November 2020)	1/5
7	Transcentury PLC (Represented by N Njinu)	Member	5/5
8	Cable Holdings (K) Limited (Represented by W. Muchemi)	Member	4/5
9	P Muigai	Chief Executive Officer	5/5
10	V Ndunge	Company Secretary	5/5

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Separation of the role of Board Chairman and the Chief Executive Officer

The role of the Chairman and Chief Executive Officer are separate and established with clear division of responsibilities and delegated authority.

The Board Chairman provides leadership to the Board in ensuring the directors' focus in providing oversight and clear vision to the Group and Company, enhancing shareholder value, ensuring stakeholders engagement, ensuring effective operations of the Board, establishing the Board agenda for Board meetings, and making certain that the Board has all the necessary information for effective decision making. The Board Chairman is also charged with the responsibility of ensuring that the Board is well established in line with the pre-requisite skills, knowledge, and experience. Acting as a spokesman, the Board Chairman communicates and consults with shareholders and relevant stakeholders on significant issues, as appropriate. It is the role of the Board Chairman to ensure effectiveness and development of the Board and individual directors to enable them to discharge their duties effectively.

The Chief Executive Officer on the other hand is responsible for the day-to-day management of the business, in line with the Group's and Company's strategy and long-term objectives approved by the Board. He provides strategic advice and guidance to the Board and appraises them of any changes relevant to the industry. He is charged with the responsibility of preparing and monitoring business plans, directing and controlling the work and resources of the Group and Company, ensuring recruitment and retention of the required numbers and types of well-motivated, trained and developed staff to ensure the Group and Company meets its vision, mission and objectives.

The role of Company Secretary

The Company Secretary directs, controls and provides effective and efficient advice to the Board and Management to protect the Group and Company's interests. The Secretary is also charged with the responsibility of co-ordinating all Board and Board Committee meetings, ensuring that they are properly organized and conducted and implemented in compliance the Company's Memorandum and Articles of Association and its statutory obligations.

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.

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 tenure

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.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Board tenure (continued)

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.

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 - Reappointment by a special notice in 2021 AGM (Over 70 yrs.)
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 2021 AGM (Over 70 yrs.)
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
Carol Kariuki	15th March 2019	To retire by rotation in 2022 AGM
Julius Mwatu	24th November 2020	To be re-appointed in 2021 AGM

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

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.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Conflict of interest (continued)

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, 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 39-41.

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. 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.
iii. Interactive website containing all new and 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 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, Risk and Compliance Committee of the Board.

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, Risk and Compliance 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, Risk and Compliance Committee of the Board.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Risk management and controls (continued)

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 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.

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 61 to 63 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, Risk and Compliance 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, Risk and Compliance Committee
Membership

The Audit, Risk and Compliance 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 three times in the year. Attendance included internal and external auditors, as well as permanent invitees from management. Members of this 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	3/3
2	Transcentury PLC (Represented by N. Njinu)	Member	3/3
3	Cable Holdings (K) Limited		
	(Represented by Kamal Palan)	Member	3/3
4	P Muigai	Member	3/3
5	V Ndunge	Company Secretary	3/3

Functions of the Audit, Risk and Compliance Committee

To fulfil its oversight responsibility, the Audit, Risk and Compliance 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:

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Audit, Risk and Compliance Committee (continued)
Functions of the Audit, Risk and Compliance Committee (continued)

- 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, Risk and Compliance 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	1/2
2	DN Awori	Member	2/2
3	Transcentury PLC	Member	2/2
4	P Muigai	Member	2/2

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.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Human Resource and Remuneration Committee (continued)
Membership (continued)

	Member	Designation	Attendance
1	D Awori	Committee chair	2/2
2	MG Waweru	Member	1/2
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.

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

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

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.

DIRECTORS' REMUNERATION REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

INFORMATION NOT SUBJECT TO AUDIT

Information not subject to audit comprise the Company's policy on director's remuneration, Contract of service of directors, Statement of voting at general meeting on directors' remuneration and any substantial changes to the director's remuneration during the year.

(a) Non-Executive Directors' remuneration policy

The fees for Non-Executive Directors are set at a level which is considered appropriate to attract individuals with the necessary experience and ability to oversee the business. The amount of fees reflects the attached responsibility and time commitment. Additional fees are paid for further responsibilities such as chairing committees and sitting on appointed board committees. The value of benefits provided is reasonable in the market context and takes into account the individual circumstances and benefits provided in comparable roles for companies within the industry.

(b) Executive Director's remuneration policy

Executive directors are remunerated in accordance with the staff remuneration policy. Their remuneration package comprises of a basic pay, pension and other and other benefits designed to recognize the contribution, skills and experience.

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.

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.

DIRECTORS' REMUNERATION REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

(c) Substantial changes to director's remuneration

There were no substantial changes relating to the directors' remuneration made during the year (2019 – None).

(d) Statement of voting at general meeting on directors' remuneration

In the last AGM held on 3 September 2020, the shareholders unanimously passed a resolution to approve the directors' remuneration report and the directors' remuneration policy.

INFORMATION SUBJECT TO AUDIT (AUDITABLE PART)

Information subject to audit (auditable part) comprise the amounts of each director's emoluments and compensation in the relevant years. The following amounts were paid to Directors in the year under review.

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

Name	2020			2019			
	Fees	Sitting allowance	Total	Fees	Sitting allowance	Duty day allowance	Total
	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
MG Waweru	3,000	400	3,400	3,000	640	-	3,640
D Awori	1,800	480	2,280	1,800	640	-	2,440
PT Kanyago	1,800	560	2,360	1,800	720	-	2,520
C Kariuki	1,800	400	2,200	1,350	160	-	1,510
Cable Holdings Limited Represented by W Muchemi	1,800	320	2,120	1,800	480	-	2,280
J Mwatu	450	80	530	-	-	-	-
JB Thomas	-	-	-	-	-	764	764
TransCentury PLC Represented by N Njiinu	-	-	-	-	-	-	-
Total Company	**10,650**	**2,240**	**12,890**	**9,750**	**2,640**	**764**	**13,154**

Note: Mr. Nganga Njiinu is a director nominated by the Company's ultimate shareholder, Transcentury Plc. He does not earn any personal emolument for being on the board.

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

	2020				2019			
Name	Basic Pay	Benefits & allowances	Non-cash benefits	Total	Basic Pay	Benefits & allowances	Non cash benefits	Total
	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
Paul Muigai	21,420	4,700	12	26,132	21,105	4,666	12	25,783

DIRECTORS' REMUNERATION REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

INFORMATION SUBJECT TO AUDIT (AUDITABLE PART) (continued)

ii. Executive Directors' remuneration for the year ended 31 December (continued)

Approval of the Directors' remuneration report

The Directors confirm that this report has been prepared in accordance with the Kenyan Companies Act, 2015, Capital Markets Authority (CMA) Code and listing rules and reflects the disclosure parties (see Note 25 to the consolidated and separate financial statements).

By order of the Board

Virginia Ndunge
Secretary

Date: 8 October 2021

SHAREHOLDING STRUCTURE

Top ten shareholders

Share Holder Name	No of Shares	% Shareholding
Cable Holdings (Kenya) Limited	173,071,149	68.37%
Zed Holdings Ltd	4,054,525	1.60%
Adam Ali Mohamed	3,846,562	1.52%
Mbogori Holdings Limited	3,310,000	1.31%
Njiru, Cyrus	3,303,250	1.30%
Juma, Abdulrehman Abdulkarim	2,982,600	1.18%
Kariuki, Patrick Njogu	2,244,900	0.89%
Arina, Peter Munyiri Kaka	1,673,564	0.66%
Patel, Jitendra Chandubhai Patel & Kirankumar Chandubhai	1,419,462	0.56%
Adam, Munirabanu Alimohammed	1,204,900	0.48%
Others	56,014,088	22.13%
Total	**253,125,000**	**100.00%**

Distribution of shareholding

Shares range	No. of Shareholders	No. of Shares held	% shareholding
1 - 500	7,214	1,416,226	0.56%
501 - 5,000	5,944	9,848,388	3.89%
5,001 – 10,000	571	4,037,491	1.60%
10,001 – 100,000	738	20,954,953	8.28%
100,001 – 1,000,000	75	18,742,130	7.40%
Above 1,000,000	13	198,125,812	78.27%
Total	**14,555**	**253,125,000**	**100.00%**

Shareholder analysis by domicile

Domicile	No. of Shareholders	No. of Shares held	%shareholding
Local institutions	813	188,360,375	74.41%
Local individuals	13,651	62,754,892	24.79%
Foreign institutions	9	69,150	0.03%
Foreign individuals	82	1,940,583	0.77%
Total	**14,555**	**253,125,000**	**100.00%**

FINANCIAL STATEMENTS

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2020

The directors have pleasure in submitting their report together with the audited financial statements for the year ended 31 December 2020, which disclose the state of affairs of the company and the group.

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

2. **Group results**
   The group and company's results (financial performance) for the year are set out on pages 51 and 52 respectively.

3. **Dividends**
   The directors do not recommend the payment of a dividend (2019 – Nil).

4. **Directors**
   The directors who served during the year and up to the date of this report are set out on page 8 and their details disclosed on pages 23 to 25.

5. **Business review**
   The Group's and Company's business review is set out on pages 15 to 17.

6. **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.

7. **Employees**
   The Group and Company maintained a good relationship with its employees during the year. The average number of staff employed by the Group is as shown below.

	Group 2020	2019	Company 2020	2019
Management	73	79	55	59
Other Staff	134	127	106	97

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

9. **Going Concern**
   The group and company recorded net losses of KShs 753.22 million and KShs 330.59 million respectively during the year ended 31 December 2020 (2019 net earnings – Group KShs 630.97 million, Company - KShs 727.93 million), and as of that date, the Group's current liabilities exceeded its current assets by KShs 426.02 million (2019 – KShs 493.53 million).

   As disclosed in Note 2(f), the Directors are aware 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.

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2020

10. Directors Interests

Directors direct interest in the shares of the Company were as follows:

Name	2020 No. of shares held	2019 No. of shares held
Transcentury Plc*	Nil	Nil
Cable Holdings (K) Limited	173,071,149	173,071,149
M.G. Waweru	762,255	747,700
P. T. Kanyago	53,450	53,450
D. Awori	Nil	Nil
C. Kariuki	Nil	Nil
J Mwatu	Nil	Nil

** Transcentury Plc's interest in the group and company is held through Cable Holdings (K) Limited.*

11. Approval of financial statements

The financial statements were approved and authorised for issue at a meeting of the directors held on 8 October 2021.

By order of the Board

Virginia Ndunge
Secretary

Date: 8 October 2021

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 51 to 113, which comprise the consolidated and separate statements of financial position as at 31 December 2020, 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 8 October 2021.

MG Waweru	P Muigai
Chairman	Chief Executive Officer and Managing Director

Date: 8 October 2021

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 51 to 113, which comprise the consolidated and separate statements of financial position as at 31 December 2020, 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.

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 2020, 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 in the manner required by 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' *International Code of Ethics for Professional Accountants (Including International Independence Standards) (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 during the year ended 31 December 2020, the Group and Company incurred a loss of KShs 753.22 million and KShs 330.59 million respectively and as of that date, the Group's current liabilities exceeded its current assets by KShs 426.02 million. 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.

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

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

Key audit matters (continued)

Determination of expected credit losses on trade and other receivables in the consolidated and separate financial statements.
See Note 3(l)(vi), 6(a), 18 and 28(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 and other receivables amounted to KShs 445 million and KShs 756 million respectively as at 31 December 2020. Significant judgement is involved in assessing the recoverability of trade and other receivables and in estimating the Expected Credit Loss (ECL) required to be recognised against the gross trade and other 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 the application of forward-looking information to determine the ECL. We determined this area to be a key audit matter in our audit due to the significant judgements involved in determining the ECL.	Our audit procedures in this area included: • Evaluating the group's and company's methodology (provisioning matrix) for measuring ECL against the requirements of IFRS 9 *Financial Instruments* to determine the appropriateness of the ECL; • Evaluating the mathematical accuracy of the provisioning matrix by agreeing the invoice dates in the aging reports used to develop the matrix to the physical invoice dates, re-aging of the historical debtor invoices using the invoice dates and comparing to that used in the provisioning matrix and recalculating the historical loss rates using the debtor aging buckets; • Inspecting legal files for doubtful debts under litigation and compliance with the agreed payment plans with customers that had gone into distress arrangements with the group and company to settle outstanding debts; • Challenging management's assessment and inclusion of forward-looking information by evaluating the correlation between the forward-looking information and the historical loss rates; and • Evaluating the adequacy of the disclosures made in the financial statements, including disclosures of key assumptions and judgements by reference to IFRS 7 *Financial Instruments: Disclosures*.

Impairment of the investment in subsidiary in the separate financial statements.
See Note 3 (n) and 16 to the separate financial statements

The key audit matter	How the matter was addressed in our audit
The company's investment in subsidiary of KShs 115 million as at 31 December 2020 is accounted for at cost. Because of the existence of indicators of impairment of the asset, it was necessary to determine its recoverable amount in order to assess whether there was any impairment. In assessing the asset's recoverable amount, the directors and management, used the discounted cash flow method (DCF method). The discounted cash flow method involves the exercise of significant judgement and use of assumptions regarding future performance and cash flows which are subject to significant estimation uncertainties. We determined the investment in subsidiary to be a key audit matter because of the significance of the amount and the related estimation uncertainty, on the assumptions used by management and directors to determine the recoverable amount, particularly those relating to the cash flow projections, growth rates, terminal values and discount rates used in the valuation model.	Our audit procedures in this area included: • Involving our inhouse valuation specialists in evaluating the valuation techniques and assumptions used by the company; • Challenging the key assumption regarding projected growth rate and future cash flows against historical trends, post-balance sheet performance, industry trends and availability of working capital; • Evaluating the appropriateness of the discount rate used to present value the future cash flows by comparing the discount rate used to the average cost of capital for similar industries; and • Evaluating the appropriateness of the disclosures made in the financial statements, including key assumptions and judgements in accordance with IFRS 13 *Fair Value Measurements.*

Impairment of the plant and machinery in the consolidated and separate financial statements.
See Note 3(n) and 11 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 plant and machinery of KShs 1,290 million and KShs 1,049 million respectively as at 31 December 2020 is accounted for at fair value. Because of the existence of indicators of impairment of the assets, it was necessary to determine its recoverable amount in order to assess whether there was any impairment. In assessing the assets recoverable amount, the directors and management used the discounted cash flow method (DCF method). The discounted cash flow method involves the exercise of significant judgement and use of assumptions regarding future performance and cash flows which are subject to significant estimation uncertainties. We determined the plant and machinery to be a key audit matter because of the significance of the amount and the related estimation uncertainty, on the assumptions used by management and directors to determine the recoverable amount, particularly those relating to the cash flow projections, growth rates, terminal values and discount rates used in the valuation model.	Our audit procedures in this area included: • Involving our inhouse valuation specialists in evaluating the valuation techniques and assumptions used by the company and its subsidiary; • Challenging the key assumption regarding projected growth rate and future cash flows against historical trends, post-balance sheet performance, industry trends and availability of working capital; • Evaluating the appropriateness of the discount rate used to present value the future cash flows by comparing the discount rate used to the average cost of capital for similar industries; and • Evaluating the appropriateness of the disclosures made in the financial statements, including key assumptions and judgements in accordance with IFRS 13 *Fair Value Measurements.*

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

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 information included in the *East African Cables Plc, Annual Report and Financial Statements at 31 December 2020* but does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and except to the extent otherwise explicitly stated in our report, 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 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 have 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

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.

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.

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

Auditor's Responsibilities for the Audit of the consolidated and separate financial statements (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, 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.

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

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 in our opinion:

(i) The information given in the Report of the Directors on pages 44 to 45 is consistent with the consolidated and separate financial statements; and

(ii) The auditable part of the Directors' Remuneration Report on pages 39 to 41 has been prepared in accordance with the requirements of the Kenyan Companies Act, 2015.

The engagement partner responsible for the audit resulting in this independent auditor's report is FCPA Eric Aholi – Practicing Number 1471.

Eric Ahl.

For and on behalf of **KPMG Kenya**
8th Floor, ABC Towers
ABC Place, Waiyaki Way
Certified Public Accountants
P.O. Box 40612 - 00100, Nairobi

Date: 8 October 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 KShs '000	2019 KShs '000
Revenue	4(a)	1,800,061	1,585,203
Cost of sales	4(c)	(1,234,851)	(1,081,676)
Gross profit		**565,210**	**503,527**
Other income	4(b)	7,504	1,512,696
Factory expenses	4(c)	(133,149)	(131,504)
Administrative expenses	4(c)	(310,347)	(483,347)
Selling and distribution expenses	4(c)	(65,567)	(70,986)
Profit before depreciation, impairment and finance costs		**63,651**	**1,330,386**
Impairment loss on trade receivables and contract assets	6(a)	(50,815)	(137,489)
Depreciation and amortisation	6(b)	(269,778)	(267,756)
Results from operating activities		**(256,942)**	**925,141**
Interest expense	7	(336,820)	(270,198)
Net exchange gains	7	38,697	3,752
Net finance costs	7	(298,123)	(266,446)
(Loss)/ profit before income tax	**8**	**(555,065)**	**658,695**
Income tax expense	9	(198,157)	(27,723)
(Loss) / profit for the year		**(753,222)**	**630,972**
Other comprehensive income			
Items that will never be reclassified subsequently to profit or loss:			
Re-measurement (loss) / gain on retirement benefit plan	21	(1,593)	3,483
Deferred tax effect on remeasurement loss / (gain)	22	478	(1,045)
		(1,115)	**2,438**
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences on foreign operations		17,404	(5,174)
Total other comprehensive income		**16,289**	**(2,736)**
Total comprehensive income for the year		**(736,933)**	**628,236**
(Loss) / profit for the year attributable to:			
Owners of the company		(544,207)	678,483
Non-controlling interest		(209,015)	(47,511)
		(753,222)	**630,972**
Total comprehensive income attributable to:			
Owners of the company		(537,222)	676,786
Non-controlling interest		(199,711)	(48,550)
		(736,933)	**628,236**
Basic and diluted earnings per share	**10**	**KShs (2.15)**	**KShs 2.68**

The notes set out on pages 59 to 113 form an integral part of these financial statements.

SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

		2020	2019
	Note	KShs '000	KShs '000
Revenue	4(a)	1,744,860	1,460,868
Cost of sales	4(c)	(1,165,191)	(960,253)
Gross profit		**579,669**	**500,615**
Other income	4(b)	7,504	1,319,881
Factory expenses	4(c)	(96,750)	(98,907)
Administrative expenses	4(c)	(246,493)	(395,504)
Selling and distribution expenses	4(c)	(53,327)	(50,188)
Profit before depreciation, impairment and finance costs		**190,603**	**1,275,897**
Impairment loss on trade receivables and contract assets	6(a)	(187,850)	(85,274)
Depreciation and amortisation	6(b)	(197,538)	(196,664)
Results from operating activities		**(194,785)**	**993,959**
Interest expense	7	(292,678)	(239,815)
Net exchange gains	7	(8,387)	12,933
Net finance cost	7	(301,065)	(226,882)
(Loss) / profit before income tax	**8**	**(495,850)**	**767,077**
Income credit / (expense)	9	165,262	(39,147)
(Loss) / profit for the year		**(330,588)**	**727,930**
Other comprehensive income			
Items that will never be reclassified subsequently to profit or loss:			
Re-measurement gain on retirement benefit plan	21	609	2,256
Deferred tax effect on re-measurement gain	22	(183)	(677)
Total other comprehensive income		**426**	**1,579**
Total comprehensive income for the year		**(330,162)**	**729,509**

The notes set out on pages 59 to 113 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

		2020	2019
	Note	KShs '000	KShs '000
ASSETS			
Non-current assets			
Property, plant and equipment	11(a)	2,535,116	2,699,828
Right-of-use assets	12	2,077,037	2,100,559
Investment properties	13	220,272	220,291
		4,832,425	5,020,678
Current assets			
Inventories	17	293,677	379,344
Trade and other receivables	18	445,121	484,643
Current tax recoverable	9(c)	61,064	62,458
Cash and cash equivalents	26(b)	190,095	220,754
		989,957	1,147,199
Asset held for sale	14	110,000	107,000
		1,099,957	1,254,199
TOTAL ASSETS		**5,932,382**	**6,274,877**
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital	19(a)	126,563	126,563
Share premium	19(b)	545	545
Revaluation reserve	19(c)	2,045,342	2,045,342
Retained earnings		(745,033)	(200,466)
Foreign currency translation reserve	19(d)	(111,065)	(118,410)
Total equity attributable to equity holders of the company		1,316,352	1,853,574
Non-controlling interest	19(e)	76,219	275,930
Total equity		1,392,571	2,129,504
Non-current liabilities			
Bank loans and borrowings	20(a)	1,960,758	1,632,800
Shareholders loan	25(e)	586,289	517,924
Liability for staff gratuity	21	40,601	31,594
Deferred tax liability	22(a)	426,184	215,324
		3,013,832	2,397,642
Current liabilities			
Trade and other payables	23	1,213,207	1,113,070
Short-term portion of bank loan	20(a)	306,152	626,509
Dividends payable	24	6,620	8,152
		1,525,979	1,747,731
TOTAL EQUITY AND LIABILITIES		**5,932,382**	**6,274,877**

The financial statements on pages 51 to 58 were approved and authorised for issue by the Board of Directors on 8 October 2021 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 59 to 113 form an integral part of the financial statements.

SEPARATE STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	2020 KShs '000	2019 KShs '000
ASSETS			
Non-current assets			
Property, plant and equipment	11(b)	2,033,839	2,201,485
Right-of-use assets	12	1,172,011	1,214,505
Investment in subsidiary	16	115,037	115,037
		3,320,887	3,531,027
Current assets			
Inventories	17	257,719	226,648
Trade and other receivables	18	755,999	895,777
Current tax recoverable	9(c)	58,065	59,382
Cash and cash equivalents	26(b)	30,190	71,613
		1,101,973	1,253,420
Asset held for sale	14	110,000	107,000
		1,211,973	1,360,420
TOTAL ASSETS		**4,532,860**	**4,891,447**
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital	19(a)	126,563	126,563
Share premium	19(b)	545	545
Revaluation reserve	19(c)	1,398,665	1,398,665
Retained earnings		(156,925)	173,237
		1,368,848	1,699,010
Non-current liabilities			
Bank loans and borrowings	20(a)	1,639,090	1,289,600
Shareholders loan	25(e)	586,289	517,924
Liability for staff gratuity	21	25,283	21,498
Deferred tax liability	22(b)	35,062	201,455
		2,285,724	2,030,477
Current liabilities			
Trade and other payables	23	620,787	553,968
Short-term portion of bank loans and borrowings	20(a)	250,881	599,840
Dividend payable	24	6,620	8,152
		878,288	1,161,960
TOTAL EQUITY AND LIABILITIES		**4,532,860**	**4,891,447**

The financial statements on pages 51 to 58 were approved and authorised for issue by the Board of Directors on 8 October 2021 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 59 to 113 form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital	Share premium	Revaluation reserve	Retained earnings	Foreign currency translation	Total equity attributable to equity holders of company	Non-controlling interest	Total equity
	KShs '000	KShs '000	KShs '000	KShs '000	KShs'000	KShs'000	KShs'000	KShs'000
2020:								
Balance at 1 January 2020	126,563	545	2,045,342	(200,466)	(118,410)	1,853,574	275,930	2,129,504
Loss for the year	-	-	-	(544,207)	-	(544,207)	(209,015)	(753,222)
Other comprehensive income								
Items that are or may be reclassified subsequently to profit or loss:								
Foreign currency translation differences on foreign operations	-	-	-	-	7,345	7,345	10,059	17,404
Items that will never be reclassified subsequently to profit or loss:								
Re-measurement loss on defined benefit plan (Note 21)	-	-	-	(514)	-	(514)	(1,079)	(1,593)
Deferred tax effect (Note 22)	-	-	-	154	-	154	324	478
		-	-	(360)	-	(360)	(755)	(1,115)
Total other comprehensive income	**-**	**-**	**-**	**(360)**	**7,345**	**6,985**	**9,304**	**16,289**
Total comprehensive income for the year	**-**	**-**	**-**	**(544,567)**	**7,345**	**(537,222)**	**(199,711)**	**(736,933)**
Balance at 31 December 2020	**126,563**	**545**	**2,045,342**	**(745,033)**	**(111,065)**	**1,316,352**	**76,219**	**1,392,571**
2019:								
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 (Note 21)	-	-	-	2,881	-	2,881	602	3,483
Deferred tax effect (Note 22)	-	-	-	(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**

The notes set out on pages 59 to 113 form an integral part of these financial statements

SEPARATE STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital	Share premium	Revaluation reserve	Retained earnings	Total
	KShs '000	KShs '000	KShs '000	KShs '000	KShs'000
2020:					
Balance at 1 January 2020	126,563	545	1,398,665	173,237	1,699,010
Comprehensive income for the year					
Profit for the year				(330,588)	(330,588)
Other comprehensive income					
Items that will never be reclassified subsequently to profit or loss:					
Re-measurement gain on defined benefit plan (Note 21)				609	609
Deferred tax effect (Note 22)				(183)	(183)
Total other comprehensive income				**426**	**426**
Total comprehensive income for the year				**(330,162)**	**(330,162)**
Balance at 31 December 2020	**126,563**	**545**	**1,398,665**	**(156,925)**	**1,368,848**
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 (Note 21)				2,256	2,256
Deferred tax effect (Note 22)				(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**

The notes set out on pages 59 to 113 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

		2020	2019
	Note	KShs'000	KShs'000
Cash generated from operations	**26(a)**	**264,119**	**81,768**
Income taxes paid	9(c)	-	-
Cash flows generated from operating activities		**264,119**	**81,768**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		-	4,655
Purchase of property, plant and equipment	11(a)	(1,477)	(7,380)
Net cash used in investing activities		**(1,477)**	**(2,725)**
Cash flows from financing activities			
Bank loans and borrowings received	20(b)	496,000	1,632,800
Repayment of bank loans and borrowings	20(b)	(523,735)	(1,612,391)
Interest paid		(264,034)	(40,211)
Dividends paid	24	(1,532)	(5,137)
Net cash used in financing activities		**(293,301)**	**(24,939)**
Net increase/(decrease) in cash and cash equivalents		**(30,659)**	**54,104**
Cash and cash equivalents at 1 January		220,754	166,650
Cash and cash equivalents at 31 December	**26(b)**	**190,095**	**220,754**

The notes set out on pages 59 to 113 form an integral part of these financial statements.

SEPARATE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

		2020	2019
	Note	KShs'000	KShs'000
Cash generated from operations	**26(a)**	**212,569**	**88,006**
Income taxes paid	9(c)	-	-
Cash generated from operating activities		**212,569**	**88,006**
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		-	4,655
Purchase of property, plant and equipment	11(b)	(1,477)	(7,380)
Net cash used in investing activities		**(1,477)**	**(2,725)**
Cash flows from financing activities			
Bank loans and borrowings received	20(b)	496,000	1,289,717
Repayment of bank loans and borrowings	20(b)	(523,735)	(1,276,285)
Interest paid		(223,878)	(37,834)
Dividends paid	24	(1,532)	(5,137)
Net cash used in financing activities		**(252,515)**	**(29,539)**
Net increase/ (decrease) in cash and cash equivalents		**(41,423)**	**55,742**
Cash and cash equivalents at 1 January		71,613	15,871
Cash and cash equivalents at 31 December	**26(b)**	**30,190**	**71,613**

The notes set out on pages 59 to 113 form an integral part of these financial statements.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

1. REPORTING ENTITY

East African Cables Plc ("the Company") is a public 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 2020 comprise the company, East African Cables Plc and its subsidiary East African Cables (Tz) Ltd (together referred to as the "Group"). The 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 8.

Where reference is made in the accounting policies to Group or Company it should be interpreted as being applicable to the consolidated or separate financial statements as the context requires. The consolidated and separate financial statements are hereinafter referred to as "the financial statements".

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, right-of-use assets 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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

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
Judgement is required in determining the provision for income taxes due to the complexity of legislation. The Group and Company recognise liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Group recognises the net future tax benefit that relates to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the Group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the reporting date could be impacted.

Recognition of deferred tax assets requires assessment of future taxable profits against which carry forward tax losses can be used. It also requires assessment to determine whether there are sufficient taxable temporal differences against which tax losses can be utilised (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)).

The Group and Company always recognises lifetime ECL for trade receivables. The expected credit losses for these assets are estimated using a provision matrix based on the Group and Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including the time value of money where appropriate.

(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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

(e) Measurement of fair values (continued)

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.

Significant valuation issues are reported to the Group's Audit, Risk and Compliance 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** - Investment properties
- **Note 14** – Asset held for sale
- **Note 15** – Intangible assets
- **Note 28** – Financial instruments

(f) Going concern

The group and company recorded net losses of KShs 753.22 million and KShs 330.59 million respectively during the year ended 31 December 2020 (2019 net earnings – Group KShs 630.97 million, Company - KShs 727.93 million), and as of that date, the Group's current liabilities exceeded its current assets by KShs 426.02 million (2019 – KShs 493.53 million).

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. Consequently, the Group and Company has put in place the following initiatives to ensure that they meet their obligations as and when they fall due.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

(f) Going concern (continued)

Initiatives planned to improve profitability and bridge the funding gap

(i) Enhancement of working capital facility

Post year end, the Group and Company negotiated and signed an enhanced trade facility of KShs 170m (2020 – KShs 100m). The facility is utilised in issuance of letters of credit to suppliers of primary raw materials.

(ii) Collection of long outstanding receivables

The Group and Company has intensified collection of long outstanding receivables to improve liquidity in the business. In the period January to September 2021, a total of KShs 158 million of delinquent debt had been collected and released into operations.

(iii) Stabilising operations of the subsidiary

In the 2nd half of 2020, the Board formed a sub-committee to oversee implementation of the recovery strategy in the subsidiary in a bid to fast-track collection of long outstanding receivables, cash allocation, market re-entry strategy, creditors management and negotiation with Tanzania Revenue Authority to resolve pending tax matters. Post year-end, cash previously held under lien amounting to KShs 158m was released to fund operations in addition to collection of long outstanding receivables.

(iv) Disposal of non-operating assets

The Group and Company are in the process of disposing some of their non-operating assets to generate operating cashflows. The table below summarises the assets and status of each.

Asset	Expected proceeds (KShs 'm)	Timing	Status
LR No. 3734/126 Nairobi, Kenya	110	31.10.2021	Sale agreement signed and down-payment received.
Mapre Extruder Machine	100	31.12.2021	Negotiations with a prospective buyer.
Total	**210**		

(v) Working capital funding

TransCentury Plc, the ultimate parent company, has commenced a rights issue process that will ultimately result to provision of working capital funding of USD 17million to the Group and Company. The funding, which is dependent on the successful completion of rights issue, will be in form of non-funded facility for issuance of letters of credit to suppliers of raw materials.

The rights issue process was approved by TransCentury Plc shareholders on 10th June 2020 paving way for the fund raise. It is projected that working capital funding will be available by the end of quarter 1 2022.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

(f) Going concern (continued)

The directors having considered the initiatives above and information at hand, have concluded that the going concern assumption is appropriate in the preparation of these consolidated and separate financial statements. However, if the group and company are unable to obtain sufficient funds through the ongoing fund-raising process (the rights issue at the ultimate holding company, TransCentury Plc) and the planned disposal of assets described above within the next twelve months from the date of approval of these financial statements, a material uncertainty exists which may cast a significant doubt about the group and company's ability to continue as a going concern and, therefore the group and company may be unable to realise their assets and discharge their obligations in the normal 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.

(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) 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 16).

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Consolidation principles (continued)

(i) Subsidiaries (continued)

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

(a) 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.

(b) 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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

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.

(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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Investment properties

Investment properties are properties 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 investment properties (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

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 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:

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Leases (continued)

Policy applicable from 1 January 2019 (continued)

- 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.

(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 expense

(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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Employee benefits (continued)

(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:

- 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 21 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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Taxation (continued)

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.

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. In the case where the Group and Company have a history of recent losses recognition of a deferred tax asset arising from unused tax losses will be only to the extent that there are sufficient taxable temporary difference or there is convincing other evidence that sufficient taxable profit will be available. 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 24.

(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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Financial instruments (continued)

(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.

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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

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

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.

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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

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.

(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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Financial instruments (continued)

(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.

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Financial instruments (continued)

(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	Financial assets-amortised cost	Financial liabilities-amortised cost	Total carrying amount	Fair value
	KShs'000	KShs'000	KShs'000	KShs'000
31 December 2020:				
Assets				
Trade receivables - net	357,296	-	357,296	357,296
Due from related parties	4,267	-	4,267	4,267
Cash and bank balances	190,095	-	190,115	190,115
Total assets	**551,658**	**-**	**551,658**	**551,658**
Liabilities				
Bank loans and borrowings	2,266,910	-	2,266,910	2,266,910
Shareholder loan	586,289	-	586,289	586,289
Trade payables	-	306,540	306,540	306,540
Other payables & accruals	-	727,841	727,841	727,841
Due to related parties	-	178,826	178,826	178,826
Total liabilities	**2,853,199**	**1,213,207**	**4,066,406**	**4,066,406**
31 December 2019:				
Assets				
Trade receivables - net	344,413	-	344,413	344,413
Due from related parties	51,330	-	51,330	51,330
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**

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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Financial instruments (continued)

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

Company	Financial assets- amortised cost	Financial liabilities- amortised cost	Total carrying amount	Fair value
	KShs'000	KShs'000	KShs'000	KShs'000
31 December 2020:				
Trade receivables - net	296,925	-	296,925	296,925
Due from subsidiaries	378,089	-	378,089	378,089
Due from related parties	4,267	-	4,267	4,267
Cash and bank balances	30,190	-	30,190	30,190
Total assets	**709,471**	**-**	**709,471**	**709,471**
Liabilities				
Bank loans and borrowings	1,889,971	-	1,889,971	1,889,971
Shareholder loan	586,289	-	586,289	586,289
Trade payables	-	206,824	206,824	206,824
Other payables & accruals	-	262,817	262,817	262,817
Due to related parties	-	151,146	151,146	151,146
Total liabilities	**2,476,260**	**620,787**	**3,097,047**	**3,097,047**
31 December 2019:				
Assets				
Trade receivables - net	352,529	-	352,529	352,529
Due from subsidiaries	436,343	-	436,343	436,343
Due from related parties	45,720	-	45,720	45,720
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**

(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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Asset fair values (continued)

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 2019, 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 2020 and 31 December 2019:

Group	Level 1	Level 2	Level 3	Total
	KShs'000	KShs'000	KShs'000	KShs'000
31 December 2020:				
Property, plant and equipment (Excluding Motor vehicles)				
(Note 11 (a))	-	2,530,987	-	2,530,987
Right-of-use assets (Note 12)	-	2,077,037	-	2,077,037
Investment property (Note 13)	-	220,272	-	220,272
Assets held for sale (Note 14)	-	110,000	-	110,000
Total	**-**	**4,938,296**	**-**	**4,938,296**
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 13)	-	220,291	-	220,291
Assets held for sale (Note 14)	-	107,000	-	107,000
Total	**-**	**5,123,451**	**-**	**5,123,451**

Company	Level 1	Level 2	Level 3	Total
	KShs'000	KShs'000	KShs'000	KShs'000
31 December 2020:				
Property, plant and equipment (Excluding Motor vehicles)				
(Note 11(b))	-	2,029,709	-	2,029,709
Right-of-use assets (Note 12)	-	1,172,012	-	1,172,012
Assets held for sale (Note 14)	-	110,000	-	110,000
Total	**-**	**3,311,721**	**-**	**3,311,721**
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 14)	-	107,000	-	107,000
Total	**-**	**3,518,623**	**-**	**3,518,623**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

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 revalued every 3 to 5 years at values 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 Accurate Valuers Limited an accredited independent valuer as at 30th April 2019. 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 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 2020 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 less costs to sell, which has been determined based on a valuation by Ms Accurate Valuers Limited an accredited independent valuer as at 30th April 2019. The property was unoccupied in the year.	The property is in a prime area adjacent to the National Referral Hospital	The management assessment as at 31st December 2020 determined that there were no changes in carrying value. No gain or loss was recognized in the year.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Asset fair values (continued)

Valuation techniques and significant unobservable inputs (continued)

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Right of use assets	This relates to leasehold land upon which the manufacturing plants are set up. These assets are revalued every 3 to 5 years at values 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 Accurate Valuers Limited an accredited independent valuer on 30th April 2019.	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 2020 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 less costs to sell, 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. An agreement for sale has been signed with a potential buyer. Contract price has been used as basis for the carrying value in the books.	The property is located in the Lavington area approximately 15kms from Nairobi City Centre	The value carried in the books is based on the contract price. An agreement for sale has been signed and down-payment received.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

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 31.

(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.

(u) Comparative information

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 2020, including consequential amendments to other standards with the date of initial application by the Group and Company being 1 January 2020.
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
Amendments to References to Conceptual Framework in IFRS Standards	1 January 2020
Amendments to IAS 1 and IAS 8 (Definition of Material)	1 January 2020
IFRS 3 Definition of a Business	1 January 2020
Amendments to IFRS 9, IAS 39 and IFRS 7 (Interest Rate Benchmark Reform)	1 January 2020
Amendment to IFRS 16 COVID-19-(Related Rent Concessions)	1 June 2020

The above new standards and amendments did not have a material impact on the financial statements of the Group and Company.

(ii) New standards, amendments and interpretations in issue but not effective for the year ended 31 December 2020

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2020 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 amendment	Effective for annual periods beginning on or after
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2	1 January 2021
Amendments to IAS 37 Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Annual Improvements to IFRS Standards 2018–2020	1 January 2022
Amendments to IFRS 3 Reference to the Conceptual Framework	1 January 2022
Amendments to IAS 1 Classification of Liabilities as Current or Non-current	1 January 2023
IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts	1 January 2023
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	1 January 2023
Definition of Accounting Estimate (Amendments to IAS 8)	1 January 2023
Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to IAS 12 Income Taxes	1 January 2023
Sale or contribution of assets between an Investor and its Associate or Company (Amendments to IFRS 10 and IAS 20).	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).

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

4. REVENUE, OTHER INCOME AND EXPENSES

	Group		Company	
	2020 KShs '000	2019 KShs '000	2020 KShs '000	2019 KShs '000
(a) Revenue				
Sale of electrical cables and conductors	**1,800,061**	**1,585,203**	**1,744,860**	**1,460,868**
Revenue from sale of goods is recognised as and when control is transferred to the customer on the basis of the percentage of completion of a service contract within the accounting period; to the extent that the customer has accepted the good and the collectability of the related receivable is reasonably measured.				
(b) Other income				
Adjustment to asset held for sale (Note 14)	3,000	-	3,000	-
Gain on disposal of plant, property & equipment	-	4,655	-	4,655
Rent income	4,504	7,413	4,504	7,413
Discount on loans (Note 20(b))	-	1,500,628	-	1,307,813
	7,504	**1,512,696**	**7,504**	**1,319,881**
(c) Expenses by nature				
Raw materials and consumables	1,180,900	1,032,545	1,121,958	922,295
Employee benefits and other staff costs (Note 5)	255,414	258,479	197,788	189,207
Electricity expenses	39,765	35,157	36,438	31,564
Repairs and maintenance	18,687	12,608	5,952	11,879
Professional and consultancy costs	30,014	207,547	24,734	180,595
Vehicle expenses	6,036	6,222	6,036	4,870
Other expenses	213,098	214,955	168,059	164,442
	1,743,914	**1,767,513**	**1,561,761**	**1,504,852**
Comprising:				
Cost of sales	1,234,851	1,081,676	1,165,191	960,253
Factory expenses	133,149	131,504	96,750	98,907
Administrative expenses	310,347	483,347	246,493	395,504
Selling and distribution expenses	65,567	70,986	53,327	50,188
	1,743,914	**1,767,513**	**1,561,761**	**1,504,852**

5. STAFF COSTS

Direct labour	53,951	49,131	42,233	37,959
Indirect factory salaries	56,737	65,915	45,682	46,936
Administration salaries and wages	96,946	100,076	73,519	73,788
Distribution salaries and wages	32,174	28,290	26,125	20,902
Pension contributions	15,606	15,067	9,229	9,622
	255,414	**258,479**	**197,788**	**189,207**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

6. OTHER OPERATING EXPENSES

	Group		Company	
	2020 KShs '000	2019 KShs '000	2020 KShs '000	2019 KShs '000
(a) Impairment losses				
Impairment loss on non-financial assets	14,079	-	14,079	-
Fair value loss on investment property	14,282	71,941	-	62,100
Impairment (writeback) /loss on trade receivables	(51,699)	65,587	173,931	23,213
Impairment (writeback)/ loss on other financial assets	(142)	(39)	(160)	(39)
Impairment loss on inventory	74,295	-	-	-
	50,815	**137,489**	**187,850**	**85,274**
(b)Depreciation and amortisation				
Depreciation of property, plant and equipment	184,500	183,201	155,044	154,093
Depreciation of right-of-use assets	85,278	84,070	42,494	42,494
Amortisation of intangible assets	-	485	-	77
	269,778	**267,756**	**197,538**	**196,664**

7. NET FINANCE COST

Interest expense	336,820	270,198	292,678	239,815
Exchange gains	(47,084)	(12,933)	-	(12,933)
Exchange losses	8,387	(9,181)	8,387	-
Net exchange (gain) / loss	(38,697)	(3,752)	8,387	(12,933)
	298,123	**266,446**	**301,065**	**226,882**

8. (LOSS) / PROFIT BEFORE TAX

(Loss) / profit before tax is arrived at after charging:

Depreciation expense (Note 11)	184,500	183,201	155,044	154,093
Depreciation – Right of use assets (Note 12)	85,278	84,070	42,494	42,494
Amortisation of intangible assets (Note 15)	-	485	-	77
Interest expense (Note 7)	336,820	270,198	292,678	239,815
Directors' emoluments (Note 25):				
- Fees (Non-executive directors)	14,522	13,512	10,650	9,750
- Others	4,391	3,917	2,240	3,564
- Executive Director's remuneration	26,132	25,783	26,132	25,783
Auditor's remuneration	11,287	13,271	8,872	10,914

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

9. INCOME TAX

	Group		Company	
	2020 KShs '000	2019 KShs '000	2020 KShs '000	2019 KShs '000
(a) Income tax expense / (credit)				
Current year tax at (Company-25%, Subsidiary-30%), (2019: 30%)	1,590	3,006	1,314	1,459
Deferred tax expense/ (credit) (Note 22)				
Movement through profit or loss	(75,582)	5,016	(127,561)	37,331
Derecognition of deferred tax asset	197,403	-	-	-
Prior year (under) / overprovision	71,746	19,701	(39,015)	357
	196,567	24,717	(166,576)	37,688
Total income tax expense/ (credit)	**198,157**	**27,723**	**(165,262)**	**39,147**
(b) Tax reconciliation				
The tax on the Group and Company results differs from the theoretical amount using the basic tax rate as follows:				
(Loss) / Profit before income tax	**(555,065)**	**658,695**	**(495,850)**	**767,077**
Tax calculated at the statutory income tax rate of at (Company-25% , Subsidiary-30%), (2019: 30%)	141,737	(197,609)	123,963	(230,123)
Effect of change in tax rate	25,045	-	25,045	-
Derecognition of deferred tax asset previously recognised	(197,403)	-	-	-
Movement in unrecognised deferred tax asset	(75,726)	-	-	-
Prior year (under)/overprovision-deferred tax	(71,746)	(19,701)	39,015	357
Tax effect of other deductible costs	(20,064)	189,587	(22,761)	191,333
	(198,157)	**(27,723)**	**165,262**	**(39,147)**
(c) Current tax balances				
Balance as at 1 January	62,458	65,493	59,382	60,841
Current tax charge	(1,590)	(3,006)	(1,314)	(1,459)
Adjustment	-	-	(3)	-
Foreign exchange translation differences	196	(29)	-	-
Balance as at 31 December	**61,064**	**62,458**	**58,065**	**59,382**
Comprising:				
Current tax recoverable	**61,064**	**62,458**	**58,065**	**59,382**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

10. BASIC AND DILUTED EARNINGS PER SHARE

	2020 KShs '000	2019 KShs '000
The calculation of basic and diluted earnings per share is based on:		
Profit/(loss) attributable to ordinary shareholders (Ksh '000)	**(544,207)**	**678,483**
Weighted average number of ordinary shares outstanding during the year	**253,125,000**	**253,125,000**
Basic and diluted earnings per share (KShs)	**(2.15)**	**2.68**

11. PROPERTY, PLANT AND EQUIPMENT

(a) Group

2020:	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 2020	1,197,129	1,641,413	36,450	92,637	153,062	3,120,691
Additions	-	-	1,209	268	-	1,477
Transfers to /(from) WIP	-	37,913	-	-	(37,913)	-
Impairments	-	-	-	-	(14,079)	(14,079)
Exchange differences	20,366	17,800	1,340	1,678	2,399	43,583
At 31 December 2020	1,217,495	1,697,126	38,999	94,583	103,469	3,151,672
Depreciation:						
At 1 January 2020	67,745	254,732	32,083	66,303	-	420,863
Charge for the year	30,249	147,289	1,447	5,515	-	184,500
Exchange differences	3,910	4,572	1,340	1,371	-	11,193
At 31 December 2020	101,904	406,593	34,870	73,189	-	616,556
Net carrying value: At 31 December 2020	**1,115,591**	**1,290,533**	**4,129**	**21,394**	**103,469**	**2,535,116**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Group (continued)

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**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) Company

	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
2020:						
Cost or valuation:						
At 1 January 2020	895,707	1,369,001	16,615	67,806	117,549	2,466,678
Additions	-	-	1,209	268	-	1,477
Impairments	-	-	-	-	(14,079)	(14,079)
At 31 December 2020	895,707	1,369,001	17,824	68,074	103,470	2,454,076
Depreciation:						
At 1 January 2020	17,813	188,505	12,248	46,627	-	265,193
Charge for the year	17,914	131,128	1,447	4,555	-	155,044
At 31 December 2020	35,727	319,633	13,695	51,182	-	420,237
Net carrying value: At 31 December 2020	**859,980**	**1,049,368**	**4,129**	**16,892**	**103,470**	**2,033,839**
2019:						
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**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

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 134 million (2019 – KShs 128 million), which are fully depreciated, and still in use. Such assets would have attracted a notional depreciation of KShs 78 million (2019 – KShs 76 million).

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

	Buildings KShs'000	Plant and machinery KShs'000	Total KShs'000
Group			
At 31 December 2020 Cost	845,083	2,149,790	2,994,873
Accumulated Depreciation	(198,284)	(1,906,370)	(2,104,654)
Net carrying value	**646,799**	**243,420**	**890,219**
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**
Company			
At 31 December 2020 Cost	835,003	1,835,794	2,670,797
Accumulated Depreciation	(177,749)	(1,805,459)	(1,983,208)
Net carrying value	**657,254**	**30,335**	**687,589**
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**

Security

At 31 December 2020, land and buildings with a carrying amount of KShs 2,032 million (2019 – KShs 2,092 million) are subject to a registered debenture securing a bank loan facility for the company. Plant and machinery with a carrying amount of KShs 1,066 million (2019 – KShs 1,387 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 (2019 – KShs 4.3 million) is also held as security for a bank loan.

The subsidiary has charged property, plant and equipment with a carrying value of KShs 1,089 million equivalent (2019 – KShs 1,138 million) to secure its bank loan facilities.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

12. RIGHT-OF-USE ASSETS

	Group		Company	
	2020 KShs '000	2019 KShs '000	2020 KShs '000	2019 KShs '000
Carrying value at 1 January	2,100,559	-	1,214,505	-
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	(85,278)	(84,070)	(42,494)	(42,494)
Exchange adjustment	61,756	(3,183)	-	-
Balance as at 31 December	**2,077,037**	**2,100,559**	**1,172,011**	**1,214,505**

The right-of-use assets relate to four leasehold properties, as detailed below:

- LR No. 209/8176 held on a 77 year lease commencing January 1973.
- LR No. 209/6982/1 held on a 81 year lease commencing January 1967.
- LR No. 209/4235 held on a 99 year lease commencing January 1949.
- LR No. 54633 held on a 99 year lease commencing October 1976.

13. INVESTMENT PROPERTIES

	Group		Company	
	2020 KShs '000	2019 KShs '000	2020 KShs '000	2019 KShs '000
Balance as at 1 January	220,291	400,245	-	169,100
Transfer (to)/from assets held for sale (Note 14)	-	(107,000)	-	(107,000)
On revaluation	(14,282)	(71,941)	-	(62,100)
Exchange differences	14,263	(1,013)	-	-
Balance as at 31 December	**220,272**	**220,291**	**-**	**-**

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

14. ASSETS HELD FOR SALE

	Group		Company	
	2020	2019	2020	2019
	KShs '000	KShs '000	KShs '000	KShs '000
Balance as at 1 January	107,000	-	107,000	-
Transfer from/ to investment Property (Note 13)	-	107,000	-	107,000
Adjustment (Note 4b)	3,000	-	3,000	-
Balance as at 31 December	**110,000**	**107,000**	**110,000**	**107,000**

In 2020, directors committed to a plan to sell investment property located in Lavington area, Nairobi. The company has entered into an agreement with a potential buyer. The transaction is expected to be concluded in 2021.

Property description	Group 2020 KShs '000	Company 2019 KShs '000
LR. No. 3734/126, on Elmolo Drive, Lavington, Nairobi, Kenya	110,000	110,000
Balance as at 31 December	**110,000**	**110,000**

In 2019, 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 was recognised through profit or loss and applied to reduce the carrying amount of the investment property.

15. INTANGIBLE ASSETS

Computer software:	Group		Company	
	2020	2019	2020	2019
	KShs '000	KShs '000	KShs '000	KShs '000
Net carrying value at 1 January	-	490	-	77
Amortisation for the year	-	(485)	-	(77)
Exchange adjustment	-	(5)	-	-
Net carrying value at 31 December	**-**	**-**	**-**	**-**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

16. INVESTMENT IN SUBSIDIARIES

	2020 KShs '000	2019 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 2020 (2019 – 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:

	2020 KShs '000	2019 KShs '000
Revenue for the year ended 31 December	**55,201**	**124,335**
Loss after tax for the year ended 31 December	**(426,561)**	**(96,264)**

17. INVENTORIES

	Group		Company	
	2020 KShs '000	2019 KShs '000	2020 KShs '000	2019 KShs '000
Finished goods	73,033	74,302	66,125	33,062
Raw materials	123,383	180,377	112,000	103,831
Work in progress	49,386	61,491	46,642	53,752
Strategic spares and lubricants	44,822	59,022	32,671	35,505
Stationery and printing	3,053	4,152	281	498
	293,677	**379,344**	**257,719**	**226,648**

The group and company expensed inventories amounting to KShs 1,178.95million and KShs 1,120.01 million during the year (2019 – KShs 1,032.55 million and KShs 922.30 million, respectively.

18. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2020 KShs '000	2019 KShs '000	2020 KShs '000	2019 KShs '000
Net trade receivables (Note 28 (a))	357,296	344,413	296,925	352,529
Prepaid expenses	33,763	18,268	28,619	14,093
Prepayments for raw materials & spares	49,795	70,632	48,099	47,092
Due from subsidiary (Note 25 (c))	-	-	378,089	436,343
Due from other related parties (Note 25 (c))	4,267	51,330	4,267	45,720
	445,121	**484,643**	**755,999**	**895,777**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

19. CAPITAL AND RESERVES

(a) Share capital

	Group		Company	
	2020	2019	2020	2019
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

	2020 KShs '000	2019 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.

(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	2020	2019
NCI percentage	**49%**	**49%**
Non-current assets	1,590,464	1,573,677
Current assets	266,072	368,976
Non-current liabilities	(595,931)	(393,835)
Current liabilities	(1,173,763)	(1,049,029)
Right-of use assets on consolidation	36,111	31,012

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

19. CAPITAL AND RESERVES (CONTINUED)

(e) Non-controlling interests (continued)

In KShs'000	2020	2019
NCI percentage	**49%**	**49%**
Net assets	**122,953**	**530,801**
Carrying amount of NCI	**76,219**	**275,930**
Revenue	55,201	124,335
Loss	(426,560)	(96,264)
OCI	(1,541)	(368)
Total comprehensive income	**(428,102)**	**(96,632)**
Loss allocated to NCI	(209,015)	(47,169)
OCI allocated to NCI	(755)	182
Cash flows from operating activities	30,367	92,964
Cash flows from investment activities	-	-
Cash flows from financing activities (dividends to NCI: nil)	(31,351)	(93,461)
Net decrease in cash and cash equivalents	**(984)**	**(497)**

(f) Dividend per share

The directors do not propose the payment of a dividend in respect of the year ended 31 December 2020 (2019 – 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.

20. BANK LOANS AND BORROWINGS

(a) Outstanding balances, terms and repayment schedule

			Group		Company	
	Currency	Nominal interest rate (p.a)	2020 KShs '000	2019 KShs '000	2020 KShs '000	2019 KShs '000
Equity Bank	KShs	13%	1,785,394	1,760,976	1,408,455	1,391,107
Ecobank Kenya Limited	KShs	13%	180,900	188,169	180,900	188,169
SBM Bank Kenya Limited	KShs	13%	300,616	310,164	300,616	310,164
			2,266,910	**2,259,309**	**1,889,971**	**1,889,440**
Comprising:		**Year of maturity**				
Non-current liability		2022 to 2029	1,960,758	1,632,800	1,639,090	1,289,600
Current liability		2020 / 2021	306,152	626,509	250,881	599,840
			2,266,910	**2,259,309**	**1,889,971**	**1,889,440**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

20. BANK LOANS AND BORROWINGS (CONTINUED)

(b) Loan movement schedule

	Group		Company	
	2020 KShs '000	2019 KShs '000	2020 KShs '000	2019 KShs '000
Balance at 1 January	2,259,309	3,552,458	1,889,440	3,020,211
Received during the year	496,000	1,632,800	496,000	1,289,717
Repaid during the year	(523,735)	(1,612,391)	(523,735)	(1,276,285)
Interest net of payments	31,622	192,498	28,266	162,710
Discount on loan*	-	(1,500,628)	-	(1,307,813)
Foreign currency translations	3,714	(5,428)	-	900
Balance at 31 December	**2,266,910**	**2,259,309**	**1,889,971**	**1,889,440**

(c) Securities and covenants

East African Cables Plc has facility arrangements with Equity Bank Kenya Limited, Ecobank Kenya Limited and SBM Bank Kenya Limited. The borrowings are secured by certain land and buildings and a debenture over all the assets of East African Cables Plc and East African Cables (Tanzania) Limited.

	Group		Company	
	2020 KShs '000	2019 KShs '000	2020 KShs '000	2019 KShs '000
Legal charge on land and buildings	**3,109**	**3,109**	**1,687**	**1,687**
Specific debenture on machinery	600	600	600	600
Debenture over all assets	1,700	1,700	1,700	1,700
Total value of debentures	**2,300**	**2,300**	**2,300**	**2,300**

21. 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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

21. RETIREMENT BENEFITS OBLIGATIONS (CONTINUED)

	Group		Company	
	2020 KShs '000	2019 KShs '000	2020 KShs '000	2019 KShs '000
Opening benefit obligation	31,594	31,829	21,498	22,359
Current service cost net of employees' contributions - charged to profit or loss cost of sales	2,356	2,077	1,659	1,471
Interest cost charged to profit or loss cost of sales	4,187	4,066	2,735	2,784
Actuarial (gain) / loss charged to other comprehensive income	1,593	(3,483)	(609)	(2,256)
Benefits and expenses paid	-	(2,860)	-	(2,860)
Translation (gains) /losses	871	(35)	-	-
Closing benefit obligation	**40,601**	**31,594**	**25,283**	**21,498**

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

	Kenya		Tanzania	
Actuarial assumptions	2020	2019	2020	2019
Discount rate (% p.a.)	12.00%	12.25%	10.50%	13.50%
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 Females	KE 2001-2003 Females
Weighted average duration of defined benefit obligation	10.2	10.9	7.6	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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

21. RETIREMENT BENEFITS OBLIGATIONS (CONTINUED)

A quantitative sensitivity analysis for significant assumptions as at 31 December 2020 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	31,594	31,594	31,594	31,594
Net expense recognised in the profit or loss	6,636	6,636	6,636	6,636
Net expense recognised in the other comprehensive income	(1,968)	5,946	5,967	(2,045)
Employer contributions	-	-	-	-
Net liability at end of the period	**36,262**	**44,176**	**44,197**	**36,185**

Company	Discount rate		Salary rate	
	1%	-1%	1%	-1%
	KShs '000	KShs '000	KShs '000	KShs '000
Net liability at start of the period	21,498	21,498	21,498	21,498
Total Net expense recognized in the profit or loss	4,394	4,394	4,394	4,394
Net expense recognized in the other comprehensive income	(2,981)	2,160	2,188	(3,042)
Net liability at end of the period	**22,911**	**28,052**	**28,080**	**22,850**

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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

22. DEFERRED TAX LIABILITIES

(a) Group

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

2020:	At 1 January	Derecognized during the year	Under / over provision in prior years	Recognised through profit or loss	Recognised through other comprehensive income	Exchange difference	Balance at 31 December
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Staff gratuity provision	(8,452)	-	(656)	(2,342)	(478)	(254)	(12,182)
Other provisions and accruals	(511,850)	-	150,245	3,288	-	(8,933)	(367,250)
Tax losses	(505,252)	197,403	(24,641)	(32,641)	-	-	(365,131)
Property, plant & equipment	1,196,157	-	(38,378)	(63,395)	-	25,478	1,119,862
Revaluation of asset held for sale	7,738	-	-	150	-	-	7,738
Revaluation of investment property	40,698	-	(1,149)	-	-	2,672	42,221
Unrealised exchange gain	(3,715)	-	(13,675)	22,358	-	(4,192)	776
	215,324	**197,403**	**71,746**	**(72,582)**	**(478)**	**14,771**	**426,184**

2019:	At 1 January	Under / over provision in prior years	Recognised through profit or loss	Recognised through other comprehensive income	Exchange difference	Balance at 31 December
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	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**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

22. DEFERRED TAX LIABILITIES (continued)

(b) Company
Movements during the year are as follows:

	Balance 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	Balance at 31 December KShs'000
2020:					
Staff gratuity provision	(5,772)	(677)	(1,319)	183	(7,585)
Other provisions and accruals	(275,833)	-	(52,775)	-	(328,608)
Tax loss	(329,417)	(3,073)	(32,641)	-	(365,131)
Unrealised exchange gain	999	-	3,444	-	4,443
Property, plant and equipment	803,740	(35,265)	(44,420)	-	724,055
Revaluation on asset held for sale	7,738	-	150	-	7,888
	201,455	**(39,015)**	**(127,561)**	**183**	**35,026**
2019:					
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**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

22. DEFERRED TAX LIABILITIES (continued)

Deferred tax asset amounting to KShs 248,491,000 has not been recognised in these financial statements as the directors are of the opinion that the asset will not be utilised in the foreseeable future. The movement of the unrecognised deferred tax asset was KShs 75,729,000 in the year to 31 December 2020.

23. TRADE AND OTHER PAYABLES

	Group		Company	
	2020 KShs '000	2019 KShs '000	2020 KShs '000	2019 KShs '000
Trade payables	306,540	329,264	206,824	204,052
Due to other related parties (Note 25 (d))	178,826	142,349	151,146	111,053
Other payables and accrued expenses	727,841	641,457	262,817	238,863
	1,213,207	**1,113,070**	**620,787**	**553,968**

24. DIVIDEND PAYABLE

The movement in the dividend payable account is as follows:

	Group		Company	
	2020 KShs '000	2019 KShs '000	2020 KShs '000	2019 KShs '000
At beginning of year	8,152	13,289	8,152	13,289
Declared during the year	-	-	-	-
Paid during the year	(1,532)	(5,137)	(1,532)	(5,137)
At end of year	**6,620**	**8,152**	**6,620**	**8,152**

No dividend was paid to related parties in the year (2019 – KShs Nil).

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

25. 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	
	2020 KShs '000	2019 KShs '000	2020 KShs '000	2019 KShs '000
Directors' emoluments				
— Non-executive directors fees	14,522	13,512	10,650	9,750
— Sitting allowances	4,391	3,153	2,240	2,640
— Duty day allowances	-	764	-	764
— Executive director's remuneration	26,132	25,783	26,132	25,783
Senior managements' remuneration	66,663	70,035	45,094	49,074
	111,708	**113,247**	**84,116**	**88,011**

(b) Amounts due from the directors

No amounts were due from the directors at close of the year (2019 – 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.

(c) Due from related parties

	Group		Company	
	2020 KShs '000	2019 KShs '000	2020 KShs '000	2019 KShs '000
(i) Owed by subsidiaries				
East African Cables (Tz) Limited	-	-	530,871	475,200
Less: Expected credit losses	-	-	(152,782)	(38,857)
	-	**-**	**378,089**	**436,343**
(ii) Owed by other related parties				
Kewberg Cables & Braids (Pty)	39,369	36,774	39,369	36,774
Cableries Du Congo	187	187	187	187
Civicon Limited	4,064	5,767	4,064	5,767
AEA Limited	4,120	3,739	4,120	3,739
Tanelec Limited	3,198	5,631	3,198	21
	50,938	52,098	50,938	46,488
Less: Expected credit losses	(46,671)	(768)	(46,671)	(768)
	4,267	**51,330**	**4,267**	**45,720**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

25. RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Amounts due to related parties

	Group		Company	
	2020 KShs '000	2019 KShs '000	2020 KShs '000	2019 KShs '000
(i) Owed by subsidiaries				
East African Cables (Tz) Limited	-	-	-	-
(ii) Owed by other related parties				
AEA Limited	464	-	424	-
Tanelec Limited	27,640	31,296	-	-
TransCentury PLC	150,722	111,053	150,722	111,053
	178,826	**142,349**	**151,146**	**111,053**

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

(e) Shareholders loan

Shareholders loan	2020 KShs'000	2019 KShs'000
Group and Company:		
Balance at 1 January	517,924	480,436
Accrued interest	41,164	39,271
Exchange gain	27,201	(1,783)
Balance at 31 December	**586,289**	**517,924**

On 22 April 2014, the company received an 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 2019 – 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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

26. NOTES TO THE STATEMENT OF CASH FLOWS

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

	Group		Company	
	2020 KShs '000	2019 KShs '000	2020 KShs '000	2019 KShs '000
(Loss) / Profit before tax	(555,065)	658,695	(495,850)	767,077
Adjustments for:				
Depreciation for property, plant and equipment (Note 11)	184,500	183,201	155,044	154,093
Depreciation for right-of-use asset (Note 12)	85,278	84,070	42,494	42,494
Amortisation of intangible assets	-	485	-	77
Profit on disposal of property, plant and equipment (Note 4(b))	-	(4,655)	-	(4,655)
Impairment loss on PPE (Note 11)	14,079	-	14,079	-
Fair value loss / (gain) on revaluation of investment property (Note 13)	14,282	71,941	-	62,100
Fair value gain on asset held for sale (Note 14)	(3,000)	-	(3,000)	-
Interest expense (Note 7)	336,820	270,198	292,678	239,815
Discount on loans (Note 20(b))	-	(1,500,628)	-	(1,307,813)
Exchange loss/(gain) on bank/shareholders loan	30,915	(5,428)	27,201	(883)
Net foreign currency changes	(76,430)	4,157	3	1
Increase in provision for staff gratuity	7,414	3,283	4,394	1,395
Operating loss before working capital changes	**38,793**	**(234,681)**	**37,043**	**(46,299)**
Decrease/(increase) in inventories	85,667	(11,467)	(31,071)	(39,847)
Decrease in trade and other receivables	39,522	47,068	139,778	3,126
Increase/(decrease) in trade and other payables	100,137	280,848	66,819	171,026
Cash generated from operations	**264,119**	**81,768**	**212,569**	**88,006**

(b) Cash and cash equivalents at 31 December

	2020 KShs '000	2019 KShs '000	Change in year KShs '000
Group			
Bank balances	190,095	220,754	30,659
Cash and cash equivalents	**190,095**	**220,754**	**30,659**
Company			
Bank balances	30,190	71,613	41,423
Cash and cash equivalents	**30,190**	**71,613**	**41,423**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

27. CONTINGENT LIABILITIES

Guarantees with the bankers amounted to KShs 33 million as at 31 December 2020 (2019 – KShs 56million). Letters of credit amounted to KShs 96 million as at 31 December 2020 (2019 – KShs 98 million) whose related liabilities have been accrued in the financial statements as appropriate for the supplies.

28. 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.

(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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (continued)

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	
	2020 KShs '000	2019 KShs '000	2020 KShs '000	2019 KShs '000
Trade receivables	357,296	344,413	296,925	352,529
Due from subsidiaries	-	-	378,089	436,343
Due from related parties	4,267	51,330	4,267	45,720
Bank balances	190,095	220,754	30,190	71,613
	551,658	**616,497**	**709,471**	**906,205**

Short term deposits

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

Expected credit loss (ECL) assessment as at 1 January and 31 December 2020.

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 2020.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (continued)

(i) Trade receivables

	Group		Company	
	2020	2019	2020	2019
	KShs '000	KShs '000	KShs '000	KShs '000
Due from government institutions	152,174	120,705	134,919	76,782
Not past due	97,043	144,282	96,886	144,282
Past due 30-90 Days	61,820	121,266	60,338	99,831
Past due 91-365 Days	21,533	80,120	21,525	60,262
More than a year	886,220	793,013	606,736	580,749
Gross trade receivables	1,218,790	1,259,386	920,404	961,906
Loss allowance	(861,494)	(876,116)	(623,479)	(609,377)
Net trade receivables	**357,296**	**383,270**	**296,925**	**352,529**

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.

(ii) Intercompany receivables

For Group and Company, the calculated ECL which represents the probability of default was 92% and 34% respectively, which considers historical experience over the last 12 months, current conditions, exchange rates and country risk. These rates were applied to the gross outstanding amount and resulted in a loss allowance of KShs 46,671,000 and KShs 199,453,000 for the Group and Company respectively for the year ended 31 December 2020.

	Group		company	
	2020	2019	2020	2019
	KShs '000	KShs '000	KShs '000	KShs '000
Related party receivables				
East African Cables (Tz)	-	-	530,871	475,200
Due from other related parties	50,938	52,098	50,938	46,488
Gross owed by related parties	50,938	52,098	581,809	521,688
Loss allowance	(46,671)	(768)	(199,453)	(39,625)
Net trade receivables owed by related parties	**4,267**	**51,330**	**382,356**	**482,063**

(iii) Cash and cash equivalents

The Group and company held cash and bank balances of KShs 190,095,000 and KShs 30,190,000 respectively (2019: Group - KShs 220,754,000 and Company KShs 71,613,000). 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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (continued)

(iii) Cash and cash equivalents (continued)

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 write-back on impairment amounting to KShs 159,648 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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)
(b) Liquidity risk (continued)

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

Group					
31 December 2020	**Due within 3 months**	**Due between 3-12 months**	**Due between 1-5 years**	**Due after 5 years**	**Total**
Financial liabilities	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**
Loans and borrowings	237,861	309,724	1,532,746	1,383,431	3,463,432
Shareholder loan	-	-	-	762,711	762,711
Trade and other payables	1,034,381	-	-	-	1,034,381
Due to related parties	178,826	-	-	-	178,826
At 31 December 2020	**1,451,068**	**309,724**	**1,532,746**	**2,146,142**	**5,439,680**
31 December 2019					
Financial Liabilities					
Loans and borrowings	693,823	179,030	1,561,064	1,268,587	3,702,504
Shareholder loan	-	-	-	717,7070	717,707
Trade and other payables	970,721	-	-	-	970,721
Due to related parties	142,349	-	-	-	142,349
At 31 December 2019	**1,806,893**	**179,030**	**1,561,064**	**1,986,294**	**5,533,281**

Company					
31 December 2020	**Due within 3 months**	**Due between 3-12 months**	**Due between 1-5 years**	**Due after 5 years**	**Total**
Financial liabilities	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**
Loans and borrowings	192,103	261,430	1,295,585	1,143,990	2,893,108
Shareholder loan	-	-	-	762,711	762,711
Trade and other payables	469,641	-	-	-	469,641
Due to related parties	151,146	-	-	-	151,146
At 31 December 2020	**812,890**	**261,430**	**1,295,585**	**1,906,701**	**4,276,606**
31 December 2019					
Financial Liabilities					
Loans and borrowings	656,531	148,118	1,272,821	1,019,918	3,097,388
Shareholder Loan	-	-	-	717,707	717,707
Trade and other payables	442,915	-	-	-	442,915
Due to related parties	111,053	-	-	-	111,053
At 31 December 2019	**1,210,499**	**148,118**	**1,272,821**	**1,737,625**	**4,369,063**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk (continued)

In addition, the Group and Company maintain KShs 100 million (2019 - 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							
	Average effective interest rate	Due within 3 months	Due between 3 and 12 months	Due between 1 and 5 years	Due after 5 years	Non-interest bearing	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
At 31 December 2020							
Bank loans and borrowings	13%	176,706	129,446	925,639	1,035,119	-	2,266,910
Shareholder loan	11%	-	-	-	586,289	-	586,289
		176,706	**129,446**	**925,639**	**1,621,408**	**-**	**2,853,199**
At 31 December 2019							
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**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Market risk (continued)

Company							
	Average effective interest rate	Due within 3 months	Due between 3 and 12 months	Due between 1 and 5 years	Due after 5 years	Non-interest bearing	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
At 31 December 2020							
Bank loans and borrowings	13%	140,916	109,065	782,868	856,222	-	1,889,971
Shareholder loan	11%	-	-	-	586,289	-	586,289
		140,916	**109,065**	**782,868**	**1,442,511**	**-**	**2,476,260**
At 31 December 2019							
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**

(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:

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Market risk (continued)

	Group		Company	
	2020 KShs'000	2019 KShs'000	2020 KShs'000	2019 KShs'000
Financial assets				
Cash and bank balances	1,889	1,273	1,848	1,238
Trade receivables	138,380	106,298	138,380	106,298
	140,269	107,571	140,228	107,536
Financial liabilities				
Shareholders loan	(586,289)	(517,924)	(586,289)	(517,924)
Trade payables	(183,484)	(134,269)	(123,866)	(134,218)
	(769,773)	(652,193)	(710,155)	(652,142)
Net exposure	**(629,504)**	**(544,622)**	**(569,927)**	**(544,606)**

The following significant exchange rates applied during the year:

	Closing rate		Average rate	
	2020 KShs'000	2019 KShs'000	2020 KShs'000	2019 KShs'000
USD	109.17	101.34	106.62	102.15

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 2019:

	Profit or loss			
	Closing rate		Average rate	
	2020 KShs'000	2019 KShs'000	2020 KShs'000	2019 KShs'000
At 31 December	**62,950**	**54,462**	**56,993**	**54,461**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(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:

	Group		Company	
	2020 KShs'000	2019 KShs'000	2020 KShs'000	2019 KShs'000
Borrowings				
Bank loans	2,266,910	2,259,309	1,889,971	1,889,440
Shareholder Loan	586,289	517,924	586,289	517,924
Cash and bank balances	(190,095)	(220,754)	(30,190)	(71,613)
Net debt	**2,663,104**	**2,556,479**	**2,446,070**	**2,335,751**
Total equity	**1,392,571**	**2,129,643**	**1,368,848**	**1,699,010**
Gearing ratio	**191%**	**120%**	**179%**	**137%**

29. ULTIMATE HOLDING COMPANY

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

30. EVENTS AFTER REPORTING DATE

No material events or circumstances have arisen between the accounting date and the date of this report.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

31. 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	
	2020 KShs '000	2019 KShs '000	2020 KShs '000	2019 KShs '000	2020 KShs '000	2019 KShs '000
External sales	1,744,860	1,460,868	55,201	124,335	1,800,061	1,585,203
Inter-segment sales	-	-	-	-	-	-
Total sales	**1,744,860**	**1,460,868**	**55,201**	**124,335**	**1,800,061**	**1,585,203**
Segment (loss)/ profit from operations	(194,785)	993,959	(214,225)	(68,123)	(256,942)	925,141
Net finance costs	(301,065)	(226,882)	1,933	(39,564)	(298,123)	(266,446)
(Loss) / profit before tax	**(495,850)**	**767,077**	**(212,292)**	**(107,687)**	**(555,065)**	**658,695**
Other information:						
Segment assets	4,532,860	4,891,447	1,856,536	1,942,653	5,932,382	6,274,877
Segment liabilities	3,164,012	3,192,437	1,769,614	1,442,863	4,359,811	4,145,373
Capital expenditure	1,477	7,380	-	-	1,477	7,380
Depreciation expense & amortisation	197,538	196,664	72,240	70,398	269,778	267,756

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.

FIVE YEAR CONSOLIDATED FINANCIAL RECORD

a STATEMENT OF COMPREHENSIVE INCOME SUMMARY

	2016 Consolidated KShs'000	2017 Consolidated KShs'000	2018 Consolidated KShs'000	2019 Consolidated KShs'000	2020 Consolidated KShs'000
Sales	3,650,451	2,345,086	1,631,058	1,585,203	1,800,061
(Loss)/profit before tax	(810,349)	(926,945)	(813,089)	658,695	(555,065)
Tax credit / (expense)	227,747	264,110	244,705	(27,723)	(198,157)
(Loss)/profit after tax	(582,602)	(662,835)	(568,384)	630,972	(753,222)
Non-controlling interest	127,877	96,497	82,611	47,511	209,015
(Loss) / profit attributable to parent company shareholders	(454,725)	(566,338)	(485,773)	678,483	(544,207)
Dividends	-	-	-	-	-
Retained (loss) / profit	(454,725)	(566,338)	(485,773)	678,483	(544,207)
Earnings per share (KShs)	(1.80)	(2.24)	(1.92)	2.68	(2.15)
Dividend per share (KShs)	-	-	-	-	-

b STATEMENT OF FINANCIAL POSITION

	2016 Consolidated KShs'000	2017 Consolidated KShs'000	2018 Consolidated KShs'000	2019 Consolidated KShs'000	2020 Consolidated KShs'000
Non-current assets	5,318,844	4,661,862	5,469,516	5,020,678	4,832,425
Current assets	2,229,562	2,376,559	1,134,144	1,254,199	1,099,957
TOTAL ASSETS	**7,548,406**	**7,038,421**	**6,603,660**	**6,274,877**	**5,932,382**
Equity and liabilities					
Share capital	126,563	126,563	126,563	126,563	126,563
Reserves	1,969,864	1,403,526	1,164,921	1,845,421	1,300,854
Exchange differences	(97,475)	(99,444)	(114,696)	(118,410)	(111,065)
Non-controlling interest	557,457	448,157	324,480	275,930	76,219
Total equity	2,556,409	1,878,802	1,501,268	2,129,504	1,392,571
Non-current liabilities	1,672,873	1,193,075	702,010	2,397,642	3,013,832
Current liabilities	3,319,124	3,966,544	4,400,382	1,747,731	1,525,979
TOTAL EQUITY AND LIABILITIES	**7,548,406**	**7,038,421**	**6,603,660**	**6,274,877**	**5,932,382**

NOTES

To:
The Company Secretary
East African Cables PLC
P.O. Box 18243 - 00500, GPO
Nairobi, Kenya

PROXY FORM

I/We ____

of P.O. Box ____________________ Share Account No. ______________________ being Shareholder(s) of East African Cables PLC, hereby appoint:

Proxy Name:___________________________ Proxy address: ____________________________

Proxy Mobile No.: ______________________ Proxy email address: _________________________

and failing him/her the Chairman of the meeting as my /our proxy to vote for me/us on my/our behalf at the 56th Annual General Meeting of the Company to be held virtually on Tuesday, 2nd November 2021 at 11.00 am and at any adjournment thereof.

Signed this ______________________ day of _________________________________ 2021.

Signature (s) / Seal ____

Unless otherwise instructed, the proxy will vote as he/she thinks fit.

Notes:

1. Any Member who is entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote on his behalf. Such proxy need not be a member of the Company.

2. A form of proxy must be completed and signed by the shareholder or the shareholder's attorney duly authorized in writing. In the case of a shareholder being a limited liability company, this form must be completed under its common seal or under the hand of an attorney duly authorized in writing.

3. Proxies must be received by the Company's Share Registrars Registered Office, Custody & Registrars, 1st Floor, Tower B, IKM Place, 5th Ngong Avenue, P. O. Box 8484 – 00100, Nairobi, so as to arrive not later than **10:00 am** on **Friday, 29th October 2021.** Duly signed proxy forms and ID copies may also be emailed to ***proxy@candrgroup.co.ke*** in PDF format. (Attach a copy of your National ID for individual members and a copy of the National ID of the proxy appointed. For Corporates attach a copy of Certificate of Incorporation and copies of the Directors National ID/proxy appointed).

4. A member can also appoint a proxy during registration via USSD ***384*042#** by following the prompts. Shareholders wishing to participate in the meeting should register for the AGM by dialling ***384*042#** on their mobile telephone and follow the various prompts on the registration process.

2305
1463
5103
OFF
ON

KENYA - NAIROBI
HEAD OFFICE
Addis Ababa road, Industrial Area
Tel: +254 (020) 6607000
Cell: 0722202125, 0733624419, 0721 555544
Kitui Road, Industrial Area
Tel: +254 203006664
E: info@eacables.co.ke

TANZANIA - DAR-ES-SALAAM
East African Cables ltd
Plot31, Nyerere Road
Tel: +255222862834
Email: infotz@eacables.com

UGANDA - KAMPALA
Western Cable Company Ltd
Plot 85, 6th street, Industrial Area
Tel: +256 414347996
Cell: +256 752272145
Email: infoug@eacables.com

RWANDA - KIGALI
Quincaillerie Belecom S.A.R.L
B.P 4876-379, Kigali, Rwanda
Tel: +250 7883047000, 73 304 700
Email: belecom.sarl@gmail.com

RWANDA
Power Controls and Design
Tel: +250783301207/0722300073
Email: powercontroldesign@gmail.com

SOUTH SUDAN – JUBA
JUBA TRADING
Tel: +211912297121
Email: mail.dhiralvilesh@hotmail.com

DRC CONGO
KOMPANYI
Tel: +243997724773

www.eacables.com

SYSTEM CERTIFICATION ISO 9001 SGS

DIAMOND MARK OF QUALITY