

EAPC PLC 87th AGM Questions

EAPCC QUESTIONS BY SHAREHOLDER **STEPHEN IRUNGU KIMANI** CDS 6463100 ID:

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On profit and loss account

Question 1. What attributed to the biggest loss ever? Also EPS affected by (37.35)

EAPC PLC: The loss was as a result of a 45% decline in production on account of increased plant downtime caused by insufficient working capital that inhibited timely procurement of raw materials, plant refurbishment and maintenance thereby impacting plant efficiencies. These challenges, combined with downward pressure on retail prices due to supply glut, weighed down on sales revenues which declined by a similar margin. Cost of sales reduced by 23% over the same period last year on account of the reduced volumes, though the gross margins were adversely impacted by deteriorated operating efficiencies, significant of them being energy, which deteriorated by 30% as a result of delayed procurement of critical spares to ensure optimum plant maintenance.

Question 2. Revenue was down 2b while cost of sales was up by 4b. Why?

EAPC PLC: Revenue declined from Kshs 5.1 Billion to Kshs 2.8 Billion, a 45% decline while cost of sales declined to Kshs 4.05 Billion from Kshs 5.2 Billion, a 23% decline. Reasons for the decline have been enumerated above.

Question 3. Administrative cost 1.7 b down from 3.1 b was there possible layoffs?

EAPC PLC: Administrative costs reduced owing to a one off provision of Kshs 1.5 billion arising from Employment and Labour Relations Court award booked in the prior year. There was also a reduction in staff cost tied to the cost rationalization strategic initiative whose benefit will accrue in the subsequent years.

On Balance sheet side

Question 4. Current Ratio is 1:4 that means liabilities are more than assets. How have you managed to get borrowings?

EAPC PLC: Deterioration of the current ratio was primarily driven by reclassification of borrowings from non-current assets to current assets driven by a breach of repayment covenant on KCB term loan facilities. There was no borrowing in the year except JICA loan repayment by the National Treasury which was booked as additional GoK debt.

Question 5.why is the retained earnings decreasing?

EAPC PLC: Retained earnings decreased on account of the loss incurred in the year. These losses are then transferred to retained earnings. It is also evident that the rate of the depletion is decreasing.

Question 6. Page 77 why is the auditors' remuneration increased?

EAPC PLC: following the expiry of Deloitte and Touche contract period, the OAG appointed PWC whose fees are slightly higher than Deloitte which was on the basis of the 2013/14 bid. Further, the OAG fees is a fraction (15%) of the total audit fee which then makes the cumulative audit fee to be higher than prior year.

Question 7. Advertising and fine and penalties are in question elaborate please?

EAPC PLC: Advertising expenses declined from Kshs 41 million in the prior year to Kshs 19 million owing to a tight working capital position resulting in reduced spending. Fines and penalties increased to Kshs 322 million from Kshs 244 million as a result of court awards and provisions made driven by delayed supplier payments.

Question 8. Page 93 KCB LOAN and the security to of land, we heard through press that the land is sold clarify on this

EAPC PLC: The Company obtained approval of the sale process but not approval of a sale transaction. The company is currently at the tail end of concluding the sale tied to the debt termination. The slow speed of the realization is largely due to the diligence process because of the magnitude of the transaction and the requisite compliances with the legal framework.