

EAST AFRICAN CABLES (TANZANIA) LIMITED
ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31st DECEMBER 2023

EAST AFRICAN CABLES (TANZANIA) LIMITED

**ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

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EAST AFRICAN CABLES (TANZANIA) LIMITED

CORPORATE INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2023

DIRECTORS

The names of the directors who served the Company from 1 January 2023 to the date of this report are as follows;

Name of Director	Designation	Nationality
Mr. George Njoroge	Chairman	Kenyan
Mr. Declan Mhaiki	Director	Tanzanian
Mr. Nuru A. Ndile	Director	Tanzanian
Mr. Sanjeev Anand	Director	Indian
Mrs. Elpina Mlaki	Director	Tanzanian
Mr. Zahir Mohamed	Director	Kenyan
East African Cables Plc	Director	Kenyan -Represented by Paul Muigai

REGISTERED OFFICE AND PLACE OF BUSINESS

Plot No. 31,
Nyerere Road, Kiwalani Industrial Area
P.O. Box 508
Dar es Salaam
Tanzania

COMPANY SECRETARY

REX AND REGINA ATTORNEY AT LAW
429 Mahando Street
Msasani Peninsular
P.O. Box 38568
Dar es Salaam
Tanzania.

BANKERS

EQUITY BANK TANZANIA LTD
PRESTIGE Plaza, Golden Jubilee Towers
P.O Box 110183
Dar es Salaam
Tanzania

NATIONAL BANK OF COMMERCE

Nyerere Road, Industrial Branch
P.O. Box 40301
Dar es Salaam
Tanzania.

MWANGA HAKIKA MICROFINANCE BANK

18th Floor, Sky Tower, Bagamoyo Road
P.O. Box 11735
Dar es salaam
Tanzania.

ADVOCATES

SAFARI AFRICA ARBITRATION & LEGAL
Oyster Pearl Galleria
Plot 370 Chole Road, Oyster Bay
P.O. Box 12278
Dar es Salaam
Tanzania

AUDITOR

RSM EASTERN AFRICA PF #197
Certified Public Accountants,
Plot 1040, Haile Selassie Road, Masaki
P.O Box 79586
Dar es Salaam
Tanzania

EAST AFRICAN CABLES (TANZANIA) LIMITED

REPORT OF THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2023

The Directors have pleasure in submitting their report together with the audited financial statements for the year ended 31st December 2023, which disclose the state of affairs of East African Cables (Tanzania) Limited herein referred as the “Company” as at that date.

1. INCORPORATION

The Company is incorporated in Tanzania under the Tanzanian Companies Act 2002 as a private Company limited by shares and is domiciled in Tanzania. The address of the registered office is set out on page 1.

2. PRINCIPAL ACTIVITIES

The principal activities of the Company are the manufacture and sale of electric cables and conductors as well as distribution of telecom, structured, fibre optic cables and accessories. The Company serves the following markets with its products: Utility companies, Rural Electrification Authority (REA) and its contractors, construction companies, mining projects, distributors and retailers and end users. The Company has a manufacturing facility located along Nyerere Road, Kiwalani industrial area from where it carries its operations. The Company carries its operations in accordance with applicable legislative and regulatory laws such as those of Tanzania Companies Act 2002, Tanzania Revenue Authority (TRA), Occupational Safety and Health Authority (OSHA), National Environment Management Council (NEMC).

3. RESULTS AND DIVIDENDS

The net loss for the year of TZS 3.55 billion (2022: TZS 3.57 billion) has been transferred to accumulated losses. The directors do not recommend the declaration of dividend of the year.

4. PERFORMANCE FOR THE YEAR

During the year the Company recorded a loss before tax of TZS 3.1 billion (2022: TZS 3.49 billion), a decrease of 11% as compared to previous year.

The Company operated from only one outlet located at its manufacturing facility. The company has no branches or distributors.

A summary of key ratios obtained from the financial statements is outlined below:

Key ratios	2023	2022
(Decline)/increase in Turnover	(54%)	61%
(Decrease)/increase in operating expenditure	(3%)	4%
(Decrease)/increase in loss before tax	11%	81%
Gross profit margin	21%	20%
Net loss margin	(85%)	(44%)
Inventory turnover days	161	77
Trade receivables turnover days	73	53
Current ratio	0.09	0.14
Acid test ratio	0.06	0.10

EAST AFRICAN CABLES (TANZANIA) LIMITED

REPORT OF THOSE CHARGED WITH GOVERNANCE (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

4. PERFORMANCE FOR THE YEAR (Continued)

Decline in revenue by 54% in the current year from the previous year was mainly due to decrease in Aluminium sales because of working capital constraints.

The entity's performance has been influenced by limited working capital and inability to service aluminium customers. In the 5-year strategic plan being implemented, management is focusing on 4 key pillars that is; sustained Profitable growth, Unrivalled customer loyalty, Value chain efficiency and building performance driven market focused culture while leveraging on the existing strong stakeholder's relationship to achieve set objectives.

5. BUSINESS OBJECTIVES AND FUTURE PLANS

The Company's vision is to be the most innovative and preferred energy connectivity solution provider in East, Central and Southern Africa.

To maximize shareholder value, the Company has set goals and strategies in its 5-year strategic plan (2022-2026) to deliver sustainable profitable growth. The implementation for these goals and strategies is on-going and is expected to improve the company performance in the medium term and long term. Some of the strategies being implemented include revenue and profit growth sustainability, cost rationalisation, market share growth, value chain efficiency, employee learning and development among others.

The implementation of the 5-year strategic plan is aimed at improving turnover by offering value for money to customers, focusing on profitable market segment such as mining and cost rationalisation. The Company will continue to offer value for money, concentrate on profitable market segments and tapping into new markets such as new mines, Standard Gauge Railway (SGR) and upcoming housing construction in new capital city of Dodoma.

With a view of extending its profitability, the Company in the medium term, intends to expand, tap into new market segments, expand products offering and build a culture of customer excellence.

Management is in the process of implementing a 5-year strategic plan aimed at making the company profit sustainable by the year 2026. The Company is optimistic that the success of this strategic plan will see the business grow its current revenues by 487% by the year 2026.

6. ENVIRONMENTAL, SOCIAL AND GOVERNANCE

We remain conscious of Environmental, Social and Governance issues and have identified better ways of measuring what we have been doing.

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. This water is restored and used in the production process for a couple of months. We aim to reduce consumption of water as we increase production tonnage.

The management is in the process of implementation of Total product management (TPM) and KAIZEN to mitigate potential incidences related to safety risks and improve efficiency.

The Management and Tanzania Union of Industrial Commercial Organisation (TUICO) strive to implement best practices in human resources management and personnel policies.

EAST AFRICAN CABLES (TANZANIA) LIMITED

REPORT OF THOSE CHARGED WITH GOVERNANCE (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

7. CAPITAL STRUCTURE AND CASH FLOWS

The capital structure of the Company is outlined below and there are no expected changes to the structure.

Name of shareholder	Percentage	Number of shares
East African Cables PLC	51%	16,218,000
Tanzania Development Finance Ltd	10%	3,180,000
Tanzania Electric Supply Company Limited (TANESCO)	10%	3,180,000
Government of Tanzania – Treasury Registrar	<u>29%</u>	<u>9,222,000</u>
Total number of shares as at year end	<u>100%</u>	<u>31,800,000</u>

8. DIRECTORS

The directors of the Company during the year and up to the date of this report are as shown on page 1.

Directors' interest in the shareholding of the Company is shown below.

Name of Director	Number of Shares	% Shareholding
Mr. G. Njoroge	Nil	-
Mr. D. Mhaiki	Nil	-
Mr. N. Ndile	Nil	-
Mr. S. Anand	Nil	-
Mrs. E. Mlaki	Nil	-
Mr. Z. Mohamed	Nil	-
East African Cables Plc	16,218,000	51%

9. STAKEHOLDERS RELATIONSHIP

During the year Mwanga Hakika Bank working facility expired in the month of October 2023 and renewal process is in progress, however at a reduced facility limit of TZS 700m. This has enabled the Company to access raw material purchase through letters of credit, bank guarantees and short-term loans thus helping the Company manage its cash flows. The bank also issued bank guarantees in favour of Copper raw material supplier, which has improved greatly our credibility to our key raw material supplier.

10. COMMERCIAL AWARENESS AND OPERATIONAL RISKS

Increased competition in the industry from new entrants and already existing peers with advanced and modern equipment has significantly eaten into the Company's market share. The Company in its 5-year strategic plan has highlighted gradual machine and equipment upgrade as key towards gaining competitive advantage. The old machines will be rehabilitated and modernised for increased output and efficiency.

Metal prices remained relatively stable in the year.

EAST AFRICAN CABLES (TANZANIA) LIMITED

REPORT OF THOSE CHARGED WITH GOVERNANCE (CONTINUED) FOR THE YEAR ENDED 31ST DECEMBER 2023

10. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

To ensure its financial stability and profitability, the Company has implemented policies and practices for a sound and prudent management and control of the principal financial risks to which it is exposed.

The Company's overall risk management programme focuses on the identification and management of risks and seeks to minimize potential adverse effects on its financial performance. A summary of the risk management procedures is disclosed in Note 23.

11. LIQUIDITY

The Company has financing arrangements with banks. Details of the borrowings are disclosed in Note 17.

12. CORPORATE GOVERNANCE

The Company has a code of ethics' which all staff are required to abide by.

We believe in adopting the best practices in Corporate Governance. The Board, Management and the Company employees are committed to upholding the core values of transparency, integrity, honesty, and accountability, which are fundamental to the attainment of good governance and excellent performance in any organization.

Members charged with governance

The Board is responsible and accountable for providing effective corporate governance, direction, and control of the Company. The directors have a duty to exercise leadership, enterprise, integrity, and judgment based on transparency, fairness, accountability, and responsibility.

The Board is responsible for appointing the management, adopting a corporate strategy, policies, procedures and monitoring operational performance including identifying risks impacting the company. It is also responsible for managing good relationships with all the stakeholders.

Composition of Directors

The board of directors comprised of 7 non-executive directors with a mix of skills, experience, and diversity. The Directors who were in office from 1 January 2023 to the date of this report are:

Name	Age (Years)	Nationality	Profession	Date of appointment
Mr. George Njoroge	75	Kenyan	Electrical Engineer	17 th Apr 2012
Mr. Declan Mhaiki	61	Tanzanian	Electronics Engineer	10 th Jun 2008
Mr. Nuru Ndile	49	Tanzanian	Economist	20 th Mar 2019
Mr. Sanjeev Anand	67	Indian	Accountant and Finance	28 th Jun 2018
Mrs. Elipina Mlaki	71	Tanzanian	Accountant and Finance	6 th Feb 2014
Mr. Zahir Mohamed	47	Kenyan	Engineer	17 th Dec 2018
Mr. Paul Muigai (Representing East African Cables Plc)	58	Kenyan	Mechanical Engineer	14 th Nov 2017

EAST AFRICAN CABLES (TANZANIA) LIMITED

REPORT OF THOSE CHARGED WITH GOVERNANCE (CONTINUED) FOR THE YEAR ENDED 31ST DECEMBER 2023

13. CORPORATE GOVERNANCE (Continued)

The appointment of the directors is in line with the Memorandum and Articles of Association of the Company, as well as the requirements of the Tanzanian Companies Act, 2002.

Outlined below is the attendance of the members at the board meetings, held during the year:

Name	Designation	Attendance
Mr. George Njoroge	Chairman	2/2
Mr. Declan Mhaiki	Director	2/2
Mr. Nuru Ndile	Director	1/2
Mr. Sanjeev Anand	Director	2/2
Mrs. Elipina Mlaki	Director	2/2
Mr. Zahir Mohamed	Director	1/2
Mr. Paul Muigai (Representing East African Cables Plc)	Director	2/2

Directors' evaluation and training

The Board itself regularly undergoes self-assessment and evaluation to improve the internal Governance of the Board.

Training is provided to ensure the Board keeps abreast with current developments in the market. However, there was no training organized for the Board in the current year.

Committees of the Board

The board has four standing committees namely: The Audit, Risk and Compliance Committee, Human Resources and Remuneration Committee, Commercial Committee, and Finance and 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 four (4) 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. 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	Director	Attendance
1	Julius W. Mwatu	Committee chair	Non-Executive	2/2
2	Mr Nuru Ndile	Member	Non-Executive	2/2
3	Mr Sanjeev Anand	Member	Non-Executive	2/2
4	Mr. Declan Mhaiki	Member	Non-Executive	2/2
5	Mr Paul Muigai	Member	Non-Executive	2/2
6	Mr Joseph Kinyua	Member	By invitation	2/2

EAST AFRICAN CABLES (TANZANIA) LIMITED

REPORT OF THOSE CHARGED WITH GOVERNANCE (CONTINUED) FOR THE YEAR ENDED 31ST DECEMBER 2023

13. CORPORATE GOVERNANCE (Continued)

To fulfil its oversight responsibility, the Audit Committee receives reports from management, the internal auditors, external auditors, or any independent consultant it may have engaged during the year.

The committee's responsibilities include:

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

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

Human Resource and Remuneration Committee

Membership

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

The committee met once 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	Director	Attendance
1	Mr Declan Mhaiki	Committee chair	Non-Executive	1/1
2	Mrs Elipina Mlaki	Member	Non-Executive	1/1
3	Mr Paul Muigai	Member	Executive	1/1
4	Mr Joseph Kinyua	Member	By invitation	1/1

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.

Finance and Strategy Committee

This committee consists of four non-executive directors and reports to the board after every committee meeting. It meets quarterly or as required, however in the current year the committee met only once.

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

EAST AFRICAN CABLES (TANZANIA) LIMITED

REPORT OF THOSE CHARGED WITH GOVERNANCE (CONTINUED) FOR THE YEAR ENDED 31ST DECEMBER 2023

13. CORPORATE GOVERNANCE (Continued)

	Member	Designation	Director	Attendance
1	Mr George Njoroge	Committee chair	Non-Executive	1/1
2	Mr Sanjeev Anand	Member	Non-Executive	1/1
3	Mr Declan Mhaiki	Member	Non-Executive	1/1
4	Mr Paul Muigai	Member	Executive	1/1
5	Mr Joseph Kinyua	Member	By Invitation	1/1
6	Mr Zahir Saleh	Member	Non-Executive	1/1

The role of this committee is providing leadership in strategy development and implementation.

14. EMPLOYEES

A founding value of our Company has been to provide equal opportunities and a workplace that is representative of the wider communities in which we operate. Our goal is to make sure we continue to empower the careers, aspirations, and ambitions of our people. We have been committed to treating all people equally and nurturing great talent, regardless of gender. This culture is something that we are incredibly proud of, and we believe that it is this supportive environment that has helped us to recruit and retain our exceptional team. We promote diversity within our business, our markets and beyond.

	2023	2022
No. of males	30	35
No. of females	9	9
Total	39	44

The day-to-day management of the Company is handled by various departments as outlined below:

Departments	Department Head	Responsibility/Function	No. of members
Administration	Mr Geoffrey Odhiambo	General Manager	5
Human Resource Management	Mrs Rifai Mukumba	HR Manager	
Production	Mr Baraka	Production Supervisor	20
Quality Assurance	Mrs Fatuma Pelewewa	Quality Assurance Officer	3
Maintenance	Joseph Mwanyika	Maintenance	3
Finance	Mr Joshua Mauti	Finance Manager	3
Commercial	Mr Hamad Mohamed	Head of Commercial	5
Total			39

Employees welfare

The Company's employment terms are reviewed annually to ensure that they meet statutory and market conditions. The employee and employer contribute to NSSF. The Company does not contribute to any other private Pension Fund.

15. RELATED PARTY TRANSACTIONS

Transactions with related parties during the year were in the normal course of business. Details of transactions and balances are included in Note 20.

EAST AFRICAN CABLES (TANZANIA) LIMITED

**STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2023**

The Tanzania Companies Act, [CAP.212 of 2002] requires the directors to prepare financial statements for each financial year that give a true and fair view of the financial position of the Company as at the end of the financial year and of its profit or loss and other comprehensive income for that year. It also requires the directors to ensure that the Company keeps proper accounting records that: (a) show and explain the transactions of the Company; (b) disclose, with reasonable accuracy, the financial position of the Company; and (c) enable the directors to ensure that every financial statement required to be prepared complies with the requirements of the Tanzania Companies Act, [CAP.212 of 2002].

The directors accept responsibility for the preparation and presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Tanzania Companies Act, [CAP.212 of 2002]. They also accept responsibility for:

- i) designing, implementing and maintaining such internal control as they determine necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error;
- ii) selecting suitable accounting policies and applying them consistently; and
- iii) making accounting estimates and judgements that are reasonable in the circumstances.

The directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibilities.

Approved by the board of directors on²⁴ April 2024 and signed on its behalf by:

.....
Name: **GEORGE NTOROLO**
Director

.....
Name: **EMILAKI**
Director

EAST AFRICAN CABLES (TANZANIA) LIMITED

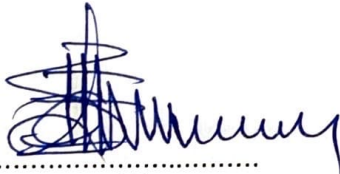
**DECLARATION OF THE HEAD OF FINANCE
FOR THE YEAR ENDED 31 DECEMBER 2023**

The National Board of Accountants and Auditors (NBAA) according to the power conferred under the Auditors and Accountants (Registration) Act. No. 33 of 1972, as amended by Act No. 2 of 1995, requires financial statements to be accompanied with a declaration issued by the Head of Finance responsible for the preparation of financial statements of the entity concerned.

It is the duty of a Professional Accountant to assist the Board of Directors and Management to discharge the responsibility of preparing financial statements of an entity showing true and fair view of the entity position and performance in accordance with applicable International Accounting Standards and Tanzanian Companies Act, 2002. Full legal responsibility for the preparation of financial statements rests with the Board of Directors as under Statement of Directors Responsibilities on page 10.

I, Musa Solomon, being a consultant of East African Cables (Tanzania) Limited hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31st December 2023 have been prepared in compliance with the International Financial Reporting Standards and the Tanzanian Companies Act, 2002.

I thus confirm that the financial statements give true and fair view position of East African Cables (Tanzania) Limited as of 31st December 2023 and that have been prepared based on properly maintained financial records.



.....
MUSA SOLOMON
CONSULTANT
NBAA Membership No: **ACPA-PP 2661**

Date:²⁴ April 2024

REPORT OF THE INDEPENDENT AUDITOR

To the members of East African Cables (Tz) Limited

Opinion

We have audited the financial statements of East African Cables (Tanzania) Limited ('the Company') set out on pages 15 to 49, which comprise the statement of financial position as at 31st December 2023, and the statement of profit or loss and other comprehensive income, statements of changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give true and fair view of the financial position of the Company as at 31st December 2023, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the Tanzanian Companies Act, 2002.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Tanzania, 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 1.1(b) (ii) to the financial statements, which indicates that the Company incurred a loss of TZS 3.55 billion during the year (2022: TZS 3.57 billion) and, as of that date, the Company's current liabilities exceeded its current assets by TZS 31 billion (2022: TZS 24.6 billion. As stated in note 1(b) (ii), these events or conditions, along with other matters as set forth in note 1 (b) (ii), indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

The directors are responsible for the other information. Other information comprises the information included in the Annual Report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, 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.

REPORT OF THE INDEPENDENT AUDITOR (Continued)

To the members of East African Cables (Tz) Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (Continued)

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the Tanzanian Companies Act, 2002, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the managements' 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 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 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 company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

REPORT OF THE INDEPENDENT AUDITOR (Continued)

To the members of East African Cables (Tz) Limited

Report on other legal and regulatory requirements

This report, including the opinion, has been prepared for, and only for, the Company's members as a body in accordance with the Companies Act, 2002 of Tanzania and for no other purposes.

As required by the Companies Act, 2002 of Tanzania, we report to you, based on our audit, that:

- i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii) The Report of those charged with governance is consistent with the financial statements;
- iii) In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books;
- iv) The Company's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the accounting records; and,
- v) Information specified by law regarding directors' remuneration and transactions with the Company is appropriately disclosed.



.....
Kaniz Ladha
ACPA 4043
For and on behalf of RSM Eastern Africa
Certified Public Accountants
Dar es Salaam



24 April 2024

Ref No: 035/2024

EAST AFRICAN CABLES (TANZANIA) LIMITED

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023**

	Notes	2023 TZS '000	2022 TZS '000
Revenue from contracts with customers	2(a)	3,654,810	7,920,230
Cost of Sales	2(c)	<u>(2,896,224)</u>	<u>(6,339,449)</u>
Gross profit		758,586	1,580,781
Other income	2(b)	235,989	26,928
Factory expenses	2(c)	(550,539)	(773,759)
Administrative expenses	2(c)	(2,900,444)	(1,422,541)
Selling expenses	2(c)	<u>(246,761)</u>	<u>(408,889)</u>
Loss before depreciation, finance costs and impairment losses		(2,703,169)	(997,480)
Impairment write back	4(a)	425,055	(482,659)
Depreciation and amortisation	4(b)	<u>(833,423)</u>	<u>(1,141,006)</u>
Results from operating activities		(3,111,537)	(2,621,145)
Interest expense	5	(1,227,321)	(1,264,490)
Exchange gains	5	<u>1,238,816</u>	<u>396,518</u>
Net finance income/(costs)		<u>11,495</u>	<u>(867,972)</u>
Loss before income tax	6	(3,100,042)	(3,489,117)
Income tax (expense)	7(a)	<u>(449,643)</u>	<u>(82,111)</u>
Loss for the year		<u>(3,549,685)</u>	<u>(3,571,228)</u>
Other comprehensive income			
<i>Items that may not to be reclassified to profit or loss in subsequent periods:</i>			
Re-measurement gain/ (loss) on defined benefit plan	16	66,278	59,194
Income tax effect	18	<u>(19,883)</u>	<u>(17,758)</u>
		<u>46,395</u>	<u>41,436</u>
Revaluation of property, plant & equipment		-	863,244
Revaluation of right of use assets		-	(511,297)
Deferred tax effect		-	<u>(105,584)</u>
		-	<u>246,363</u>
Total comprehensive loss for the year attributable to the owners of the Company		<u>(3,503,290)</u>	<u>(3,283,430)</u>
Loss per share	8	<u>(111.63)</u>	<u>(112.30)</u>

The statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 19 to 49.

EAST AFRICAN CABLES (TANZANIA) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	Notes	2023 TZS '000	2022 TZS '000
ASSETS			
Non-Current assets			
Property, plant and equipment	9	9,939,152	10,433,881
Right-of-use assets	10	16,137,866	16,445,526
Investment property	11	<u>4,165,597</u>	<u>4,165,598</u>
		<u>30,242,615</u>	<u>31,045,005</u>
Current assets			
Inventories	12	938,431	982,995
Trade and other receivables	13	732,244	1,139,276
Current tax recoverable	7(c)	56,103	33,264
Cash and cash equivalents	21(b)	<u>1,152,769</u>	<u>1,702,264</u>
		<u>2,879,547</u>	<u>3,857,799</u>
Total assets		<u>33,122,162</u>	<u>34,902,804</u>
EQUITY AND LIABILITIES:			
Equity attributable to equity holders			
Share capital	14	318,000	318,000
Asset revaluation reserve		27,173,496	27,173,496
Accumulated losses		<u>(33,859,367)</u>	<u>(30,356,073)</u>
		<u>(6,367,871)</u>	<u>(2,864,577)</u>
Non-current liabilities			
Provision for staff gratuity	16	308,041	324,064
Borrowings	17		4,261,733
Deferred tax liability	18	<u>5,161,891</u>	<u>4,711,817</u>
		<u>5,469,932</u>	<u>9,297,614</u>
Current liabilities			
Trade and other payables	19	13,484,059	10,988,163
Due to related parties	20	11,087,902	11,997,477
Borrowings	17	<u>9,448,140</u>	<u>5,484,127</u>
		<u>34,020,101</u>	<u>28,469,767</u>
Total equity and liabilities		<u>33,122,162</u>	<u>34,902,804</u>


.....
Chairman


.....
Director

.....24 April 2024
Date

The statement of financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 19 to 49.

EAST AFRICAN CABLES (TANZANIA) LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023**

	Share Capital	Asset Revaluation Reserve	Accumulated Losses	Total equity
	TZS '000	TZS '000	TZS '000	TZS '000
Balance as at 1st January 2023	318,000	27,173,496	(30,356,073)	(2,864,577)
Comprehensive loss for the year				
Loss for the year	-	-	(3,549,685)	(3,549,685)
Items that are or may be classified to profit & loss				
Re-measurement gain on defined benefit plan		-	66,274	66,274
Income Tax Effect	-	-	(19,883)	(19,883)
	-	-	46,391	46,391
Total other comprehensive income			46,391	46,391
Total comprehensive loss for the year	-	-	(3,503,290)	(3,503,290)
Balance as of 31st December 2023	318,000	27,173,496	(33,859,367)	(6,367,871)
Balance as of 1st January 2022	318,000	26,927,133	(26,826,281)	481,852
Comprehensive loss for the year				
Loss for the year	-	-	(3,571,228)	(3,571,228)
Other comprehensive income				
<i>Items that are or may be reclassified to profit or loss</i>				
Re-measurement loss on defined benefit plan	-	-	59,194	59,194
Income Tax Effect	-	-	(17,758)	(17,758)
	-	-	41,436	41,436
Items that will never be reclassified to profit & loss				
Revaluation of property, plant & equipment		863,244		863,244
Revaluation of Right-of-use assets		(511,297)		(511,297)
Deferred tax effect		(105,584)		(105,584)
		246,363		246,363
Total other comprehensive income		246,363	41,436	287,799
Total comprehensive loss for the year		246,363	(3,529,792)	(3,283,429)
Balance as of 31st December 2022	318,000	27,173,496	(30,356,073)	(2,864,577)

The statement of equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 19 to 49.

EAST AFRICAN CABLES (TANZANIA) LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	31 Dec 2023 TZS '000	31 Dec 2022 TZS '000
Cash generated from operations	21(a)	375,026	(226,155)
Income taxes paid	7(c)	<u>(42,293)</u>	<u>(24,536)</u>
Cash used in operating activities		<u>332,733</u>	<u>(250,691)</u>
Investing Activities			
Purchase of Property, plant & Equipment	(9)	<u>(31,033)</u>	<u>(77,515)</u>
		<u>(31,033)</u>	<u>(77,515)</u>
Financing activities:			
Loans received	17(b)	837,864	1,662,755
Loans repaid	17(b)	(1,597,844)	(1,176,468)
Interest paid	17(b)	<u>(91,215)</u>	<u>-</u>
Net cash flows (used in)/ generated from financing activities		<u>(851,195)</u>	<u>486,287</u>
Net (decrease)/ increase in cash and cash equivalents		<u>(549,495)</u>	158,081
Cash and cash equivalents as at 1 January		<u>1,702,264</u>	<u>1,544,183</u>
Cash and equivalents as at 31 December	21(b)	<u>1,152,769</u>	<u>1,702,264</u>

The statement of cash flows is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 19 to 49.

**EAST AFRICAN CABLES (TANZANIA) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

1. INFORMATION OF THE COMPANY AND PRINCIPAL ACCOUNTING POLICIES

East African Cables (Tanzania) Limited (the “Company”) is a company domiciled in Tanzania. The financial statements of the Company are for the year ended 31st December 2023.

The principal accounting policies adopted in the preparation of these financial statements are set out below:

1.1 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and its interpretations adopted by the International Accounting Standards Board (IASB).

(b) Basis of preparation

(i) Presentation of financial statements:

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that the company will continue in operation for at least one year from the date of the audit report and will be able to realize its assets and discharge its liabilities in the ordinary course of business.

(ii) Going concern

The Company incurred a loss of TZS 3.55 billion during the year ended 31 December 2023 (2022: TZS 3.57 billion) and, as at that date, the Company’s current liabilities exceeded its current assets by TZS 31 billion (2022: TZS 24.61 billion). These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Company’s ability to continue as a going concern, and that may be unable to realize its assets and discharge its liabilities in the normal course of business. However, the Company’s directors have made an assessment of the Company’s ability to continue as a going concern and are satisfied that the Company will be able to secure resources necessary to continue in business for the foreseeable future. This assessment is based on the following factors:

- East African Cables PLC, the majority shareholders signed an agreement with a strategic investor Msufini Tanzania Limited to sell off his 51% stake in the company. The process is expected to be completed by the month of June 2024 and is expected that the new investor will inject working capital to run the business once he takes over.
- The directors and management are focussed on implementation of a turn-around strategy to ensure full recovery of the business. Significant milestones have been achieved providing a runway for growth. The key actions of the turn-around strategy and an update of achievements made to date are summarised below.
- East African Cables PLC, the current majority shareholder intends to write off a portion of its related party balance as stipulated in its sale agreement with the new buyer of its shares. This will significantly improve the net assets thus improving balance sheet attractiveness of the company and boost the profit and loss since the write off will be recognised as other income.
- Discussion is ongoing between the new investor, Msufini and Equity bank on settlement of outstanding loan due to the bank and the ultimate release of assets charged as security. This will significantly reduce the liabilities of the company and improve the net assets of the company.

**EAST AFRICAN CABLES (TANZANIA) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31st DECEMBER 2023**

1.1 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(b) Summary of material accounting policy information (Continued)

- Msufini the new shareholder will assume the liabilities of the company and improve solvency of the company. Moreover, beyond assuming liabilities, the new investor will injects a fresh wave of working capital into the company, empowering the company to seize new opportunities, drive innovation, and pursue strategic initiatives with renewed vigor. The infusion of capital not only bolsters the company's liquidity position but also enhances its capacity to invest in key areas critical for long-term growth and competitiveness.

(iii) Going concern (continued)

	Turn around initiative	Actions	Update
1	Market development	<p>(i) Grow revenues in all product categories.</p> <p>(ii) Build customer confidence and rebuild order book.</p>	The implementation of 5-year strategic plan by management has majorly been impacted by working capital constraints. The Company in discussion with Tanesco agreed to start partial delivery on the pending order of TZS 6bn. Once the new LPO is issued delivery will start. The company was shortlisted to be an official supplier of Geita Gold Mining one of the biggest mines in Tanzania and we expect flow of orders starting Q2 2024.
2	Strengthen the Balance sheet	<p>(i) Strategic investor onboarded</p> <p>(ii) Sale of assets not-core to operations of the company. Expected proceeds – TZS 4 billion. The funds to be utilized for working capital</p>	<p>East African Cables PLC has relinquished its 51% shares in East African Cables Tanzania to a new investor who is expected to inject funds into the business. The onboarding process is expected to be completed by June 2024</p> <p>No potential buyer yet for non-core assets under sale, however management continue to aggressively search for the buyer</p>
3	Cash sales or near cash sales strategy	Management adopted a no credit sales policy in the year 2021, customers make advance payments on order and fully settle before taking delivery of the goods. This has helped the company generate internal funds to finance working capital	This strategy has helped the company sustained operations; however, this has limited the company market coverage since most of customers prefer credit terms.
6	Bank facility	In October 2022, the company renewed working capital financing facility TZS 1.4 billion with Mwanga Bank against a cash cover of the same amount.	The facility has been utilized to issue bank guarantees and letters of credit to raw material suppliers. This has enabled the company reduce customer lead times

The above successes give assurance that the strategy will yield the expected outcome and return the business back to full profitability. The directors are confident that the going concern assumption is appropriate in the preparation of these financial statements. These financial statements are therefore prepared on the basis of accounting policies applicable to a going concern. This basis presumes that the Company will continue receiving financial support from the shareholder and will have adequate resources to meet obligations as and when they fall due, and that the realisation of assets and settlement of liabilities will occur in the ordinary course of business.

**EAST AFRICAN CABLES (TANZANIA) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31st DECEMBER 2023**

1.1 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(b) Summary of material accounting policy information (Continued)

(i) Functional and presentation currency

Items included in the financial statements of each of the company are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are prepared in thousands of Tanzanian Shillings ("TZS'000").

(ii) Use of estimates and judgement

The preparation of financial statements in conformity with International Financial Reporting Standards 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.

(iii) New standards and interpretations that were effective during the year

Amendments to IAS 8 titled Definition of Accounting Estimates (issued in February 2021)

The amendments introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.

Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)

The amendments require entities to disclose their material accounting policy information rather than their significant accounting policies.

Amendments to IAS 12 titled Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (issued in May 2021)

The amendments narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

Amendments to IFRS 9 and IFRS 17 titled Initial application of IFRS 17 and IFRS 9 – Comparative Information (issued in December 2021)

The amendments, applicable on initial application of IFRS 17, add a transition option relating to comparative information about financial assets presented on initial application of IFRS 17.

Amendments to IAS 12 entitled International Tax Reform - Pillar Two Model Rules (issued in May 2023)

The amendments introduced a temporary exception to the requirements to recognise and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes and targeted disclosure requirements for affected entities.

New and revised standards that have been issued but are not yet effective

- Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022) effective 1 January 2024
- Amendment to IFRS 16 titled Lease Liability in a Sale and Leaseback (issued in September 2022) that relates to the right of use it retains" effective 1 January 2024
- Amendments to IAS 1 titled Non-current Liabilities with Covenants (issued in October 2022) effective 1 January 2024
- Amendments to IAS 21 titled Lack of Exchangeability (issued in August 2023) effective 1 January 2025

**EAST AFRICAN CABLES (TANZANIA) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31st DECEMBER 2023**

1.1 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(c) Revenue recognition

Revenue represents income arising in the course of Company's ordinary activities, which leads to an increase of economic benefits during the accounting period. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer. The Company applied the portfolio approach in assessing the contracts. Revenue is stated net of value-added tax (VAT) and excise duty.

Revenue is primarily derived from sale of Electrical cables and Aluminium conductors. Payments from customers for which no goods have been transferred are carried in the statement of financial position as a contract liability until when the service has been provided to the customer.

The five-step model stipulated in IFRS 15 Revenue from contracts with customers is applied when accounting for revenue from contracts with customers. The Company accounts for a revenue contract with a customer only when all the following criteria are met:

- The parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations;
- The Company can identify each party's rights regarding the goods or services to be transferred;
- The Company can identify the payment terms for the goods or services to be transferred;
- The contract has commercial substance (i.e., the risk, timing or amount of future cash flows is expected to change as a result of the contract); and
- It is probable that the Company will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of goods or provision of service, the Company considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer, if any. Currently, the Company does not have contracts with customers that have significant financing components or consideration payable to customers.

Rental income from investment in property is recognised on a straight line basis over the life of the lease.

**EAST AFRICAN CABLES (TANZANIA) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023**

1.1 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(d) Revenue recognition (continued)

In determine the transaction price of the sale of goods or provision of services the company considers the effects of variable consideration, the existence of significant financial components, noncash consideration and consideration payable to the customer, if any. Currently the company does not have contracts with customers that have significant financial components or consideration payable to the customers.

Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

Trade receivables

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognized when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Company performs under the contract.

Cost to obtain a contract

If the Company pays sales commission to obtain contracts with customers, the Company defers and amortises these costs over the period of the contract during which the services are transferred to the customers. The Company currently has no such costs.

(e) Property, Plant and Equipment

PPE are stated at cost or fair value (as appropriate) less accumulated depreciation and impairment losses. Fair values are based on valuation by Independent valuers.

Subsequent costs are included in the assets carrying amounts or recognised as a separate asset, only when it is probable that the future economic benefits associated with the item will flow to the Company and costs of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss account during the financial period in which they are incurred.

Buildings and plant and machinery are carried at a re-valued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of an asset. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

**EAST AFRICAN CABLES (TANZANIA) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023**

1.1 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(f) Property, Plant and Equipment (Continued)

Revaluations are made every three years to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any surplus arising on the revaluation is recognised directly in a revaluation reserve within equity except to the extent that the surplus reverses a previous revaluation deficit on the same asset in statement of profit or loss and other comprehensive income, in which case the credit is recognised in the statement of profit or loss and other comprehensive income.

Any deficit on revaluation is recognised in the statement of profit or loss and other comprehensive income except to the extent that it reverses a previous revaluation surplus on the same asset, in which case it is taken directly to the revaluation reserve.

(i) Depreciation

Depreciation on other assets is calculated using the straight-line method to write off the cost of each asset value over its estimated useful life. Depreciation is charged fully in the year of purchase and no depreciation is charged in the year of disposal. The annual rates used for this purpose are as follows:

Asset category	Rate p.a.
Leasehold land	Straight line over the lease period
Leasehold buildings	4.0%
Plant and machinery	5.0%
Electricity generating machine	12.5%
Office and residential furniture and equipment	12.5%
Motor vehicles, tools and equipment	25.0%

(ii) Gain and loss on disposal of property, plant and equipment

Gain and losses on disposal are determined by comparing the disposal proceeds with the carrying amount and are credited/charged to profit and loss account.

(iii) 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 the statement of profit or loss and other comprehensive income.

(g) Investment properties

Investment properties are held to earn rental income or for capital appreciation and 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 statement of financial position 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 reflected in the profit or loss for the year.

(h) Inventories and work in process

In the case of work in progress and manufactured products; they are valued at production costs (cost of materials). For other inventories, cost is determined on weighted average cost basis. Inventory are carried at lower of cost or NRV. If cost is higher than NRV, inventories are written down to NRV. NRV is the estimated selling price in the ordinary course of business less estimated costs to completion and sell.

**EAST AFRICAN CABLES (TANZANIA) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31st DECEMBER 2023**

1.1 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(i) Accounting for transactions and balances in foreign currency (Continued)

Foreign currency transactions are translated into Tanzanian shillings at the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities at the year-end expressed in foreign currencies are translated into Tanzanian shillings at the rates of exchange ruling at the end of the financial year. The resultant gains/losses on exchange rate translations are dealt with in the profit and loss account.

(j) Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at face value. For the purpose of statement of cash flows, cash and cash equivalents comprise cash in hand, deposits held on call and fixed deposits.

(k) Impairment of financial and non-financial assets

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The Company considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(l) Dividends

Dividends on ordinary shares are recognised as a liability in the period in which they are declared.

(m) Provisions

A provision is recognised in the statement of financial position when the Company has a present 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 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.

**EAST AFRICAN CABLES (TANZANIA) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31st DECEMBER 2023**

1.1 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(n) Taxation

Income tax represents the sum of tax current tax and deferred tax.

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current income tax relating to items recognised outside profit or loss is recognised outside profit or loss in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax

Deferred tax is calculated under the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted rates are used to determine deferred income tax.

Deferred tax liabilities are recognised for all taxable temporary differences, except: Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised, except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(o) Accounting for leases

At inception of a contract, the 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 Company uses the definition of a lease in IFRS 16.

The Company recognizes 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.

EAST AFRICAN CABLES (TANZANIA) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31st DECEMBER 2023
1.1 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(o) Accounting for leases (continued)

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 Company's incremental borrowing rate is used. Generally, the Company use their incremental borrowing rate as the discount rate.

The Company determine their incremental borrowing rate by analysing their bank borrowings and makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

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

The lease liability is measured at amortised 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 Company's estimate of the amount expected to be payable under a residual value guarantee, if the 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 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 Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(p) Finance expenses

Finance expenses comprise interest expense on borrowing. All borrowing costs are recognized in Statement of profit or loss using the effective interest method.

(q) Financial instruments

Financial assets and liabilities are recognized in the Company's statement of financial position when the Company has become a party to the contractual provisions of the instrument.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for

**EAST AFRICAN CABLES (TANZANIA) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31st DECEMBER 2023**

1.1 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(g) Financial instruments (continued)

Initial recognition and measurement (continued)

which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

For a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

The Company's financial assets comprise financial assets at amortised cost (loans and receivables).

Derecognition

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

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

**EAST AFRICAN CABLES (TANZANIA) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31st DECEMBER 2023**

1.1 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(q) Financial instruments (continued)

Derecognition (continued)

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, financial liabilities at amortised cost, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of financial liabilities not at fair value through profit or loss, net of directly attributable transaction costs.

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

Subsequent measurement

After initial recognition, trade and other payables, and interest-bearing borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in profit or loss.

Derecognition

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

Offsetting financial instruments

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

(r) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

**EAST AFRICAN CABLES (TANZANIA) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31st DECEMBER 2023**

1.1 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(s) Employees Benefits

(i) Retirement Benefits

The Company makes statutory Contributions to the National Social Security Fund (NSSF) and the Parastatal Pension Fund (PPF). The Company's obligations in respect of contributions to such funds are 15% of the employee basic salary in respect of PPF members and 10% of the employee's gross emoluments in respect of NSSF members. Contributions to these pension funds are recognised as an expense in the period the employees render the related services.

The liability/asset recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions, as well as adjustments relating to the asset ceiling, are charged or credited to other comprehensive income in the period in which they arise. Such actuarial gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss in subsequent periods. Past service costs are recognised immediately in income, unless changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period. Net interest cost is calculated by applying the discount rate to the net benefit liability.

(ii) Short term benefits

The cost of all short-term employee benefits such as salaries, employees' entitlements to leave pay, medical aids, long service award, other contributions, etc are recognised during the period in which the employees render the related services. The Company recognises the expected cost of bonuses and long service award only when the Company has a present legal or constructive obligation to make such payments and reliable estimate can be made.

(iii) Termination benefits

Accumulative termination benefits are payable according to voluntary agreement entered between the employees (through TUICO) and the Company whenever: -

- An employee's employment is terminated before the normal retirement date.
- An employee accepts voluntary redundancy.
- Normal retirement

**EAST AFRICAN CABLES (TANZANIA) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31st DECEMBER 2023**

2. REVENUE, OTHER INCOME AND EXPENSES

	2023 TZS '000	2022 TZS '000
a) Revenue from contracts with customers <i>Recognised at a point in time</i>		
Sale of electrical cables and conductors	<u>3,654,810</u>	<u>7,920,230</u>
b) Other income		
Interest on impaired accounts recovered	184,899	-
Rental Income	26,100	22,800
Profits on disposal of fixed assets	16,000	-
Miscellaneous income	8,990	4,128
	<u>235,989</u>	<u>26,928</u>
c) Expenses by nature		
Raw materials and consumables	2,752,062	6,060,397
Employee benefits and other staff costs (Note 3)	1,097,807	1,251,649
Electricity expenses	106,658	160,511
Repairs and maintenance	130,254	112,085
Professional and consultancy costs	1,117,903	125,812
Vehicle expenses	75,542	57,729
Other expenses	1,313,742	1,176,455
	<u>6,593,968</u>	<u>8,944,638</u>
Comprising:		
Cost of sales	2,896,224	6,339,449
Factory expenses	550,539	773,759
Administrative expenses	2,900,444	1,422,541
Selling expenses	246,761	408,889
	<u>6,593,968</u>	<u>8,944,638</u>
3. STAFF COSTS		
Direct labour	222,833	277,557
Indirect factory salaries	194,511	317,461
Administration salaries and wages	445,324	417,395
Distribution salaries and wages	134,408	142,197
Pension contributions (post-employment benefits)	100,731	97,039
	<u>1,097,807</u>	<u>1,251,649</u>
4. OTHER OPERATING EXPENSES		
(a) Impairment losses		
Receivables (writeback)/ impairment (Note 13)	(511,295)	151,511
Fair value loss on Investment property	-	321,720
Inventory impairment	78,671	
Impairment of financial assets	7,569	9,428
	<u>(425,055)</u>	<u>482,659</u>
(b) Depreciation and amortisation		
Depreciation of property, plant and equipment (Note 9)	525,764	573,008
Amortisation of right of use (Note 10)	307,659	567,998
	<u>833,423</u>	<u>1,141,006</u>

**EAST AFRICAN CABLES (TANZANIA) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31st DECEMBER 2023**

5. NET FINANCE COSTS (INCOME)

	2023	2022
	TZS '000	TZS '000
Bank Charges	10,528	16,794
Interest expense	1,216,793	1,247,696
Total interest expense	1,227,321	1,264,490
Exchange gain	(1,238,816)	(396,518)
	(11,495)	867,972

6. LOSS BEFORE INCOME TAX

The following items have been charged in arriving at loss before tax:

Depreciation expense (Note 4 (b))	525,764	573,008
Amortisation of right-of-use asset (Note 4 (b))	307,659	567,998
Interest on term borrowings (Note 5)	1,216,793	1,247,696
Directors' emoluments (Note 20 (a))	141,719	127,083
Employee benefits expense (Note 3)	1,097,807	1,251,649
Auditor's remuneration	47,303	33,030

7. TAXATION

(a) Income tax (credit) / expense

Current income tax charge - Alternate Minimum Tax	19,454	39,736
<i>Deferred tax charge / credit (Note 18):</i>		
Movement through profit or loss	595,908	32,357
Prior year over provision	(165,718)	10,018
Deferred tax charge	430,190	42,375
Income tax expense/ (credit) recognized in profit or loss	449,643	82,111

(b) Tax reconciliation

The tax (credit) / expense on the results differ the theoretical amount using the basic tax rate as follows: -

	2023	2022
	TZS '000	TZS '000
Loss before income tax	(3,100,042)	(3,489,117)
Tax calculated at the statutory income tax rate of 30%	(930,013)	(1,046,735)
Alternative minimum tax applicable at 0.5%	19,454	39,736
Prior year under provision – Deferred tax	165,718	(10,018)
Impairment of deferred tax losses	1,228,884	1,430,616
Tax effect of other deductible costs	(34,400)	(331,487)
	449,643	82,112

EAST AFRICAN CABLES (TANZANIA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31st DECEMBER 2023

7. TAXATION (Continued)

(c) Current tax balances

	2023 TZS '000	2022 TZS '000
Balance as at 1 January	(33,264)	(48,464)
Current tax charge	19,454	39,736
Paid during the year	(42,293)	(24,536)
Balance as at 31 December	56,103	(33,264)
Comprising:		
Current tax recoverable	(124,330)	(73,000)
Current tax payable	68,227	39,736
	(56,103)	(33,264)

Income tax asset represents withholding tax credits available for offset against future corporation tax liabilities. Company's tax affairs for the year of income are subject to agreement with tax authorities.

8. EARNINGS PER SHARE

The calculation of earnings per share is based on:

	2023 TZS '000	2022 TZS '000
Loss attributable to ordinary shareholders (TZS'000)	(3,549,685)	(3,571,229)
Weighted average number of ordinary shares outstanding during the year	31,800	31,800
Basic and diluted loss per share (TZS)	(111.63)	(112.30)

9. PROPERTY, PLANT AND EQUIPMENT

The Company's land and buildings comprise of the factory and head office building property on plot No.31 Nyerere Road, and the residential building properties on plot No.1316 Block A., Yombo Vituka, all in Dar es Salaam. Investment property comprise of residential building properties on plot number 581 Maliki Road Upanga in Dar es Salaam. Land and buildings are shown at fair value based on valuations by external independent valuers, Accurate Valuers (registered valuers and estate agents of Nairobi Kenya) carried out in March 2022 less subsequent depreciation for buildings.

EAST AFRICAN CABLES (TANZANIA) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31st DECEMBER 2023**

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

2023	Buildings Tzs'000	Plant and machinery Tzs'000	Motor vehicles Tzs'000	Furniture, fittings & equipment Tzs'000	Total Tzs'000
Cost or valuation					
At 1 January 2023	4,928,999	5,847,944	418,196	587,397	11,782,536
Additions	-	31,033	-	-	31,034
At 31 December 2023	4,928,999	5,878,977	418,196	587,397	11,813,570
Depreciation:					
At 1 January 2023	115,010	351,339	335,135	547,171	1,348,655
Charge for the year	197,160	292,933	24,311	11,359	525,763
At 31 December 2023	312,170	644,272	359,446	558,530	1,874,418
Net carrying value: At 31 December 2023	4,616,829	5,234,705	58,750	28,867	9,939,152
2022					
Cost or valuation					
At 1 January 2022	6,835,362	6,816,462	449,744	585,331	14,686,899
Additions	-	72,215	-	5,300	77,515
Cost adjustment on revaluation	(1,906,363)	(1,040,733)	(31,548)	(3,234)	(2,981,878)
At 31 December 2022	4,928,999	5,847,944	418,196	587,397	11,782,536
Depreciation:					
At 1 January 2022	1,679,153	1,954,616	449,744	537,257	4,620,770
Charge for the year	230,834	313,077	14,181	14,916	573,008
Depreciation adjustment on revaluation	(1,794,977)	(1,916,354)	(128,790)	(5,002)	(3,845,123)
At 31 December 2022	115,010	351,339	335,135	547,171	1,348,655
Net carrying value: At 31 December 2022	4,813,989	5,496,605	83,061	40,226	10,433,881

EAST AFRICAN CABLES (TANZANIA) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31st DECEMBER 2023

10. RIGHT OF USE ASSETS

	2023	2022
	TZS '000	TZS '000
Balance as at 1 January	16,445,526	17,524,823
Revaluation adjustment	-	(511,299)
Depreciation charge for the year	(307,660)	(567,998)
Balance as at 31 December	16,137,866	16,445,526

11. INVESTMENT PROPERTY

	2023	2022
	TZS '000	TZS '000
Balance as at 1 January	4,165,598	4,487,318
Impairment of investment property	-	(321,720)
Balance as at 31 December	4,165,598	4,165,598

Investment property comprises of residential property. The investment properties are stated at fair value, which has been determined based on valuation by Accurate Valuers Limited, an accredited independent Valuer as at 8th April 2022. Accurate Valuers Limited is an Industry specialist in valuing this type of investment properties. The fair value of the properties has been determined using valuation model in accordance with that recommended by the International Valuation Standard Committee taking into consideration the Country's prevailing market conditions.

12. INVENTORIES

	2023	2022
	TZS '000	TZS '000
Finished goods	141,011	201,685
Raw materials	824,197	800,719
Work in progress	98,542	64,825
Packaging materials and consumables	22,263	14,606
Strategic spares and lubricants	214,136	209,579
Stationery and printing	13,098	20,843
Impairment	(374,816)	(329,262)
	938,431	982,995

**EAST AFRICAN CABLES (TANZANIA) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31st DECEMBER 2023**

13. TRADE AND OTHER RECEIVABLES

	2023	2022
	TZS '000	TZS '000
Trade receivables	4,557,299	5,453,469
Less: Provision for expected credit loss (Note 23(i))	<u>(3,956,943)</u>	<u>(4,468,238)</u>
Net trade receivables	600,356	985,231
Other receivables and prepayments	131,888	154,045
	<u>732,244</u>	<u>1,139,276</u>

The company uses a provision matrix to measure expected credit losses. The movement in provision for expected credit losses was as follows:

	2023	2022
	TZS '000	TZS '000
At 1 January	4,468,237	4,316,726
(Writeback)/ impairment in the year (Note 4(a))	<u>(511,295)</u>	<u>151,511</u>
At 31 December	<u>3,956,942</u>	<u>4,468,237</u>

14. SHARE CAPITAL

Authorized, issued and fully paid up capital

	2023	2022
	TZS '000	TZS '000
31,800,000 Ordinary Shares of TZS 10/- each	<u>318,000</u>	<u>318,000</u>

15. ASSET REVALUATION RESERVE

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

16. RETIREMENT BENEFITS OBLIGATIONS

Defined benefit obligation

The Company operates an unfunded defined benefit plan for qualifying employees. Under the plan, the benefit provided to employees would be lumpsum of one month's salary for each year worked, severance pay of 7 days' basic salary subject to a maximum of 10 years.

The Company provides for retirement benefit cost based on assessments made by independent actuaries. The most recent actuarial valuation was carried out at December 31, 2023 by Actuarial Services East Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

**EAST AFRICAN CABLES (TANZANIA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31st DECEMBER 2023**

16. RETIREMENT BENEFITS OBLIGATIONS (Continued)

The movement in the Company retirement benefit obligation was as follows: -

	2023	2022
	TZS '000	TZS '000
Opening benefit obligation	324,064	340,293
Current service cost net of employees' contributions - charged to profit or loss cost of sales	15,419	17,590
Interest cost charged to profit or loss cost of sales	34,836	37,720
Actuarial (gain)/ loss charged to other comprehensive income	(66,278)	(59,194)
Post service cost	-	(12,345)
Closing benefit obligation	308,041	324,064

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

Actuarial assumptions

Discount rate (% p.a.)	11.25%	10.50%
Future salary increases (% p.a.)	10.00%	10.00%
Mortality Assumptions – Males	KE 2001- 2003	KE 2001- 2003
Mortality Assumptions – Females	KE 2001- 2003	KE 2001- 2003
Weighted average duration of defined benefit obligation	9.5	9

Sensitivity of the results

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

A quantitative sensitivity analysis for significant assumptions as at 31 December 2023 is as shown below:

	Discount rate	
	1%	-1%
	TZS '000	TZS '000
Net liability at start of the period	324,065	324,065
Total Net expense recognised in the income statement	50,255	50,255
Net expense recognised in the other comprehensive income	(90,494)	(38,620)
Employer contributions	-	-
Net liability at end of the period	283,826	335,700

	Salary rate	
	1%	-1%
	TZS '000	TZS '000
Net liability at start of the period	324,065	324,065
Total Net expense recognised in the income statement	50,255	50,255
Net expense recognised in the other comprehensive income	(38,552)	(90,962)
Employer contributions	-	-
Net liability at end of the period	335,768	283,358

EAST AFRICAN CABLES (TANZANIA LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31st DECEMBER 2023

17. BORROWINGS

(a) Outstanding balances, terms and repayment schedule

			2023	2022
			TZS '000	TZS '000
	Currency	Interest		
Equity Bank Kenya Limited	KES	13% p.a.	9,448,140	8,963,860
Mwanga Hakika Bank	TZS	18% p.a.	-	782,000
			9,448,140	9,745,860
Comprising:				
Non-current liability – Equity Bank Kenya	KES	13% p.a.	-	4,261,733
Current Liability – Equity Bank Kenya	KES	13% p.a.	9,448,140	4,702,127
Current Liability – Mwanga Hakika Bank	TZs	18% p.a.	-	782,000
			9,448,140	5,484,127
			9,448,140	9,745,860

(b) Loan movement schedule

The movement of the bank loan during the year was as follows:

	2023	2022
	TZS '000	TZS '000
As at 01 January	9,745,860	8,432,734
Loan received during the year	837,864	1,662,755
Accrued interest	1,216,793	1,247,696
Repayment in the year-Principal	(1,597,844)	(1,176,468)
Interest paid in the year	(91,215)	
Foreign currency translations	(663,318)	(420,857)
As at 31 December	9,448,140	9,745,860

(c) Securities and covenants

The facility with Equity Bank Kenya Limited is secured by certain land and buildings for KES 1,331,691,557 and debenture over all assets of company for KES 1,700,000,000. The facility comprises of a long-term loan of KES 343 million repayable over a period of 120 months at an interest rate of 13% per annum.

The company also signed bank facility with Mwanga Hakika Microfinance Bank in October 2021, renewed in October 2022; to be used for Letter of Credit (LCs), bank guarantees and post import loans for clearing of raw materials. However, this facility expired in October 2023, management decided to liquidate outstanding loans with part of the cover the cash cover and renew the facility at reduced amount of TZS 700m. However as at close of the year the renewal process had not been finalized pending the company to add more funds into the account.

EAST AFRICAN CABLES (TANZANIA LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31st DECEMBER 2023

18. DEFERRED TAX LIABILITY

Movements in deferred tax liabilities during the year were as follows: -

	Balance as 1 January	Prior year overprovision	Recognised through profit or loss	Recognised through OCI	Balance at 31 December
2023	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
Property, plant, and equipment	7,790,305	-	(203,973)	-	7,586,332
Revaluation on investment property	580,529	-	-	-	580,529
Provisions	(2,796,727)	-	104,182	19,883	(2,672,662)
Unrealised gains	(862,290)	-	529,981	-	(332,308)
	4,711,817	-	430,190	19,883	5,161,891

	Balance as 1 January	Prior year overprovision	Recognised through profit or loss	Recognised through OCI	Balance at 31 December
2022	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
Property, plant and equipment	7,983,832	-	(299,112)	105,585	7,790,305
Revaluation on investment property	896,850	10,018	(326,339)	-	580,529
Provisions	(2,724,802)	-	(89,684)	17,758	(2,796,727)
Unrealised gains	(1,609,780)	-	747,492	-	(862,289)
	4,546,100	10,018	32,357	123,343	4,711,818

19. TRADE AND OTHER PAYABLES

	2023 TZS '000	2022 TZS '000
Trade payables	3,767,869	2,299,751
TanESCO (Note 20(d))	6,040,798	6,040,798
Other payables and accrued expenses (Note 20)	3,341,422	2,313,644
Dividend due to Minority Shareholders	333,970	333,970
	13,484,059	10,988,163

Dividend payable to majority shareholder is accounted for in Related Party Balances (Note 20).

**EAST AFRICAN CABLES (TANZANIA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31st DECEMBER 2023**

20. RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties:

	2023	2022
	TZS '000	TZS '000
(a) Directors and Executive Officers remuneration		
Directors' emoluments - fees	141,719	127,083
Senior management remuneration	647,086	744,062
	788,805	871,145

Management fees

TransCentury PLC, the ultimate parent Company headquartered in Nairobi; Kenya is the managing agent of the group. Consequently, a management fee equivalent to three (3%) of turnover has been provided for in the books amounting to TZS 106,644,000 (2022: 237,607,000). The cumulative management fees accrued as at year end included in Note 19 amounted to TZS 1,880,384,000 (2022: 1,770,739,000).

(b) Amounts due from directors

No amounts were due from directors at close of the year (2022– Nil)

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

	2023	2022
	TZS '000	TZS '000
(c) Amounts due to directors (Note 19 – accruals)		
As at 31 December	927,371	809,076
(d) Owed to related parties		
East African Cables PLC	10,795,540	11,760,137
Tanelec Limited	291,667	236,645
AEA Limited	695	695
	11,087,902	11,997,477
Other payables (Note 19)		
TanESCO	6,040,798	6,040,798
	6,040,798	6,040,798
Total owed to related parties	17,128,700	18,040,275

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31st DECEMBER 2023**

21. CASH FLOWS FROM OPERATING ACTIVITIES

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

	2023	2022
	TZS '000	TZS '000
Loss before tax	(3,100,042)	(3,489,117)
Adjustments for items not involving cash movement:		
Depreciation (Note 4(b))	525,764	573,008
Depreciation of right-of-use assets (Note 4 (b))	307,659	567,998
Actuarial gain on retirement benefit (Note 16)	66,278	59,194
Fair Value Gain on investment property (Note 4(a))	-	321,720
Exchange loss/ (gains) on bank loans	(663,318)	(420,857)
Interest expense (Note 5)	1,216,793	1,247,696
Decrease in provision for staff gratuity	(16,023)	(16,229)
	<hr/>	<hr/>
Operating loss before working capital changes	(1,662,889)	(1,156,587)
Change in working capital items		
Decrease in inventories	44,564	362,616
Decrease in trade and other receivables	407,031	(86,075)
Increase in trade and other payables	2,495,895	471,451
Decrease in related party balances	(909,575)	182,440
	<hr/>	<hr/>
Cash generated from/(used in) operations	375,026	(226,155)

**EAST AFRICAN CABLES (TANZANIA) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31st DECEMBER 2023**

21. CASH FLOWS FROM OPERATING ACTIVITIES (Continued)

(b) Cash and cash equivalents

	2023	2022
	TZS '000	TZS '0000
Cash and bank balances	1,152,769	1,702,264
Not restricted	1,152,769	1,702,264

22. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognized on the company's statement of financial position when the company has become a party to the contractual provisions of the instruments. The Company's accounting policies in respect of the main financial instruments are included in note 23 to the financial statements.

Except where stated elsewhere, the carrying amounts of the financial instruments approximate their fair values because they carry market rates of interest.

23. FINANCIAL RISK MANAGEMENT

This section provides details of the Company's exposure to risk and describes the methods used by management to control risk. The most important types of financial risks to which the Company is exposed are credit risk, liquidity risk and market risk.

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

The Company's directors have overall responsibility of the establishment and oversight of the company's risk management framework. The company's risk management policies are established to identify and analyse the risks faced by the company, to set appropriate risk limits and controls, and to monitor risk adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Audit Committee, "at group level" is responsible for monitoring compliance with the risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risk faced by the company. The Audit Committee is assisted in these functions by the internal audit. Internal audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

**EAST AFRICAN CABLES (TANZANIA) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31st DECEMBER 2023**

23. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk

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

As at the year end, the Company had the following financial instruments, measured at the amortised costs of which fair value is not significantly different from the amortised cost at which they are stated. This is because majority are short term and do not carry interest rates.

	Carrying amount	
	2023	2022
	TZS '000	TZS '000
Financial assets		
<i>At Amortised cost</i>		
Trade receivables	600,356	985,231
Other receivables	131,888	85,557
Bank balances	1,152,769	1,702,264
	1,885,013	2,773,052
Financial liabilities		
<i>At amortised cost</i>		
Trade payables	3,767,869	2,299,752
TanESCO	6,040,798	6,040,798
Other payables	3,341,422	2,313,644
Dividend payable	333,970	333,970
Due to parent company	10,905,185	11,760,137
Due to related parties	292,362	237,340
	24,681,606	22,985,641

Trade and other receivables

The company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the 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 company has established a credit policy under which each new customer is analysed individually for creditworthiness before the company's standard payment and delivery terms and conditions are offered. Customers that fail to meet the company's benchmark creditworthiness may transact only on a prepayment basis.

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

The 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 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.

Expected credit loss (ECL) assessment as at 31 December 2023

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

- Probability of default
- Exposure at default, and

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31st DECEMBER 2023**

23. FINANCIAL RISK MANAGEMENT (Continued)

— 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 2023.

(i) Trade receivables

	Loss rate	2023		Net amount Tzs'000
		Amount Tzs'000	Loss Allowance Tzs'000	
Aging bucket	%			
Due from government institutions	24%	367,706	(88,262)	279,444
Not past due	5%	334,666	(1,291)	333,375
Past due 31-60 Days	8%	-	-	-
Past due 61-90 Days	8%	(13,028)	-	(13,028)
Past Due 91-120 Days	8%	-	-	-
Past Due 121-150 Days	33%	(23)	-	(23)
Past Due 151-180 Days	83%	3,480	(2,892)	588
Past due 181-365 Days	100%	73	(73)	-
More than a year	100%	3,864,425	(3,864,425)	-
Total	83%	4,557,299	(3,956,943)	600,356

	Loss rate	2022		Net amount Tzs'000
		Amount Tzs'000	Loss Allowance Tzs'000	
Aging bucket	%			
Due from government institutions	35%	367,706	(129,019)	238,687
Not past due	7%	724,899	-	724,899
Past due 31-60 Days	0%	-	-	-
Past due 61-90 Days	30%	28,045	(8,362)	19,683
Past Due 91-120 Days	0%	-	-	-
Past Due 121-150 Days	0%	-	-	-
Past Due 151-180 Days	95%	38,460	(36,498)	1,962
Past due 181-365 Days	100%	61,576	(61,576)	-
More than a year	100%	4,232,783	(4,232,783)	-
Total	83%	5,453,469	(4,468,238)	985,231

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

(ii) Cash and cash equivalents

The Company held cash and bank balances of TZS 1,152,769,000 (2022 – TZS 1,544,182,733). The cash and bank balances are held with banks and financial institution counterparties, which are rated B, based on GCR, S&P and Moody's ratings.

**EAST AFRICAN CABLES (TANZANIA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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23. FINANCIAL RISK MANAGEMENT (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 Company considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The impairment within the year was TZS 7,568,527.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The 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 company's reputation.

The 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.

All liquidity policies and procedures are subject to review and approval by the company's board of directors.

Maturity profile of non-derivative financial liabilities based on the contractual cash flows, "undiscounted" including interest and excluding impact of netting is as follows:

	2023	Carrying amount	Due within 3 months	Due within 1 year	Due between 1 & 5 years	Due after 5 years
		TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
Group related payables		17,238,345		17,238,345	-	-
Non-group trade payables		3,475,507	3,475,507	-	-	-
Bank loans and borrowings		9,448,139	9,448,139	-	-	-
Other payables		3,675,393	3,675,393	-	-	-
Gratuity		308,041		-	308,041	-
		34,145,425	16,599,039	17,238,345	308,041	-
	2022	Carrying amount	Due within 3 months	Due within 1 year	Due between 1 & 5 years	Due after 5 years
		TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
Group related payables		18,038,276		-	-	18,038,276
Non-group trade payables		2,299,752	2,299,752	-	-	-
Bank loans and borrowings		9,745,860	4,784,872	699,255	4,261,733	-
Other payables		2,313,644	2,313,644	-	-	-
Gratuity		324,064		-	324,064	-
		32,721,596	9,398,268	699,255	4,585,797	18,036,276

**EAST AFRICAN CABLES (TANZANIA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31st DECEMBER 2023**

23. FINANCIAL RISK MANAGEMENT (Continued)

Unsecured current borrowings are due to related company, East African Cables PLC, significant portion of trade payables are due to other related companies arising from normal trading transactions with these parties (see note 20 (d)). There is lower risk of loss of reputation arising from liquidity risk as a result of these dues.

Market risk

Market risk is the risk that may arise due to changes in market prices, foreign exchange rates, interest rates, LME prices, changes, consumer taste and preferences, Government legislation etc which may affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to foresee any of these changes, and to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest rate risk

The 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 interest rate risk exposures.

Currency risk

The company is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currency of the company, the Tanzania Shillings. The currencies in which these transactions primarily are denominated are US Dollars (US\$), and Kenyan Shillings.

All of the company's customers except a few are invoiced in TZS which is the company's functional currency.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31st DECEMBER 2023

23. FINANCIAL RISK MANAGEMENT (Continued)

Company's strategy towards managing its foreign currency exposure is through transacting mainly using its functional currency.

Exposure to currency risk for foreign denominated amounts in the following classes of financial instruments; disclosure around market risk also relates to sensitivity analysis of the type of market risk –currency risk, showing how the income profit or loss and equity would have been affected by reasonably possible changes in the relevant risk variable at the year-end date.

	2023	2023	2023
	TZS '000	KES	USD
Assets			
Cash and cash equivalent	2,644	-	1.00
	2,644	-	1.00
Liabilities			
Trade and other payables	(2,653,741)	-	(1,055)
Bank Loans and borrowings	(9,448,139)	(587,776)	-
Related parties	(8,567,554)	(532,994)	-
	(20,669,434)	(1,120,770)	(1,055)
Net exposure:	(20,666,790)	(1,120,770)	(1,054)
	2022	2022	2022
	TZS '000	KES	USD
Assets			
Cash and cash equivalent	2,454	-	1.05
	2,454	-	1.05
Liabilities			
Trade and other payables	(1,183,995)	-	-
Bank Loans and borrowings	(8,963,860)	(473,822)	(507)
Related parties	(9,641,796)	(509,658)	-
	(19,789,651)	(983,480)	(507)
Net exposure:	(19,787,197)	(983,480)	(506)

The following significant exchange rates were applied in the year.

	Closing rate		Average rate	
	2023	2022	2023	2022
	TZS	TZS	TZS	TZS
USD	2,515	2,334	2,428	2,326
KES	16	18.92	17.38	19.79

Sensitivity analysis

A 10 percent strengthening/weakening of the Tanzania shilling against the above 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 2022.

	2023	2022
	TZS '000	TZS '000
At 31 December	2,066,679	1,978,720

23. FINANCIAL RISK MANAGEMENT (Continued)

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the company's operations and are faced by all business entities. The company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to the company's Board of Directors. This responsibility is supported

by the development of overall company standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions
- strict adherence to the company's budget.
- requirements for the reconciliation and monitoring of transactions

- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards

Capital risk management

The company's objectives when managing capital are to safeguard the 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 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:

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31st DECEMBER 2023**

	2023	2022
	TZS '000	TZS '000
Borrowings		
Bank loans and borrowings	9,448,140	9,745,860
Cash and bank balances	(1,152,769)	(1,702,264)
Net debt	8,295,371	8,043,596
Total equity	(6,900,232)	(2,864,580)
Gearing ratio	(120%)	(281%)

24. COMMITMENT AND CONTIGENCIES

TAX MATTERS

During the year under review, the company received a tax claim for the years of income 1999 to 2023, totalling TZS 21 billion from the tax authority.

The Company has challenged the validity and accuracy of this claim but as of the date of preparation and signing these financial statements, the matter had not been concluded. The outcome of the dispute cannot be determined with certainty at this time. However, management has assessed the potential financial impact of this dispute and is convinced that the provision carried in the books is sufficient to cover potential liabilities arising from this matter.

25. COMPARATIVE FIGURES

Previous year's figures have been presented in thousands of Tanzanian Shilling (Tzs'000) regrouped wherever considered necessary to make them comparable with current year's figures.