East African Cables

Connecting lives

2012

ANNUAL REPORT
& FINANCIAL STATEMENTS

Our Vision

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

Our Mission

To be the leading and preferred provider of cabling solutions.

Our Core Values

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

Contents

Notice of the Annual General Meeting

Notice is hereby given that the forty eighth Annual General Meeting of the shareholders will be held at East African Cables premises on Addis Ababa road, off Enterprise road, Industrial Area, Nairobi, on Thursday, 25th April, 2013 at 11.00am for the following purposes:

ORDINARY BUSINESS

1. To receive and if approved, adopt the Group's audited financial statements for the year ended 31st December, 2012 together with the Chairman's, Directors' and Auditors' reports thereon.
2. To approve the Directors' remuneration as provided in the accounts for the period ended 31st December, 2012.
3. To approve the payment of a final dividend of 120% representing Kshs. 0.60 per ordinary share.
4. To elect Directors:
   (i) In accordance with the Company's Articles of Association Dr. Gachao Kiuna and Mr. Bruno Thomas retire by rotation and being eligible offer themselves for re-election at the forth coming AGM.
   (ii) Mr. Michael Gitau Waweru who was appointed as a director of the Company with effect from 6th August, 2012, retires in accordance with the Company's Articles of Association and being eligible, offers himself for re-election.
   (iii) To note the resignation of Mr. Davinder Sikand as a director of the Company with effect from 9th July, 2012.
5. To appoint the auditors for the ensuing year and to authorize the Directors to fix their remuneration.
6. To transact any other business which may be properly transacted at an Annual General Meeting.

SPECIAL BUSINESS

To consider and if approved, pass the following Special Resolution to amend the Company's Articles of Association:

(i) "That the Articles of Association of the Company be amended by adding a new Article to read as follows:

Article no. 165 – UNCLAIMED FINANCIAL ASSETS ACT

"The Company may, if required by law, deliver or pay to any prescribed regulatory authority any unclaimed assets including but not limited to shares in the Company presumed to be abandoned or unclaimed in law and any dividends or interest thereon remaining unclaimed beyond prescribed statutory periods. Upon such delivery or payment, the unclaimed assets shall cease to remain owing by the Company and the Company shall no longer be responsible to the owner or holder of his or estate, for the relevant unclaimed assets."

(ii) "That the Articles of Association of the Company be amended by adding a new Article to read as follows:

Article no. 166 - CENTRAL DEPOSITORIES ACT, 2000

(a) The provisions of the Central Depositories Act, 2000 (the "CD Act") as amended or modified from time to time shall apply to the Company to the extent that any securities (as such term is defined in section 2(1) of the CD Act) of the Company are in part or in whole immobilised or dematerialised or are required by the regulations or rules issued under the CD Act to be immobilised or dematerialised in part or in whole, as the case may be. Any provisions of these Articles that are inconsistent with the CD act or any rules or regulations issued or made pursuant thereto shall be deemed to be modified to the extent of such inconsistencies in their application to such securities. For the purposes of these Articles, immobilisation and dematerialisation shall be construed in the same way as they are construed in the CD Act.

(b) Where any securities of the Company are forfeited pursuant to these Articles after being immobilised or dematerialised, the Company shall be entitled to transfer such securities to a securities account designated by the Board for this purpose.

(c) Whenever the shares of the Company are or are to be listed on a securities exchange outside Kenya the provisions of any legislation or regulation then in force in such country, in relation to the immobilisation or dematerialisation of securities or to the procedures for dealings in such securities or for their immobilisation or dematerialisation, shall apply to the Company except in so far as the same may be inconsistent with these Articles or with the provisions of the Statutes.

BY ORDER OF THE BOARD

Virginia Ndunge
Secretary
P.O. Box 61120
00200 City Square
Nairobi

25th February, 2013

Note:
A member entitled to attend and vote is entitled to appoint a proxy to attend and vote on his/her behalf and such a proxy need not be a member of the Company. To be valid, proxy forms must be deposited at the Registered Office of the Company not less than 48 hours before the appointed time of the meeting.

Tangazo la Mkutano

Mnatangaziwa kwamba mkutano mkuu wa arobaini na nane wa mwaka, wa wenye hisa utafanyika katika kiwanda cha East African Cables kilichopo Addis Ababa road, eneo la viwandani, Nairobi, alhamisi, tarehe 25 Aprili 2013 kuanzia saa tano asubuhi, kujadili mambo yafuatayo:

SHUGHULI ZA KAWAIDA

1. Kupokea, na iwapo itakubalika, kuidhinisha ripoti iliyokaguliwa ya mahesabu ya kipindi cha matumizi ya fedha kilichoisha tarehe 31 Desemba 2012 pamoja na ripoti ya Mwenyekiti, wakurugenzi na wakaguzi wa mahesabu zinazofuatia.
2. Kuidhinisha ujira wa wakurugenzi kama ilivyopendekezwa katika mahesabu ya kipindi cha matumizi ya fedha kilichoisha tarehe 31 Desemba 2012.
3. Kuidhinisha gawio la asilimia mia moja na ishirini (120%) inayowakilisha senti sitini kwa kila hisa ya kawaida.
4. Kuchagua wakurugenzi:
   (i) Kulingana na kanuni za kampuni, Dkt Gachao Kiuna na Bw. Bruno Thomas wanafaa kustaafu na kwa kuwa wangali wanastahiki, wamejitolea kuchaguliwa upya katika mkutano huu mkuu wa mwaka.
   (ii) Bw Michael Gitau Waweru ambaye aliteuliwa kuwa mkurugenzi katika kampuni hii kuanzia tarehe 6 Agosti, 2012, anafaa kustaafu kwa mujibu wa kanuni za kampuni lakini kwa kuwa anastahiki, amejitolea achaguliwe tena.
   (iii) Kutambua kujiuzulu kwa Bw Davinder Sikand kama mkurugenzi wa kampuni hii kuanzia tarehe 9Julai, 2012.
5. Kuteua wakaguzi wa mahesabu mwakani na kuwapa idhini wakurugenzi kuweka ujira wao.
6. Kushughulikia jambo lingine lolote linaloweza kushughulikiwa katika mkutano mkuu wa mwaka.

SHUGHULI MUHIMU

Kuyatilia maanani, na iwapo itaidhinishwa, kupitisha maazimio maalumu ili kuzifanyia marekebisho kanuni za kampuni zifuatazo:

(i) Kwamba kanuni za kampuni zifanyiwe marekebisho ili kujumuisha kifungu kipya kifuatacho:

Kifungu nambari 165 – SHERIA KUHUSU MALI ISIYODAIWA

“Kampuni hii inaweza, ikihitajika kisheria, kutoa au kulipa mamlaka yoyote ya ukadiriaji mali yoyote ambayo haijadaiwa ikiwemo hisa katika kampuni inayodhaniwa kutelekezwa au kutodaiwa kisheria, na pia hisa au riba zozote zitakazosalia kutodaiwa kwa zaidi ya kipindi kilichotengwa kisheria. Kwa utoaji au malipo ya aina hiyo, mali zitakazokuwa hazijadaiwa zitakuwa si madeni ya kampuni tena, na kampuni haitakuwa tena na wajibu kwa mwenye mali hizo au mrasimu wa mali yake, hususan kwa mali zisiodaiwa.”

(ii) “Kanuni za Kampuni zifanyiwe marekebisho kwa kuongeza kifungu kipya kifuatacho:

Kifungu nambari 166 – SHERIA KUHUSU UWEKEZAJI, 2000

(a) Mapendekezo katika sheria kuhusu uwekezaji, 2000 (Central Depositories Act) kama ilivyorekebishwa na kuboreshwa mara kwa mara yatatumiwa pia katika kampuni hii hivi kwamba dhamana zozote (kauli hii imeelezwa katika sehemu ya 2(1) ya sheria kuhusu uwekezaji) za kampuni, iwe ni sehemu tu au jumla yake, hazitahawilishwa au kufutiliwa mbali au zinahitajika na kanuni za udhibiti chini ya sheria za uwekezaji zihawilishwe au kufutiliwa mbali aidha katika sehemu yake au yote, kutegemea hali ilivyo. Mapendekezo yoyote ya vifungu hivi ambayo hayaoani na sheria kuhusu uwekezaji au sheria au kanuni zozote zilizotolewa au kuoanishwa itachukuliwa kuwa imerekebishwa kukidhi tofauti kama hizo katika matumizi yazo kwa dhamana kama hizo. Kwa ajili ya sheria hizi, kutohawilishwa au kutofutiliwa mbali kwa dhamana kutafasiriwa sawa na vile inavyofasiriwa katika sheria kuhusu uwekezaji.

(b) Pale ambapo dhamana zozote za kampuni zitakosa kulipwa kwa mujibu wa sheria hizi baada ya dhamana hizo kutohawilishwa au kufutiliwa mbali, kampuni itakuwa na haki ya kubadilisha dhamana kama hizo kwa akaunti maalumu za dhamana zilizotengwa na Bodi kwa shughuli hii.

(c) Popote pale hisa za kampuni zilipo, au zitakapoorodheshwa katika soko la hisa nje ya Kenya, mapendekezo ya sheria au kanuni zozote zinazotumika kwa wakati huo humu nchini, kuhusiana na kutohawilishwa au kutofutiliwa mbali kwa dhamana au taratibu zinazofuatwa katika kushughulikia dhamana hizo, au kuhusu kutozihawilisha au kutozifutilia mbali, itafuatwa na kampuni, isipokuwa pale ambapo sheria hizo hazitawiana na sheria hizi au mapendekezo ya kanuni hizo.

KWA AMRI YA HALMASHAURI

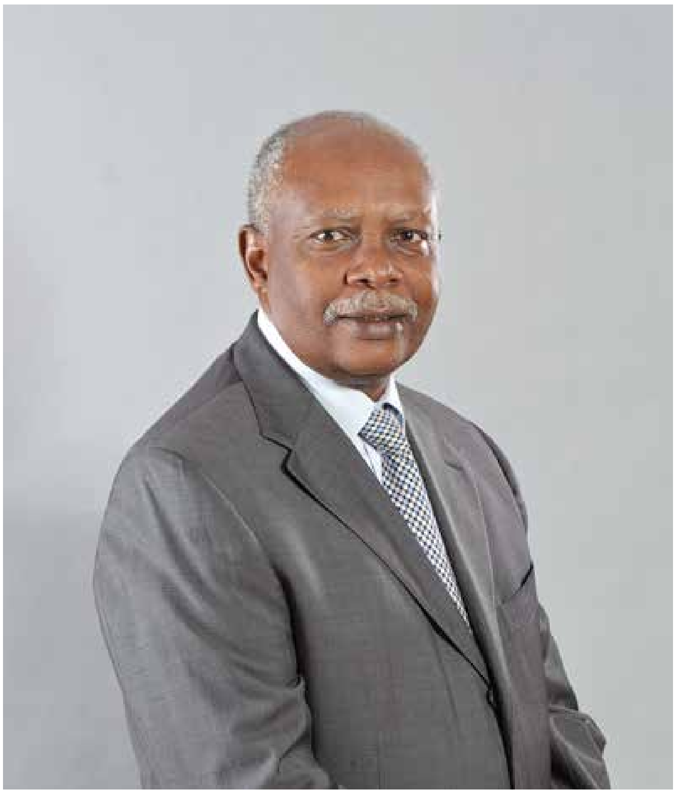
Virginia Ndunge
Katibu
P.O. Box 61120
00200 City Square
Nairobi

25th Februari, 2013

Jambo Muhimu:

Mwanachama mwenye haki ya kuhudhuria mkutano huu na hata kupiga kura ana haki pia ya kuchagua mwakilishi wake kuhudhuria na kupiga kura kwa niaba yake, wala mwakilishi huyo si lazima awe mwanachama wa kampuni. Ili kuhalalishwa, fomu za uwakilishi lazima ziwasilishwe katika ofisi iliyosajiliwa ya kampuni katika kipindi kisichopungua saa 48 kabla ya muda uliotengwa kwa mkutano.

Board of Directors



Mr. Zephaniah Mbugua, 63
Chairman

A graduate of Makerere University where he attained his Bsc. He is currently the CEO of Abcon Group of Companies whose principal business is supply of industrial raw materials. He was appointed a Director of the Board in March 2004. He holds directorships in several other companies.

Mr. George Mwangi, 39

A Certified Public Accountant and a member of the ICPAK. He is also a Certified Public Secretary and holds a bachelor's degree in International Business Administration. He has substantial experience in the industry, having worked with the Company for over 13 years at senior levels.

Mr. Bruno Thomas, 70

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

Mr. Gachao Kiuna, 35

Joined the Trans-Century group from McKinsey & Company in Johannesburg, where he was involved in advising corporate clients in emerging markets on corporate finance, strategy, operational excellence and organizational effectiveness. At McKinsey he focused on economic development (e.g. country strategy) and electric power (particularly generation). He was also the principle consultant that led the McKinsey assignment to develop the Vision 2030 project for the Government of Kenya. Gachao holds a PHD from the University of Cambridge, Corpus Christi College in the UK and also holds a first Class Honors BSc degree from Imperial College, London in Biochemistry.

Mr. Peter Kanyago, 65

Educated at Nyeri High School, Strathmore College and Pacific States University. He has a wide range of experience in business and is currently the chairman of Ecobank Kenya Ltd, East African Courier Limited and East African Elevator Co. Limited (OTIS).He is also a board member in a number of companies including Corporate Insurance, Kenya Tea Development Agency (KTDA) and a number of tea factories.

Ms. Virginia Ndunge, 43

A Certified Public Secretary and a member of the ICPSK. She holds a BCom. Degree in Finance and Dip. in Project Management. She has substantial experience in Company Secretarial having worked with Emu Registrars, Certified Public Secretaries (where she is the proprietor) for over 12 years.

Mr. Michael Waweru, 62

Waweru M.G is a graduate of University of Nairobi where he attained his Bachelor of Commerce Honors Degree. He is a Fellow of the Association of Chartered Accountants (FCCA), Institute of Certified Public Accountants of Kenya (FCPA) and a member of the Institute of Directors and certified trainer on Corporate Governance. Mr. Waweru was awarded the Chief of the order of Burning Spear CBS, by H.E The President of Kenya, due to his work in the Revenue administration. He was the Commissioner General – Kenya Revenue Authority from 2003 – 2012.

Management Team

Mr. George Mwangi
Chief Executive Officer

Mr. Tom Oyugi
Business Development Manager

Mr. David Mwangi
Group Technical Manager

Mr. Joseph Kinyua
Finance Manager

Mrs. Phyllis Gachau
Marketing Manager

Mr. Joseph Hunja
General Manager - Tanzania

Report of the Directors

The directors have pleasure in submitting their report together with the audited financial statements for the year ended 31 December, 2012, which disclose the state of affairs of the company and the group.

1. ACTIVITIES

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

2. GROUP RESULTS

	KShs'000
Profit before taxation	753,243
Income tax expense	(231,183)
Profit for the year	**522,060**

The detailed results for the year are set out on page 28.

3. DIVIDEND

The directors recommend the payment of a final dividend of KShs 0.60 per share amounting to KShs 151,875,000. This together with interim dividend of KShs 0.40 per share amounting to KShs 101,250,000 already paid amounts to a total dividend of KShs 1.00 per share amounting to KShs. 253,125,000 (2011 – KShs 0.80 amounting to KShs 202,500,000).

4. DIRECTORS

The directors who served since 1 January 2012 are set out on page 6 and 7.

5. AUDITORS

The auditors, KPMG Kenya, continue in office in accordance with Section 159(2) of the Kenyan Companies Act.

6. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved at a meeting of the directors held on 25 February, 2013.

BY ORDER OF THE BOARD

Virginia Ndunge
Secretary
Date: 25 February 2013

Ripoti ya Wakurugenzi

Wakurugenzi wana furaha kuwasilisha ripoti yao pamoja na taarifa za ukaguzi wa mahesabu za kipindi cha matumizi ya pesa kilichoisha tarehe 31 Desemba, 2012, ambayo inaangazia hali ya mambo katika kampuni na shirika kwa jumla.

1. SHUGHULI

Shughuli kuu za shirika hili bado ni uzalishaji na uuzaji wa nyaya za stima pamoja na vipitisha umeme.

2. MATOKEO

	KShs'000
Faida kabla ya ushuru	753,243
Matumizi ya pato la ushuru	(231,183)
Faida ya mwaka	**522,060**

Matokeo ya mwaka yameainishwa katika ukurasa wa 28.

3. GAWIO

Wakurugenzi wanapendekeza malipo ya gawio la mwisho la senti sitini kwa kila hisa ambalo ni jumla ya shilingi 151,875,000. Gawio hili pamoja na lile la awali la senti nne kwa kila hisa ambalo ni jumla ya shilingi 101,250,000, ambalo tayari limelipwa linafikisha jumla ya shilingi moja, kwa gawio la kila hisa ambayo ni shilingi 253,125,000 (2011 – senti themanini - 0.80 ambayo ni jumla ya shilingi 202,500,000).

4. WAKURUGENZI

Wakurugenzi waliohudumu tangu mwezi Januari mwaka wa 2012 wameorodheshwa katika ukurasa wa 6 na 7.

5. WAKAGUZI WA MAHESABU

Wakaguzi wa mahesabu kutoka kampuni ya KPMG Kenya wataendelea kuhudumu kwa mujibu wa kifungu 159(2) cha Sheria za Kampuni nchini Kenya.

6. KUIDHINISHWA KWA TAARIFA ZA KIFEDHA

Taarifa za kifedha ziliidhinishwa katika mkutano wa wakurugenzi uliofanyika 25 Februari, 2013.

KWA AMRI YA HALMASHAURI

Virginia Ndunge
Katibu
Tarehe: 25 Februari 2013

Corporate Governance

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

BOARD OF DIRECTORS

The Board consists of the Chairman, Z. G. Mbugua, four non-executive directors and the Managing Director, George Mwangi. The directors' biographies appear on page 4 and 5. All non-executive directors are considered by the board to be independent of management and have diverse skills, experience and competencies appropriate for effective management of the company's business.

This Board meets on a quarterly basis as scheduled during the year, with additional meetings when necessary. The directors are given appropriate and timely information so that they can maintain full and effective control over strategic, financial, operational and compliance issues. Except for the direction and guidance on general policy, the Board has delegated authority for conduct of day-to-day business to the Managing Director. The Board nonetheless retains responsibility in maintaining the company's overall internal control on financial, operational and compliance issues. All our directors have also attended various corporate governance courses organized by accredited institutions.

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

COMMITTEES OF THE BOARD

The following standing committees assist the Board in the discharge of its duties. These committees meet regulary under the terms of reference set by the Board.

Audit Committee

The Board has constituted an audit committee which meets quarterly or as required. Its membership is composed of M.G. Waweru and P.T. Kanyago who are non-executive directors. Its responsibilities include review of financial information in particular half year and annual financial statements, compliance with accounting standards, liaison with external auditors, remuneration of external auditors and maintaining oversight on internal control systems. Other responsibilities are to receive and consider the company's annual budget, to review the purchasing regulations and to consider recommendations for insurance renewals. The committee is guided by a charter from the board which outlines its mandate. The committee met five times in the year.

Staff Committee

The committee meets quarterly or as required. Its membership is composed of Peter Kanyago and Z.G. Mbugua who are non-executive directors. The committee is responsible for monitoring and appraising the performance of management, review of all human resources policies and determining the remuneration of senior management. The committee met three times in the year.

Strategy Committee

The committee meets quarterly or as required. Its membership is composed of Z. G. Mbugua, B. Thomas, G. Kiuna and G. Njoroge. Z. G. Mbugua, B. Thomas and G. Kiuna are non-executive directors of the company while G. Njoroge, a non-executive director of East African Cables (Tz) Ltd was appointed to the committee in order to benefit from his expertise in the electrical business. The main responsibility of the committee is to chart the strategy of the company and to oversee implementation of strategic decisions of the board which include product and or geographical diversification, strategic partnerships and also review proposals involving capital expenditure. The committee met twice in the year. The Managing Director is invited to all committees while senior managers are invited to the relevant committees. The committees submit their findings and recommendations at the quarterly board meetings.

COMMUNICATION WITH SHAREHOLDERS

The company is committed to ensuring that shareholders and the financial markets are provided with full and timely information about its performance. In the year, the company accomplished this objective through distribution of the company's Annual Report and the release of notices in the national press of its interim and year end results. The company also holds statutory meetings as required. In this regard, the company complies with the obligations contained in the Nairobi Stock Exchange's Listing Rules, the Capital Markets Authority Act and the Kenyan Companies Act.

DIRECTORS' LOANS

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

DIRECTORS' REMUNERATION

The aggregate amount of emoluments paid to the directors for services rendered during the financial year ended 2012 is disclosed on note 24 to the financial statements. Neither at the end of the financial year nor at any time during the year did there exist any arrangement to which the company is a party, whereby directors might acquire benefits by means of the acquisition of the company's shares. All business transactions with the directors or related parties are carried out at arms length. Such transactions have been disclosed on note 24.

RISK MANAGEMENT AND CONTROLS

The board recognizes that managing risk to ensure optimal mix between risk and return is an integral part of achieving corporate goals. The board has put in place processes for identifying, assessing, managing and monitoring risks to ensure that the risk of failure to achieve business objectives is mitigated. The company has defined procedures and financial controls to ensure the reporting of complete and accurate accounting information. These cover systems for obtaining authority for major transactions and for ensuring compliance with the laws and regulations that have significant financial implications. Procedures are also in place to ensure that assets are subject to proper physical controls and that the organization remains structured to ensure appropriate segregation of duties. In reviewing the effectiveness of the systems of internal controls, the Board takes into account the results of all the work carried out to audit and review of the activities of the company.

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

EMPLOYMENT EQUITY

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

BUSINESS ETHICS

The directors attach great importance to the need to conduct the business and operations of the company with integrity and in accordance with good corporate governance practice as set out in the Capital Markets Authority Guidelines for listed companies in Kenya and any other internationally developed principles on good governance. The company adopts the best principles of good corporate culture that requires the directors and all employees to maintain the highest personal and ethical standards and to act in good faith and in the interest of the company. The company has developed and implemented a code of conduct that sets out guidelines and rules, which are based on good governance principles of:

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

Corporate Governance

continued

SHARE REGISTER DETAILS

Directors' interests in the shares of the company, the distribution of the Company shareholding and analysis of the ten major shareholders as at 31st December, 2012 were as follows:

Directors' interest

Name of Director	Number of Shares
Mr. Z. G. Mbugua	648,700
Mr. G. C. Mwangi	137,195
Mr. P. T. Kanyago	3,750
Mr. M. G. Waweru	594,500

Distribution of Shareholding

Shares range	No. of Shareholders	No. of Shares held	%shareholding
1 - 500	6,495	1,487,149	0.59
501 - 5,000	7,348	12,057,150	4.76
5,001 – 10,000	698	4,886,592	1.93
10,001 – 100,000	828	22,692,875	8.96
100,001 – 1,000,000	86	20,948,711	8.28
Above 1,000,000	11	191,052,523	75.48
Total	**15,466**	**253,125,000**	**100.00**

Major Shareholders

No. Name(s)	No. of shares	% shareholding
1. Cable Holdings (Kenya) Ltd	173,071,149	68.38
2. Zed Holdings Ltd	4,239,025	1.67
3. Ali Mohamed Adam	3,846,562	1.52
4. The Jubilee Insurance Co. of Kenya Ltd	2,277,250	0.90
5. Abdulrehman Abdulkarim Juma	1,881,100	0.74
6. Direct Investment Company Ltd	1,732,675	0.68
7. Patrick Njogu Kariuki	1,472,800	0.58
8. Chandubhai Bhikabhai Patel	1,419,462	0.56
9. Chase Bank (Kenya) Limited	1,112,500	0.44
10. CFC Stanbic Nominees Ltd – A/c R48703	1,000,000	0.40
11. Others	61,072,477	24.13
Total	**253,125,000**	**100.00**

Utawala wa Shirika

Halmashauri ya kampuni ya East African Cables Limited inatambua umuhimu wa utawala wa shirika kwa hivyo inaendesha shughuli zake kwa uaminifu, uwazi na utaalamu, pamoja na kuwa imejitolea kutumia na kutekeleza kanuni, sera na maadili mwafaka ya utawala wa shirika katika kampuni. Halmashauri hii imejitolea kutimiza kanuni za uwajibikaji, kufuata sheria pamoja na kifungu cha kutoa ripoti zenye maana na zenye umuhimu kwa wadau wake.

HALMASHAURI YA WAKURUGENZI

Halmashauri hii inajumuisha Mwenyekiti Z.G Mbugua, wakurugenzi wanne wasio watendaji na Mkurugenzi Mkuu, Bwana George Mwangi. Wasifu wa wakurugenzi hawa unapatikana katika ukurasa wa 6 na 7. Wakurugenzi wote wasio watendaji wanachukuliwa na halmashauri kuwa huru dhidi ya kuingiliwa kati na usimamizi mbali na kuwa wana maarifa nyingi, tajiriba pana, na ushindani ambao ni mwafaka katika uongozi bora wenye kuifaa shughuli ya kampuni.

Halmashauri hii hukutana mara nne kwa mwaka kama ilivyopangwa, ikiwemo mikutano mingine ijapobidi. Wakurugenzi hupata habari mwafaka na kwa wakati ufaao ili kudumisha udhibiti kamili wa masuala ya kimkakati, kifedha, kiutendakazi na utimilifu. Isipokuwa kwa kuelekeza na kuongoza katika sera za jumla, halmashauri hii imempa Mkurugenzi Mkuu mamlaka ya kuendesha shughuli za kila siku za kampuni. Halmashauri hii hata hivyo inabakia na jukumu la kudumisha udhibiti wa jumla wa mambo ya ndani ya kampuni katika masuala ya kifedha, utendaji kazi na ikibali. Wakurugenzi wetu wote vilevile wamehudhuria kozi mbalimbali za utawala wa shirika zilizoandaliwa na taasisi zenye kutambulika.

Wakurugenzi wote wasio watendaji huteuliwa tena upya kwa kipindi fulani, kwa mujibu wa Sheria za Kampuni zinazohitaji kuwa thuluthi moja ya wakurugenzi waliowahi kuhudumu kwa muda mrefu zaidi (tangu uchaguzi wao uliopita) wastaafu kwa awamu kila mwaka, na wajapofaa, majina yao yawasilishwe katika mkutano mkuu wa mwaka ili wachaguliwe upya.

KAMATI ZA HALMASHAURI

Kamati zifuatazo zilizopo kwa sasa zinaisaidia halmashauri hii kutekeleza majukumu yake. Kamati hizi hukutana mara kwa mara, chini ya hadidu za rejea zilizotengwa na halmashauri hii.

Kamati ya Ukaguzi wa Mahesabu

Halmashauri hii imebuni kamati ya ukaguzi wa mahesabu ambayo hukutana kila baada ya miezi mitatu au inapohitajika. Uanachama wake unajumuisha Bw M. G. Waweru na P. T. Kanyago ambao ni wakurugenzi wasio watendaji. Majukumu ya kamati hii ni pamoja na kukagua taarifa za kifedha za kipindi fulani cha nusu ya mwaka na taarifa za kifedha za kila mwaka; kutimiza viwango vya uhasibu, ushirikiano na mahasibu wengine wa nje ya shirika, kuwalipa mahasibu wasio wa kampuni na kudumisha uangalizi wa mfumo wa udhibiti wa mambo ya ndani. Majukumu mengine ni kupokea na kuzingatia bajeti ya mwaka ya kampuni, kuchunguza upya taratibu za ununuzi na kutoa mapendekezo ya kukata bima upya. Kamati hii inaongozwa na mkataba kutoka kwa halmashauri, ambao unadokeza wajibu wake. Kamati hii ilikutana mara tano mwaka huu.

Kamati ya Wafanyakazi

Kamati hii hukutana kila baada ya miezi mitatu ama inapohitajika. Uanachama wake unajumuisha P.T. Kanyago na Z.G. Mbugua ambao ni wakurugenzi wasio watendaji. Kamati hii ina wajibu wa kuchunguza na kutathmini utendaji kazi wa wasimamizi, kuchunguza upya sera zote za utendaji kazi na kuamua kuhusu ujira wa wasimamizi wakuu. Kamati hii ilikutana mara tatu mwaka huu.

Kamati ya Mikakati

Kamati hii hukutana mara nne kwa mwaka ama inapohitajika. Uanachama wake unawajumuisha Z. G. Mbugua, B. Thomas, G. Kiuna na G. Njoroge. Z. G. Mbugua, B. Thomas na G. Kiuna ni wakurugenzi wasio watendaji wa kampuni ilhali G. Njoroge, ambaye pia ni mkurugenzi asiye mtendaji, wa East African Cables (Tz) Ltd aliteuliwa kwenye kamati ili kuinufaisha kutokana na maarifa yake katika shughuli za umeme.

Jukumu kubwa la kamati hii ni kupanga mikakati ya kampuni na kuhakikisha utekelezwaji wa maamuzi ya kimkakati ya halmashauri, ambayo ni pamoja na kupanua bidhaa na maeneo ya mauzo, ubia wa kimkakati na kuhakiki mapendekezo yanayohusu matumizi ya mtaji. Kamati hii ilikutana mara mbili mwaka huu. Mkurugenzi Mkuu hualikwa katika kamati zote ilhali wasimamizi wengine wakuu hualikwa kwa kamati husika. Kamati hizi huwasilisha ripoti pamoja na mapendekezo yao katika mkutano wa halmashauri kila robo ya mwaka.

MAWASILIANO NA WABIA

Kampuni hii imejitolea kuhakikisha kuwa wabia na masoko ya fedha yanapata habari kamili kuhusu utendaji wake kwa wakati ufaao. Katika mwaka huu, kampuni hii ilitimiza lengo hili kupitia ugawaji wa ripoti ya kampuni ya kila mwaka na kutolewa kwa taarifa za matokeo yake ya kifedha kila nusu-mwaka na mwisho wa mwaka kwa vyombo vya habari vya kitaifa. Kampuni hii vilevile hufanya mikutano ya kisheria kama inavyohitajika.

Utawala wa Shirika

Kuendelea

Kwa sababu hii, kampuni hii inatimiza wajibu uliowekwa katika sheria za uratibishaji za soko la hisa la Nairobi, sheria za mamlaka ya masoko ya mtaji na sheria za kampuni nchini Kenya.

MIKOPO YA WAKURUGENZI

Hapakuwa na mikopo iliyotolewa kwa wakurugenzi wakati wowote mwakani kwa kigezo cha nafasi yao katika shirika.

UJIRA WA WAKURUGENZI

Makadirio ya kiasi cha mshahara waliolipwa wakurugenzi kwa huduma walizotoa katika kipindi cha matumizi ya pesa cha mwaka 2012 kimefafanuliwa katika kijelezi 24 katika taarifa za kifedha. Sio mwishoni mwa kipindi hiki cha matumizi ya pesa au katika kipindi chochote kile mwakani kulipotokea mpango wowote unalioishirikisha kampuni, ambapo wakurugenzi wanaweza kujipa faida kwa umiliki wa hisa za kampuni. Uendeshaji wa shughuli zote za kibiashara na wakurugenzi au wadau husika unafanywa kwa uwazi. Shughuli kama hizo zimefafanuliwa katika kijelezi 24.

UDHIBITI NA UZUIAJI WA HATARI

Halmashauri hii inatambua kuwa kudhibiti hatari ili kudumisha mseto wa hali ya juu kati ya hatari na mapato ni sehemu muhimu ya kuafikia malengo ya shirika. Halmashauri hii imeweka hatua za kutambua, kutathmini, kudhibiti na kuchunguza hatari ili kuhakikisha kwamba hatari za kukosa kufikia malengo ya kibiashara zimepunguzwa. Kampuni hii imefafanua taratibu bainifu na mikakati ya udhibiti wa kifedha ili kuhakikisha utoaji wa ripoti za uhasibu zilizokamilika na zenye taarifa kamili. Haya yanajumuisha mifumo ya kujipa mamlaka kwa shughuli muhimu na kuhakikisha uzingativu wa sheria na kanuni ambazo zina athari kubwa kifedha. Aidha, taratibu zimewekwa kuhakikisha kwamba rasilimali zinaangaliwa vizuri kihali na kwamba muundo wa shirika unabakia ili kuhakikisha muainisho maalumu wa majukumu.

Katika kukagua upya uwezo wa kutenda kazi wa mifumo ya udhibiti wa mambo ya ndani, halmashauri ya wakurugenzi hutilia maanani matokeo ya kazi zote zilizotekelezwa katika kukagua mahesabu na kuchunguza shughuli za kampuni.

Mfumo mpana kuhusu uwajibikaji katika wasimamizi umewekwa ili kutoa vipimo vya utendaji wa kifedha na kiutendakazi. Mikutano ya mara kwa mara ya wasimamizi wakuu hufanywa ili kuchunguza utendaji na kukubaliana kuhusu taratibu za kujiimarisha.

USAWA KATIKA KUAJIRI

Shirika hili limejitolea kuunda kampuni inayounga mkono usawa wa wafanyakazi wote pamoja na kujitolea kumaliza aina yoyote ya ubaguzi katika eneo la kazi. Desturi yetu ni kutimiza sheria zote zinazopiga marufuku ubaguzi.

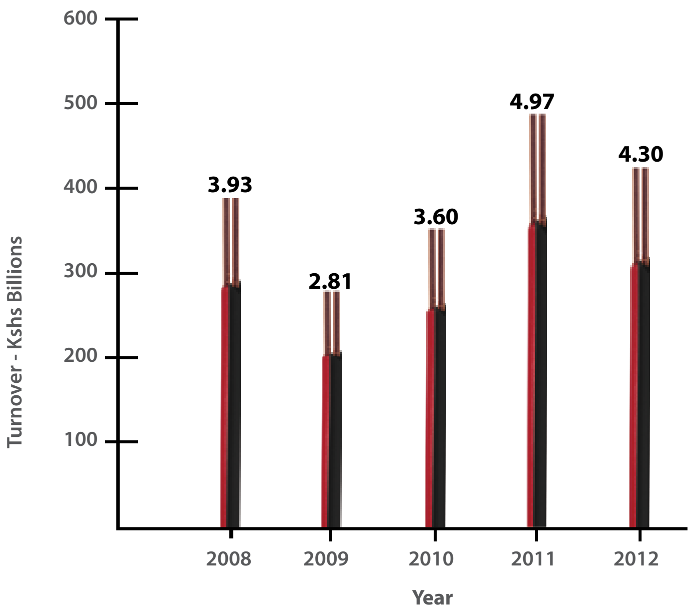
MAADILI YA KIBIASHARA

Wakurugenzi hutilia maanani zaidi haja ya kuendesha biashara na utendakazi wa kampuni kwa utaalamu mkubwa na kwa mujibu wa zoezi la utawala bora wa shirika kama ilivyoainishwa kwenye Mwongozo wa Mamlaka ya Masoko ya Mtaji kwa kampuni zilizoorodheshwa nchini Kenya, yakiwemo maadili mengine ya kimataifa yanayohusu utawala bora. Kampuni hii hupitisha sera bora zaidi za utamaduni wa shirika zinawazohitaji wakurugenzi na wafanyakazi wote kudumisha viwango vya juu vya maadili ya kibinafsi na kikazi pamoja na kuwa kila wafanyalo liwe ni lenye nia njema na lenye kunufaisha kampuni. Kampuni hii imezindua na kutekeleza kanuni ya maadili inayotaja miongozo na sheria ambazo zinaegemea sera nzuri za utawala za:

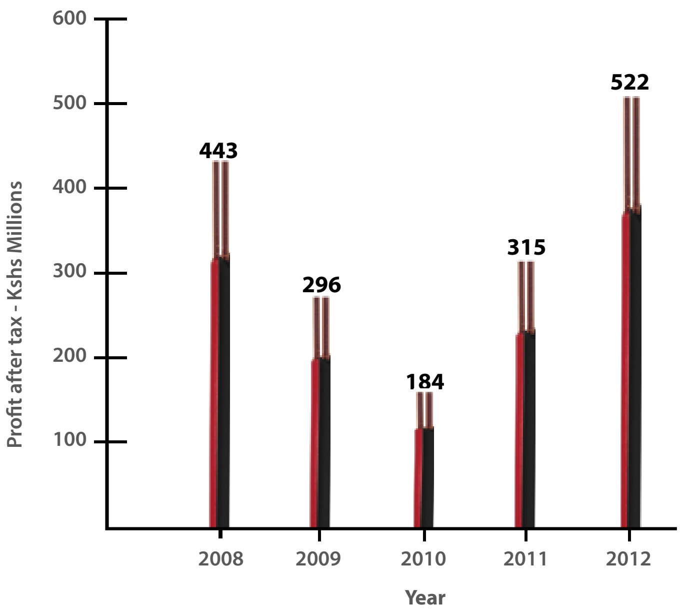
- Kutimiza sheria kikamilifu
- Kutumia njia bora zaidi za uhasibu
- Usalama wa washikadau wote
- Ubora wa bidhaa na kuangazia wateja
- Kutunza mazingira yetu
- Kutumia njia bora zaidi za kuendesha biashara
- Ushindani wa haki

Comparative Results

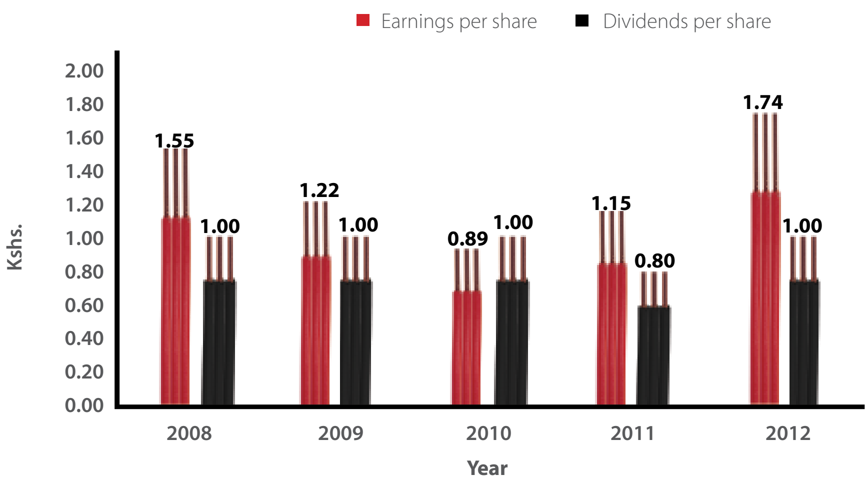
Sales Trends



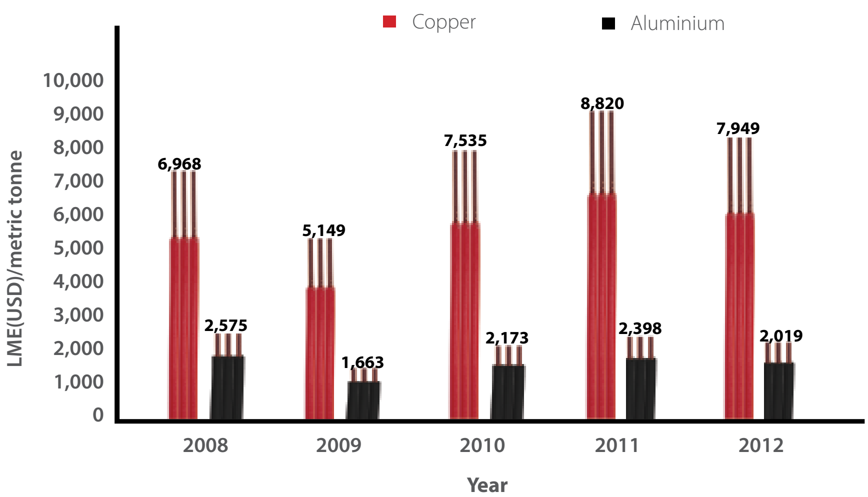
Profit After Tax



Earnings and Dividends



London Metal Exchange
Settlement Price Per Tonne



Statement of Directors' Responsibilities

The Directors are responsible for the preparation and presentation of the company and consolidated financial statements of East African Cables Limited and its subsidiary set out on pages 28 to 60 which comprise the statements of financial positions of the group and of the company as at 31 December, 2012, and the group's statement of comprehensive income, the group and company statement of changes in equity and group statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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

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

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the group and the company and of the group operating results.

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

The directors have made an assessment of the group and the company's ability to continue as a going concern and have no reason to believe the company and its subsidiary will not be a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The financial statements, as indicated above, were approved by the Board of Directors on 25 February 2013 and were signed on its behalf by:

George Mwangi
Chief Executive Officer

Zephaniah Gitau Mbugua
Chairman

Taarifa ya Majukumu ya Wakurugenzi

Wakurugenzi wanahusika katika kuandaa na kuwasilisha taarifa za kifedha za kampuni ya East African Cables na washirika wake kama ilivyoainishwa katika ukurasa wa 28 hadi 60 ambazo zinajumuisha taarifa za matokeo ya kifedha za Shirika na kampuni kufikia tarehe 31 Desemba 2012, na taarifa kamilifu za mapato ya shirika; taarifa kuhusu kuhusu mapato na matumizi ya fedha za mwaka huo uliomalizika pamoja na ufupisho wa sera muhimu za uhasibu na taarifa nyingine zilizoelezewa.

Majukumu ya wakurugenzi ni pamoja na: kuamua kuwa kanuni za uhasibu zilizoelezewa katika kijelezi 2 ni zenye kukubalika katika kuandaa na kuwasilisha taarifa za kifedha katika hali hizo; kutengeneza, kutekeleza na kudumisha udhibiti wa mambo ya ndani unaofaa katika kuandaa na kuwasilisha taarifa hizi za kifedha zisizo na makosa; aidha ya ulaghai au kasoro, pamoja na kuchagua na kutumia sera zinazofaa za uhasibu pamoja na kufanya ukadiriaji unaofaa wa hesabu katika hali hizo.

Chini ya Sheria za Makampuni ya Kenya, wakurugenzi wanahitajika kuandaa taarifa za kifedha za kila mwaka zinazobaini ukweli na mtazamo wa haki wa mambo ya shirika na ya kampuni kufikia mwisho wa mwaka huo na ule wa matokeo ya utendaji wa shirika ya mwaka huo. Vilevile, inawahitaji wakurugenzi kuhakikisha kuwa kampuni na washirika wake wanadumisha rekodi sawa za uhasibu ambayo inabainisha kwa uhakika unaofaa hali ya kifedha ya shirika na kampuni.

Wakurugenzi wanawajibikia taarifa za kifedha za kila mwaka ambazo zimeandaliwa kutumia sera zinazofaa za uhasibu kwa kuzingatia maamuzi bora na yenye kufaa pamoja na ukadiriaji, ambao unakubalika na Viwango vya Kimataifa vya Uripoti wa Kifedha na inavyohitajika na sheria za makampuni ya Kenya. Wakurugenzi wanaonelea kuwa taarifa hizi za kifedha zinatoa mtazamo huru na wa haki kuhusiana na hali ya kifedha ya shirika na kampuni pamoja na ile ya matokeo kwa huduma za shirika.

Zaidi, wakurugenzi wanakubali wajibu wa kuhifadhi rekodi za uhasibu ambazo zinaweza kurejelewa katika matayarisho ya taarifa za kifedha, pamoja na mifumo ya kutosha ya udhibiti wa ndani.

Wakurugenzi wamefanya tathmini ya shirika na uwezo wa kampuni kuendelea kama yenye umuhimu na kwamba hawana budi kuamini kuwa kampuni na washirika wake kwa jumla hawatakosa kujimudu kwa takriban miezi kumi na miwili ijayo tangu kutolewa kwa taarifa hii.

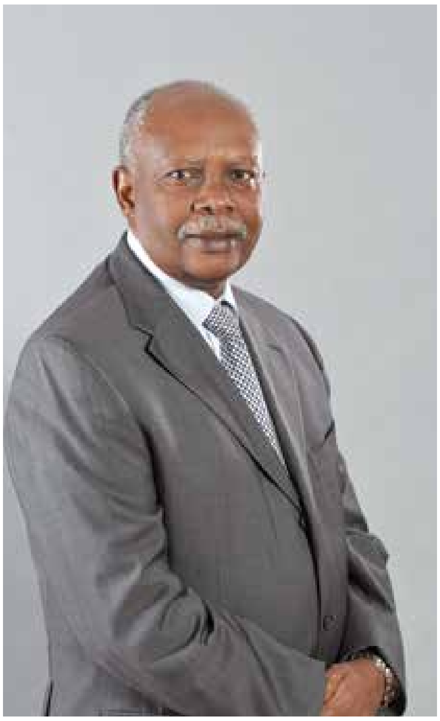
Kuidhinishwa kwa taarifa za kifedha

Taarifa za kifedha, kama ilivyoelezewa hapo juu, ziliidhinishwa na halmashauri ya wakurugenzi tarehe 25, Februari 2013 na kutiwa sahihi kwa niaba yake na:

George Mwangi
Afisa Mtendaji Mkuu

Zephaniah Gitau Mbugua
Mwenyekiti

Chairman's Statement



Zephaniah Gitau Mbugua
Chairman

It gives me great pleasure to present to you the annual report and audited financial statements for the financial year ended 31 December 2012. This was a successful year which saw the company achieve 66% growth in earnings after tax to Kshs 522m.

OVERVIEW OF THE BUSINESS ENVIRONMENT

Over the past two years, the regional economies have witnessed a lot of volatility in key macro-economic factors. The first quarter of 2012 was characterized by high inflation rates, high interest rates and delays in the long rains. Inflationary pressure was primarily due to high oil prices, while the high interest rates were mainly due to the tightening of the monetary policy by the Central Bank.

The economy grew by 3.5% in the 1st quarter and by 3.3% and 4.7% in the 3rd and 4th quarter's respectively. The growth was lower than the 5.2% projected by the World Bank. Though overall inflation rate gradually dropped in 2012 from a high of 18.93% in December 2011 to close at 3.2% in December 2012, the CBR was adjusted downwards at a slower rate in order to keep inflation in check. As a result, the commercial bank weighted average lending rates dropped marginally from 20.04% as at December 2011 to 18.15% as at December 2012. The lower growth coupled with high borrowing costs, which persisted in the year under review, impacted the construction and manufacturing sector negatively.

The above effects together with the usual slow down towards elections indeed played a part in what was a general slow down in our sector. We expect a rise in activity as projects step up pace to catch up on lost time.

The Central Bank of Kenya, maintained the USD exchange rate within the range of Kshs 85 to 1 USD. This stability enabled the group to recoup some of the foreign exchange losses it had reported in the previous year.

The world metal prices (LME) for our primary raw materials declined by 10% and 16% for Copper and Aluminium respectively resulting in lower revenues. Copper prices dropped from USD 8,800 per metric tonne in 2011 to USD 7,900 per metric tonne in 2012 while aluminium prices dropped from USD 2,400 per Metric tonne to USD 2,000 per metric tonne. Positively, the reduction in LME prices of our primary raw materials makes our products less expensive and affordable to our customers.

FINANCIAL PERFORMANCE

Delivering consistent strong performance has always been part of East African Cables strategic agenda, and the past financial year has been no exception. I am pleased to confirm that your company has performed well despite continued adverse economic conditions within our economy. Earnings after tax grew to Kshs 522m in 2012 from Kshs 315m recorded in 2011. This represents a growth of 66% in profitability. The growth in earnings was driven primarily by increased export sales, production efficiency, cost reduction and more stability in the regional currencies. Specific focus in efficiency improvement of the Tanzanian subsidiary continues to pay off with the unit's profitability growing significantly over last year.

MARKET APPROACH

The past year had a lot of challenges due to the unprecedented influx of counterfeit cables which targeted our brand. The Company has partnered with the regulatory agencies and also conducted awareness campaigns to address this menace. We have also continued to aggressively promote our brand visibility in the market coupled with service delivery. To this end, we have expanded our presence in the region by opening more Customer Service Centre's.

The Company has been able to effectively use these channels to train electrical installers and also to educate the consumers on the dangers of counterfeit cables.

In order to protect our market share and curb counterfeiting of our products, the company has launched a short message service (SMS) based system dubbed "Zinduka", that enables our customers to verify the authenticity of cables they purchase from retail outlets. Under this campaign, all Singles, Flexibles and Flat cables have a label attached to each roll, which has a 12-digit code. To confirm the authenticity of the product, the customers scratch the label to reveal the 12-digit code and send it via SMS to a toll free number 38353. An immediate response is received by the customer which will be "Genuine" or "Fake do not use".

We particularly wish to seek your support on this matter to help your company overcome this counterfeiting vice and therefore encourage you to raise awareness within your locality on Zinduka beyond our Mass media campaigns. You can play a part in this initiative by encouraging your friends, family and business associates to reject or resist buying products which do not carry the Zinduka Verification sticker. They should also report such incidences to the management for further action.

DIVIDEND

Following another impressive performance, I am pleased to report that the Board of Directors is recommending to the Annual General Meeting a final dividend of Kshs. 0.60 per share. This together with interim dividend of Kshs. 0.40 per share already paid, will amount to Kshs 1.00 per share (2011 – Kshs 0.80 per share). The final dividend will be paid less withholding tax where applicable on or about 14th June, 2013 to members on the register at the close of business on 3rd May, 2013.

Our objective to provide investors with sustainable long-term shareholder value has been maintained through the period under review.

REPORTING STANDARDS

The company continues to adopt the presentation and disclosure requirements of the International Financial Reporting Standards (IFRS) as required by the Institute of Certified Public Accountants of Kenya (ICPAK). Changes and developments in the standards within the financial period under review have been complied with.

RISK MANAGEMENT

The Board recognizes that managing risk to ensure an optimal mix between risk and return is an integral part of achieving corporate goals. The Board has put in place processes for identifying, assessing, managing and monitoring risks to ensure that the company's business objectives are achieved and risks mitigated. The Board has retained Deloitte and Touche to assist in assessment and management of risk within the group. The firm continues to advice the Board on best practice systems to be employed in managing our risk exposure.

BOARD APPOINTMENT

During the year, Davinder Sikand resigned from the Board on 9th July 2012. Mr. Davinder was a non-executive director and the Chairman of the Audit Committee. I wish to take this opportunity to express my gratitude for his dedication during his tenure. Consequently, the board appointed Mr. M.G. Waweru on 6th August 2012. Mr. Waweru joins the board with a wealth of experience in accounting, taxation and corporate governance. I wish to welcome Mr. M.G. Waweru to the board.

OUTLOOK

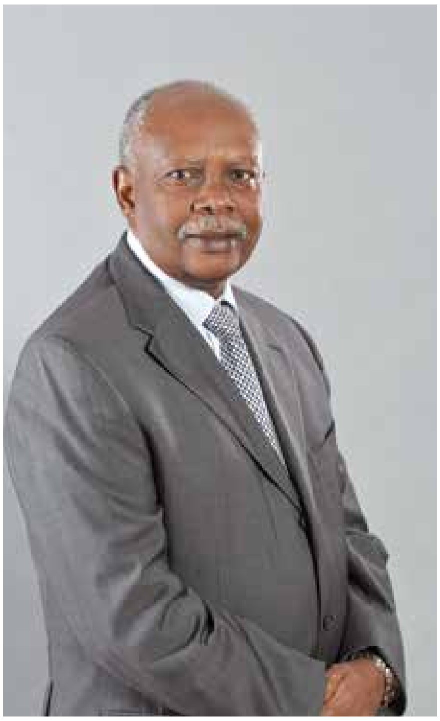
The outlook for 2013 is encouraging. Besides the potential for growth there is a lot of activity taking place and I am optimistic that the regional economies will continue to register infrastructure growth which will in turn result in demand for our products.

ACKNOWLEDGEMENTS

The good results posted this financial year have seen East African Cables achieve growth and greater financial strength, while simultaneously rewarding our shareholders. Our success has been made possible principally by our customers and suppliers amongst other stakeholders. I also wish to thank our staff and the board for their dedication in serving the company.

Zephaniah Gitau Mbugua
Chairman
Board of Directors

Taarifa ya Mwenyekiti



Zephaniah Gitau Mbugua
Mwenyekiti

Nina furaha kuu kuwasilisha kwenu ripoti ya kila mwaka na taarifa za kifedha zilizokaguliwa za kipindi cha matumizi ya pesa kilichoisha tarehe 31 Desemba 2012. Huu ulikuwa mwaka wenye ufanisi kwani kampuni hii ilifikia ukuaji wa asilimia sitini na sita (66%) katika mapato, hii ikiwa ni baada ya kutozwa ushuru na kufikia ongezeko la Kshs 522 milioni.

MTAZAMO WA MAZINGIRA YA BIASHARA

Katika miaka miwili iliyopita, uchumi wa eneo hili umekumbwa na misukosuko mingi katika nguzo muhimu za kiuchumi.
Miezi mitatu ya kwanza katika mwaka wa 2012 ilikumbwa na kiwango cha juu cha mfumko wa bei za bidhaa, viwango vya juu vya riba pamoja na kuchelewa kwa msimu wa mvua ya masika. Shinikizo za mfumko wa bei zilitokana hasa na bei ghali za mafuta ya petroli, huku viwango vya juu vya riba vikitokana na hatua ya Benki Kuu kudhibiti zaidi sheria za kifedha.

Uchumi ulikua kwa asilimia tatu nukta tano (3.5%) katika miezi mitatu ya kwanza na asilimia tatu nukta tatu (3.3%) na asilimia nne nukta saba (4.7%) katika robo ya tatu na ya nne mtawalia. Ukuaji huu hata hivyo ulikuwa wa chini ukilinganishwa na ule wa asilimia tano nukta mbili (5.2%) uliokadiriwa na Benki ya Dunia kuwepo mwaka wa 2012. Ingawa kiwango cha jumla cha mfumko wa bei kilipungua kutoka asilimia kumi na nane nukta tisa tatu (18.93%) hapo Desemba 2011 hadi asilimia tatu nukta mbili (3.2%) kufikia mwezi Desemba mwaka wa 2012, kiwango cha riba kilipunguzwa ili kuweza kudhibiti mfumko. Kwa sababu hiyo, kiwango cha riba kilichotozwa na benki kilipungua kutoka asilimia ishirini nukta sufuri nne (20.04%) hadi asilimia kumi na nane nukta moja tano (18.15%) kufikia mwezi Desemba 2012. Ukuaji huo wa chini pamoja na gharama ya juu ya ukopeshaji ambayo ilishuhudiwa katika kipindi chote katika mwaka unaoangaziwa, ziliathiri vibaya sekta za ujenzi na uzalishaji.

Madhara haya pamoja na kupungua kwa biashara ilivyo kawaida uchaguzi unapokaribia, bila shaka yalichangia pakubwa katika kile tunachoweza kusema ni kupungua kwa biashara katika sekta yetu. Benki Kuu ya Kenya ilidumisha kiwango cha ubadilishaji wa Dola ya Marekani kwa Kshs 85 kwa kila Dola moja ya Marekani. Udhabiti huu uliiwezesha kampuni hii kufidia baadhi ya hasara iliyopata katika biashara za kigeni hapo mwaka uliopita.

Bei za chuma katika Soko la Dunia la Chuma lililoko London, LME, kwa malighafi yetu zilipungua kwa asilimia kumi,(10%) na asilimia kumi na sita (16%) kwa shaba na alumini mtawalia, na kusababisha mapato ya chini. Bei za shaba zilipungua kutoka Dola za Marekani 8,820 kwa kila tani mnamo mwaka wa 2011 hadi Dola za Marekani 7,949 kwa kila tani hapo mwaka wa 2012 huku bei za alumini zikipungua kutoka Dola za Marekani 2,398 kwa kila tani hadi Dola za Marekani 2,019 kwa kila tani. Kwa upande mwingine, kupungua huko kwa bei za malighafi yetu muhimu katika soko la LME kunachangia katika kupunguza bei za bidhaa zetu hivyo basi wateja wetu wanaweza kuzimudu.

UTENDAJI WA KIFEDHA

Kudumisha utendaji thabiti daima imekuwa mojawapo ya ajenda muhimu katika mikakati ya East African Cables, hivyo basi, kipindi kilichopita cha matumizi ya pesa hakikuwa tofauti. Nina furaha kuthibitisha kuwa kampuni yenu, East African Cables, imefanya vizuri licha ya changamoto kali na za mara kwa mara katika uchumi wetu. Mapato yetu baada ya kutozwa ushuru yaliongezeka kutoka milioni 315 mwaka wa 2011 hadi milioni 522 mwaka wa 2012. Hii inawakilisha ukuaji wa asilimia sitini na sita (66%) katika mapato. Ukuaji katika mapato ulitokana hasa na ongezeko katika mauzo ya nje ya nchi, ushwari katika uzalishaji, kupunguza gharama na uthabiti zaidi wa fedha za kieneo. Lengo mahususi katika kuimarisha ushwari katika tawi letu la Tanzania linaendelea kuzaa matunda huku faida katika tawi hilo ikiimarika katika mwaka uliopita.

MTAZAMO WA SOKO

Mwaka uliopita ulikuwa na changamoto nyingi kutokana na kuongezeka kwa nyaya ghushi zilizolenga nembo yetu. Kampuni hii imeungana na mashirika ya kukadiria ubora na pia kufanya kampeni za kuhamasisha dhidi ya uovu huu. Tumeendelea pia kuhakikisha kuwa wateja wamehamasishwa kuhusu nembo yetu mbali na kuwapa huduma bora. Kwa njia hii, tumepanua uwepo wetu katika eneo hili kwa kufungua vituo zaidi vya huduma kwa wateja. Kampuni hii imeweza kutumia vituo hivi kuwapa mafunzo mafundi wa stima na pia kuwapa mafunzo wateja kuhusu madhara ya kutumia nyaya ghushi. Ili kudhibiti soko letu na kuzuia kughushiwa kwa bidhaa zetu, kampuni hii ilianzisha huduma ya kutuma ujumbe mfupi (SMS) inayojulikana kama 'Zinduka', ambayo inawawezesha wateja wetu kuthibitisha uhalali wa nyaya wanazonunua kutoka kwa wauzaji.

Katika kampeni hii, nyaya zote - Single, Flexible na Flat zina nembo iliyobandikwa katika mzunguko mzima wa nyaya, na ambayo inabainisha nambari 12 zilizofichwa. Ili kuthibitisha uhalali wa bidhaa hiyo, wateja wetu watahitajika tu kukwaruza nembo hiyo ili kubainisha nambari 12 zilizofichwa kisha kuituma kwa njia ya SMS bila malipo kwa nambari 38353. Papo hapo, mteja atapata majibu yanayosema: "Genuine" au "Fake do not use".

Tungependa hasa kuomba usaidizi wako katika suala hili ili kuisaidia kampuni yenu kuepuka hili suala la ughushi wa bidhaa. Hivyo basi, tunawahimiza kutoa hamasisho katika eneo lako kuhusu Zinduka, mbali na kampeni za hamasisho katika vyombo vya habari. Unaweza kushiriki katika mpango huu kwa kuwahimiza marafiki zako, jamaa zako na washirika wa kibiashara wasinunue bidhaa za East African Cables ambazo hazina nembo ya ithibati ya Zinduka. Wanafaa pia kuripoti visa hivyo kwa usimamizi ili hatua iweze kuchukuliwa.

RIBA

Kufuatia utendaji mwingine wa kuridhisha, nina furaha kuripoti kwamba Halmashauri ya Wakurugenzi inapendekeza kwa mkutano mkuu wa mwaka, riba ya Senti sitini (Kshs 0.60) kwa kila hisa. Hii pamoja na riba ya muda ya senti arubaini(ksh. 0.40) kwa kila hisa ambayo tayari imelipwa inafikisha riba ya Kshs. 1.00 kwa kila hisa. Riba ya mwisho italipwa baada ya kutozwa ushuru pale inapoafiki kabla au tarehe 14 Juni 2013 kwa wanachama watakaokuwa katika sajili kufikia wakati wa kufungwa kwa biashara hapo tarehe 3 Mei 2013.

Lengo letu la kuwapa wawekezaji wetu thamani ya muda mrefu kwa hisa zao vilevile limedumishwa kote katika mwaka huu unaoangaziwa.

VIWANGO VYA URIPOTI

Kampuni inazidi kuzingatia mahitaji ya uwasilishaji na kuweka wazi ya Halmashauri ya Kimataifa ya Uripoti wa Kifedha (IFRS) kama inavyohitajika na Taasisi ya Mahasibu Halali wa Umma nchini Kenya (ICPAK). Mabadiliko na ustawi katika viwango hivyo katika kipindi cha matumizi ya pesa cha mwaka ulioangaziwa, yamezingatiwa.

UDHIBITI WA HATARI

Halmashauri hii inatambua kuwa kudhibiti hatari ili kudumisha mseto wa hali ya juu kati ya hatari na mapato ni sehemu muhimu ya kuafikia malengo ya shirika. Halmashauri hii imeweka hatua za kutambua, kutathmini, kudhibiti na kuchunguza hatari ili kuhakikisha kwamba hatari za kukosa kufikia malengo ya kibiashara zimepunguzwa. Halmashauri hii imewahifadhi Deloitte and Touche ili kuendelea kutathmini na kudhibiti hatari katika kampuni. Kampuni hiyo itazidi kuishauri halmashauri kuhusiana na mifumo bora zaidi za kutumiwa katika kudhibiti hatari inayotukabili.

UTEUZI KATIKA BODI

Katika mwaka huo, Davinder Sikand alijiuzulu kutoka kwenye bodi tarehe 9 Julai 2012. Bw Davinder alikuwa mkurugenzi mkuu asiye mtendaji na pia mwenyekiti wa kamati ya ukaguzi. Ningependa kuchukua fursa hii kumpongeza kwa kujitolea kwake katika kipindi chake. Wakati huo huo, bodi ilimteua Bw M. G. Waweru tarehe 6 Agosti 2012. Bw Waweru anajiunga na bodi hii akiwa mwingi wa tajiriba katika uhasibu, ushuru na utawala wa shirika. Ningependa kumkaribisha Bw M. G. Waweru kwenye bodi.

MATARAJIO

Matarajio ya mwaka wa 2013 yanatia moyo. Mbali na uwezo wa ukuaji zaidi, zipo shughuli nyingi zinazoendelea nami nina matumaini kwamba uchumi wa eneo hili utazidi kuwa na ongezeko katika ukuaji wa miundomsingi ambayo baadaye itasababisha ongezeko la mahitaji kwa bidhaa zetu.

SHUKURANI

Matokeo mazuri yaliyopatikana mwaka huu yamefanya East African Cables kupata ukuaji na udhabiti mkuu wa kifedha, na wakati huo huo kuwatuza wabia wetu. Ufanisi wetu umewezeshwa hasa na wateja wetu na wasambazaji wa bidhaa zetu pamoja na wabia wengine. Ningependa pia kuwashukuru wafanyakazi wetu na bodi kwa kujitolea kwao katika kuihudumia kampuni hii.

Zephaniah Gitau Mbugua
Mwenyekiti
Bodi ya Wakurugenzi

Corporate Social Responsibility Report

As a dynamic company committed to exceeding our customer expectations and taking the lead in the manufacture and distribution of high quality electrical cables and conductors in the sub-Sahara region, East African Cables Ltd continues to reinforce our processes, systems and operations to ensure we remain a socially responsible organization. Our activities are premised on our strong belief that our employees and customer safety comes first. We also strive to ensure that we maintain high ethical standards as we take practical steps to ensure that we mitigate potential adverse effects from our commercial or environmental aspects of operations.

We take pride in sharing the society's general concerns by facilitating positive social development amongst the regions in which we operate and derive our income. In the year under review, we managed to interlink our business endeavours with those of the extended community by engaging in a number of social investment initiatives. These included the participation of our staff team in the Chase Group Foundation/Stand Up for African Mothers Charity walk. This AMREF initiative aims to reduce maternal death rates in rural areas through the training of midwives. By participating in the Charity Walk, company employees managed to help raise much-needed funds to help reduce maternal mortality by improving access to reproductive health services.

FUNDI CLUB

Given the fact that our business is increasingly enjoying the support of electricians and related fundis who act as the bridge to our customers, we have unveiled a dedicated club to support these technicians. Dubbed the East African Cables Fundi club, we have already managed to train more than 1000 fundis countrywide. This club further seeks to accredit domestic electricians in a move aimed at weeding out unscrupulous players particularly in the construction industry. In the on- going campaign, East African Cables is targeting domestic electricians who have already been certified by the Energy Regulatory Commission (ERC) and have five years working experience as an electrician.

STAFF WELLNESS

We have also continued to maintain outreach programmes geared at raising awareness on HIV/Aids and Breast and Prostrate Cancer through various initiatives. As the leading cables and conductors' manufacturer in the sub-Sahara region, through the above initiatives among others, our obligations to deliver exceptional quality products to the market and offer an attractive return to the shareholder have been maintained in tandem with a commitment to be accountable to all our stakeholders. Indeed, we attach special interest to ensuring that our processes, systems and operations remain ethical and sustainable for generations to come by remaining a socially responsible corporate citizen.

Ripoti ya Uwajibikaji wa Kijamii wa Shirika

Kama kampuni thabiti iliyojitolea kuzidi matarajio ya wateja wetu na kuongoza katika uuzaji wa bidhaa za hali ya juu pamoja na kutoa huduma za hali ya juu katika eneo zima la Jangwa la Sahara, East African Cables Ltd inazidi kudhibiti taratibu, mifumo, na shughuli ili kuhakikisha kuwa tunasalia kuwa kampuni inayoiwajibikia jamii. Uwajibikaji wetu kwa jamii unaegemezwa katika imani yetu kuu kwamba wafanyakazi wetu na wateja wetu wanapewa umuhimu. Tunajitahidi pia kuhakikisha kuwa tunadumisha viwango vya juu zaidi vya maadili wakati tukichukua hatua kabambe kuhakikisha kuwa tunapunguza madhara makuu ya kiuchumi na kimazingira, yanayoweza kutokana na shughuli zetu. Tunajivunia kujishughulisha na matatizo ya jumla ya kijamii kwa kuwezesha ustawi bora wa kijamii miongoni mwa maeneo tunamoendesha shughuli zetu na kuzoa mapato yetu. Katika mwaka unaoangaziwa, tuliweza kuoanisha shughuli zetu za kibiashara na zile za jamii yetu kwa kushiriki miradi mbalimbali ya uwekezaji katika jamii. Hii ni pamoja na kushiriki kwa timu ya wafanyakazi wetu katika matembezi ya wakfu wa Chase Group Foundation/Stand Up for African Mothers. Mpango huu wa AMREF unapania kupunguza vifo vya akina mama walio mashambani wakati wanapojifungua kwa kuwapa mafunzo wakunga. Kwa kushiriki matembezi hayo, wafanyakazi wa kampuni yenu waliweza kuchangisha kiasi cha pesa kilichohitajika ili kufanikisha kupunguzwa kwa vifo vya akina mama kwa kuimarisha uwezo wao wa kupata huduma za afya ya uzazi.

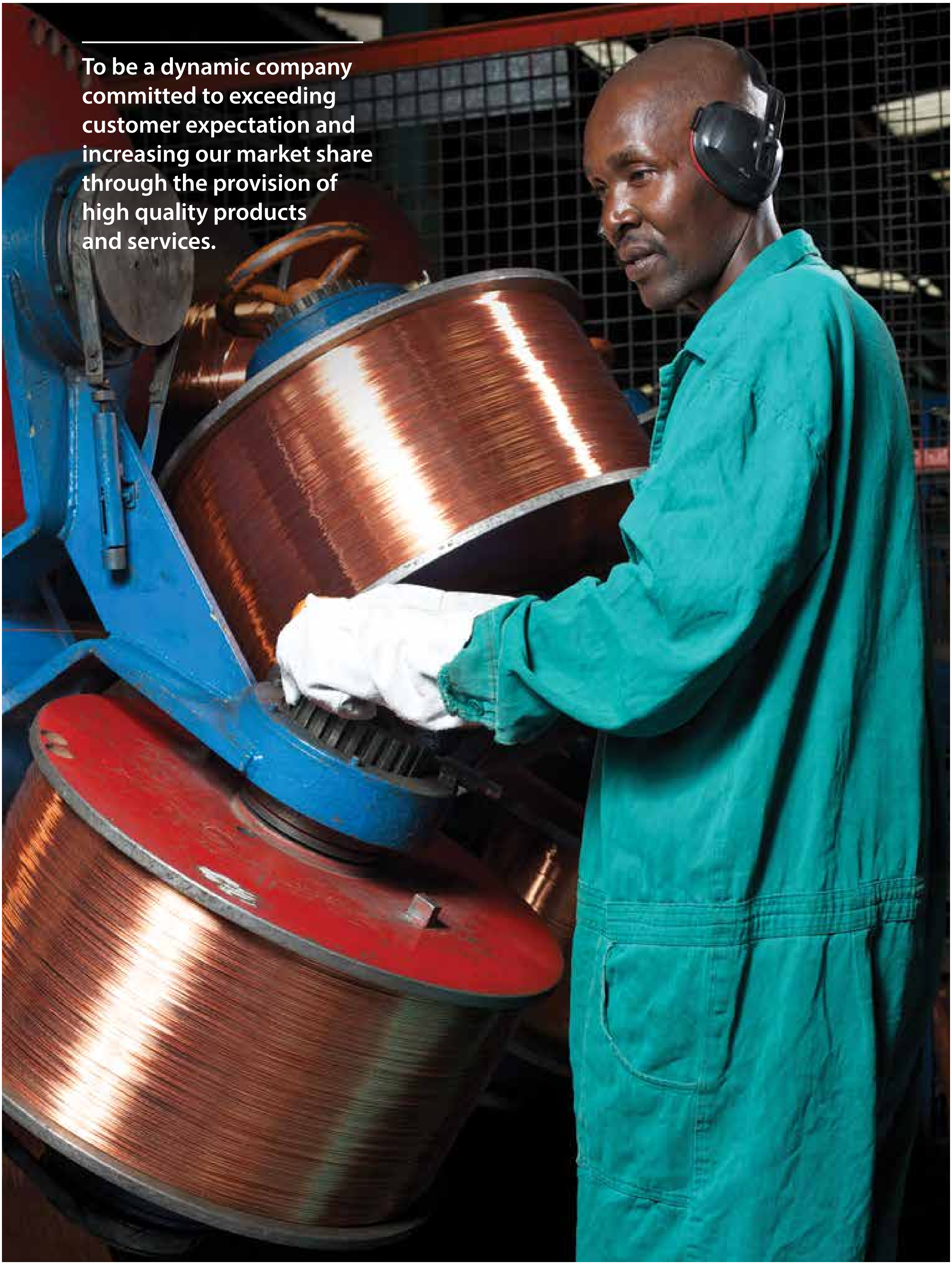
FUNDI CLUB

Kutokana na ukweli kwamba kampuni yetu inaendelea kufurahia uungwaji mkono na mafundi wa stima na mafundi washirika ambao ni kiungo cha sisi kuwafikia wateja wetu, tumezindua kikosi kilichojitolea ili kuwaunga mkono mafundi hawa. Tukiwatambua kama the East African Cables Fundi club, tayari tumeweza kuwapa mafunzo zaidi ya mafundi 1000 kote nchini. Klabu hii vilevile inapania kuwatambua mafundi wa stima katika maeneo mbalimbali katika hatua inayolenga kuwaepuka mafundi bandia hasa katika sekta ya ujenzi. Katika kampeni hii inayoendelea, East African Cables inawalenga mafundi wa stima ambao tayari wameidhinishwa na Tume ya kudhibiti Kawi (ERC) na wana tajiriba ya miaka mitano ya utendakazi kama mafundi wa umeme.

UWEPO BORA WA WAFANYAKAZI

Tumeendelea pia kudumisha mipango mwafaka inayolenga kutoa hamasisho kuhusiana na virusi vya HIV na saratani ya matiti kupitia hatua mbalimbali. Kama kampuni inayoongoza katika uzalishaji wa nyaya na vidhibiti-meme katika eneo zima la Jangwa la Sahara, kupitia hatua zilizotajwa hapo juu na nyingine nyingi, jukumu letu la kuzalisha nyaya za kipekee zenye ubora wa hali ya juu zaidi kwa wateja wetu na kutoa riba ya kuvutia kwa wabia wetu limedumishwa kulingana na kiapo cha kuwawajibikia wadau wetu wote. Kwa hakika, tunaweka ari kuu kuhakikisha kuwa michakato yetu, mifumo na shughuli zetu zinasalia zenye maadili na zenye kuweza kudumishwa katika vizazi vijavyo kwa kusalia kuwa shirika lenye kuwajibikia jamii yake.

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



Report of the Independent Auditors
to the Members of East African Cables Limited

REPORT ON THE FINANCIAL STATEMENTS

We have audited the consolidated financial statements of East African Cables Limited set out on pages 28 to 60 which comprise the statements of financial position of the group and the company as at 31 December, 2012, and the consolidated statement of comprehensive income, consolidated and company statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

As stated on page 16, the directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion, the financial statements give a true and fair view of the financial position of the group and the company at 31 December, 2012, and the group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Kenyan Companies Act.

REPORT ON OTHER LEGAL REQUIREMENTS

As required by the Kenyan Companies Act 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) in our opinion, proper books of account have been kept by the company, so far as appears from our examination of those books; and
(iii) the statement of financial position of the company is in agreement with the books of account.

KPMG Kenya

KPMG Kenya
Certified Public Accountants (Kenya)
P.O. Box 40612 – 00100 GPO
Nairobi, Kenya

Date: 25 February 2013

Directors, Offices and Statutory Information

DIRECTORS

Zephaniah Mbugua	Chairman
George Mwangi	Managing Director
Peter Kanyago	
Davinder Sikand	Alternate: Peter Njoka – Resigned on 9 July 2012
Michael Waweru	Appointed on 6 August 2012
Bruno Thomas*	
Gachao Kiuna	

* French

SECRETARY
Virginia Ndunge
Certified Public Secretary (Kenya)
PO BOX 61120 - 00200
Nairobi

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

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

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

AUDITORS
KPMG Kenya
16th Floor, Lonhro House
Standard Street
PO Box 40612
00100 Nairobi GPO

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

BANKERS
Standard Chartered Bank Kenya Limited
Kenyatta Avenue Branch
PO Box 40310
00100 Nairobi GPO

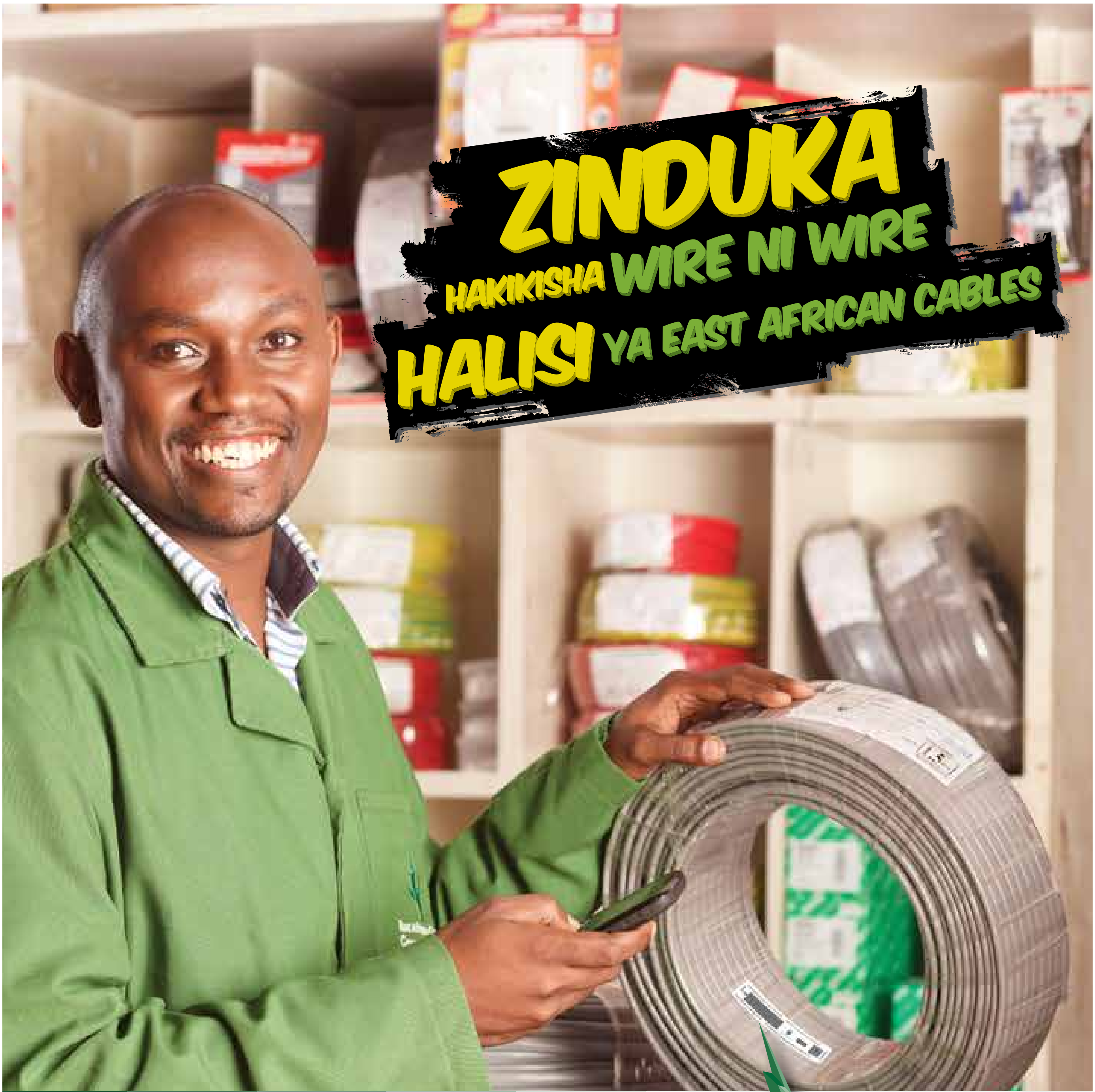
Citibank NA
Upper Hill Branch
PO Box 30711
00100 Nairobi GPO

Commercial Bank of Africa Limited
Upper Hill Branch
PO Box 30437
00100 Nairobi GPO

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

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

Chase Bank (Kenya) Limited
Hurligham Branch
PO Box 66049 - 00800
Nairobi



East African Cables introduces a new product verification system that ensures you only buy genuine East African Cables

1.Scratch off the panel below to see the PIN number
2.Text PIN for free to 38353 to check if genuine
PIN
012345678
3.You should get an SMS reply shortly.
4.if no reply or you have questions, please call 0800 720 122

1. Ensure you SEE the verification sticker ON the packaging*
2. SCRATCH the sticker AT THE STORE BEFORE you pay for the cables
3. SMS the 12-digit code to 38353 for free
4. Zinduka! Await confirmation on your cables.

East African Cables
Connecting lives

SMS the 12-Digit CODE to 38353

*The scratch to verify system only applies to cables sold in rolls of 90m and 100m.

Contact us on: Landline: +254 20 660 7000,
Hotline (Toll Free) 0800 720 122, Mobile: +254 722 202125/ +254 733 624419,
Email add: info@eacables.com, Website: www.eacables.com

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AST AFRICAN CABLES
DONT LAY FLAT

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2012

	Notes	2012 Kshs '000	2011 Kshs '000
Revenue		4,300,608	4,971,665
Cost of sales		(2,946,800)	(3,696,453)
Gross profit		1,353,808	1,275,212
Other income	5	105,539	5,080
Factory expenses		(181,094)	(209,664)
Administrative expenses		(216,410)	(227,240)
Distribution costs		(116,479)	(92,329)
Profit before depreciation and finance costs		945,364	751,059
Depreciation and amortisation	6	(169,981)	(174,158)
Results from operating activities		775,383	576,901
Finance income	7	33,940	-
Finance costs	7	(56,080)	(112,145)
Net finance costs	7	(22,140)	(112,145)
Profit before income tax	8	753,243	464,756
Income tax expense	9	(231,183)	(150,026)
Profit for the year		522,060	314,730
Other comprehensive income			
Revaluation surplus on property, plant and equipment		491,164	-
Deferred tax on revaluation surplus	21(a)	(147,349)	-
Foreign currency translation differences on foreign operations		13,135	(8,769)
Total other comprehensive income		356,950	(8,769)
Total comprehensive income for the year		879,010	305,961
Profit for the year is attributable to:			
Equity holders of the company		440,732	291,564
Non-controlling interest		81,328	23,166
		522,060	314,730
Total comprehensive income is attributable to:			
Equity holders of the company		701,687	290,872
Non-controlling interest		177,323	15,089
		879,010	305,961
Basic and diluted earnings per share	10	KShs 1.74	KShs 1.15

The notes set out on pages 34 to 60 form an integral part of these financial statements.

Consolidated Statement of Financial Position

as at 31st December 2012

	Notes	2012	2011
ASSETS		**KShs'000**	**KShs'000**
Non-current assets			
Property, plant and equipment	11	2,778,127	2,244,332
Prepaid operating lease rentals	12	149,882	157,868
Investment property	13	285,125	178,581
Intangible assets	14	4,069	4,747
		3,217,203	2,585,528
Current assets			
Inventories	16	911,951	727,918
Trade and other receivables	17	2,054,750	1,648,425
Cash and cash equivalents	25(b)	64,738	31,161
		3,031,439	2,407,504
TOTAL ASSETS		**6,248,642**	**4,993,032**
EQUITY AND LIABILITIES			
Capital and reserves (Page 32)			
Issued capital	18(a)	126,563	126,563
Share premium		545	545
Revaluation reserve	18(b)	925,556	669,644
Retained earnings		1,288,584	1,075,665
Foreign currency translation reserve	18(c)	(18,533)	(23,576)
Total equity attributable to equity holders of the company		2,322,715	1,848,841
Non-controlling interest		602,314	424,991
Total equity		2,925,029	2,273,832
Non-current liabilities			
Bank loans and borrowings	19(a)	170,531	150,397
Liability for staff gratuity	20	14,418	21,730
Deferred tax liability	21(a)	606,438	472,761
		791,387	644,888
Current liabilities			
Bank overdraft	25(b)	46,699	67,816
Trade and other payables	22	1,349,494	870,333
Current income tax payable		145,610	63,923
Short-term portion of bank loan	19(a)	958,408	1,001,922
Dividends payable	23	32,015	70,318
		2,532,226	2,074,312
TOTAL EQUITY AND LIABILITIES		**6,248,642**	**4,993,032**

The financial statements on pages 28 to 60 were approved by the Board of Directors on 25th February 2013 and were signed on its behalf by:

Director   Director

The notes set out on pages 34 to 60 form an integral part of the financial statements.

Company Statement of Financial Position

as at 31 December 2012

	Notes	2012	2011
ASSETS		**KShs'000**	**KShs'000**
Non-current assets			
Property, plant and equipment	11	1,589,665	1,289,702
Prepaid operating lease rentals	12	106,065	109,837
Investment property	13	75,000	60,000
Intangible assets	14	3,913	3,223
Investment in subsidiary	15	115,037	115,037
		1,889,680	1,577,799
Current assets			
Inventories	16	723,271	529,912
Trade and other receivables	17	1,753,597	1,469,484
Cash and cash equivalents		63,328	27,846
		2,540,196	2,027,242
TOTAL ASSETS		**4,429,876**	**3,605,041**
EQUITY AND LIABILITIES			
Capital and reserves (Page 33)			
Issued capital	18(a)	126,563	126,563
Share premium		545	545
Revaluation reserve	18(b)	561,992	397,570
Retained earnings		1,180,816	1,044,624
		1,869,916	1,569,302
Non-current liabilities			
Bank loan	19(b)	157,108	129,156
Liability for staff gratuity	20	7,382	12,717
Deferred tax liability	21(b)	322,463	284,481
		486,953	426,354
Current liabilities			
Bank overdraft		42,424	54,558
Current tax liabilities		43,551	8,537
Trade and other payables	22	1,072,155	603,857
Short-term portion of bank loans and borrowings	19(b)	882,862	872,115
Dividend payable	23	32,015	70,318
		2,073,007	1,609,385
TOTAL EQUITY AND LIABILITIES		**4,429,876**	**3,605,041**

The financial statements on pages 28 to 60 were approved by the Board of Directors on 25th February 2013 and were signed on its behalf by:

Director　　　　　　　　　　Director

The notes set out on pages 34 to 60 form an integral part of the financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 December 2012

	Note	2012 KShs'000	2011 KShs'000
Cash generated from operations	25(a)	748,697	413,407
Income taxes paid		(167,423)	(113,491)
Cash generated from operating activities		581,274	299,916
Cash flows from investing activities			
Purchase of property, plant and equipment		(185,314)	(47,367)
Purchase of intangible asset		(2,691)	(3,022)
Cash used in investing activities		(188,005)	(50,389)
Cash flows from financing activities			
Loans and borrowings incurred		2,080,102	3,019,884
Repayment of loans and borrowings		(2,103,482)	(2,982,805)
Interest paid on bank loans and borrowings		(49,080)	(58,516)
Dividends paid		(266,115)	(223,021)
Cash used in financing activities		(338,575)	(244,458)
Net increase in cash and cash equivalents		54,694	5,069
Cash and cash equivalents at 1 January		(36,655)	(41,724)
Cash and cash equivalents at 31 December	**25(b)**	**18,039**	**(36,655)**

The notes set out on pages 34 to 60 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2012

	Share capital KShs '000	Share premium KShs '000	Revaluation reserve KShs '000	Retained earnings KShs '000	Foreign currency translation reserve KShs'000	Total equity attributable to equity holders of company KShs'000	Non-controlling interest KShs'000	Total equity KShs'000
Balance at 1 January 2011	101,250	545	669,644	1,087,852	(22,885)	1,836,406	409,903	2,246,309
Comprehensive income for the year								
Profit for the year	-	-	-	291,564	-	291,564	23,166	314,730
Other comprehensive income								
Foreign currency translation differences on foreign operations	-	-	-	-	(691)	(691)	(8,078)	(8,769)
Total comprehensive income	-	-	-	291,564	(691)	290,873	15,088	305,961
Contributions by and distributions to owners								
Bonus shares issue (Note 18(a))	25,313	-	-	(25,313)		-		-
Dividends - 2010 paid	-	-	-	(202,500)	-	(202,500)	-	(202,500)
Interim dividends - 2011	-	-	-	(75,938)	-	(75,938)	-	(75,938)
Total distribution to owners of the company	25,313	-	-	(303,751)	-	(278,438)	-	(278,438)
Balance at 31 December 2011	**126,563**	**545**	**669,644**	**1,075,665**	**(23,576)**	**1,848,841**	**424,991**	**2,273,832**
Comprehensive income for the year								
Profit for the year	-	-	-	440,732		440,732	81,328	522,060
Other comprehensive income								
On revaluation	-	-	365,589	-	-	365,589	125,575	491,164
Deferred tax on revaluation surplus			(109,677)	-	-	(109,677)	(37,672)	(147,349)
Foreign currency translation differences on foreign operations	-	-	-	-	5,043	5,043	8,092	13,135
Total other comprehensive income	-	-	255,912	-	5,043	260,955	95,995	356,950
Total comprehensive income for the year	-	-	255,912	440,732	5,043	701,687	177,323	879,010
Contributions by and distributions to owners								
Dividends - 2011 paid	-	-	-	(126,563)	-	(126,563)	-	(126,563)
Interim dividends - 2012	-	-	-	(101,250)	-	(101,250)	-	(101,250)
Total distribution to owners of the company	-	-	-	(227,813)		(227,813)	-	(227,813)
Balance at 31 December 2012	**126,563**	**545**	**925,556**	**1,288,584**	**(18,533)**	**2,322,715**	**602,314**	**2,925,029**

The notes set out on pages 34 to 60 form an integral part of these financial statements

Company Statement of Changes in Equity
for the year ended 31 December 2012

	Share capital KShs '000	Share premium KShs '000	Revaluation reserve KShs '000	Retained earnings KShs '000	Total KShs'000
Balance at 1 January 2011	101,250	545	397,570	1,072,538	1,571,903
Comprehensive income for the year					
Profit for the year	-	-	-	275,559	275,559
Other comprehensive income					
Foreign currency translation differences for foreign operations	-	-	-	278	278
Total comprehensive income for the year	-	-	-	275,837	275,837
Contributions by and distributions to owners					
Dividend – 2010 paid	-	-	-	(202,500)	(202,500)
Interim dividend - 2011	-	-	-	(75,938)	(75,938)
Bonus shares issue (Note 18(a))	25,313	-	-	(25,313)	-
Total distribution to owners of the company	25,313	-	-	(303,751)	(278,438)
Balance at 31 December 2011	**126,563**	**545**	**397,570**	**1,044,624**	**1,569,302**
Comprehensive income for the year					
Profit for the year	-	-	-	363,442	363,442
Other comprehensive income					
On revaluation	-	-	234,889		234,889
Deferred tax on revaluation surplus	-	-	(70,467)	-	(70,467)
Foreign currency translation differences for foreign operations				563	563
Total other comprehensive income	-	-	164,422	563	164,985
Total comprehensive income for the year	-	-	164,422	364,005	528,427
Contributions by and distributions to owners					
Dividend – 2011 paid	-	-	-	(126,563)	(126,563)
Interim dividend - 2012	-	-	-	(101,250)	(101,250)
Total distribution to owners of the company	-	-	-	(227,813)	(227,813)
Balance at 31 December 2012	**126,563**	**545**	**561,992**	**1,180,816**	**1,869,916**

The notes set out on pages 34 to 60 form an integral part of these financial statements.

Notes to the Financial Statements

for the year ended 31 December 2012

1. REPORTING ENTITY

East African Cables Limited ("the Company") is a limited liability company incorporated in Kenya under the Kenyan Companies Act, and is domiciled in Kenya. The consolidated financial statements of the company as at and for the year ended 31 December 2012 comprise the company and its subsidiaries (together referred to as the "Group"). The Group primarily is involved in the manufacture and sale of electrical cables and conductors.

The address of its registered office and principal place of business is as follows:

East African Cables Limited
Industrial Area
Addis Ababa Road
PO Box 18243 - 00500
Nairobi

2. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and the Kenyan Companies Act.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis as modified by revaluation of certain property, plant and equipment, and investment property which is measured at fair value.

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Revenue recognition

(i) Goods sold

Revenue from the sale of goods is measured at the fair value of the consideration receivable, net of value added taxes, returns, trade discounts and volume rebates. Revenue is recognised when the significant risk and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

Transfers of risks and rewards vary depending on the individual terms of the contract of sale, which in most cases occurs on delivery of products.

(ii) Rental income

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

(b) Consolidation principles

(i) Subsidiaries

The consolidated financial statements include the Company (which also includes a branch in Uganda) and its subsidiaries, East African Cables (Tanzania) Company Limited in which the Group holds 51% of the voting rights and Yana Trading Company Limited in which the company holds 100% voting rights (refer to Note 15).

Notes to the Financial Statements

for the year ended 31 December 2012

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable are taken into account. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until that control ceases.

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

(ii) Transactions eliminated on consolidation

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

(iii) Business combinations

All business combinations are accounted for by applying the acquisition method. Goodwill represents the difference between the cost of acquisition and the fair value of the net identifiable assets acquired. A gain arising on a bargain acquisition is recognised directly in profit or loss.

(c) Foreign currencies

(i) Foreign currency transaction

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

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

(ii) Foreign operations

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

(d) Property, plant and equipment

(i) Recognition and measurement

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

Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment and is recognised net within profit or loss and presented within other income/expense. When revalued assets are sold, any related amount included in the revaluation reserve is transferred to retained earnings.

(ii) Subsequent costs

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

(iii) Depreciation

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

Freehold land	Nil
Freehold buildings	2%
Leasehold buildings	Over the shorter of the lease period and the asset's useful life
Plant and machinery	5% - 12.5%
Computers	33.3%
Motor vehicles	25%
Furniture, fittings and equipment	12.5% - 33.3%

Notes to the Financial Statements

for the year ended 31 December 2012

Construction work-in-progress is not depreciated. The assets' residual values, useful lives and depreciation methods are reviewed and adjusted as appropriate at each reporting date.

(iv) Reclassification to investment property

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

(e) Investment properties

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

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

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

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

(f) Leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Investment property held under an operating lease is recognised in the Group's statement of financial position at its fair value. Proceeds under these leases are recognised in the profit or loss.

(g) Inventories

Work in progress and manufactured finished goods are valued at production cost including direct costs (cost of materials and labour) and an appropriate proportion of production overheads and factory depreciation. The cost of stocks is based on the weighted average principle.

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

(h) Employee benefits

(i) Defined contribution plan

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

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

(ii) Staff gratuity

Unionisable employees of the company are eligible to a gratuity upon retirement based on 16 days pay if an employee has served 1-5years, 20 days pay if an employee has served 6-10 years and 23 days pay if an employee has served 11 years and above. Gratuity is computed at current salary.

Unionisable employees of East African Cables (Tanzania) Limited are eligible to a gratuity upon retirement based on two months salary for each complete year of service at current salary; the employee's age must also exceed 49 years at the time of retirement. A liability is recognised in the financial statements for estimated amount of such gratuity payable. Gratuity is computed at current salary. Movements in the liability are recognised in profit or loss.

(iii) Leave accrual

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

(iv) Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

Notes to the Financial Statements

for the year ended 31 December 2012

Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

(i) Taxation

Income tax comprises current tax and change in deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in other comprehensive income or directly in equity, in which case it is recognised in other comprehensive income or in equity respectively. Current tax is provided on the results in the year as shown in the financial statements adjusted in accordance with tax legislation.

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

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

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

(j) Related party transactions

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

(k) Dividends

Dividends are recognised as a liability in the period in which they are declared. Withholding tax is withheld for all cases where the percentage of ownership is less than 12.5%. Proposed dividends are disclosed on Note 18(d)

(l) Financial instruments

A financial instrument is a contract that gives rise to both a financial asset of one enterprise and a financial liability of another enterprise. The Group initially recognises loans and receivables on the date that they are originated and financial liabilities on the date that they are originated.

Management determines the appropriate classification of its financial instruments at the time of purchase and re-evaluates its portfolio every reporting date to ensure that all financial instruments are appropriately classified. The re-classification of financial assets is only permitted in certain instances. The Group's financial instruments are classified as loans and receivables and financial liabilities at amortised cost.

Financial instruments, not measured at fair value through profit or loss, are measured initially at cost, including transaction costs.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables comprise trade and other receivables and cash and cash equivalents. Financial liabilities at amortised cost are subsequently measured at amortised cost using the effective interest method.

These financial liabilities comprise of loans and borrowings, trade and other payables and bank overdrafts. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows. A financial asset is derecognised when the contractual rights from the financial asset expire or it transfers the rights to receive the contractual cash flows on the financial asset transferred. A financial liability is derecognised when its contractual obligations are discharged, cancelled or expire.

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

Notes to the Financial Statements

for the year ended 31 December 2012

(m) Impairment

(i) Financial assets

At each reporting date the Group assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows on the asset than can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group, economic conditions that correlate with defaults or the disappearance of an active market for a security.

The Group considers evidence of impairment for loans and receivables at a both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant loans and receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and Receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables.

When a subsequent event (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(ii) Non financial assets

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

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first reduce the carrying amount of any goodwill allocated to the cash generating unit and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Impairment losses in respect of goodwill are not reversed.

(n) Intangible assets

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

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

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

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

Notes to the Financial Statements

for the year ended 31 December 2012

(o) Provisions

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

(p) Finance income and expenses

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

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

(q) Segmental reporting

The Group determines and presents operating segments based on the information that internally is provided to the Group Chief Executive Officer (CEO), who is the Group's chief operating decision maker. The Group has three reportable segments which are the Group's geographic locations. The geographic locations offer similar products to different markets and are managed separately because they require different marketing strategies.

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

(r) Earnings per share

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

(s) Comparative information

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

(t) New standards and interpretations not yet adopted

(i) Standards, amendments and interpretations to existing standards effective in 2012 but not relevant

- *Disclosures – Transfers of Financial Assets (Amendments to IFRS 7)* - effective 1 July 2011. The amendments introduce new disclosure requirements about transfers of financial assets, including disclosures for:
- Financial assets that are not derecognised in their entirety; and
- Financial assets that are derecognised in their entirety but for which the entity retains continuing involvement.

(ii) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The Group's and parent entity's assessment of the impact of these new standards and interpretations is set out below:

- Amendments to IAS 1*'Presentation of Items of Other Comprehensive Income'* (effective 1 July 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. It however does not change the existing option to present profit or loss and other comprehensive income in two statements but changes the title of the statement of comprehensive income to the statement of profit or loss and other comprehensive income. However, an entity is still allowed to use other titles.

- IAS 27 *Separate Financial Statements (effective 1 January 2013)* contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The amendment carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications.

- IAS 19 *'Employee Benefits'* – effective 1 January 2013. The amended IAS 19 requires that actuarial gains and losses are recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19. It also requires that expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation.

Notes to the Financial Statements

for the year ended 31 December 2012

- IAS 28 ***Investments in Associates and Joint Ventures*** (effective 1 January 2013). IAS 28 prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. It carries forward the existing accounting and disclosure requirements with limited amendments.

- IFRS 10 ***'Consolidated Financial Statements'*** (effective 1 January 2013). This standard replaces the requirements and guidance in IAS 27 relating to consolidated financial statements. The objective of this standard is to improve the usefulness of consolidated financial statements by developing a single basis for consolidation and robust guidance for applying that basis to situations where it has proved difficult to assess control in practice and divergence has evolved. The basis for consolidation is control and it is applied irrespective of the nature of the investee.

- IFRS 11 – ***'Joint arrangements'*** (effective 1 January 2013). IFRS 11 supersedes IAS 31 and SIC-13 relating to Jointly Controlled Entities. The objective of this IFRS is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly. It focuses on the rights and obligations of joint arrangements, rather than the legal form (as is currently the case). It further distinguishes joint arrangements between joint operations and joint ventures; and requires the equity method for jointly controlled entities that are now called joint ventures.

- IFRS 12 – ***'Disclosure of interests in other entities'*** (effective 1 January 2013). The objective of this IFRS is to require an entity to disclose information that enables users of its financial statements to evaluate: the nature of, and risks associated with, its interests in other entities; and the effects of those interests on its financial position, financial performance and cash flows.

- IFRS 13 – ***'Fair value measurement'*** (effective 1 January 2013). IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value when it is required or permitted by other IFRSs. It does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.

- IFRS 9 ***'Financial Instruments'*** (effective 1 January 2015) is a new standard on financial instruments that will eventually replace IAS 39. The published standard introduces changes to the current IAS 39 rules for classification and measurement of financial assets. Under IFRS 9 there will be two measurement bases for financial assets: amortised cost and fair value. Financial assets at fair value will be recorded at fair value through profit or loss with a limited opportunity to record changes in fair value of certain equity instruments through other comprehensive income. Financial liabilities are excluded from the scope of the standard.

The standard also differs from existing requirements for accounting for financial assets in various other areas, such as embedded derivatives and the recognition of fair value adjustments in other comprehensive income.

The standard will be applied retrospectively (subject to the standard's transitional provisions). The Group is currently in the process of evaluating the potential effect of these standards.

Notes to the Financial Statements

for the year ended 31 December 2012

		2012	2011
4	**STAFF COSTS**	**KShs '000**	**KShs '000**
	Direct labour	55,682	66,200
	Indirect factory salaries	49, 080	45,847
	Administration salaries and wages	64,120	57,780
	Distribution salaries and wages	25,008	34,830
	Re-organisation costs	4,190	-
	Pension contributions	10,661	11,336
		203,021	**215,993**
5	**OTHER INCOME**		
	Fair value gain on investment property (Note 13)	102,430	-
	Rental income	3,109	5,080
		105,539	**5,080**
6	**DEPRECIATION AND AMORTISATION**		
	Depreciation	161,988	165,083
	Amortisation of intangible assets	3,376	4,417
	Amortisation of prepaid operating lease rentals	4,617	4,658
		169,981	**174,158**
7	**NET FINANCE COST**		
	Finance income		
	Net gain on exchange	33,940	-
	Finance cost		
	Interest expense	(49,080)	(58,516)
	Net loss on exchange	(7,000)	(53,629)
		(56,080)	(112,145)
	Net finance cost	**(22,140)**	**(112,145)**

Notes to the Financial Statements

for the year ended 31 December 2012

		2012 KShs '000	2011 KShs '000
8	**PROFIT BEFORE TAX**		
	Profit before tax is arrived at after charging/(crediting):		
	Depreciation expense (Note 11)	161,988	165,083
	Amortisation of operating lease rentals (Note 12)	4,617	4,658
	Amortisation of intangible assets (Note 14)	3,376	4,417
	Interest expense (Note 7)	49,080	58,516
	Executive officers' remuneration (Note 24)	15,814	10,710
	Directors' emoluments: - Fees (Note 24)	12,405	13,779
	- Other (Note 24)	6,744	3,411
	Auditors' remuneration	5,492	4,433
	Re-organisation costs (Note 4)	4,190	-
	Write off of property, plant and equipment	-	473
	Fair value gain on investment property (Note 13)	**(102,430)**	**-**
9	**INCOME TAX**		
	Current tax expense – current year	249,110	124,242
	Deferred tax (credit)/charge (Note 21)	(17,927)	25,784
		231,183	**150,026**

The tax on the consolidated results differs from the theoretical amount using the basic tax rate as follows:

	2012 KShs '000	2011 KShs '000
Profit before income tax	753,243	464,756
Tax calculated at the statutory income tax rate of 30%	225,973	139,427
Non-deductible costs	5,210	10,599
	231,183	**150,026**

		2012	2011
10	**BASIC AND DILUTED EARNINGS PER SHARE**		
	The calculation of basic and diluted earnings per share is based on:		
	Profit attributable to ordinary shareholders (KShs'000)	440,732	291,564
	Weighted average number of ordinary shares outstanding during the year	253,125	253,125
	Basic and diluted earnings per share	**KShs 1.74**	**KShs 1.15**

Notes to the Financial Statements

for the year ended 31 December 2012

11 PROPERTY, PLANT AND EQUIPMENT

(a) Group

2012:	**Leasehold buildings KShs'000**	**Plant and machinery KShs'000**	**Motor vehicles KShs'000**	**Furniture, fittings & equipment KShs'000**	**Construction work in progress KShs'000**	**Total KShs'000**
Cost or valuation:						
At 1 January 2012	1,366,745	1,126,473	53,423	39,312	1,800	2,587,753
Additions	-	25,633	-	6,202	153,479	185,314
Transfers	350	54,644	-	-	(54,994)	-
On revaluation	279,516	(188,616)	501	(441)	-	90,960
Exchange differences	14,329	6,276	470	318	5	21,398
At 31 December 2012	1,660,940	1,024,410	54,394	45,391	100,290	2,885,425
Depreciation:						
At 1 January 2012	54,669	240,509	23,817	24,426	-	343,421
Charge for the year	40,944	107,788	9,272	3,984	-	161,988
On revaluation	(96,684)	(286,891)	(15,053)	(1,576)	-	(400,204)
Exchange differences	1,071	638	220	164	-	2,093
At 31 December 2012	-	62,044	18,256	26,998	-	107,298
Net carrying value:						
At 31 December 2012	**1,660,940**	**962,366**	**36,138**	**18,393**	**100,290**	**2,778,127**
2011:						
Cost or valuation:						
At 1 January 2011	1,377,713	1,103,305	44,003	32,263	-	2,557,284
Additions	-	30,060	8,072	7,435	1,800	47,367
Write offs	-	(414)	-	(175)	-	(589)
Exchange differences	(10,968)	(6,478)	1,348	(211)	-	(16,309)
At 31 December 2011	1,366,745	1,126,473	53,423	39,312	1,800	2,587,753
Depreciation:						
At 1 January 2011	13,800	132,696	15,959	18,651	-	181,106
Charge for the year	42,271	108,615	8,147	6,050	-	165,083
Write offs	-	-	-	(116)	-	(116)
Exchange differences	(1,402)	(802)	(289)	(159)	-	(2,652)
At 31 December 2011	54,669	240,509	23,817	24,426	-	343,421
Net carrying value:						
At 31 December 2011	**1,312,076**	**885,964**	**29,606**	**14,886**	**1,800**	**2,244,332**

Notes to the Financial Statements

for the year ended 31 December 2012

11 PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Company

2012:	**Leasehold buildings KShs'000**	**Plant and machinery KShs'000**	**Motor vehicles KShs'000**	**Furniture, fittings & equipment KShs'000**	**Construction work in progress KShs'000**	**Total KShs'000**
Cost or valuation:						
At 1 January 2012	689,998	830,892	30,313	24,338	1,614	1,577,155
Additions	-	22,766	-	3,933	150,865	177,564
Transfers	350	54,644	-	-	(54,994)	-
Surplus on revaluation	94,650	(160,094)	(1,676)	1,783	-	(65,337)
At 31 December 2012	784,998	748,208	28,637	30,054	97,485	1,689,382
Depreciation:						
At 1 January 2012	27,600	223,372	18,254	18,228	-	287,454
Charge for the year	13,800	92,865	3,693	2,131	-	112,489
On revaluation	(41,400)	(254,807)	(3,690)	(329)	-	(300,226)
At 31 December 2012	-	61,430	18,257	20,030	-	99,717
Net carrying value:						
At 31 December 2012	**784,998**	**686,778**	**10,380**	**10,024**	**97,485**	**1,589,665**
2011:						
Cost or valuation:						
At 1 January 2011	689,998	803,484	22,243	19,057	-	1,534,782
Additions	-	27,821	8,072	5,456	1,614	42,963
Write offs	-	(414)	-	(175)	-	(589)
At 31 December 2011	689,998	830,891	30,315	24,338	1,614	1,577,156
Depreciation:						
At 1 January 2011	13,800	130,268	15,958	14,034	-	174,060
Charge for the year	13,800	93,104	2,296	4,310	-	113,510
Write offs	-	-	-	(116)	-	(116)
At 31 December 2011	27,600	223,372	18,254	18,228	-	287,454
Net carrying value:						
At 31 December 2011	**662,398**	**607,519**	**12,061**	**6,110**	**1,614**	**1,289,702**

Revaluation

The buildings, plant and machinery of the company and the subsidiary, East African Cables (Tanzania) Limited, were revalued in December 2012 by Lloyd Masika Limited, a firm of independent professional valuers on the basis of open market value for existing use. The increase in net carrying value as a result of the revaluation is dealt with through other comprehensive income.

Security

At 31 December, 2012, property with a carrying amount of KShs 870 million (2011 – KShs 870 million) are subject to a registered debenture to secure a bank loan facility for the company.

The subsidiary has charged property, plant and equipment of KShs 155,502,392.

Notes to the Financial Statements

for the year ended 31 December 2012

		2012 KShs'000	2011 KShs'000
12	**PREPAID OPERATING LEASE RENTALS**		
	Group:		
	Carrying value of leasehold land at 1 January	157,868	159,963
	Amortisation for the year	(4,617)	(4,658)
	Exchange adjustment	(3,369)	2,563
	Balance at 31 December	**149,882**	**157,868**
	Company:		
	Carrying value of leasehold land at 1 January	109,837	113,609
	Amortisation for the year	(3,772)	(3,772)
	Balance at 31 December	**106,065**	**109,837**
13	**INVESTMENT PROPERTIES**		
	Group:		
	At 1 January	178,581	180,502
	Change in fair value	102,430	-
	Exchange differences	4,114	(1,921)
	At 31 December	**285,125**	**178,581**
	Company:		
	At 1 January	60,000	60,000
	Change in fair value	15,000	-
	At 31 December	**75,000**	**60,000**

Investment properties comprise of residential houses that have been leased to third parties and are carried at fair value.
The investment properties of parent company and of the subsidiary, East African Cables (Tanzania) Limited, were revalued in December 2012 by Lloyd Masika Limited, a firm of independent professional valuers on the basis of open market value for existing use. The open market values are the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly. The resulting fair value change is dealt with through profit or loss.

14. INTANGIBLE ASSETS

Computer software:	2012 KShs '000	2011 KShs '000
Group:		
Net carrying value at 1 January	4,747	6,116
Additions during the year	2,691	3,022
Amortisation for the year	(3,376)	(4,417)
Exchange adjustment	7	26
Net carrying value at 31 December	**4,069**	**4,747**
Company:		
Net carrying value at 1 January	3,223	3,107
Additions during the year	2,691	3,022
Amortisation for the year	(2,001)	(2,906)
Net carrying value at 31 December	**3,913**	**3,223**

Notes to the Financial Statements

for the year ended 31 December 2012

		2012 KShs '000	2011 KShs '000
15	**INVESTMENT IN SUBSIDIARY COMPANY**		
	East African Cables (Tanzania) Limited	**115,037**	**115,037**

On 31 October 2005, the Company purchased 51% of the share capital of East African Cables (Tanzania) Limited, a company incorporated in Tanzania.

The company also owns Yana Trading Limited a company incorporated in South Africa which is dormant.
The overall results of operations for the subsidiary, East African Cables (Tanzania) Limited is as follows:

		2012 KShs '000	2011 KShs '000
	Revenue for the year ended 31 December	**1,041,377**	**987,844**
	Profit after tax for the year ended 31 December	**166,564**	**48,164**
16	**INVENTORIES**		
	Group		
	Raw materials	248,815	184,195
	Finished goods	484,168	393,697
	Work in progress	113,301	87,055
	Strategic spares and lubricants	63,912	58,484
	Stationery and printing	1,755	4,487
		911,951	**727,918**
	Company		
	Raw materials	191,861	139,058
	Finished goods	392,439	302,924
	Work in progress	96,869	52,790
	Strategic spares and lubricants	41,002	33,711
	Stationery and printing	1,100	1,429
		723,271	**529,912**
17	**TRADE AND OTHER RECEIVABLES**		
	Group		
	Trade receivables	1,868,065	1,356,889
	Prepaid expenses	4,036	9,436
	Due from related parties (Note 24 (c))	172,846	47,717
	Prepayments	9,803	234,383
		2,054,750	**1,648,425**
	Company		
	Trade receivables	1,247,027	983,913
	Prepaid expenses	2,582	576
	Prepayments	23,913	159,200
	Due from subsidiary (Note 24 (c))	326,276	302,329
	Due from other related parties (Note 24 (c))	153,799	23,466
		1,753,597	**1,469,484**

Notes to the Financial Statements

for the year ended 31 December 2012

18. CAPITAL AND RESERVES

(a) Share capital

	2012		2011	
Group and Company: **Authorised, issued and fully paid:**	**Number of shares (Thousands)**	**KShs'000**	**Number of shares (Thousands)**	**KShs'000**
Ordinary shares of KShs 0.50 each at 1 January	253,125	126,653	202,500	101,250
Bonus shares issued in the year	-	-	50,625	25,313
Ordinary shares of KShs 0.50 each at 31 December	**253,125**	**126,563**	**253,125**	**126,563**

In 2011, the company issued a bonus of 1 ordinary share for every 4 ordinary shares held.

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

(b) Revaluation reserve

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

(c) Foreign currency translation reserve

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

(d) Dividend per share

The directors have proposed the payment of a final dividend of KShs. 0.60 per share in respect of the year ended 31 December 2012. This together with the interim dividend of KShs 0.40 per share already paid brings the total dividend to KShs 1.00 (2011 – KShs 0.80) per share. The dividend will be paid less withholding tax where applicable.

19. BANK FACILITY

	2012 KShs'000	2011 KShs'000
(a) Group		
Bank loan:		
Standard Chartered Bank Kenya Limited	899,408	917,431
Standard Chartered Bank Tanzania Limited	67,075	122,882
Kenya Commercial Bank Tanzania Limited	21,894	28,166
Ecobank Kenya Limited	115,562	83,840
Chase Bank Kenya Limited	25,000	-
	1,128,939	**1,152,319**
Comprising:		
Non-current liability	170,531	150,397
Current liability	958,408	1,001,922
	1,128,939	**1,152,319**

Notes to the Financial Statements

for the year ended 31 December 2012

19. BANK FACILITY (Continued)

(b) Company	2012 KShs'000	2011 KShs'000
Bank loan:		
Standard Chartered Bank Kenya Limited	899,408	917,431
Ecobank Kenya Limited	115,562	83,840
Chase Bank Kenya Limited	25,000	-
	1,039,970	**1,001,271**
Comprising:		
Non current liability	157,108	129,156
Current liability	882,862	872,115
	1,039,970	**1,001,271**

Kenya:

The company entered into a facility with a bank and is secured over certain land and buildings for KShs 870 million and a debenture over all assets of the company for KShs 2.1 billion (2011 - KShs 2.1 billion). The bank facility comprises overdraft, term loan, letters of credit, bonds/guarantee and forex dealing.

Tanzania:

The subsidiary, East African Cables (Tanzania) Limited, has a bank overdraft for working capital management and a short term post-import financing loan with Standard Bank (Tanzania) Limited. The facility is charged against the leasehold land and moveable assets of the subsidiary. The subsidiary also has a long term facility of KShs 44 million equivalent with Kenya Commercial Bank Tanzania Limited for the purchase of machinery. The loan is secured by the machinery purchased.

20. RETIREMENT BENEFITS OBLIGATIONS

2012:	Balance at 1/1/2012 KShs'000	Movement KShs'000	Balance at 31/12/2012 KShs'000
Group			
Staff gratuity	21,730	(7,312)	14,418
Company			
Staff gratuity	12,717	(5,335)	7,382

2011:	Balance at 1/1/2011 KShs'000	Movement KShs'000	Balance at 31/12/2011 KShs'000
Group			
Staff gratuity	19,297	2,433	21,730
Company			
Staff gratuity	10,138	2,579	12,717

The Company operates a defined contribution retirement benefits scheme for its non-unionisable employees. The scheme is administered independently by Eagle Africa Insurance Brokers Limited and is funded by contributions from both the company and the employees. The scheme's funds are managed by Old Mutual Asset Managers (Kenya) Limited. During the year, the company expensed KShs 5,545,280 (2011 – KShs 5,823,000) in contributions payable. The group expensed KShs 10,661,204 (2011 – KShs 11,336,000).

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for the year ended 31 December 2012

20. RETIREMENT BENEFITS OBLIGATIONS (Continued)

Staff affiliated with unions are eligible to a gratuity upon retirement based on 16 days pay if an employee has served 1-5years, 20 days pay if an employee has served 6-10 years and 23 days pay if an employee has served 11 years and above. Gratuity is computed at current salary. A provision is made in the financial statements for the estimated liability of such gratuity payable.

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

21. DEFERRED TAX LIABILITIES

(a) Group

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

	Balance at 1 January	Recognised through statement of comprehensive income	Recognised through equity	Exchange difference	Balance at 31 December
2012:	**KShs'000**	**KShs'000**		**KShs'000**	**KShs'000**
Staff gratuity provision	(6,519)	2,239	-	(46)	(4,326)
Other provisions and accruals	(101,189)	(3,524)	-	(1,718)	(106,431)
Property, plant and equipment	549,788	7,231	147,349	5,271	709,639
Unrealised exchange gain	30,681	(23,873)	-	748	7,556
	472,761	**(17,927)**	**147,349**	**4,255**	**606,438**
2011:					
Staff gratuity provision	(5,789)	(773)	-	43	(6,519)
Other provisions and accruals	(115,344)	13,270	-	885	(101,189)
Tax loss	(18,383)	19,027	-	(644)	-
Property, plant and equipment	583,631	(28,211)	-	(5,632)	549,788
Unrealised exchange gain	6,732	22,471	-	1,478	30,681
	450,847	**25,784**	**-**	**(3,870)**	**472,761**

Notes to the Financial Statements
for the year ended 31 December 2012

21. DEFERRED TAX LIABILITIES (Continued)

(b) Company

Movements during the year are as follows:

2012:	Balance at 1 January KShs'000	Recognised through statement of comprehensive KShs'000	Recognised through equity KShs'000	Balance at 31 December KShs'000
Staff gratuity provision	(3,815)	1,600	-	(2,215)
Other provisions and accruals	(20,635)	(2,887)	-	(23,522)
Unrealised exchange gain	32,157	(24,149)	-	8,008
Property, plant and equipment	276,774	(7,049)	70,467	340,192
	284,481	**(32,485)**	**70,467**	**322,463**
2011:				
Staff gratuity provision	(3,042)	(773)		(3,815)
Other provisions and accruals	(21,433)	798		(20,635)
Unrealised exchange gain	8,209	23,948		32,157
Property, plant and equipment	299,138	(22,364)		276,774
	282,872	**1,609**		**284,481**

22. TRADE AND OTHER PAYABLES

	2012 KShs'000	2011 KShs'000
Group		
Trade payables	1,271,648	689,009
Due to fellow subsidiaries (Note 24 (d))	327	396
Other payables and accrued expenses	77,519	180,928
	1,349,494	**870,333**
Company		
Trade payables	1,016,800	580,079
Other payables and accrued expenses	55,355	23,778
	1,072,155	**603,857**

23. DIVIDEND PAYABLE

The movement in the dividend payable account is as follows:

	Group		Company	
	2012 KShs'000	2011 KShs'000	2012 KShs'000	2011 KShs'000
At beginning of year	70,318	14,901	70,318	14,901
Declared during the year	227,812	278,438	227,812	278,438
Paid during the year	(266,115)	(223,021)	(266,115)	(223,021)
At end of year	**32,015**	**70,318**	**32,015**	**70,318**

Notes to the Financial Statements

for the year ended 31 December 2012

24. RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties:

(a) Directors and executives officers

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

	2012 KShs'000	2011 KShs'000
Directors – Fees	12,405	13,779
– Others	6,744	3,411
Executive officers' remuneration	15,814	10,710
	34,963	**27,900**

(b) Amounts due from the directors

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

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

(c) Due from related parties

Group:
As at 31 December 2012, related parties owed the group Kshs 172,846,000 (2011 – Kshs 47,717,000).

Company:
The subsidiary, East African Cables (Tanzania) Limited owed the company Kshs 326,276,000 as at 31 December 2012 (2011 – Kshs 302,329,000).

Other related parties owed the company Kshs 153,799,000 at the close of the year (2011 – Kshs 23,466,000)

(d) Amounts due to related parties

As at 31 December 2012, the group and company owed other related parties Kshs 327,000 (2011 Kshs 396,000)

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

The company has a secured bank borrowing with a related party of KShs 115,562,315 as at 31 December 2012 (2011 – KShs 83,840,000).

Notes to the Financial Statements

for the year ended 31 December 2012

25. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of profit before tax to cash flow from operating activities	2012 KShs'000	2011 KShs'000
Profit before tax	753,243	464,756
Adjustments for:		
Depreciation	161,988	165,083
Amortisation of prepaid operating lease	4,617	4,658
Amortisation of intangible assets	3,376	4,417
Property, plant and equipment write off	-	473
Fair value gain on investment property	(102,430)	-
Interest expense	49,080	58,516
Net foreign currency changes	(2,668)	350
(Decrease) /Increase in provision for staff gratuity	(7,312)	2,433
Operating profit before working capital changes	**859,894**	**700,686**
Increase in inventories	(184,033)	(65,466)
Increase in trade and other receivables	(406,325)	(559,825)
Increase in trade and other payables	479,161	338,012
Cash generated from operations	**748,697**	**413,407**

(b) Cash and cash equivalents at 31 December	2012 KShs'000	2011 KShs'000	Change in year KShs'000
Bank overdraft	(46,699)	(67,816)	21,117
Cash and bank balances	64,738	31,161	33,577
	18,039	**(36,655)**	**54,694**

26. CONTINGENT LIABILITIES

Claims have been made by certain former employees of the Group and Company resulting from termination of employment. However, in the opinion of the Directors, a significant liability is unlikely to crystallise and cannot be currently established.

Guarantees with the bankers amounted to KShs 161,440,617 as at 31 December 2012 (2011 – KShs 288,880,650). Letters of credit amounted to KShs 1,252,831,654 (2011 – KShs 570,101,710) as at 31 December 2012 whose related liabilities have been accrued in the financial statements as appropriate for the supplies.

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27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Overview

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

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

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

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

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

(a) Credit risk

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

Trade and other receivables

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

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

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

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

	Carrying amount	
	2012 KShs'000	2011 KShs'000
Trade receivables	1,858,065	1,356,889
Cash and cash equivalents	64,738	31,161
	1,922,803	**1,388,050**

Notes to the Financial Statements
for the year ended 31 December 2012

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Short term deposits

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

Impairment losses

The aging of trade receivables at the reporting date was:

	Gross 2012 KShs'000	Allowance for impairment 2012 KShs'000	Net 2012 KShs'000	Gross 2011 KShs'000	Allowance for impairment 2011 KShs'000	Net 2011 KShs'000
Not past due	283,271	-	283,271	308,347	-	308,347
Past due 0-90 Days	621,769	-	621,769	512,761	-	512,761
Past due 90-365 Days	648,138	-	648,138	391,224	-	391,224
More than one year	460,284	(145,397)	314,887	282,015	(137,458)	144,557
	2,013,462	**(145,397)**	**1,868,065**	**1,494,347**	**(137,458)**	**1,356,889**

Based on historic default rates, the Group believes that, apart from the above, no impairment allowance is necessary in respect of trade receivables not past due or past due by up to 60 days as it relates to customers that have a good payment record with the Group.

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2012 KShs'000	2011 KShs'000
Balance at 1 January	137,458	147,121
Impairment loss recognised	6,494	15,444
Impairment loss reversed	-	(30,021)
Exchange differences	1,445	4,914
Balance at 31 December	**145,397**	**137,458**

(b) Liquidity risk

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

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

Notes to the Financial Statements

for the year ended 31 December 2012

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

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

31 December 2012:	Due within 3 months KShs'000	Due between 3-12 months KShs'000	Due between 1-5 years KShs'000	Due after 5 years KShs'000	Total KShs'000
Financial liabilities					
Bank overdraft	(46,699)	-	-		(46,699)
Loans and borrowings	(492,418)	(465,990)	(170,531)		(1,128,939)
Trade payables	(1,271,648)	-	-		(1,271,648)
At 31 December 2012	**(1,810,765)**	**(465,990)**	**(170,531)**		**(2,447,286)**
31 December 2011:					
Financial liabilities					
Bank overdraft	(67,816)	-	-	-	(67,816)
Loans and borrowings	(833,263)	(168,659)	(150,397)	-	(1,152,319)
Trade payables	(689,009)	-	-	-	(689,009)
At 31 December 2011	**(1,590,088)**	**(168,659)**	**(150,397)**	**-**	**(1,909,144)**

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

- KShs 100 million overdraft facility that is secured. Interest is payable at the rate of 14%;
- KShs 1,100 million letter of credit facility for importation of raw copper; and
- USD 7m letter of credit facility for importation of raw aluminium.

(c) Market risk

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

(i) Interest rate risk

The Group's 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 company's business strategies. The company does not have any significant interest rate risk exposures.

Notes to the Financial Statements

for the year ended 31 December 2012

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

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

At 31 December 2012	**Average effective interest rate**	**Due within 3months KShs '000**	**Due between 3 and 12 months KShs '000**	**Due between 1 and 5 years KShs '000**	**Non interest bearing KShs '000**	**Total KShs'000**
Bank overdraft	8.00%	(46,699)				(46,699)
Bank loans and borrowings	14.00%	(492,418)	(465,990)	(170,531)	-	(1,128,939)
On statement of financial position interest sensitivity gap		**(539,117)**	**(465,990)**	**(170,531)**		**(1,175,638)**
At 31 December 2011						
Bank overdraft	8.00%	(67,816)	-	-	-	(67,816)
Bank loans and borrowings	14.00%	(820,734)	(168,659)	(162,926)	-	(1,152,319)
On statement of financial position interest sensitivity gap		**(888,550)**	**(168,659)**	**(162,926)**	**-**	**(1,220,135)**

(ii) Currency risk

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

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

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

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

Notes to the Financial Statements

for the year ended 31 December 2012

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

	2012 KShs'000	2011 KShs'000
Financial assets		
Cash and cash equivalents	6,717	1,156
Trade receivables	340,888	823,228
Financial liabilities		
Bank overdraft	(44,620)	(53,304)
Bank loan	(803,214)	(866,224)
Trade payables	(1,098,143)	(649,529)
Net exposure	**(1,598,372**	**(744,673)**

The following significant exchange rates applied during the year:

	Closing rate		Average rate	
	2012 KShs	2011 KShs	2012 KShs	2011 KShs
USD	86.06	85.07	84.65	88.73

Sensitivity analysis

A 10 percent strengthening/weakening of the Kenya shilling against the following currencies would have increased profit or loss by amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2011:

	Profit or loss KShs'000
At 31 December 2012:	
USD	185,677
At 31 December 2011:	
USD	74,467

(d) Capital risk management

The group's objectives when managing capital are to safeguard the group'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 payout to its shareholders.

Notes to the Financial Statements

for the year ended 31 December 2012

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

The group monitors 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 statement of financial position plus net debt. The gearing ratio at end of the reporting period was as follows:

	2012 KShs'000	2011 KShs'000
Borrowings		
Bank loans	1,128,939	1,152,319
Bank overdraft	46,699	67,816
Cash and bank balances	(64,738)	(31,161)
Net debt	**1,110,900**	**1,188,974**
Total equity	**2,322,715**	**1,848,841**
Gearing ratio	**48%**	**64%**

The group has consistently maintained a strong credit rating of BBB+ on long-term borrowing and A2 on short term borrowing.

Notes to the Financial Statements

for the year ended 31 December 2012

28. SEGMENTAL REPORTING

	Kenya		Uganda		Tanzania		Consolidated	
	2012 KShs '000	2011 KShs '000	2012 KShs '000	2011 KShs '000	2012 KShs '000	2011 KShs '000	2012 KShs '000	2011 KShs '000
External sales	3,328,671	4,048,031	-	23,325	1,041,377	987,844	4,370,048	5,059,200
Inter-segment sales	(66,682)	(32,243)	-	-	(2,758)	(55,292)	(69,440)	(87,535)
Total sales	**3,261,989**	**4,015,788**	**-**	**23,325**	**1,038,619**	**932,552**	**4,300,608**	**4,971,665**
Segment profit from operations	528,726	482,381	(1,276)	(1,862)	246,919	96,382	774,369	576,901
Net finance income/(costs)	(10,266)	(89,204)	(383)	829	(10,477)	(23,770)	(21,126)	(112,145)
Income tax expense	(157,506)	(125,578)		-	(69,622)	(24,448)	(231,183)	(150,026)
Profit for the year	**360,954**	**267,599**	**(1,659)**	**(1,033)**	**166,620**	**48,164**	**522,060**	**314,730**
Attributable to:								
Equity holders of parent								
- Company	360,954	267,599	(1,659)	(1,033)	-	8,993	355,080	275,559
- Subsidiary		-		-	85,292	16,005	85,292	16,005
	360,954	267,599	(1,659)	(1,033)	85,292	24,998	440,732	291,564
Non-controlling interest		-		-	81,328	23,166	81,328	23,166
Profit for the year	**360,954**	**267,599**	**(1,659)**	**(1,033)**	**166,620**	**48,164**	**522,060**	**314,730**
Other information:								
Additions to property, plant and equipment	177,564	42,963	-	-	7,751	4,404	185,314	47,367
Additions to intangible assets	2,691	3,022	-	-	-	-	2,691	3,022
Segment assets	3,994,783	3,212,634	17,626	20,847	2,236,233	1,759,551	6,248,642	4,993,032
Segment liabilities	2,235,651	1,673,709	27,223	29,347	1,060,739	1,016,144	3,323,613	2,719,200
Capital expenditure	180,255	45,985	-	-	7,751	4,404	188,006	50,389
Depreciation expense	112,489	113,510	-	-	49,498	51,573	161,988	165,083
Amortisation of operating leases	3,772	3,772	-	-	845	887	4,617	4,658
Amortisation of intangible assets	2,001	2,906	-	-	1,375	1,511	3,376	4,417

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period. Segment revenue is based on the geographical location of both customers and assets. The Tanzanian operation was acquired on 27 October 2005 and the company also set up a branch in Uganda in June 2006.

Notes to the Financial Statements

for the year ended 31 December 2012

29. CAPITAL COMMITMENTS

	2012 KShs '000	2011 KShs '000
Authorised and contracted for	**250,000**	**127,319**

30. ULTIMATE HOLDING COMPANY

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

Company Statement of Comprehensive Income

for the year ended 31 December 2012

	2012 KShs'000	2011 KShs'000
Revenue	**3,328,671**	**4,051,796**
Cost of sales	(2,324,055)	(3,025,349)
Gross profit	**1,004,616**	**1,026,447**
Other income	18,135	1,270
Factory expenses	(115,426)	(156,327)
Administrative expenses	(169,186)	(181,996)
Distribution costs	(91,582)	(87,802)
Profit before depreciation and finance costs	**646,557**	**601,592**
Depreciation and amortisation	(118,262)	(120,188)
Results from operating activities	**528,295**	**481,404**
Finance income	32,496	-
Finance cost	(39,843)	(80,267)
Net finance cost	(7,347)	(80,267)
Profit before income tax	**520,948**	**401,137**
Income tax expense	(157,506)	(125,578)
Profit for the year	**363,442**	**275,559**
Other comprehensive income		
Revaluation of property, plant and equipment	234,889	-
Deferred tax on revaluation surplus	(70,467)	-
Foreign currency translation on foreign operations	563	278
Total other comprehensive income	164,985	278
Total comprehensive income for the year	**528,427**	**275,837**

Five Year Financial Record

for the year ended 31 December 2012

	2008 Consolidated KShs'000	2009 Consolidated KShs'000	2010 Consolidated KShs'000	2011 Consolidated KShs'000	2012 Consolidated KShs'000
Sales	3,929,312	2,811,861	3,604,366	4,971,665	4,300,608
Profit before tax	669,927	526,444	258,645	464,756	753,243
Tax	(207,167)	(230,411)	(74,795)	(150,026)	(231,183)
Profit after tax	462,760	296,033	183,850	314,730	522,060
Non-controlling interest	(70,518)	12,031	42,361	(23,166)	(81,328)
Profit attributable to parent company shareholders	392,242	308,064	226,211	291,564	440,732
Dividends	(202,500)	(202,500)	(202,500)	(202,500)	(253,125)
Retained profit	189,742	105,564	23,711	89,064	187,607
Earnings per share (KShs) - Restated	1.55	1.22	0.89	1.15	1.74
Dividend per share (KShs)	1.00	1.00	1.00	0.80	1.00
Statement of Financial Position					
Non-current assets	1,070,195	1,844,227	2,722,759	2,585,528	3,217,203
Current assets	1,973,398	1,699,156	1,795,686	2,407,504	3,031,439
TOTAL ASSETS	**3,043,593**	**3,543,383**	**4,518,445**	**4,993,032**	**6,248,642**
Equity and liabilities					
Share capital	101,250	101,250	101,250	126,563	126,563
Reserves	1,053,870	1,387,460	1,758,041	1,745,854	2,214,685
Exchange differences	(6,700)	1,701	(22,885)	(23,576)	(18,533)
Non-controlling interest	218,419	170,369	409,903	424,991	602,314
Total equity	**1,366,839**	**1,660,780**	**2,246,309**	**2,273,832**	**2,925,029**
Non-current liabilities	**488,078**	**635,519**	**872,774**	**644,888**	**791,387**
Current liabilities	**1,188,676**	**1,247,084**	**1,399,362**	**2,074,312**	**2,532,226**
TOTAL EQUITY AND LIABILITIES	**3,043,593**	**3,543,383**	**4,518,445**	**4,993,032**	**6,248,642**

Notes

Notes

Proxy Form

To:

The Company Secretary
East African Cables Limited
P.O. Box 61120 – 00200, City Square
Nairobi, Kenya

PROXY FORM

I/We ____
of ____
Being a member (s) of East African Ltd, hereby appoint ____
of ____
or failing him/her____
of ____

To vote for me/us/on my/our behalf at the 48th Annual General Meeting of the said company to be held at 11:00 a.m. on Thursday 25 April 2013 and at the adjournment thereof:

Signed this ______________________day of ______________________2013.

Signature (s)____

Note: In the case of a Corporation, the proxy must be executed under the Common Seal or under the hands of an officer or Attorney duly authorised in writing.

Hati ya Uwakilishi

Mimi/Sisi ____
wa ____
Nikiwa/tukiwa/mwanachama wa Kampuni hii ya East African Cables Ltd., namchagua/tunamchagua ______________________
______________________wa ______________________
au akikosa yeye/wakikosa wao ____

Kupiga kura kwa niaba yangu/yetu katika Mkutano Mkuu wa mwaka wa 48 wa kampuni hii, utakaofanyika saa tano asubuhi Alhamisi Aprili 25, 2013 ama siku nyingine ikiwa Mkutano huo utaahirishwa.

Hati hii imetiwa sahihi hivi leo tarehe ______________________mwezi wa______________________ 2013

Sahihi____

Tazama: Ikiwa ni kampuni ndiyo inayowakilishwa hati hii ya uwakilishi lazima ikamilishwe kwa kuwekwa muhuri maalum au kutiwa sahihi kwa niaba yake na wakili ama afisa anaye ruhusiwa wa shirika hilo.

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Connecting lives

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