



East African Cables
Connecting lives

2013 Annual Report
and 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.



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Notice of the Annual General Meeting

Notice is hereby given that the forty ninth Annual General Meeting of the shareholders will be held at East African Cables Limited premises on Addis Ababa Road, off Enterprise Road, Industrial Area, Nairobi, on Thursday, 24th April, 2014 at 11.00 a.m. 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, 2013 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, 2013.
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 Mr. P.T. Kanyago and Mr. Z. G. Mbugua retire by rotation and being eligible offer themselves for re-election at the forth coming Annual General Meeting.
 - (ii) Amb. Dennis Awori who was appointed as a director of the Company with effect from 1st July, 2013, retires in accordance with the Company's Articles of Association and being eligible, offers himself for re-election.
 - (iii) Mr. Bruno Thomas who is over the age of 70 years retires as a director of the Company in line with section 186 of the Companies Act Cap 486. The Board proposes for his re-appointment to the Board under section 186(5) the Companies Act.
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.

BY ORDER OF THE BOARD

Virginia Ndunge

Company Secretary
P.O. Box 40111-00100 GPO
Nairobi

17th March, 2014

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 tisa wa mwaka, wa wenye hisa, utafanyika katika majengo ya kiwanda cha East African Cables, yaliyopo Addis Ababa road, eneo la viwandani, Nairobi, Alhamisi, tarehe 24 Aprili 2014 kuanzia saa tano asubuhi, kujadili mambo yafuatayo:

SHUGHULI ZA KAWAIDA

1. Kupokea, na iwapo itakubaliwa, kuidhinisha ripoti iliyokaguliwa ya mahesabu ya kampuni ya kipindi cha matumizi ya pesa kilichoisha tarehe 31 Desemba 2013, pamoja na ripoti ya Mwenyekiti, Wakurugenzi na Wakaguzi wa mahesabu, zitakazofuatia.
2. Kuidhinisha ujira wa Wakurugenzi kama ilivyopendekezwa katika mahesabu ya kipindi cha matumizi ya pesa kilichoisha tarehe 31 Desemba 2013.
3. Kuidhinisha kulipwa kwa 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, Bw P.T. Kanyago na Bw Z. G. Mbugua wanafaa kustaafu kwa zamu, na kwa kuwa wangali wanastahiki, wamejitolea kuchaguliwa upya katika mkutano huu mkuu wa mwaka.
 - (ii) Balozi Dennis Awori ambaye aliteuliwa kama mkurugenzi katika kampuni hii kuanzia tarehe 1 Julai 2013, anafaa kustaafu kwa mujibu wa kanuni za kampuni lakini kwa kuwa anastahiki, amejitolea achaguliwe tena.
 - (iii) Bw Bruno Thomas ambaye ana zaidi ya miaka 70 anafaa kustaafu kulingana na kifungu cha 186 cha sheria za kampuni. Bodi ya wakurugenzi hata hivyo inapendekeza kuchaguliwa kwake tena katika bodi hiyo kulingana na kifungu cha 186(5) cha sheria za kampuni.
5. Kuteua wakaguzi wa mahesabu wa mwakani na kuwapa idhini wakurugenzi kuweka ujira wao.
6. Kushughulikia jambo jingine lolote linaloweza kushughulikiwa katika mkutano mkuu wa mwaka.

KWA AMRI YA HALMASHAURI

Virginia Ndunge

Katibu
P.O Box 40111 - 00100 GPO
Nairobi

17th March, 2014

Jambo Muhimu:

Mwanachama mwenye haki ya kuhudhuria mkutano huu na kupiga kura ana haki pia ya kuteua mwakilishi wake ili kuhudhuria mkutano na kupiga kura kwa niaba yake. Si lazima mwakilishi huyo 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.

Report of the Directors

Ripoti ya Wakurugenzi

The directors have pleasure in submitting their report together with the audited financial statements for the year ended 31 December 2013, 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	585,400
Income tax expense	(187,198)
Profit for the year	<u>398,202</u>

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

3. DIVIDENDS

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 (2012 – KShs 1.00 amounting to KShs 253,125,000).

4. DIRECTORS

The directors who served since 1 January 2013 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.

BY ORDER OF THE BOARD

Virginia Ndunge

Secretary

Date: 17 March 2014

Wakurugenzi wana furaha kuwasilisha ripoti yao pamoja na taarifa za ukaguzi wa mahesabu za kipindi cha matumizi ya pesa kilichoisha tarehe 31 Desemba 2013, 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	585,400
Matumizi ya pato la ushuru	(187,198)
Faida ya mwaka	<u>398,202</u>

Matokeo ya mwaka yameainishwa katika ukurasa wa 28.

3. GAWIO

Wakurugenzi wanapendekeza malipo ya gawio la mwisho la senti sitini (0.60) kwa kila hisa ambalo ni jumla ya shilingi 151,875,000. Gawio hili, pamoja na lile la muda la senti arobaini (0.40) kwa kila hisa na ambalo ni jumla ya shilingi 101,250,000, ambalo tayari limelipwa, linafikisha jumla ya shilingi moja (1.00) kwa gawio la kila hisa, hii ikiwa ni shilingi 253,125,000 (2012 – Shilingi moja (1.00) ambayo ni jumla ya shilingi 253,125,000).

4. WAKURUGENZI

Wakurugenzi waliohudumu tangu tarehe moja, mwezi Januari mwaka wa 2013 wameorodheshwa katika ukurasa wa 6 na 7.

5. WAKAGUZI WA MAHESABU

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

6. KUIDHINISHWA KWA TAARIFA ZA KIFEDHA

Taarifa za kifedha ziliidhinishwa katika mkutano wa wakurugenzi uliofanyika tarehe 17 Machi, 2014.

KWA AMRI YA HALMASHAURI

Virginia Ndunge

Katibu

Tarehe: 17 Machi 2014

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, five non-executive directors and the Managing Director George Mwangi. The directors' biographies appear on pages 6 and 7. All non-executive directors are 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 re-appointment in accordance with company's Articles of Association which requires that one third of the longest serving directors (since their last election) retire by rotation every year and if eligible their names are submitted for re-election at the Annual General meeting.

The composition of the board and attendance during the year is as shown below.

Member	Attendance
Z G Mbugua	7 / 7
G Kiuna	5 / 7
P T Kanyago	7 / 7
M G Waweru	7 / 7
J B Thomas	6 / 7
D Awori	3 / 7
G C Mwangi	7 / 7
V Ndunge	7 / 7

Note: Amb. D Awori was appointed on 1st July 2013.

COMMITTEES OF THE BOARD

The following standing committees assist the Board in the discharge of its duties. These committees meet regularly 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 international financial reporting, compliance with listing obligations, liaison with both internal and external auditors, remuneration of auditors and maintaining oversight on internal control systems. Other responsibilities are to receive and review 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 audit committee is comprised of members who are well experienced in financial matters including reporting and risk management. The members of the audit committee, together with a record of their attendance at scheduled meetings during the year are set out in the table below.

Member	Attendance
M G Waweru	8 / 8
P T Kanyago	6 / 8
G C Mwangi	7 / 8
G Njue	7 / 8

Human Resource Committee

This 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 meets quarterly or as required. Its membership and attendance during the year is as shown in the table below.

Member	Attendance
P T Kanyago	2 / 2
Z G Mbugua	2 / 2
G Kiuna	1 / 2
G C Mwangi	2 / 2

Strategy Committee

Membership of this committee comprises of all the non-executive directors of the company and Mr. G. Njoroge, a non-executive director of East African Cables (Tz) Ltd who was appointed to the committee in order to benefit from his expertise in the electrical business.

Corporate Governance

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's attendance during the year is as shown below.

Strategy Committee	Attendance
Z G Mbugua	2 / 2
G Kiuna	2 / 2
P T Kanyago	2 / 2
M G Waweru	2 / 2
G M Njoroge	2 / 2
J B Thomas	2 / 2
D Awori	2 / 2
G C Mwangi	2 / 2

The Managing Director is a member of 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 website updates, publication and distribution of its Annual Report and release of notices in the national press. The publications in the local dailies related to interim and year end results, interim dividend payment and dematerialization of securities. The company also holds statutory meetings as required.

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

DIRECTORS' LOANS

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

DIRECTORS' REMUNERATION

The aggregate amount of emoluments paid to the directors for services rendered during the financial year ended 2013 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 arm's 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

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 2013 were as follows:

Directors' interest

Name of Director	No. of shares
Mr. Z.G. Mbugua	763,900
Mr. M.G. Waweru	747,700
Mr. G.C. Mwangi	137,195
Mr. P.T. Kanyago	3,750

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	2,269,400	0.90
6. Patrick Njogu Kariuki	1,892,600	0.75
7. Standard Chartered Nominees Non-Res A/c 9537	1,659,075	0.66
8. Jitendra Chandubhai Patel & Kirankumar Chandubhai Patel	1,419,462	0.56
9. Chase Bank (Kenya) Limited	1,112,500	0.44
10. Mbogori Holdings Limited	1,000,000	0.40
11. Others	60,337,977	23.82
Total	253,125,000	100.00

Distribution of Shareholding

Shares range	No. of Shareholders	No. of Shares held	%shareholding
1 - 500	6,578	1,442,672	0.57
501 - 5,000	6,859	11,208,165	4.43
5,001 - 10,000	654	4,610,720	1.82
10,001 - 100,000	774	20,646,441	8.16
100,001 - 1,000,000	87	23,429,979	9.26
Above 1,000,000	11	191,787,023	75.76
Total	14,963	253,125,000	100.00

Shareholder analysis by domicile

Domicile	No. of Shareholders	No. of Shares held	%shareholding
Local institutions	983	193,398,156	76.41
Local individuals	13,874	55,090,276	21.76
Foreign institutions	13	3,018,908	1.19
Foreign individuals	93	1,617,660	0.64
Total	14,963	253,125,000	100.00

Utawala wa Shirika

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

HALMASHAURI YA WAKURUGENZI

Halmashauri hii inajumuisha Mwenyekiti Z. G. Mbugua, wakurugenzi tano wasio watendaji na Mkurugenzi Mkuu, Bwana George Mwangi. Wasifu wa wakurugenzi hawa unapatikana katika ukurasa wa 6 na 7. Wakurugenzi wote wasio watendaji wako huru dhidi ya kuingiliwa kati na usimamizi, pamoja na kuwa wana maarifa mengi, utaalamu na tajiriba pana, ambayo ni mwafaka katika uongozi bora wenye kuifaa shughuli ya kampuni.

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

Wakurugenzi wote wasio watendaji huteuliwa tena upya baada ya kipindi fulani, kwa mujibu wa kanuni za kampuni zinazohitaji kuwa thuluthi moja ya wakurugenzi waliowahi kuhudumu kwa muda mrefu zaidi (tangu uchaguzi wao uliopita) wastaafu kwa awamu kila mwaka, na ikiwa bado wanafaa, majina yao yawasilishwe katika mkutano mkuu wa mwaka ili wachaguliwe upya. Hili hapa jedwali linaloonesha walio kwenye bodi hii na jinsi walivyohudhuria mikutano katika mwaka unaoangaziwa.

Member	Attendance
Z G Mbugua	7 / 7
G Kiuna	5 / 7
P T Kanyago	7 / 7
M G Waweru	7 / 7
J B Thomas	6 / 7
D Awori	3 / 7
G C Mwangi	7 / 7
V Ndunge	7 / 7

Jambo Muhimu: Balozi D Awori aliteuliwa tarehe 1 Julai 2013.

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. Wanachama wake ni 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 kimataifa vya uripoti wa kifedha, kutimiza majukumu ya usajili, ushirikiano na wahasibu wengine wa ndani na nje ya shirika, kuwalipa ujira wahasibu wasio wa kampuni na kudumisha uangalizi wa mfumo wa udhibiti wa mambo ya ndani. Majukumu mengine ni kupokea na kuhakiki 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 ina wanachama ambao wana tajiriba pana katika masuala ya kifedha ikiwemo uripoti na udhibiti wa hatari. Wanachama wa kamati ya ukaguzi wa mahesabu, wameorodheshwa katika jedwali lifuatalo, pamoja na jinsi walivyohudhuria mikutano mwakani.

Member	Attendance
M G Waweru	8 / 8
P T Kanyago	6 / 8
G C Mwangi	7 / 8
G Njue	7 / 8

Kamati ya Wafanyakazi

Kamati hii ina wajibu wa kuchunguza na kutathmini utendaji kazi wa wasimamizi, na pia kuchunguza upya sera zote za utendaji kazi na kutoa uamuzi kuhusu ujira wa wasimamizi wakuu. Kamati hii hukutana mara nne kwa mwaka kama inavyohitajika. Wanachama wake wameorodheshwa katika jedwali lifuatalo, ikiwa ni pamoja na jinsi walivyohudhuria mikutano katika mwaka unaoangaziwa.

Member	Attendance
P T Kanyago	2 / 2
Z G Mbugua	2 / 2
G Kiuna	1 / 2
G C Mwangi	2 / 2

Kamati ya Mikakati

Uanachama wa hii kamati unawajumuisha wakurugenzi wote wasio watendaji katika kampuni, na Bw G. Njoroge, mkurugenzi asiye mtendaji, wa East African Cables (Tz) Ltd ambaye aliteuliwa kwenye kamati ili kuinufaisha kutokana na maarifa yake katika masuala ya umeme.

Jukumu kubwa la kamati hii ni kupanga mikakati ya kampuni na kuhakikisha utekelezaji wa maamuzi ya kimkakati ya halmashauri, ambayo ni pamoja

Utawala wa Shirika

na upanuzi wa bidhaa na maeneo ya mauzo, ubia wa kimkakati na kuhakiki mapendekezo yanayohusu matumizi ya mtaji. Kamati hii ilikutana mara mbili mwaka huu. Wanachama wake wameorodheshwa katika jedwali lifuatalo, ikiwa ni pamoja na jinsi walivyohudhuria mikutano katika mwaka unaoangaziwa.

Strategy Committee	Attendance
Z G Mbugua	2 / 2
G Kiuna	2 / 2
P T Kanyago	2 / 2
M G Waweru	2 / 2
G M Njoroge	2 / 2
J B Thomas	2 / 2
D Awori	2 / 2
G C Mwangi	2 / 2

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 baada ya miezi mitatu.

MAWASILIANO NA WABIA

Kampuni hii imejitolea kuhakikisha kuwa wabia na masoko ya fedha yanapata habari kamili kuhusu utendaji wake, kwa wakati ufao. Katika mwaka huu, kampuni hii ilitimiza lengo hili kupitia utoaji wa taarifa za mara kwa mara kwenye mtandao wetu, uchapishaji na ugawaji wa ripoti ya kampuni ya kila mwaka na utoaji wa matangazo kupitia magazeti ya kitaifa. Machapisho kwenye magazeti yalikusiana na matokeo ya muda na yale ya mwisho wa mwaka, malipo ya gawio la muda pamoja na kubadilisha mfumo wa hisa na kuwa wa kielektroniki. Kampuni hii vilevile hufanya mikutano ya mara kwa mara kama inavyohitajika.

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 za 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 2013 yamefafanuliwa katika kijeledi 24 katika taarifa za kifedha. Sio mwishoni mwa kipindi hiki cha matumizi ya pesa au wakati wowote ule mwakani kulipotokea mpango wowote unaoishirikisha kampuni, ambapo wakurugenzi waliweza kujipa faida kwa kumiliki hisa za kampuni.

Uendeshaji wa shughuli zote za kibiashara na wakurugenzi au wadau husika unafanywa kwa uwazi. Shughuli hizo zimefafanuliwa katika kijeledi 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 katika kuafikia malengo ya shirika. Hivyo basi, halmashauri hii imeweka taratibu za kutambua, kutathmini, kudhibiti na kuchunguza hatari ili kuhakikisha kwamba hatari za kukosa kufikia malengo ya kibiashara zimepunguzwa. Kampuni vilevile ina taratibu bainifu na mikakati ya udhibiti wa kifedha, ili kuhakikisha utoaji wa ripoti kamili za uhasibu 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 ushwari wa utendakazi wa mifumo ya udhibiti wa mambo ya ndani, halmashauri ya wakurugenzi hutilia maanani matokeo ya kazi zote zilizotekelezwa katika kuhakiki na kuchunguza shughuli za kampuni.

Mfumo kuhusu uwajibikaji wa 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 kujengaa kampuni inayounga mkono usawa wa wafanyakazi wote pamoja na kuwa limejitolea kumaliza kabisa aina yoyote ya ubaguzi kazini. Desturi yetu ni kutimiza sheria zote zinazopiga marufuku ubaguzi.

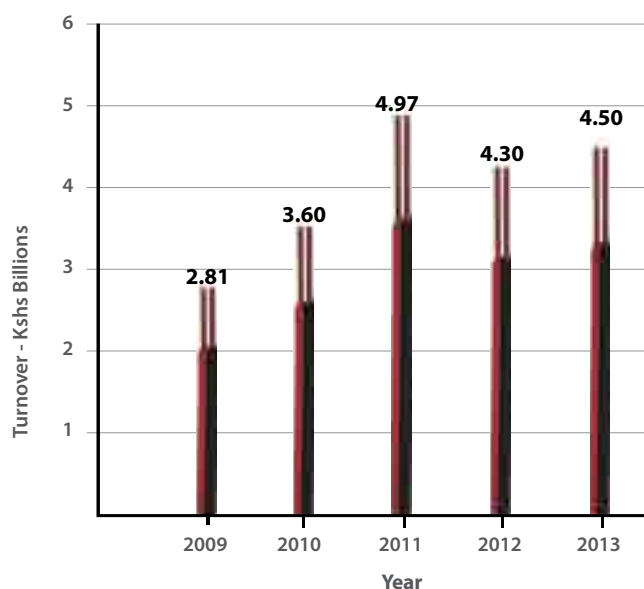
MAADILI YA KIBIASHARA

Wakurugenzi hutilia maanani zaidi umuhimu wa kuendesha biashara na utendakazi wa kampuni kwa uadilifu mkubwa na kwa mujibu wa sera bora za utawala wa shirika kama ilivyoainishwa kwenye Mwongozo wa Mamlaka ya Masoko ya Mtaji kwa kampuni zilizoratibiwa 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 walifanyalo liwe ni kwa nia njema na lenye kuinufaisha kampuni. Kampuni hii imezindua na kutekeleza kanuni ya maadili inayotoa miongozo na sheria ambazo zinaegemea sera nzuri za utawala kama vile:

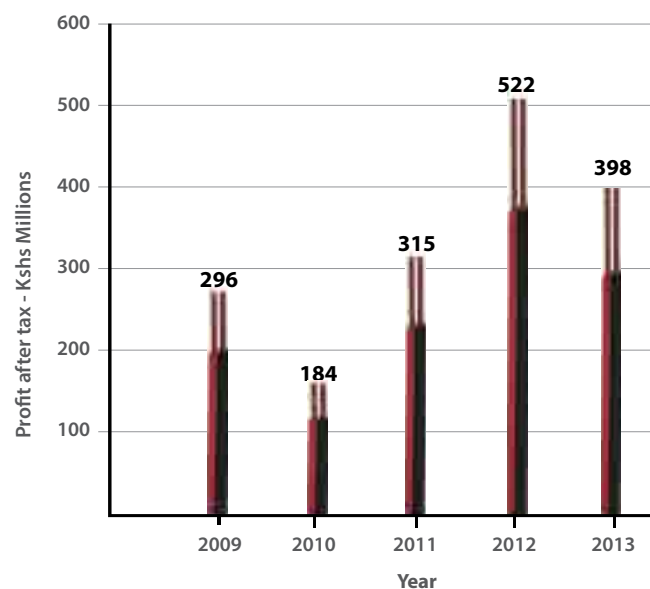
- Kutimiza sheria kikamilifu
- Kutumia njia bora zaidi za uhasibu
- Usalama wa washikadau wote
- Ubora wa bidhaa na kuwaangazia wateja
- Kutunza mazingira yetu
- Kutumia njia bora zaidi za kuendesha biashara
- Ushindani wa haki

Comparative Results

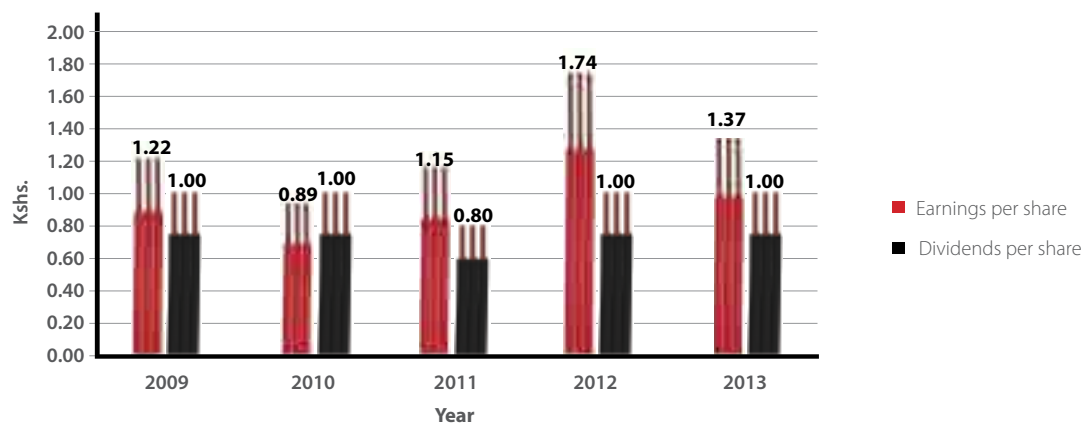
SALES TRENDS



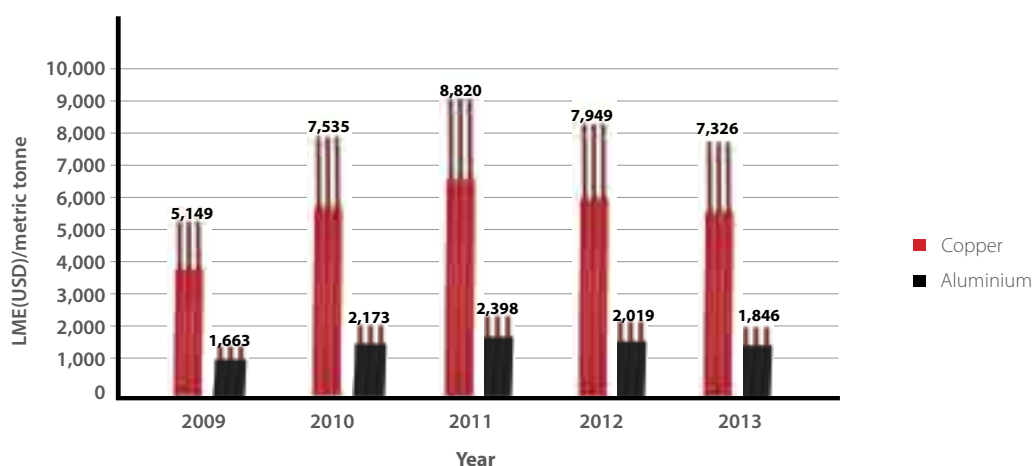
PROFIT AFTER TAX



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 61 which comprise the statements of financial positions of the group and of the company as at 31 December 2013, 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 17 March 2014 and were signed on its behalf by:



Director



Director

Taarifa ya Majukumu ya Wakurugenzi

Wakurugenzi wanahusika katika kuandaa na kuwasilisha taarifa za kifedha za kampuni ya East African Cables Limited na matawi yake kama ilivyoainishwa katika ukurasa wa 28 hadi 61 ambazo zinajumuisha taarifa za matokeo ya kifedha za shirika na kampuni kufikia tarehe 31 Desemba 2013, na taarifa kamilifu za mapato ya shirika; taarifa za shirika, na kampuni, kuhusu mabadiliko katika usawa na vilevile taarifa za shirika kuhusu mapato na matumizi ya pesa za mwaka huo uliomalizika na vilevile ufupisho wa sera muhimu za uhasibu na taarifa nyingine zilizoolezewa.

Majukumu ya wakurugenzi ni pamoja na: kuamua kuwa misingi ya uhasibu ilivyoolezewa katika kijeledi 2 ni yenye kukubalika katika kuandaa na kuwasilisha taarifa za kifedha katika hali hizo; kuandaa na kuwasilisha taarifa za kifedha kwa mujibu wa Viwango vya Kimataifa vya Uripoti wa Kifedha (IFRS, na katika hali inayokubaliwa na Sheria za Kampuni za Kenya. Kwa sababu hiyo, jinsi wakurugenzi watakavyoamua kuhusu udhibiti wa ndani ni muhimu katika kuwezesha kuandaliwa kwa taarifa za kifedha ambazo hazina makosa; aidha ya ulaghai au kasoro.

Chini ya Sheria za Kampuni za Kenya, Wakurugenzi wanahitajika kuandaa taarifa za kifedha za kila mwaka zinazobaini ukweli na mtazamo wa haki wa mambo katika shirika na kampuni kufikia mwisho wa kipindi cha matumizi ya pesa mwaka huo, na zile za matokeo ya utendaji wa shirika mwaka huo. Vilevile, sheria hizo zinawahitaji Wakurugenzi kuhakikisha kuwa kampuni na matawi yake inadumisha rekodi sawa za uhasibu, ambayo inaweka wazi kabisa hali ya kifedha ya shirika na kampuni.

Wakurugenzi huziwajibikia taarifa za kifedha za kila mwaka, ambazo zimeandaliwa kutumia sera mwafaka za uhasibu na kudhibitiwa na maamuzi bora na yenye kufaa pamoja na ukadiriaji, ambao unakubalika na Viwango vya Kimataifa vya Uripoti wa Kifedha na kwa mujibu wa sheria za kampuni za Kenya. Maoni ya Wakurugenzi ni 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 wanawajibika kuhusiana na uhifadhi wa 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 faida, na hawana budi kuamini kuwa kampuni na matawi yake kwa jumla haitakosa kujimudu kwa takriban miezi kumi na miwili ijayo tangu kutolewa kwa taarifa hii.

KUIDHINISHWA KWA TAARIFA ZA KIFEDHA

Taarifa za kifedha, kama ilivyoolezewa hapo juu, ziliidhinishwa na halmashauri ya wakurugenzi tarehe 17 Machi, 2014 na kutiwa sahihi kwa niaba yake na:



Mkurugenzi



Mkurugenzi

Chairman's Statement

As expected in an election year, 2013 was challenging on most business fronts and we were no exception. The Kenyan macro-economic environment at the beginning of the year was subdued and so was our performance during that period.

However after the long electioneering period and the March 2013 General election, the economy was back on recovery path, albeit slowly as the new government structure settled in. I commend all Kenyans for a very peaceful general election which strengthened the confidence of both local and international investors in our country.

On a global arena, the market prices for our primary raw materials, Copper and Aluminium, decreased by 8% and 9% respectively thereby shrinking our revenues though positively making our products more affordable to our customers.

Positively, economic growth in the five East African countries averaged at just about 5.5% largely supported by stable exchange rates, declining interest rates and tamed inflation. Southern Sudan, an emerging market with growing demand for construction materials from Kenya faced a set-back due to the political instability witnessed towards end of the year and had a negative impact on our exports.

PERFORMANCE

In spite of the above, the company recorded 5% growth in turnover to close at Kshs 4.5 billion from Kshs 4.3 billion recorded the previous year. As a result of the slow business activity in Kenya within the first half of the year, the company shifted focus to exports. Export business has lower margins, the effect of which was a reduction in earnings per share. On a positive note, this served to strengthen our presence in the market and serves as a platform to better our returns in coming years.

OUR MARKET

The regional economies have continued to draw a lot of interest due to expansion in economic activities fueled by mining and infrastructure development. We have kept the pace in our quest to support this growth. We therefore continue enhancing our relationship with key stakeholders on one hand and to widen our market coverage by opening new retail and distribution outlets in key locations both locally and across the region.

We also note with appreciation, on-going programs by regional governments to rehabilitate existing grid, increase new connections and enhance power generation capacity. These initiatives have undoubtedly created more demand for our products. The government

of Kenya set out to increase power generation capacity from the current 1,664MW to 5,108MW by 2017 in line with Vision 2030 national development goals. The capacity will be developed from Geothermal, Liquefied Natural gas, Wind and Coal sources.

Across the border in Tanzania, the government has also outlined the 2012-2016 strategic plan seeking to double power generation capacity from 1,100MW to 2,780MW. In Uganda, the government through the National Planning Authority has also identified key projects for funding to boost economic growth. In addition, emerging Oil, Gas and Coal finds in the region have also created a lot of international interest in the region, which can only lead to increased business activity and economic growth.

In order to ably participate in these development programs, we continue to expand our capacity. We have already acquired prime industrial land next to our existing facilities to serve as an expansion platform for our manufacturing operations. Extensive refurbishment of our backbone factory in Kitui Road is also underway including installation of more modern and efficient machinery. Once complete, these facilities will increase our capacity to serve the region better within shorter lead times and also expand our product offerings.

DIVIDEND

Our overall objective is to provide investors with sustainable returns and 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 (2012 – Kshs 1.00 per share). The final dividend will be paid less withholding tax where applicable on or about 16th June 2014 to members on the register at the close of business on 9th May 2014.

KEY REGULATORY HIGHLIGHTS

Unclaimed financial assets

Last year, the members present in the Annual General Meeting passed a special resolution to amend our articles of association in line with the new regulatory framework on unclaimed financial assets. We are obligated by law to surrender any unclaimed dividends to the Unclaimed Financial Assets Authority. I would like to request any shareholder who has not received any/all of their dividends to contact our share registrar as soon as possible in order to claim their earnings. Once we surrender these assets to the Authority, we will no longer be liable to the affected shareholders.

Chairman's Statement

Dematerialization of securities

Arising from the enforcement of CDSC Act, 2000 on dematerialization, the company's shares were declared dematerialized on 1st November 2013. This means that share certificates were effectively replaced by electronic registers in the Central Depository. As at 31st December 2013, the company had 14,963 shareholders in its register, of which 14,648 (95.34%) had their shares in the CDSC. I appeal to the remaining 315 shareholders to comply with the new regulation.

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 risk management is fundamental to 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 advise the board on best practices to be employed to better manage our risk exposure.

BOARD APPOINTMENT

Ambassador Dennis Awori was appointed a member of the Board of Directors on 1st July 2013. He brings vast experience gained in manufacturing, trade and corporate governance. We welcome him on board.

LOOKING FORWARD

Despite the challenges encountered in 2013, the future for our industry is bright. As infrastructure and other developments continue, power must be made available and therefore transmission and distribution must grow, thereby increasing demand for our products. Firm monetary policy, financial deepening, institutionalized reforms in all sectors and expansion in the region create a good business environment for our investment.

ACKNOWLEDGEMENTS

I acknowledge that our continued growth has been made possible principally by our customers and suppliers amongst other stakeholders. I also wish to appreciate 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

MAZINGIRA YETU YA BIASHARA

Kama ilivyotarajiwa, katika mwaka wa uchaguzi, mwaka wa 2013 ulikuwa wenye changamoto tele katika shughuli nyingi za kibiashara na hali ilikuwa vivyo hivyo kwetu. Biashara nchini Kenya zililemazwa mwanzoni mwa mwaka na hivyo kuathiri pia shughuli zetu katika kipindi hicho.

Hata hivyo, baada ya kipindi kirefu cha kampeni za uchaguzi na uchaguzi mkuu wenyewe uliofanyika mwezi Machi 2013, uchumi ulianza tena kuimarika, japo polepole, huku mfumo mpya wa serikali ukitekelezwa. Ninawapongeza Wakenya wote kwa kudumisha amani katika uchaguzi mkuu huo, hali ambayo iliimarisha zaidi imani ya wawekezaji wa humu nchini na wale wa kimataifa katika kuwekeza humu nchini.

Katika soko la dunia, bei za malighafi yetu kuu ambayo ni shaba nyekundu na alumini, ilipungua kwa asilimia nane (8%) na asilimia tisa (9%) mtawalia, na hivyo basi kupungua mapato yetu licha ya kuwa ilichangia katika kuzifanya bidhaa zetu kumudika kwa wateja wetu.

Kwa hakika, ukuaji wa kiuchumi katika nchi tano za Afrika Mashariki ulikuwa wa wastani kwa takriban asilimia tano nukta tano (5.5%). Ukuaji huu ulitokana hasa na viwango thabiti vya ubadilishanaji wa pesa za kigeni, kupungua kwa viwango vya riba, na kudhibitiwa kwa mfumko wa bidhaa. Sudani Kusini ambayo ni soko linalokua na lenye utashi mkubwa wa vifaa vya ujenzi kutoka Kenya vilevile ilikumbwa kipingamizi kufuatia msukosuko wa kisiasa ambao ulishuhudiwa mwishoni mwa mwaka uliopita. Hali hii iliathiri vibaya mauzo yetu nje ya nchi.

UTENDAJI

Licha ya matukio haya, kampuni hii ilirekodi ukuaji wa asilimia tano (5%) katika mapato na kufunga mwaka kwa shilingi bilioni 4.5 kutoka shilingi bilioni 4.3 iliyorekodiwa mwaka uliopita. Hata hivyo, kutokana na kiwango cha chini

cha shughuli za kibiashara nchini Kenya katika miezi sita ya kwanza ya mwaka, kampuni hii ilibadilisha mtazamo na kulenga zaidi soko la nje. Faida kutokana na mauzo ya nje ya nchi ni ndogo, na kwa hivyo matokeo yakawa ni kupungua kwa mapato kwa kila hisa. Hata hivyo, uzuri ni kuwa hali hii ilielekea kudhibiti uwepo wetu katika soko mbali na kuwa nguzo ya sisi kupata faida bora zaidi katika miaka ijayo.

SOKO LETU

Uchumi wa eneo hili umezidi kuvutia utashi mkubwa wa uwekezaji kufuatia kupanuka kwa shughuli za kiuchumi kutokana na shughuli za kuchimba madini na ujenzi wa miundombinu. Tumejizatiti kudumisha ari yetu kuunga mkono ukuaji huu. Hivyo basi, tumezidisha ubia wetu na wanakandarasi wakuu kwa upande mmoja na kwa upande mwingine tunazidi kupanua uwepo wetu katika soko kwa kufungua matawi mapya ya jumla na ya rejareja katika miji mikuu na kote katika eneo.

Tunatambua kwa shukurani, mipango inayoendelezwa na serikali za eneo katika kukarabati mpango wa kuunganisha umeme uliopo kwa sasa, na kuzidisha kiwango cha kuunganisha umeme na kuendeleza uwezo wa kuzalisha umeme. Juhudi hizi bila shaka zimeweka mahitaji makubwa katika bidhaa zetu. Serikali ya Kenya inapanga kuzidisha uwezo wa kuzalisha umeme kutoka kiwango cha sasa cha megawati 1,664 hadi megawati 5,108 kufikia mwaka wa 2017 kuingiliana na ruwaza ya mwaka 2030 ya malengo ya ustawi wa kitaifa. Uwezo huu utastawishwa kutokana na mvuke, gesi majimaji ya kiasili, upepo na makaa.

Serikali ya Tanzania vilevile imetoa mipango ya kimkakati ya mwaka 2012-2016 ambayo inapania kuzidisha mara mbili uwezo wa uzalishaji wa umeme kutoka megawati 1,100 hadi megawati 2,780. Nako nchini Uganda, serikali ya Uganda, kupitia Mamlaka ya Mipango ya Kitaifa vilevile imetambua miradi mikuu ya kufadhili ili kuimarisha ukuaji wa kiuchumi. Zaidi, kupatikana kwa mafuta, gesi na makaa katika eneo hili vilevile kumeleta msisimko mkubwa

Taarifa ya Mwenyekiti

katika eneo hili. Hali hii bila shaka itasababisha ongezeko la shughuli za kibiashara na ukuaji wa kiuchumi.

Ili kushiriki kikamilifu katika mipango hii ya kuunganisha umeme, shirika hili litaendelea kupanua viwanda zake. Tayari tumenunua kipande cha ardhi karibu na moja ya majengo yetu, ambayo itatumiwa kama msingi wa upanuzi kwa shughuli zetu za uzalishaji. Vilevile, ukarabati wa kina katika kiwanda chetu kikuu kilichopo Kitui Road unaendelea, hii ikiwa ni pamoja na kuweka mitambo zaidi ya kisasa na yenye kufanya kazi kwa wepesi. Ukarabati huu utakapokamilika, vyombo hivi vitazidisha uwezo wetu wa kuhudumia eneo hili vizuri zaidi na kwa kipindi kifupi, pamoja na uwezo wa kupanua aina za bidhaa zetu.

GAWIO

Lengo letu la jumla ni kuwapa wawekezaji wetu mapato mazuri na nina furaha kuripoti kuwa Bodi ya Wakurugenzi inapendekeza kwa Mkutano Mkuu wa Mwaka, gawio la senti sitini (Ksh 0.60) kwa kila hisa. Gawio hili, pamoja na lile la muda la senti arobaini (Ksh 0.40) kwa kila hisa ambalo tayari ilikwishalipwa, itafikisha jumla ya gawio la shilingi moja (Ksh 1.00) kwa kila hisa, (mwaka wa 2012 – shilingi 1.00 kwa kila hisa). Gawio la mwisho litalipwa baada ya kukatwa ushuru, inapobidi, hapo tarehe 16 Juni, 2014, au kabla ya siku hiyo, kwa wanachama watakaokuwa kwenye orodha ya wenye hisa kufikia mwisho wa shughuli za siku, tarehe 9 Mei, 2014.

VIDOKEZO VIKUU VYA UDHIBITI

Mali isiyodaiwa

Mwaka uliopita, wanachama waliohudhuria Mkutano Mkuu wa Mwaka walipitisha pendekezo maalumu la kuzifanyia marekebisho kanuni za kampuni kulingana na sheria mpya za udhibiti wa mali isiyodaiwa. Tunawajibishwa kisheria kukabidhi riba yoyote isiyochukuliwa kwa Mamlaka ya Mali Isiyodaiwa. Ningependa kutoa mwito kwa mdau yeyote ambaye hajapokea riba yoyote au riba yote, awasiliane na msajili wetu wa hisa haraka iwezekanavyo ili kudai mapato yao. Punde tutakapokabidhi mali hizi kwa mamlaka hiyo, hatutawajibika tena kwa wenye hisa walioathiriwa.

Kuhawilishwa kwa hisa

Kutokana na kutekelezwa kwa sheria ya CDSC, ya mwaka 2000 kuhusu uhawilishaji wa hisa na kuwa katika mfumo wa elektroniki, hisa za kampuni zilihawilishwa rasmi mnamo tarehe 1 November, 2013. Hii ina maana kuwa hati za hisa zilibadilishwa kabisa na sajili za kielektroniki katika hazina kuu. Kufikia tarehe 31 Desemba 2013, kampuni hii ilikuwa na washikadau 14,963 katika sajili, ambapo hisa za washikadau 14,648 ambayo ni asilimia 95.34% zilikuwa katika CDSC. Ninatoa mwito kwa washikadau 315 waliosalia kufuata sheria hiyo mpya.

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 udhibiti wa hatari ni muhimu katika kufikia malengo ya shirika. Halmashauri hii imeweka hatua za kutambua, kutathmini, kudhibiti na kuchunguza hatari ili kuhakikisha kuwa malengo ya kibiashara ya kampuni yamefikwa, na hatari kupunguzwa. 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 WA BODI

Balozi Dennis Awori aliteuliwa kuwa mwanachama wa Bodi ya Wakurugenzi tarehe 1 Julai, 2013. Bw Awori ana tajiriba pana katika uzalishaji, biashara na utawala wa shirika. Tunamkaribisha katika bodi hii.

MATARAJIO

Licha ya changamoto zilizoshuhudiwa katika mwaka wa 2013, matarajio ya baadaye ya sekta yetu ni ya kutia moyo. Huku ustawi wa miundombinu na maendeleo mengine ukiendelea, ni lazima umeme uwekwe kwa hivyo uunganishaji na usambazaji wa umeme ni lazima utakua pia, hivyo basi kuzidisha utashi wa bidhaa zetu. Sera thabiti ya kifedha, kuenea kwa masuala ya kifedha, mabadiliko katika taasisi za sekta mbalimbali na upanuzi wa miundombinu katika eneo unatoa mazingira mazuri ya kibiashara kwa uwekezaji wetu.

SHUKURANI

Ninashukuru kuwa kuendelea kwa ukuaji wetu kumefanikishwa hasa na wateja wetu na waeneaji wa bidhaa zetu pamoja na washikadau wengine. Ningependa pia kuwashukuru wafanyakazi wetu pamoja na bodi ya wakurugenzi kwa kujitolea kwao kuhudumia kampuni hii.



Zephaniah Gitau Mbugua

Mwenyekiti

Bodi ya Wakurugenzi

Corporate Social Responsibility Report

CORPORATE SOCIAL RESPONSIBILITY REPORT

One of our core values states that “Our employees and customer safety comes first”. Indeed particular attention is taken to ensure that all our production and related processes guarantee high quality products in a safe and healthy work environment. We pride ourselves in our commitment to uphold good health and safety practices and behaviours, not only within and outside our manufacturing facilities but throughout our supply chain within the region.

HEALTH AND SAFETY

The company recognizes the need to have a healthy workforce as this affects them both at work and at home. We have maintained programmes geared towards staff wellness that range from financial management courses, healthy eating habits, weight management, stress management, HIV/Aids awareness, breast and prostate cancer awareness. Our company kick started 2013 with a fire safety course aimed at equipping staff with the necessary skills in the event of fire. We attach special interest to ensuring that our processes, systems and operations remain ethical and sustainable by remaining a socially responsible organization.

Zinduka Campaign

It is our responsibility to safeguard our customers from buying and installing counterfeit East African Cables due to the inherent risks involved in using sub-standard products. To this end, the company unveiled a short message service (**SMS**) based system dubbed “Zinduka” that enables our customers to verify the authenticity of our products in the market.

Under this campaign, all house wiring cables (**Single, Flexible and Flat cables**) have a label attached on each roll. To confirm the authenticity of the product, a customer is required to scratch and reveal a **12-digit code** and send it via SMS to a Toll Free number **38353**. An immediate response will be received showing either “Genuine” or “Fake, do not use”. We seek all stakeholders to sensitise all consumers of our products on the need to use safe products in order to avert risks of fire, electrocution or other hazards emanating from use of fake products.

BUILDING LASTING PARTNERSHIPS

Our Fundi club continues to grow throughout the country as more electricians who are certified by Energy Regulatory Commission (ERC) continue to register. Electricians being the technical advisors to our final consumers, play a very important role in our supply chain. We

therefore take it upon ourselves to educate them about our products and their applications for safe installation. We organise interactive sessions around the country to disseminate information about our products, product range, safe handling and installation.

MAKING AN IMPACT WITHIN COMMUNITIES

We also strive to ensure that we are there to lend a helping hand to our brothers and sisters in need.

Last year, the company adopted a house at the SOS Villages in Buru Buru. This is a long term CSR program that will see us not only provide sustained support to the children at SOS, but also allows our staff an opportunity to give back their time and energy to a noble cause.

The SOS Children's Villages being the largest, non-governmental child welfare organization takes care of orphaned and abandoned children from across the country, without regard to race, ethnicity, religious or political background. EAC has partnered with SOS in changing the lives and providing a brighter future and hope to the disadvantaged groups within our community. Our adopted house at the SOS accommodates up to 10 children, who are, placed under the care of an SOS Mother. Working together with administrators and support staff, she provides for the emotional, physical and academic needs of every child.

Our staff together with the company will continue to provide support to the mother and children as well as learn the fundamental principles of SOS Villages which is; “Providing a loving home for every child”

The company has also supported Our Lady of Nazareth Primary School in Mukuru slums to set up an infirmary and hire a full time nurse. We have also installed water tanks to provide safe drinking water to the school and the neighbouring community. As such, the pupils have an all-round improved learning environment that will contribute towards improved performance.

Other initiatives which the company supported during the year include:-

- Sotokoto safari marathon aimed at raising funds for nurturing young talent, promoting healthy living and environmental conservation.
- ChaseBank Foundation walk aimed at raising funds to train 15,000 midwives in order to reduce maternal deaths.

Ripoti ya Uwajibikaji wa Kijamii wa Shirika

Mojawapo ya nguzo zetu ni kwamba 'Tunaupa kipaumbele usalama wa wateja na wafanyakazi wetu'. Bila shaka, sisi hutia maanani hususan kuona kwamba mchakato wote wa uzalishaji na shughuli husika unatoa hakikisho la bidhaa za hali ya juu pamoja na mazingira safi na salama kufanyia kazi. Tunajivunia kujitolea kwetu kudumisha afya nzuri pamoja na hatua na hulka za kiusalama, siyo tu ndani na nje ya kiwanda chetu bali pia katika mtandao wa matawi yetu katika eneo zima.

AFYA NA USALAMA

Kampuni hii inatambua haja ya kuwa na wafanyakazi walio na afya njema kwani hali hii huwaathiri siyo tu kazini bali pia majumbani. Kwa sababu hii, tumedumisha mipango inayolenga maslahi ya wafanyakazi kama vile mafunzo kuhusu usimamizi wa kifedha, ulaji wa vyakula vyenye afya, uhabiti wa uzani, uhabiti wa mzongo wa kiakili, hamasisho kuhusu virusi vya UKIMWI, hamasisho kuhusu saratani ya matiti na ile ya mfuko wa uzazi. Kampuni yenu ilianza mwaka wa 2013 kwa kutoa mafunzo kuhusu namna ya kukabiliana na mikasa ya moto kwa lengo la kuwapa wafanyakazi wetu maarifa muhimu ya kuwawezesha kukabiliana na moto. Tunaweka nia kuu katika kuhakikisha kuwa mchakato yetu, mifumo na shughuli zote zinasalia kuwa za kimaadili na zenye kudumishwa kwa kusalia kuwa shirika lenye kuwajibika kwa jamii.

Kampeni ya Zinduka

Ni wajibu wetu kuwalinda wateja wetu dhidi ya kununua na kutumia bidhaa ghusi zinazodaiwa kuwa za East African Cables kwa sababu ya hatari kubwa zinazotokana na matumizi ya bidhaa za viwango duni. Kwa sababu hii, kampuni hii ilizindua huduma ya kutuma ujumbe mfupi (SMS) inayojulikana kama "Zinduka" ambayo inawawezesha wateja wetu kuthibitisha uhalali wa bidhaa zetu zilizopo sokoni.

Katika huduma hii, nyaya zote zinazotumika kwenye majumba - **Single, Flexible na Flat cables** zina nembo iliyobandikwa katika mzunguko mzima wa waya. Ili kuthibitisha uhalali wa bidhaa hiyo, mteja anahitajika kukwaruza nembo hiyo ili kubainisha nambari **12 za siri** zilizofichwa na kuituma kwa njia ya **SMS bila malipo kwa nambari 38353**. Papo hapo, atapokea ujumbe unaosema aidha: **"Genuine"** au **"Fake, do not use"**. Aidha, tunawaomba washikadau wote kutoa hamasisho kwa watumiaji wote wa bidhaa zetu ili kuepuka hatari ya mikasa ya moto, watu kuuliwa na stima au mikasa mingine inayotokana na matumizi ya bidhaa bandia.

KUJENGA UBIA WA KUDUMU

Klabu ya Fundi inaendelea kukua kote nchini kwa kuwa mafundi wengi wa stima ambao wameidhinishwa na Tume ya Kaawi Nchini (ERC) wanazidi kujiandikisha. Kwa kuwa mafundi wa stima ni washauri wakuu kwa wateja wetu katika matawi yetu yote, wana jukumu

muhimu sana. Hivyo basi, tunauchukua kuwa wajibu wetu kuwapa mafunzo kuhusu bidhaa zetu na jinsi ya kuzitumia kwa njia iliyo salama. Vilevile, tunaandaa vikao kote nchini ili kutoa habari kuhusu bidhaa zetu, aina za bidhaa, jinsi ya kuzitumia kwa njia salama.

KUTOA MSAADA KATIKA JAMII

Tunajitahidi pia kuhakikisha kuwa tunajitolea kuwafaa ndugu na dada zetu wenye uhitaji.

Mwaka uliopita, kampuni hii ilipanga nyumba katika makao ya watoto ya SOS yaliyoko katika mtaa wa Buru Buru. Huu ni mpango wa muda mrefu wa uwajibikaji wa shirika kwa jamii ambao utatuwezesha sio tu kutoa msaada wa kudumu kwa watoto katika makao hayo ya SOS, bali pia kuwapa fursa wafanyakazi wetu kutumia muda na nguvu zao katika kutoa mchango wa maana katika jamii.

Makao ya watoto ya SOS ndilo shirika kubwa zaidi lisilo la kiserikali linaloshughulia maslahi ya watoto nchini Kenya. Makao hayo yanawahudumia watoto mayatima na wale waliotelekezwa kutoka kote nchini bila kuzingatia rangi, kabila, dini au mugegeo wa kisiasa. East African Cables vilevile imefanya ubia na SOS ili kubadilisha maisha na kutwapa mustakabali bora makundi ya watu waliotengwa katika jamii yetu. Nyumba hiyo tuliopanga katika makao ya watoto ya SOS inawafadhili watoto wapatao kumi, ambao wako chini ya ulinzi wa Mama kutoka makao hayo. Kwa kufanya kazi kwa karibu na wasimamizi na wafanyakazi wengine katika makao hayo, Mama huyo husaidia kila mmoja wa watoto hao katika mahitaji ya kihisia, mazoezi na vilevile kielimu.

Kampuni hii pamoja na wafanyakazi wetu kwa jumla wataendelea kutoa msaada wao kwa Mama huyo pamoja na watoto mbali na kujifunza jambo la kimsingi katika makao hayo ya watoto, ambalo ni: 'Kumpa kila mtoto nyumba yenye mapenzi'.

Kampuni hii vilevile imefadhili ujenzi wa zahanati katika shule ya msingi ya Our Lady of Nazareth katika mtaa wa mabanda wa Mukuru, pamoja na kuajiri muuguzi. Pamoja na hayo, tumeweka tangi za maji ili kuwapa wanafunzi na wakazi wa eneo hilo maji safi ya kunywa. Kwa sababu hiyo, mazingira ya masomo kwa wanafunzi hao yameimarika na yatachangia matokeo bora katika mitihani yao.

Mipango mingine ambayo kampuni hii imefadhili mwakani ni pamoja na:

- Mbio za Sotokoto safari kwa lengo la kuchangisha pesa za kukuza vipaji vya vijana, kukuza afya na kuhamasisha uhafadhi wa mazingira.
- Matembezi ya wakfu wa ChaseBank yaliyolenga kuchangisha pesa za kuwapa mafunzo wakunga 15,000 ili kupunguza vifo vya akina mama wakati wa kujifungua.

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 61 which comprise the statements of financial position of the group and the company as at 31 December 2013, 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 2013, 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.

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Jacob Maina Gathecha - P/1610.



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

Date: 17 March 2014

Directors, Offices and Statutory Information

DIRECTORS

Zephaniah Mbugua
George Mwangi
Peter Kanyago
Michael Waweru
Bruno Thomas*

Trans-Century Limited
Dennis Awori
*French

Chairman
Managing Director

Appointed 1 July 2013

SECRETARY

Virginia Ndunge
Certified Public Secretary (Kenya)
PO Box 40111 - 00100 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
8th Floor, ABC Towers
Waiyaki Way
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
Hurlingham Branch
PO Box 66049 - 00800 Nairobi

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013 KShs'000	2012 KShs'000
Revenue		4,502,964	4,300,608
Cost of sales		(3,131,473)	(2,946,800)
Gross profit		1,371,491	1,353,808
Other income	5	4,203	105,539
Factory expenses		(213,092)	(181,094)
Administrative expenses		(233,529)	(216,410)
Distribution costs		(167,277)	(116,479)
Profit before depreciation and finance costs		761,796	945,364
Depreciation and amortisation	6	(165,852)	(169,981)
Results from operating activities		595,944	775,383
Finance income	7	40,720	33,940
Finance costs	7	(51,264)	(56,080)
Net finance costs	7	(10,544)	(22,140)
Profit before income tax	8	585,400	753,243
Income tax expense	9	(187,198)	(231,183)
Profit for the year		398,202	522,060
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Revaluation surplus on property, plant and equipment		-	491,164
Deferred tax on revaluation surplus	21(a)	-	(147,349)
		-	343,815
Items that are or may be reclassified to profit or loss			
Foreign currency translation differences on foreign operations		(3,568)	13,135
Total other comprehensive income		(3,568)	356,950
Total comprehensive income for the year		394,634	879,010
Profit for the year is attributable to:			
Equity holders of the company		346,415	440,732
Non-controlling interest		51,787	81,328
		398,202	522,060
Total comprehensive income attributable to:			
Equity holders of the company		342,847	701,687
Non-controlling interest		51,787	177,323
		394,634	879,010
Basic and diluted earnings per share	10	KShs 1.37	KShs 1.74

The notes set out on pages 34 to 61 form an integral part of these financial statements.

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2013

	Notes	2013 KShs'000	2012 KShs'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	2,793,123	2,778,127
Prepaid operating lease rentals	12	148,010	149,882
Investment property	13	282,868	285,125
Intangible assets	14	2,080	4,069
		3,226,081	3,217,203
Current assets			
Inventories	16	804,627	911,951
Trade and other receivables	17	2,748,630	2,054,750
Cash and cash equivalents		29,927	64,738
		3,583,184	3,031,439
TOTAL ASSETS		6,809,265	6,248,642
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	925,556
Retained earnings		1,381,874	1,288,584
Foreign currency translation reserve	18(c)	(22,101)	(18,533)
Total equity attributable to equity holders of the company		2,412,437	2,322,715
Non-controlling interest		654,101	602,314
Total equity		3,066,538	2,925,029
Non-current liabilities			
Bank loans and borrowings	19(a)	369,684	170,531
Liability for staff gratuity	20	19,595	14,418
Deferred tax liability	21(a)	607,340	606,438
		996,619	791,387
Current liabilities			
Bank overdraft	19	91,366	46,699
Trade and other payables	22	1,067,185	1,349,494
Current income tax payable		9,970	145,610
Short-term portion of bank loan	19(a)	1,476,337	958,408
Dividends payable	23	101,250	32,015
		2,746,108	2,532,226
TOTAL EQUITY AND LIABILITIES		6,809,265	6,248,642

The financial statements on pages 28 to 61 were approved by the Board of Directors on 17 March 2014 and were signed on its behalf by:



Director



Director

The notes set out on pages 34 to 61 form an integral part of the financial statements.

Company Statement of Financial Position

AS AT 31 DECEMBER 2013

	Notes	2013 KShs'000	2012 KShs'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	1,650,190	1,589,665
Prepaid operating lease rentals	12	102,294	106,065
Investment property	13	75,000	75,000
Intangible assets	14	1,925	3,913
Investment in subsidiary	15	115,037	115,037
		1,944,446	1,889,680
Current assets			
Inventories	16	559,841	723,271
Trade and other receivables	17	2,297,782	1,753,597
Current tax recoverable		30,790	-
Cash and cash equivalents		24,227	63,328
		2,912,640	2,540,196
TOTAL ASSETS		4,857,086	4,429,876
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	561,992
Retained earnings		1,230,691	1,180,816
		1,919,791	1,869,916
Non-current liabilities			
Bank loan	19(b)	366,144	157,108
Liability for staff gratuity	20	11,102	7,382
Deferred tax liability	21(b)	334,156	322,463
		711,402	486,953
Current liabilities			
Bank overdraft	19	70,648	42,424
Current tax liabilities		-	43,551
Trade and other payables	22	840,462	1,072,155
Short-term portion of bank loans and borrowings	19(b)	1,213,533	882,862
Dividend payable	23	101,250	32,015
		2,225,893	2,073,007
TOTAL EQUITY AND LIABILITIES		4,857,086	4,429,876

The financial statements on pages 28 to 61 were approved by the Board of Directors on 17 March 2014 and were signed on its behalf by:



Director



Director

The notes set out on pages 34 to 61 form an integral part of the financial statements.

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 KShs'000	2012 KShs'000
Cash generated from operations	25(a)	(150,649)	748,697
Income taxes paid		(230,701)	(167,423)
Cash generated from operating activities		(381,350)	581,274
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(189,056)	(185,314)
Purchase of intangible asset		-	(2,691)
Cash used in investing activities		(189,056)	(188,005)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans and borrowings incurred		3,467,711	2,080,102
Repayment of loans and borrowings		(2,750,629)	(2,103,482)
Interest paid on bank loans and borrowings		(42,264)	(49,080)
Dividends paid		(183,890)	(266,115)
Cash used in financing activities		490,928	(338,575)
Net increase in cash and cash equivalents		(79,478)	54,694
Cash and cash equivalents at 1 January		18,039	(36,655)
Cash and cash equivalents at 31 December	25(b)	(61,439)	18,039

The notes set out on pages 34 to 61 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2013

	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 2012	126,563	545	669,644	1,075,665	(23,576)	1,848,841	424,991	2,273,832
Comprehensive income for the year	-	-	-	440,732	-	440,732	81,328	522,060
Profit for the year	-	-	-	-	-	-	-	-
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 comprehensions by and distributions to owners	-	-	255,912	440,732	5,043	701,687	177,323	879,010
Contributions by and distributions to owners	-	-	-	(126,563)	-	(126,563)	-	(126,563)
Dividend - 2011 paid	-	-	-	(126,563)	-	(126,563)	-	(126,563)
Interim dividend - 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
Comprehensive income for the year	-	-	-	346,415	-	346,415	51,787	398,202
Profit for the year	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	(3,568)	(3,568)	-	(3,568)
Foreign currency translation differences on foreign operations	-	-	-	-	(3,568)	(3,568)	-	(3,568)
Total comprehensions by and distributions to owners	-	-	-	346,415	(3,568)	342,847	51,787	394,634
Contributions by and distributions to owners	-	-	-	(151,875)	-	(151,875)	-	(151,875)
Dividend - 2012 paid	-	-	-	(151,875)	-	(151,875)	-	(151,875)
Interim dividend for 2013 transferred to dividend payable	-	-	-	(101,250)	-	(101,250)	-	(101,250)
Total distribution to owners of the company	-	-	-	(253,125)	-	(253,125)	-	(253,125)
Balance at 31 December 2013	126,563	545	925,556	1,381,874	(22,101)	2,412,437	654,101	3,066,538

The notes set out on pages 34 to 61 form an integral part of these financial statements.

Company Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2013

	Share capital KShs'000	Share premium KShs'000	Revaluation reserve KShs'000	Retained earnings KShs'000	Total KShs'000
Balance at 1 January 2012	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
Comprehensive income for the year					
Profit for the year	-	-	-	303,863	303,863
Other comprehensive income					
Foreign currency translation differences for foreign operations	-	-	-	(863)	(863)
Total comprehensive income for the year	-	-	-	303,000	303,000
Contributions by and distributions to owners					
Dividend – 2012 paid	-	-	-	(151,875)	(151,875)
Interim dividends for 2013 transferred to dividend payable	-	-	-	(101,250)	(101,250)
Total distribution to owners of the company	-	-	-	(253,125)	(253,125)
Balance at 31 December 2013	126,563	545	561,992	1,230,691	1,919,791

The notes set out on pages 34 to 61 form an integral part of these financial statements.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2013

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 as at and for the year ended 31 December 2013 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.

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

(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.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2013

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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).

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.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2013

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Property, plant and equipment (continued)

(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%

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.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2013

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Employee benefits (continued)

(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 1-5 years, 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. 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.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2013

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

(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.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2013

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Impairment (continued)

(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.

(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.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2013

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 adopted

(i) Standards, amendments and interpretations to existing standards effective in 2013 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 effective and have 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.
- 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.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2013

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) New standards and interpretations adopted (continued)

(ii) *Standards, amendments and interpretations to existing standards that are effective and have been early adopted by the Group - continued*

- 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.

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

- 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 2013

4. STAFF COSTS

	2013 KShs'000	2012 KShs'000
Direct labour	68,417	55,682
Indirect factory salaries	45,788	43,360
Administration salaries and wages	71,590	64,120
Distribution salaries and wages	29,145	25,008
Re-organisation costs	-	4,190
Pension contributions	12,242	10,661
	227,182	203,021

5. OTHER INCOME

Fair value gain on investment property (Note 13)	-	102,430
Rental income	4,203	3,109
	4,203	105,539

6. DEPRECIATION AND AMORTISATION

Depreciation	159,247	161,988
Amortisation of intangible assets	1,988	3,376
Amortisation of prepaid operating lease rentals	4,617	4,617
	165,852	169,981

7. NET FINANCE COST

Finance income

Net gain on exchange	40,720	33,940
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Finance cost

Interest expense	(39,962)	(49,080)
Net loss on exchange	(11,302)	(7,000)
	(51,264)	(56,080)

Net finance cost

	(10,544)	(22,140)
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8. PROFIT BEFORE TAX

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

Depreciation expense (Note 11)	159,247	161,988
Amortisation of operating lease rentals (Note 12)	4,617	4,617
Amortisation of intangible assets (Note 14)	1,988	3,376
Interest expense (Note 7)	39,962	49,080
Senior managements' remuneration (Note 24)	37,579	31,575
Directors' emoluments: - Fees (Note 24)	10,386	12,405
- Other (Note 24)	6,909	6,744
Auditors' remuneration	7,145	5,492
Re-organisation costs (Note 4)	-	4,190
Write off of property, plant and equipment	1,628	-
Fair value gain on investment property (Note 13)	-	(102,430)

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2013

9. INCOME TAX

(a) Income tax expense

Current tax expense – current year	183,187	249,110
Deferred tax charge/(credit) (Note 21)	4,011	(17,927)
	187,198	231,183

(b) Tax reconciliation

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

	2013 KShs '000	2012 KShs '000
Profit before income tax	585,400	753,243
Tax calculated at the statutory income tax rate of 30%	175,620	225,973
Non-deductible costs	11,578	5,210
	187,198	231,183

(c) Tax payable

Opening balance as at 1 January	145,610	63,923
Offset during the year	(86,484)	-
Current tax charge	183,187	249,110
Paid during the year	(230,701)	(167,423)
Foreign exchange translation differences	(1,642)	-
Closing balance as at 31 December	9,970	145,610

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)	346,415	440,732
Weighted average number of ordinary shares outstanding during the year	253,125	253,125
Basic and diluted earnings per share	KShs 1.37	KShs 1.74

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2013

11. PROPERTY, PLANT AND EQUIPMENT

(a) Group

2013:

Cost or valuation:

	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
At 1 January 2013	1,660,940	1,024,410	54,394	45,391	100,290	2,885,425
Additions	-	46,357	-	12,050	130,649	189,056
Transfers	1,697	128,441	-	187	(130,325)	-
Disposals	-	(392)	(5,026)	-	-	(5,418)
Exchange differences	(9,409)	(1,193)	(267)	(1,947)	(31)	(12,847)
At 31 December 2013	1,653,228	1,197,623	49,101	55,681	100,583	3,056,216

Depreciation:

At 1 January 2013	-	62,044	18,256	26,998	-	107,298
Charge for the year	50,102	93,329	10,494	5,322	-	159,247
Disposals	-	(16)	(3,774)	-	-	(3,790)
Exchange differences	259	96	45	(62)	-	338
At 31 December 2013	50,361	155,453	25,021	32,258	-	263,093

Net carrying value:

At 31 December 2013	1,602,867	1,042,170	24,080	23,423	100,583	2,793,123
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2012:

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
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Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2013

11. PROPERTY, PLANT AND EQUIPMENT (continued)

(b) Company

2013:

Cost or valuation:

	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
At 1 January 2013	784,998	748,208	28,637	30,054	97,485	1,689,382
Additions	-	32,704	-	5,238	125,967	163,909
Transfers	1,697	128,441	-	187	(130,325)	-
Disposals	-	(392)	(3,560)	-	-	(3,952)
At 31 December 2013	786,695	908,961	25,077	35,479	93,127	1,849,339

Depreciation:

At 1 January 2013	-	61,430	18,257	20,030	-	99,717
Charge for the year	15,700	79,667	4,533	3,108	-	103,008
Disposals	-	(16)	(3,560)	-	-	(3,576)
At 31 December 2013	15,700	141,081	19,230	23,138	-	199,149

Net carrying value:

At 31 December 2013	770,995	767,880	5,847	12,341	93,127	1,650,190
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2012:

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
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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 2013, property with a carrying amount of KShs 870 million (2012 – 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 157 million equivalent (2012 – KShs 155,502,392).

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2013

12. PREPAID OPERATING LEASE RENTALS

Group:

Carrying value of leasehold land at 1 January

Amortisation for the year

Exchange adjustment

Balance at 31 December

Company:

Carrying value of leasehold land at 1 January

Amortisation for the year

Balance at 31 December

	2013 KShs'000	2012 KShs'000
	149,882	157,868
	(4,617)	(4,617)
	2,745	(3,369)
	148,010	149,882
	106,065	109,837
	(3,771)	(3,772)
	102,294	106,065
	285,125	178,581
	-	102,430
	(2,257)	4,114
	282,868	285,125
	75,000	60,000
	-	15,000
	75,000	75,000

13. INVESTMENT PROPERTIES

Group:

At 1 January

Change in fair value

Exchange differences

At 31 December

Company:

At 1 January

Change in fair value

At 31 December

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:

Group:

Net carrying value at 1 January

Additions during the year

Amortisation for the year

Exchange adjustment

Net carrying value at 31 December

Company:

Net carrying value at 1 January

Additions during the year

Amortisation for the year

Net carrying value at 31 December

	2013 KShs'000	2012 KShs'000
	4,069	4,747
	-	2,691
	(1,988)	(3,376)
	(1)	7
	2,080	4,069
	3,913	3,223
	-	2,691
	(1,988)	(2,001)
	1,925	3,913

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2013

15. INVESTMENT IN SUBSIDIARY COMPANY

East African Cables (Tanzania) Limited

2013 KShs '000	2012 KShs '000
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:

Revenue for the year ended 31 December

Profit after tax for the year ended 31 December

2013 KShs '000	2012 KShs '000
1,343,877	1,041,377
106,533	166,564

16. INVENTORIES

Group

Finished goods	403,155	484,168
Raw materials	190,478	248,815
Work in progress	127,470	113,301
Strategic spares and lubricants	79,854	63,912
Stationery and printing	3,670	1,755
	804,627	911,951

Company

Finished goods	276,115	392,439
Raw materials	148,095	191,861
Work in progress	82,788	96,869
Strategic spares and lubricants	51,340	41,002
Stationery and printing	1,503	1,100
	559,841	723,271

17. TRADE AND OTHER RECEIVABLES

Group

Trade receivables	2,257,826	1,858,051
Prepaid expenses	74,155	4,036
Due from related parties (Note 24 (c))	166,597	172,846
Prepayments for machinery & spares	250,052	19,817
	2,748,630	2,054,750

Company

Trade receivables	1,430,089	1,255,505
Prepaid expenses	2,660	2,582
Prepayments for machinery & parts	250,052	15,435
Due from subsidiary (Note 24 (c))	448,384	326,276
Due from other related parties (Note 24 (c))	166,597	153,799
	2,297,782	1,753,597

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2013

18. CAPITAL AND RESERVES

(a) Share capital

Group and Company:

Authorised, issued and fully paid:

Ordinary shares of KShs 0.50 each
at 1 January and 31 December

2013		2012	
Number of shares (Thousands)	KShs'000	Number of shares (Thousands)	KShs'000
253,125	126,563	253,125	126,563

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

(b) 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 2013. This together with the interim dividend of KShs 0.40 per share paid in January 2014 brings the total dividend to KShs 1.00 (2012 – KShs 1.00) per share. The dividend will be paid less withholding tax where applicable.

19. BANK FACILITY

(a) Group

Bank loan:

Standard Chartered Bank Kenya Limited
Standard Chartered Bank Tanzania Limited
Kenya Commercial Bank Tanzania Limited
Ecobank Kenya Limited
Chase Bank Kenya Limited

2013 KShs'000	2012 KShs'000
1,413,102	899,408
252,186	67,075
14,158	21,894
166,575	115,562
-	25,000
1,846,021	1,128,939
369,684	170,531
1,476,337	958,408
1,846,021	1,128,939

Comprising:

Non-current liability
Current liability

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2013

19. BANK FACILITY (continued)

(b) Company

Bank loan:

Standard Chartered Bank Kenya Limited
 Ecobank Kenya Limited
 Chase Bank Kenya Limited

Comprising:

Non-current liability
 Current liability

	2013 KShs'000	2012 KShs'000
	1,413,102	899,408
	166,575	115,562
	-	25,000
	1,579,677	1,039,970
	366,144	157,108
	1,213,533	882,862
	1,579,677	1,039,970

Kenya:

The company entered into a facility with the banks and is secured over certain land and buildings for KShs 870 million (2012 - KShs 870 million) and debentures over all assets of the company for KShs 2.35 billion (2012 - KShs 2.25 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

2013:

Group

Staff gratuity

Company

Staff gratuity

	Balance at 1/1/2013 KShs'000	Movement KShs'000	Balance at 31/12/2013 KShs'000
	14,418	5,177	19,595
	7,382	3,720	11,102
	Balance at 1/1/2012 KShs'000	Movement KShs'000	Balance at 31/12/2012 KShs'000
	21,730	(7,312)	14,418
	12,717	(5,335)	7,382

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 5,686,193 (2012 - KShs 5,545,280) in contributions payable. The group expensed KShs 12,241,834 (2012 - KShs 10,661,204).

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2013

20. RETIREMENT BENEFITS OBLIGATIONS (Continued)

The Company's staff affiliated with unions are eligible to a gratuity upon retirement based on 16 days pay if an employee has served 1-5 years, 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, East African Cables (Tanzania) Limited, 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 KShs'000	Recognised through statement of comprehensive income KShs'000	Recognised through equity KShs'000	Exchange difference KShs'000	Balance at 31 December KShs'000
2013:					
Staff gratuity provision	(4,326)	(1,116)	-	23	(5,419)
Other provisions and accruals	(106,431)	(4,181)	-	897	(109,715)
Property, plant and equipment	709,639	10,876	-	(3,742)	716,773
Unrealised exchange gain	7,556	(1,568)	-	(287)	5,701
	606,438	(4,011)	-	(3,109)	607,340
2012:					
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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2013

21. DEFERRED TAX LIABILITIES (Continued)

(b) Company

Movements during the year are as follows:

	Balance at 1 January KShs'000	Recognised through statement of comprehensive income KShs'000	Recognised through equity KShs'000	Balance at 31 December KShs'000
2013:				
Staff gratuity provision	(2,215)	(1,116)	-	(3,331)
Other provisions and accruals	(23,522)	(5,801)	-	(29,323)
Unrealised exchange gain	8,008	(1,568)	-	6,440
Property, plant and equipment	340,192	20,178	-	360,370
	322,463	(11,693)	-	334,156
2012:				
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

22. TRADE AND OTHER PAYABLES

Group

Trade payables	1,003,574	1,271,648
Due to fellow subsidiaries (Note 24 (d))	1,837	327
Other payables and accrued expenses	61,774	77,519

	2013 KShs'000	2012 KShs'000
	1,003,574	1,271,648
	1,837	327
	61,774	77,519
	1,067,185	1,349,494
Company		
Trade payables	784,003	1,016,800
Other payables and accrued expenses	56,459	55,355
	840,462	1,072,155

23. DIVIDEND PAYABLE

The movement in the dividend payable account is as follows:

	Group		Company	
	2013 KShs'000	2012 KShs'000	2013 KShs'000	2012 KShs'000
At beginning of year	32,015	70,318	32,015	70,318
Declared during the year	253,125	227,812	253,125	227,812
Paid during the year	(183,890)	(266,115)	(183,890)	(266,115)
At end of year	101,250	32,015	101,250	32,015

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2013

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:

	2013 KShs'000	2012 KShs'000
Directors – Fees	10,386	12,405
– Others	6,909	6,744
Senior Managements' remuneration	37,579	31,575
	54,874	50,724

(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 2013, related parties owed the group KShs 166,597,046 (2012 – KShs 172,846,000).

Company:

The subsidiary, East African Cables (Tanzania) Limited owed the company KShs 448,384,259 as at 31 December 2013 (2012 – KShs 326,276,000).

Other related parties owed the company KShs 166,597,046 at the close of the year (2012 – KShs 153,799,000).

(d) Amounts due to related parties

As at 31 December 2013, the group and company owed other related parties KShs 1,836,840 (2012 – KShs 327,000)

All entities mentioned in (c) and (d) above have common ownership with the Group. None of the balances is secured.

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.

The company has a secured bank borrowing with a related party of KShs 166,575,000 as at 31 December 2013 (2012 – KShs 115,562,315).

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2013

25. NOTES TO THE STATEMENT OF CASH FLOWS

	2013 KShs'000	2012 KShs'000
(a) Reconciliation of profit before tax to cash flow from operating activities		
Profit before tax	585,400	753,243
Adjustments for:		
Depreciation	159,247	161,988
Amortisation of prepaid operating lease	4,617	4,617
Amortisation of intangible assets	1,988	3,376
Property, plant and equipment write off	1,628	-
Fair value gain on investment property	-	(102,430)
Interest expense	42,264	49,080
Net foreign currency changes	4,379	(2,668)
Increase/(Decrease) in provision for staff gratuity	5,177	(7,312)
Operating profit before working capital changes	804,700	859,894
Decrease in inventories	107,324	(184,033)
Increase in trade and other receivables	(693,880)	(406,325)
(Increase)/decrease in trade and other payables	(368,793)	479,161
Cash generated from operations	(150,649)	748,697
(b) Cash and cash equivalents at 31 December		
	2013 KShs'000	2012 KShs'000
Bank overdraft	(91,366)	(46,699)
Cash and bank balances	29,927	64,738
	(61,439)	18,039
		Change in year KShs'000
		(44,667)
		(34,811)
		(79,478)

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 22,075,611 as at 31 December 2013 (2012 – KShs 161,440,617). Letters of credit amounted to KShs 926,048,946 as at 31 December 2013 (2012 – KShs 1,252,831,654) whose related liabilities have been accrued in the financial statements as appropriate for the supplies.

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.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2013

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

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	
	2013 KShs'000	2012 KShs'000
Trade receivables	2,257,826	1,858,051
Due from related parties	166,597	172,846
Cash and cash equivalents	29,927	64,738
	2,454,350	2,095,635

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2013

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(a) Credit risk (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:

	Allowance for			Allowance for		
	Gross 2013 KShs'000	impairment 2013 KShs'000	Net 2013 KShs'000	Gross 2012 KShs'000	impairment 2012 KShs'000	Net 2012 KShs'000
Not past due	310,894	-	310,894	283,271	-	283,271
Past due 0-90 Days	791,088		791,088	621,769	-	621,769
Past due 90-365 Days	988,000		988,000	648,138	-	648,138
More than one year	325,100	(157,256)	167,844	450,270	(145,397)	304,873
	2,415,082	(157,256)	2,257,826	2,003,448	(145,397)	1,858,051

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:

	2013 KShs'000	2012 KShs'000
Balance at 1 January	145,397	137,458
Net impairment loss recognised	11,245	6,494
Exchange differences	614	1,445
Balance at 31 December	157,256	145,397

(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 2013

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Liquidity risk (continued)

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

31 December 2013:	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	(91,366)	-	-	-	(91,366)
Loans and borrowings	(590,332)	(886,005)	(369,684)	-	(1,846,021)
Trade payables	(1,003,574)	-	-	-	(1,003,574)
At 31 December 2013	(1,685,272)	(886,005)	(369,684)	-	(2,940,961)
31 December 2012:					
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)

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 8% (2012 – KShs 100million at an average rate of 8% p.a.)
- KShs 1,700 million (2012 - KShs 1,100 million and USD 7million) letter of credit facility for importation of raw materials.

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's 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 2013

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Market risk (continued)

(i) Interest rate risk - 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:

	Average effective interest rate	Due within 3 months KShs '000	Due between 3 and 12 months KShs '000	Due between 1 and 5 years KShs '000	Non interest bearing KShs '000	Total KShs '000
At 31 December 2013						
Bank overdraft	8.00%	(91,366)	-	-	-	(91,366)
Bank loans and borrowings	14.00%	(590,332)	(886,005)	(369,684)	-	(1,846,021)
On statement of financial position interest sensitivity gap		(681,698)	(886,005)	(369,684)	-	(1,937,387)
At 31 December 2012						
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)

(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 2013

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Market risk (continued)

(ii) Currency risk - continued

	2013 KShs'000	2012 KShs'000
Financial assets		
Cash and cash equivalents	4,709	6,717
Trade receivables	476,380	340,888
Financial liabilities		
Bank overdraft	(78,587)	(44,620)
Bank loan	(766,773)	(803,214)
Trade payables	(905,337)	(1,098,143)
Net exposure	(1,269,608)	(1,598,372)

The following significant exchange rates applied during the year:

	Closing rate		Average rate	
	2013 KShs	2012 KShs	2013 KShs	2012 KShs
USD	86.31	86.06	86.21	84.65

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 2012:

	Profit or loss KShs'000
At 31 December 2013:	
USD	126,960
At 31 December 2012:	
USD	159,837

(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 2013

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(d) Capital risk management (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:

	2013 KShs'000	2012 KShs'000
Borrowings		
Bank loans	1,846,021	1,128,939
Bank overdraft	91,366	46,699
Cash and bank balances	(29,927)	(64,738)
Net debt	1,907,460	1,110,900
Total equity	3,066,538	2,925,029
Gearing ratio	62%	38%

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 2013

28. SEGMENTAL REPORTING

	Kenya		Uganda		Tanzania		Consolidated	
	2013 KShs '000	2012 KShs '000	2013 KShs '000	2012 KShs '000	2013 KShs '000	2012 KShs '000	2013 KShs '000	2012 KShs '000
External sales	3,448,854	3,328,671	-	-	1,343,877	1,041,377	4,792,731	4,370,048
Inter-segment sales	(289,767)	(66,682)	-	-	-	(2,758)	(289,767)	(69,440)
Total sales	3,159,087	3,261,989	-	-	1,343,877	1,038,619	4,502,964	4,300,608
Segment profit from operations	432,624	528,726	(5,721)	(1,276)	169,041	247,933	595,944	775,383
Net finance income/(costs)	3,130	(10,266)	12	(383)	(13,686)	(11,491)	(10,544)	(22,140)
Income tax expense	(138,376)	(157,506)	-	-	(48,822)	(69,622)	(187,198)	(231,183)
Profit for the year	297,378	360,954	(5,709)	(1,659)	106,533	166,820	398,202	522,060
Attributable to:								
Equity holders of parent								
- Company	297,378	360,954	(5,709)	(1,659)	-	-	291,669	355,080
- Subsidiary	-	-	-	-	54,746	85,492	54,746	85,292
Non-controlling interest	297,378	360,954	(5,709)	(1,659)	54,746	85,492	346,415	440,732
Profit for the year	297,378	360,954	(5,709)	(1,659)	106,533	166,820	398,202	522,060
Other information:								
Additions to property, plant and equipment	163,909	177,564	-	-	25,147	7,751	189,056	185,314
Additions to intangible assets	-	2,691	-	-	-	-	-	2,691
Segment assets	4,288,345	3,994,783	20,247	17,626	2,500,673	2,236,233	6,809,265	6,248,642
Segment liabilities	2,409,485	2,235,651	36,417	27,223	1,296,825	1,060,739	3,742,727	3,323,613
Capital expenditure	163,909	180,255	-	-	25,147	7,750	189,056	188,005
Depreciation expense	103,011	112,490	-	-	56,236	49,498	159,247	161,988
Amortisation of operating leases	3,771	3,772	-	-	846	845	4,617	4,617
Amortisation of intangible assets	1,988	2,001	-	-	-	1,375	1,988	3,376

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 2013

29. CAPITAL COMMITMENTS

	2013 KShs '000	2012 KShs '000
Authorised and contracted for	540,000	250,000

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 2013

	2013 KShs'000	2012 KShs'000
Revenue	3,448,854	3,328,671
Cost of sales	(2,453,626)	(2,324,055)
Gross profit	995,228	1,004,616
Other income	4,240	18,135
Factory expenses	(148,199)	(115,426)
Administrative expenses	(173,659)	(169,186)
Distribution costs	(139,102)	(91,582)
Profit before depreciation and finance costs	538,508	646,557
Depreciation and amortisation	(108,767)	(118,262)
Results from operating activities	429,741	528,295
Finance income	41,076	32,496
Finance cost	(28,578)	(39,843)
Net finance cost	12,498	(7,347)
Profit before income tax	442,239	520,948
Income tax expense	(138,376)	(157,506)
Profit for the year	303,863	363,442
Other comprehensive income		
Items that will never be reclassified to profit or loss		
Revaluation of property, plant and equipment	-	234,889
Deferred tax on revaluation surplus	-	(70,467)
	-	164,422
Items that are or may be reclassified to profit or loss		
Foreign currency translation on foreign operations	(863)	563
Total other comprehensive income	(863)	164,985
Total comprehensive income for the year	303,000	528,427

Five Year Financial Record

STATEMENT OF COMPREHENSIVE INCOME SUMMARY

	2009 Consolidated KShs'000	2010 Consolidated KShs'000	2011 Consolidated KShs'000	2012 Consolidated KShs'000	2013 Consolidated KShs'000
Sales	2,811,861	3,604,366	4,971,665	4,300,608	4,502,964
Profit before tax	526,444	258,645	464,756	753,243	585,400
Tax	(230,411)	(74,795)	(150,026)	(231,183)	(187,198)
Profit after tax	296,033	183,850	314,730	522,060	398,202
Non-controlling interest	12,031	42,361	(23,166)	(81,328)	(51,787)
Profit attributable to parent company shareholders	308,064	226,211	291,564	440,732	346,415
Dividends	(202,500)	(202,500)	(202,500)	(253,125)	(253,125)
Retained profit	105,564	23,711	89,064	187,607	93,290
Earnings per share (KShs) - Restated	1.22	0.89	1.15	1.74	1.37
Dividend per share (KShs)	1.00	1.00	0.80	1.00	1.00
STATEMENT OF FINANCIAL POSITION					
Non-current assets	1,844,227	2,722,759	2,585,528	3,217,203	3,226,081
Current assets	1,699,156	1,795,686	2,407,504	3,031,439	3,583,184
TOTAL ASSETS	3,543,383	4,518,445	4,993,032	6,248,642	6,809,265
Equity and liabilities					
Share capital	101,250	101,250	126,563	126,563	126,563
Reserves	1,387,460	1,758,041	1,745,854	2,214,685	2,307,975
Exchange differences	1,701	(22,885)	(23,576)	(18,533)	(22,101)
Non-controlling interest	170,369	409,903	424,991	602,314	654,101
Total equity	1,660,780	2,246,309	2,273,832	2,925,029	3,066,538
Non-current liabilities	635,519	872,774	644,888	791,387	1,111,573
Current liabilities	1,247,084	1,399,362	2,074,312	2,532,226	2,631,154
TOTAL EQUITY AND LIABILITIES	3,543,383	4,518,445	4,993,032	6,248,642	6,809,265

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Proxy Form

To:

The Company Secretary
East African Cables Limited
P.O Box 40111 - 00100 GPO
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 49th Annual General Meeting of the said company to be held at 11:00 a.m. on Thursday 24 April 2014 and at the adjournment thereof:

Signed this _____ day of _____ 2014.

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 49 wa kampuni hii, utakaofanyika saa tano asubuhi

Alhamisi Aprili 24, 2014 ama siku nyingine ikiwa Mkutano huo utaahirishwa.

Hati hii imetiwa sahihi hivi leo tarehe _____ mwezi wa _____ 2014

Sahihi _____

Muhimu: 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 anayeruhusiwa wa shirika hilo.

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