East African Cables
Connecting lives

EAST AFRICAN CABLES

EAST AFRICAN CABLES

2017

Annual Report & Financial Statements

East African Cables is a premier cable manufacturer, with a footprint that spreads across East and Central Africa.

The company has three manufacturing facilities; two in Nairobi, Kenya and one in Dar es Salaam Tanzania.

In addition, EAC is present in Uganda, Rwanda, Burundi, Southern Sudan and Eastern DRC, through a distribution network.

OUR MISSION

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

OUR VISION

To be the leading and preferred provider of cabling solutions.

OUR CORE VALUES

- Employees and customer safety comes first.
- Being ethical 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.

EAC manufactures an extensive range of cables for applications in domestic and Industrial lighting, as well as transmission and distribution of electricity.

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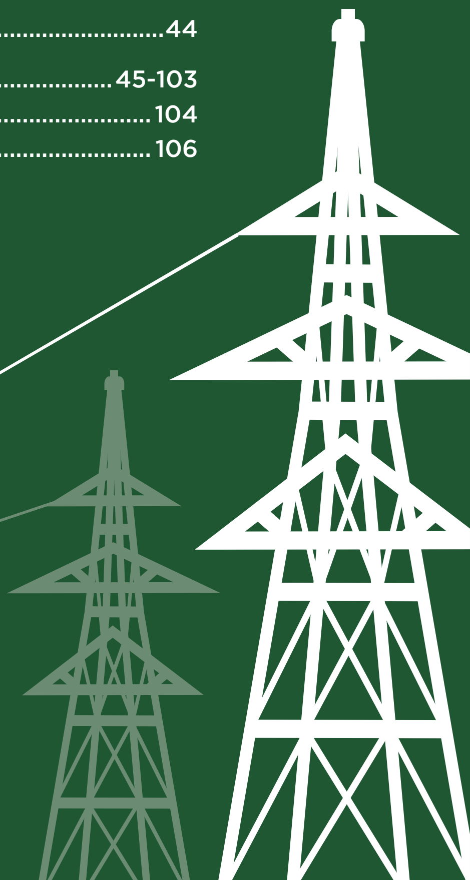


Notice of the Annual General Meeting

Notice is hereby given that the fifty third 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 Monday 9th July 2018 at 11.00 a.m. for the following purposes:

A. Ordinary business

1. To receive and if approved, adopt the Group's audited financial statements for the year ended 31 December, 2017 together with the Chairman's, Directors' and Auditors' reports thereon.
2. To approve the Directors' remuneration as provided in the financial statements for the period ended 31 December, 2017.
3. Dividend. The Board of Directors does not recommend payment of a dividend for the year ended 31 December 2017.
4. To elect Directors:

    (i) In accordance with the Company's Articles of Association, TransCentury PLC retires by rotation and being eligible offers itself for re-election.

    (ii) In accordance with the Company's Articles of Association, Cables Holdings (Kenya) Limited and appointed as a director of the Company with effect from 28th August 2017, retires in accordance with the Company's Articles of Association and being eligible, offers itself for re-election.

    (iii) Pursuant to paragraph 2.5.1 of the Code of Corporate Governance Practices for Issuers of Securities to the Public 2015, to approve the continuation in office as a Director of the following directors who have attained the age of seventy (70) years;

        a. Mr. Bruno Thomas
        b. Mr. Peter T. Kanyago

5. Pursuant to the provisions of Section 769 of the Companies Act 2015, Mr. Peter T. Kanyago and Mr. Njiinu Nganga (representing TransCentury PLC) being members of the Board Audit Committee be re-elected to continue to serve as members of the said committee.
6. To approve the re-appointment of KPMG Kenya as the auditors in accordance with section 723 (b) of the Companies' Act, 2015 and to authorise the Directors to fix their remuneration.
7. 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

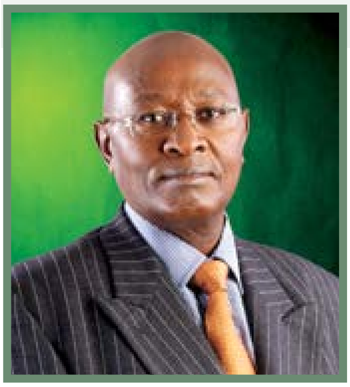
14 June 2018

Note:

1. In accordance with S. 298 (1) of the Companies Act 2015, every 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. A form of proxy may be obtained from the Company's website www.eacables.com or from the registered office of the company.

2. In accordance with Article 146 of the Company's Articles of Association, a summary of the financial statements and the Auditors report for the year ended 31st December 2017 have been published in two daily newspapers with nationwide circulation. A copy of the entire Annual Report and Accounts may be viewed on and obtained from the company's website www.eacables.com or from the Registered Office of the Company.

BOARD OF DIRECTORS



Michael G. Waweru, FCCA, FCPA, CBS. – Chairman (67)
Non-Executive Director
Kenyan

M.G. Waweru is a graduate of the University of Nairobi where he attained his Bachelor of Commerce Honours Degree. He also holds an MBA degree from the Strathmore Business School. He is a Fellow of the Association of Chartered Certified Accountants (FCCA), Institute of Certified Public Accountants of Kenya (FCPA) and a member of the Institute of Directors. An accountant by profession, Mr Waweru was Managing Partner of Ernst & Young East Africa until 2002. In March 2003, he was appointed to the position of Commissioner General, Kenya Revenue Authority, where he served for 9 years up to February 2012. During the period 2003 to 2006, Mr Waweru was President of the Commonwealth Association of Tax Administrators (CATA), which brings together Revenue Administrations in the Commonwealth. He has also served as Chairman of Institute of Certified Public Accountants of Kenya (ICPAK), Muthaiga Golf Club and as Statutory Manager of Trade Bank, Trade Finance and Diners Finance. He is currently also chairman of Zamara Group (formerly Alexander Forbes) and KCA University Board of Trustees.

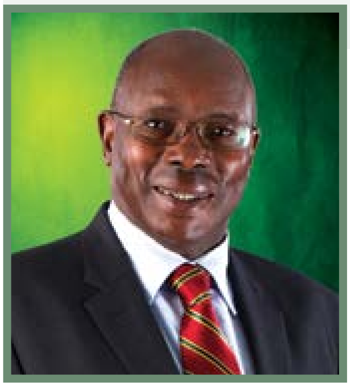
Nganga Njiinu, CFA – CEO, TransCentury (40)
Representing TrasnsCentury PLC
Non-Executive Director
Kenyan

Nganga Njiinu is the Group CEO of TransCentury Plc and has over 17 years of experience in investments, strategy implementation and operations. Since joining TransCentury Group in 2008, Njiinu has held various roles in corporate finance, portfolio management, business development as well as originating and developing opportunities in the infrastructure space. Prior to Joining TransCentury, Njiinu worked for Coldwell Banker Residential Brokerage in the USA for 7 years, where he was involved in strategy, financial planning and analysis as well as evaluation and integration of acquisitions. Njiinu has an MBA in Finance and Investment Management from the University of Dallas in Irving, Texas and a Bachelor of Science in International Business from United States International University. Njiinu is also a CFA charter holder.

Bruno Thomas (75)
Independent Non-Executive Director
French

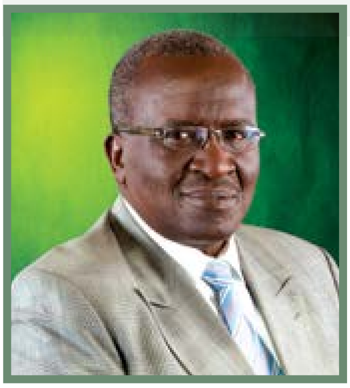
Consultant, Bruno Thomas, formerly of the Nexans Group, has a wealth of experience in the energy sector having been the executive vice president of Nexans Group for the rest of World Area. In addition he was previously President of the Energy Cables Division, President of the board of Alcatel Kabel KG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

BOARD OF DIRECTORS (continued)



Peter Kanyago, FCCA, FCPA, EBS (70)
Non-Executive Director
Kenyan

Mr. Kanyago is a fellow of the Institute of Certified Public Accountants of Kenya, and holds an MBA in Industrial Management. As an entrepreneur, he holds directorships in companies he has built, including Pekan Limited and East African Elevator Company (ThyssenKrupp). He is Chairman of Kenya Tea Development Agency and Kenya Open Golf Ltd, a Director at Ecobank Tanzania, Corporate Insurance, Kenya Tea Packers Ltd (KETEPA), Chai Trading and Chinga Tea Factory. His contribution to the nation has been recognized in his being awarded the Moran of the order of the Burning Spear (MBS) and Elder of the order of the Burning Spear (EBS) of the Republic of Kenya. He is also a fellow of Kenya Institute of Management (KIM).



Amb. Dennis Awori (63)
Independent Non-Executive Director
Kenyan

Amb. Dennis Awori earned his BSC with Honors degree in Aeronautical Engineering from the University of Manchester in 1977. He began his career with Cooper Motor Corporation Ltd, and later moved to Motor Mart Group (later Lonrho Motors East Africa) where he rose to the position of Managing Director in 1995. He was later appointed the Ambassador of the Republic of Kenya to Japan and during his tenure he spearheaded the establishment of the Kenyan Embassy in Korea, as well as built strong relations between Kenya and the two countries. He currently sits in various boards including Toyota Kenya Limited where he is the Chairman and Bank of Africa. Amb. Awori is a keen sportsman and has been Chairman of both the Kenya Rugby Football Union and the Uganda Rugby Football Union in consecutive terms between 1990 and 1997.

Virginia Ndunge (48)
Company Secretary
Kenyan

Virginia Ndunge is a Certified Public Secretary and a member of the Institute of the Certified Public Secretaries of Kenya (ICPSK). She holds a Bachelor of Commerce degree in Finance and Diploma in Project Management. She has substantial experience in Company Secretarial services having worked with Emu Registrars, Certified Public Secretaries for over 12 years. In July 2013, she joined Kaplan and Stratton Advocates where she heads their Company Secretarial Division.

MANAGEMENT TEAM

Paul Muigai
Chief Executive Officer

Joseph Kinyua
Group Finance Manager

Joseph Kamau
Group Production Manager

Johnson Kanene
Group Maintenance Manager

Dr. Gerald Gitau
Ag. Head of Sales

Geoffrey Odhiambo
General Manager, EAC Tanzania

MANAGEMENT TEAM

Paul Muigai – Chief Executive Officer
Paul Muigai joined the company on 1st Feb 2017. He has a wealth of experience in Supply Chain management, having held various roles across the Supply Chain in Unilever, including production management, procurement, Operations Planning, Engineering and productivity improvement at various levels up to Supply Chain Director Level. He also held Asia-Africa and Africa & Middle East Regional expatriate roles in the areas of Supply Chain optimization and Safety, Health and Eco-efficiency, based in Singapore and Dubai respectively. Paul is a graduate of University of Nairobi and holds a Bachelor of Science degree in Mechanical engineering.

Joseph Kinyua – Group Finance Manager
Joseph is a Certified Public Accountant and a member of the ICPAK. He holds a Masters Degree in Business Administration from the University of Nairobi and has over 18 years' experience in Audit, Accountancy and Financial Management. He joined East African Cables in 2007.

Joseph Kamau– Group Production Manager
Joseph is a Mechanical Engineering graduate from the University of Nairobi. Before taking up his current role, he worked for East African Cables (Tz) Limited as the Production Manager for seven years. He has also worked in similar manufacturing and engineering roles in other companies including Sameer Africa and Ministry of Lands and Settlement, among others for over 14 years.

Johnson Kanene – Group Maintenance Manager
Johnson is a Mechanical Engineer from Moi University and also holds MSc Energy from Heriot Watt University, Scotland-UK. He has over 16 years' experience in various manufacturing companies including Mabati Rolling Mills where he worked as a senior production & planning Engineer, Savannah cement as Chief Engineer among others. He joined East African Cables in 2014.

Dr. Gerald Gitau – Ag. Head of Sales
Dr. Gitau has over 14 years' experience in Sales & Marketing, Project Management and System implementations. Previously, he has worked for The Coca-Cola Company (Nairobi Bottlers) as a Marketer and a Sales Manager and Texaco (Caltex) as a Customer Care Coach.

He holds a PhD from the University of Nairobi, a Master's Degree in Project Planning and Management and a Bachelor of Business Administration degree in Marketing and in Information Science. He is a Licentiate Member with the Institute of Management of Information System (IMIS-UK) with numerous certifications in Business Management specializing in Sales and Marketing.

Geoffrey Odhiambo- General Manager, EAC Tanzania
A Chemistry graduate of Kenya Polytechnic (Technical University of Kenya), he also holds an advanced certificate in marketing management from the Kenya Institute of Management. He has over 16 years' experience in Technical Sales & Service, Marketing and market development, Customer development and Sales management. Prior to joining EACTz, he was MPC Technical Sales Manager, East Africa, for Akzo Nobel / Sadolin Paints, based in Tanzania.

BANDIA NI HATARI EPUKA NUKSI

INTRODUCING THE NEW LOOK LABEL WITH A VERIFICATION PANEL

HAKIKISHA NI EAST AFRICAN CABLES

1. Look out for the concealed verification number panel.
2. Scratch the panel.
3. SMS the 12 digit code to 38353 for free.
4. You will receive a confirmation sms.

WAYA MBOVU MAISHA MBOVU

East African Cables
Connecting lives

DIRECTORS, OFFICES AND STATUTORY INFORMATION

DIRECTORS

Michael Waweru	Chairman
Peter Kanyago	
Bruno Thomas*	
Dennis Awori	
Trans-Century Limited	
Cable Holdings (Kenya) Limited	Appointed on 28th August 2017
Zephaniah Mbugua	Retired on 22nd June 2017
Peter Arina	Resigned on 31st August 2017

*French

SECRETARY
Virginia Ndunge
Certified Public Secretary (Kenya)
P.O Box 40111 - 00100
Nairobi

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

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

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

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

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

Majanja Luseno Advocates
Jeevan Bharati Building,
5th Floor, Harambee Avenue
P.O. Box 74580-00200
Nairobi

BANKERS
Standard Chartered Bank Kenya Limited
Kenyatta Avenue Branch
P.O Box 40310 - 00100
Nairobi

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

Commercial Bank of Africa Limited
Upper Hill Branch
P.O Box 30437 - 00100
Nairobi

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

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

Chase Bank (Kenya) Limited
Hurligham Branch
P.O Box 66049 - 00800
Nairobi

Sidian Bank
K-Rep Centre, Kilimani
PO Box 25363 - 00603
Nairobi

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2017

The directors have pleasure in submitting their report together with the audited financial statements for the year ended 31 December 2017, 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

	2017 KShs'000	2016 KShs'000
Loss before taxation	(926,945)	(810,349)
Income tax credit	264,110	227,747
Loss for the year	**(662,835)**	**(582,602)**

The detailed group results for the year are set out on page 37.

3. Dividends

The directors do not recommend the payment of a dividend (2016 – Nil).

4. Directors

The directors who served since 1 January 2017 and up to the date of this report are set out on page 3 and 4.

5. Business review

Our products

East African Cables PLC has over the years invested in modern technology which has enabled it to offer safer, greener and high quality electrical cables and conductors. Its diversified product range include Halogen free fire retardant cables, Aerial bundled conductors and Cross-linked polyethlene (XLPE) insulated armoured cables in addition to the Polyvinyl Chloride (PVC) insulated cables and bare aluminium conductors. Aerial Bundled Conductors are revolutionary in sustaining our vegetation cover unlike the traditional bare conductors which required clearance of the vegetation along the service lines. The group provides vital support to power utilities, power infrastructure projects, industrial applications and domestic wiring including solar lighting. Other products include; House Wiring copper cables, Flexible cables, Power and Control cables, Auto and Battery cables, Aluminium overhead conductors and Super Enamelled Winding wire. The group adheres strictly to cable making standards to produce high quality cables.

Our business environment

2017 was a challenging year due to the unfavourable political environment that persisted in Kenya. The construction sector recorded significant shrinkage in growth thereby resulting to depressed demand for our products. Positively, the power sector is projected to continue expanding to meet the growing demand for electricity. Rural electrification programs, transport infrastructure projects and other private sector developments within the region validate our reason for existence. We are immensely grateful to the regional governments' commitment to support local industries. Our business has benefitted from this new legislation and is currently servicing 3-year frame-work contracts awarded by the Kenya and Tanzania utilities respectively. This support will not only create more employment opportunities to our youth but also push our local industries to build capacity and scale economies.

REPORT OF THE DIRECTORS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2017

5. Business review (Continued)

Business performance and 2018 outlook

Group revenue declined by 36% attributed to constrained working capital and the political environment which persisted during the financial year. The group's cost management strategy implemented in the last quarter of the previous year resulted to a 22% reduction in expenses.

The 2017 general elections are now behind us so the political and economic environment is expected to stabilize. The country has also witnessed government's renewed focus on big four growth agenda items namely; housing, manufacturing, food security and affordable healthcare in addition to the mega infrastructure projects and electrification programs currently going on around the country.

While working capital funding remains a challenge, the group projects improved performance owing to conducive business environment, a confirmed order book of KShs 6.8 billion, better factory efficiencies, and optimised cash conversion cycles. In the last quarter of 2016, the group embarked on a turn-around strategy focusing on stringent credit management, revenue enhancement with deliberate bias on cash or near cash sales, factory efficiencies and working capital optimization. To meet its financing requirements, the group is seeking improved credit facilities that meet its operating requirements and reduce interest costs including refinancing current facilities and enhancements. The Board of Directors is confident that the financing solution will be achieved by the end of 2018. This will set the business back on a growth trajectory.

6. Relevant audit information

The directors in office at the date of this report confirm that:

(i) There is no relevant audit information of which the company's auditors is unaware; and
(ii) Each director has taken all the steps that they ought to have taken as a director so as to be aware of any relevant audit information and to establish that the company's auditor is aware of this information.

7. Auditors

The Company's auditors, KPMG Kenya, continue in office in accordance with Section 719 of the Kenyan Companies Act, 2015.

8. Approval of financial statements

The financial statements were approved and authorised for issue at a meeting of the directors held on 14 June 2018

BY ORDER OF THE BOARD

Virginia Ndunge
Secretary

Date: 14 June 2018

CORPORATE GOVERNANCE STATEMENT

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

The Company has endeavoured to adhere to its obligations as a public listed entity in Kenya in compliance with the Capital Markets Authority (CMA) Code of Corporate Governance practices for Issuers of Securities to the Public 2015. The company also adheres to other regulations promulgated by the CMA, Nairobi Securities Exchange, the Constitution of Kenya and all other laws as a law-abiding citizen.

Board Charter

The Board Charter is critical to the company's governance framework, and offers guidance on matters including but not limited to the following:

- The separation of the roles, functions, responsibilities and powers of the board and its individual members;
- Powers delegated to the board committees;
- Matters reserved for final decision-making and approval by the board;
- Policies and practices of the board on matters of corporate governance, directors' declarations and conflict of interest, conduct of board and board committee meetings; and
- Nomination, appointment, induction, ongoing training and performance evaluation of the board and its committees.

The Board charter can be viewed on or downloaded from the company's website www.eacables.co.ke

The Role of the Board

The primary role of the Board is to guide the company towards sustainable long-term success through the exercise of objective and informed judgement in determining the strategy of the company, having the best team in place to execute that strategy, monitoring business performance and maintaining an effective framework of controls to mitigate risks facing the business.

The Board ensures that Management achieves the right balance between promoting long-term growth and delivering short-term objectives. The existing corporate governance framework embeds the right culture, values and behaviours throughout the Group and supports the Board's role in determining strategic objectives and policies.

The key responsibilities of the Board include:

- To review and approve strategic, business and capital plans for the Company and monitor the Company's human, technology and capital resources, the constraints on implementing such plans and management's execution of such plans.
- To review the principal risks of the Company's business and monitor the implementation by management of appropriate systems to manage such risks.
- To review at every meeting recent developments that may impact the Company's growth strategy.
- Ensuring specific and relevant corporate measurement systems are developed and adequate internal controls and management information systems are in place with regard to business performance and the integrity thereof.

CORPORATE GOVERNANCE STATEMENT (continued)

The Role of the Board (Continued)

- Reviewing and approving corporate governance guidelines applicable to the Company and in accordance with statutory and regulatory requirements. To develop and implement programs for management and Board succession planning. Looking at the size and composition of the Board, compensation of directors, assessment of the performance of the Board, its committees and Directors and approval of appropriate policies and procedures.
- To monitor the practices of board and management to ensure appropriate, fair and timely communication of information concerning the Company.

Board size, composition and appointments

The Board is comprised of five (5) Non-Executive Directors including the Chairman, and one (1) Executive Director. Of the five Non-Executive Directors, two are independent. 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.

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

An age limit of seventy (70) years is recommended for directors serving in the Board. However, the Board can recommend for re-election, a director who is above this age based on his/her expertise and competencies. Such a director is required to retire at the Annual General Meeting for re-election.

The Board is responsible for recommending Non-Executive Directors for election by shareholders at the Annual General Meeting. Nominated directors undergo a formal screening process conducted by the Nominations and Remuneration Committee of the Board before they are formally appointed. Between Annual General Meetings, the Board may appoint directors to serve until the next AGM. Any such appointment of Non-Executive Directors must be ratified by the shareholders at the next AGM following their appointment.

How the Board works

The board is solely responsible for its agenda. However, it is the responsibility of the Chairman and the Company Secretary, working closely with the Chief Executive Officer, to come up with the annual Board work plan and an agenda for the board meetings.

The board meets on a quarterly basis as scheduled during the year, with additional meetings when necessary. Members of the Board are expected to attend all Board meetings. The directors are given appropriate and timely information so that they can maintain full and effective control over strategic, financial, operational and compliance issues. Except for the direction and guidance on general policy, the board has delegated authority for conduct of day-to-day business to the Managing Director / Chief Executive Officer. The Board nonetheless retains responsibility in maintaining the company's overall internal control on financial, operational and compliance issues.

The senior leadership team members may be invited to attend the board meetings if deemed necessary. Where directors are unable to attend a meeting, they are advised on the matters to be discussed and given an opportunity to make their views known to the Chairman prior to the meeting.

Directors are also invited to attend the senior leadership's strategic and operations review meetings to gain further insights into different aspects of the business.

CORPORATE GOVERNANCE STATEMENT (continued)

A summary of the board meetings and attendance is shown below:

	Member	Designation	Attendance
1	MG Waweru	Chairman	9/9
2	PT Kanyago	Member	7/9
3	JB Thomas	Member	7/9
4	D Awori	Member	8/9
5	N Njiinu	Member	8/9
6	Cable Holdings (K) Limited	Appointed 28.08.2017	7/7
7	ZG Mbugua	Retired 22.06.2017	3/3
8	P Arina	Resigned 31.08.2017	5/5
9	V Ndunge	Company Secretary	9/9

Separation of powers and duties of the chairman and the Chief Executive Officer

The roles and responsibilities of the Chairman and the Chief Executive Officer are separate with each having clearly defined duties and responsibilities.

The Chairman is responsible for leadership and governance of the Board. He is also responsible for ensuring that the interests of the Company's shareholders are safeguarded and that there is effective communication with them.

The Chief Executive Officer roles and responsibilities remain the day-to-day management of the company's business and overseeing the implementation of strategy and policies approved by the board.

Board and directors' effectiveness

Board effectiveness in its oversight and leadership role is enhanced by a robust support system. This is facilitated through the following:

Nomination

There is a formal screening process conducted by the Nominations and Remuneration Committee before a nominee is appointed as a Director. The process aims at ensuring that the nominees have the requisite capabilities to carry out their responsibilities.

Non-executive directors are appointed to serve the Company for a period of three years. Subsequent re-appointment is subject to recommendation by the Board. In accordance with the company's Articles of Association, non-executive directors are subject to periodic re-appointment. The Articles of Association require that one third of the longest serving directors (since their last election) retire by rotation every year and if eligible their names are submitted for re-election at the Annual General Meeting.

At this year's AGM, the company will submit all eligible directors for re-election.

CORPORATE GOVERNANCE STATEMENT (continued)

Board induction

On appointment to the Board, all directors receive induction which is tailored to their individual requirements. The program is designed to provide the director with an understanding of how the company works, the business environment, opportunities and key challenges. It also gives the director an overview of the regulatory environment the business operates in.

Training and development

In order to contribute effectively to the Board, directors are encouraged to continually update their skills and knowledge of the business. Directors are also provided with the opportunity to take part in training and development. This is provided for in the board charter.

Evaluation

In line with the provisions of the Code of Corporate Governance Practices for Issuers of Securities to the Public 2015, the Board is required to undertake an evaluation of its performance as an entity, its committees, the chairman and each individual director and the company secretary.

Arising from the Board changes that took place in the year, the company was unable to comply with this requirement. However, measures have been put in place to ensure compliance going forward. The Board has identified an independent consultant to assist with the evaluation.

Conflict of interest

Any conflict of interest or apparent conflict of interest between the Company and its Directors is avoided. Directors are required to declare any potential or actual conflicts of interest that could interfere with their ability to act in the best interests of the company. Any circumstances which may give rise to actual or potential conflicts of interest are disclosed to the Board upon appointment and subsequent changes highlighted as they arise. Directors are given an opportunity in every board meeting, to declare an actual or potential conflict of interest with their role as directors.
During the year 2017, no conflict of interest was declared by any director.

Board remuneration

The Board has delegated responsibility for the consideration and approval of the remuneration arrangements of the Chairman, Directors and senior management to the Nominations and Remuneration Committee. Non-executive directors are paid a sitting allowance for every meeting attended in addition to a quarterly retainer fee.

Details of the fees paid to directors in the financial year under review are set out on page 92 in note 25(a) of the financial statements.

CORPORATE GOVERNANCE STATEMENT (continued)

Communication with shareholders

The Board is committed to ensuring that shareholders, regulators and the financial markets are provided with full and timely information about its performance. This is achieved through:

i. Interim and annual results publications of extracts of its financial performance in the daily newspapers.
ii. The company holds Annual General Meeting to discuss full year performance with shareholders. Copies of the annual reports are made available to shareholders at least 21 days before the date of the AGM. The AGM provides a useful opportunity to the board and management to engage with shareholders on key issues facing the company.
iii. Interactive website containing all relevant information relating to the company.

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

Directors' loans

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

Risk management and controls

The board recognizes that managing risk to ensure optimal mix between risk and return is an integral part of achieving corporate goals. It is responsible for determining the nature and extent of the significant risks that the company is willing to take to achieve its strategic objectives. It is also responsible for maintaining sound risk management and internal control systems. With the support of the Audit Committee, the board has put in place processes for identifying, assessing, managing and monitoring risks to ensure that the risk of failure to achieve business objectives is mitigated. The company has defined procedures and financial controls to ensure the reporting of complete and accurate accounting information. These cover systems for obtaining authority for major transactions and for ensuring compliance with the laws and regulations that have significant financial implications. Procedures are also in place to ensure that assets are subject to proper physical controls and that the organization remains structured to ensure appropriate segregation of duties. These processes are reviewed by the Internal Auditor who reports directly to the Audit Committee of the Board.

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

Financial and Business reporting

The board confirms that the financial statements are prepared on a going concern basis and is satisfied that the company has adequate resources to continue in business for the foreseeable future.

In making this assessment, the directors consider a wide range of information relating to present and anticipated future conditions including future projections of profitability, cash flows, capital and other resources. We draw your attention to note 2(f) on page 50 detailing measures undertaken by the board and management to turnaround the business back to profitability.

Committees of the Board

The board has four standing committees namely: the Audit Committee, Nominations and Remuneration Committee, Commercial Committee and the Strategy Committee. These committees meet regularly under the terms of reference set by the board.

CORPORATE GOVERNANCE STATEMENT (continued)

Audit Committee

Membership

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

The committee met five times in the year. Attendance included internal and external auditors, as well as permanent invitees from management. 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	Designation	Attendance
1	PT Kanyago	Committee chair	5/5
2	N Njiinu	Member	4/5
3	Cable Holdings (K) Limited	Appointed 28.08.2017	1/1
4	MG Waweru	Member up to 28.08.2017	4/4
5	P Arina	Resigned 31.08.2017	4/4
6	V Ndunge	Company Secretary	5/5

Functions of the Audit committee

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

The committee's responsibilities include:

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

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

Nominations and Remuneration Committee

Membership

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

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

CORPORATE GOVERNANCE STATEMENT (continued)

Nominations and Remuneration Committee (Continued)

Membership (continued)

	Member	Designation	Attendance
1	D Awori	Committee chair. Appointed 28.08.2017	1/1
2	MG Waweru	Member	1/1
3	N Njiinu	Member	3/4
4	PT Kanyago	Member up to 28.08.2017	3/3
5	ZG Mbugua	Retired on 22.06.2017	2/2
6	P Arina	Resigned 31.08.2017	3/3

Functions of the Nominations and Remuneration committee

This committee is mandated to review the balance and effectiveness of the board and remuneration of directors and senior management as well as the succession planning at board and senior leadership levels. It also has oversight on the adherence and compliance by the company to its code of ethics and to the principles and requirements of good corporate governance.

The purpose of the committee is to assist the board by:

- Monitoring the size and composition of the board and its succession plans,
- Recommending individuals for nominations as members of the board and its committees,
- Reviewing executive appointments, succession and development plans, terms and conditions of employment of senior management,
- Proposing remuneration structures of executive and non-executive members of the board,

The Nominations and Remuneration Committee is also charged with the responsibility of evaluating the effectiveness of the Board and its committees and the effectiveness of the Directors in the discharge of their responsibilities.

Strategy Committee

Membership

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

CORPORATE GOVERNANCE STATEMENT (continued)

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

	Member	Designation	Attendance
1	MG Waweru	Committee chair	2/2
2	PT Kanyago	Member	2/2
3	JB Thomas	Member	1/2
4	D Awori	Member	2/2
5	N Njiinu	Member	1/2
6	Cable Holdings (K) Limited	Appointed 28.08.2017	1/1
7	ZG Mbugua	Retired 22.06.2017	0/0
8	P Arina	Resigned 31.08.2017	1/1
9	V Ndunge	Company Secretary	2/2

Functions of the strategy committee

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.

Special Committees

The board is authorised by the Company's Articles of Association to form ad hoc or special committees to deal with specific matters for a defined term period. The board retains oversight over such committees.

One such committee is the Commercial Committee. This committee is mandated to evaluate the Group's route to market, customer service and regional diversification. It also evaluates regional market data and advises the board on the overall market strategy.

The membership of this committee comprise of two non-executive directors and the Managing Director/Chief executive Officer while all the senior managers are also invited. The committee met once in the year.

The Chief Executive Officer is a member of all committees while senior managers are invited to the relevant committees.

Employment equity

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

Ethics and code of conduct

The directors attach great importance to the need to conduct the business and operations of the company with integrity and in accordance with good corporate governance practices. The company adopts the best principles of good corporate culture that requires the directors and all employees to maintain the highest personal and ethical standards and to act in good faith and in the interest of the company. The company has developed and implemented a code of conduct that sets out guidelines and rules, which are based on good governance principles of:

CORPORATE GOVERNANCE STATEMENT (continued)

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

Whistle blowing policy

East African Cables PLC has set high standards for its operations to ensure integrity and quality delivery. Employees are often the first to realize that there may be something seriously wrong within the organization. However, they may not express their concerns because they feel that speaking up would be disloyal to their colleagues or to the company. They may also fear harassment or victimization.

The company, has developed a whistle blowing policy to encourage and provides channels for employees to report exceptional incidences without fear of victimization, discrimination or disadvantage.

Reportable misconducts and potential irregularities under the policy include all forms of financial malpractices, non-compliance with regulations, criminal activities, improper conduct or unethical behaviours, corporate governance breaches, non-discloure of interests, sexual and physical abuse of staff and other stakeholders among other vices.

The policy provides clear reporting mechanism through telephone and dedicated email address with assurance of anonymity for whistle-blowers. The staff have also been sensitized through training on reportable incidences, how to make the reports and assurance of confidentiality to providers of information. All reported incidences are directed to individual or teams appropriate to handle the matters reported for further investigation and action.

The board has also maintained an open-door policy allowing for easy escalation of issues. Staff members are regularly sensitised on the need to report any suspected unethical business practices.

DIRECTORS REMUNERATION REPORT

East African Cables PLC reward system seeks to recognize the contribution made by individuals to the success of the Company while reflecting the value of the roles they perform, as well as the levels to which they perform.

East African Cables PLC presents the Director's Remuneration report for the year ended 31 December, 2017. This report has been prepared in accordance with the Company's reward policy, the relevant provisions of both the Capital Markets Authority (CMA) Code of Corporate Governance Guidelines on Director's remuneration and the Kenya Companies Act, 2015.

During the year ended 31 December, 2017, the Board of Directors consisted of:

— 1 Executive Director: Mr. Peter Arina.
— 2 Non-Executive Corporate Directors: Trans-Century Limited and Cable Holdings (K) Limited.
— 3 Non-Executive Directors: Mr. MG Waweru, Mr. Z.G. Mbugua and Mr. PT Kanyago.
— 2 Independent Non-Executive Directors: Mr. D. Awori and Mr. B. Thomas.

(a) Directors' emoluments and loans

For the financial year ended 31 December, 2017, the total Directors remuneration was KShs 18.12 million (2016 – KShs 19.98 million). The aggregate amount of emoluments paid to Directors for services rendered during the year is disclosed in Note 25 (a) 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, under which Directors acquired benefits by means of acquisition of the Company's shares.

(b) Non-Executive Directors' remuneration

The Group and Company has put in place a policy that adequately defines the remuneration and related privileges received by the Non-Executive Directors of the Company.

All the remuneration and privileges accorded to the Non-Executive Directors and enumerated under the policy are competitive and reviewed according to the prevailing market trends for companies of a similar size and complexity of the Company.

The Board has put in place a formal process of reviewing its performance and that of its committees and individual directors. Evaluation of the board shall be conducted by an independent consultant after every two years. Each director shall complete a detailed questionnaire designed to obtain feedback on the board's performance on the following areas:-

- Strategic objectives
- Risk governance
- Board composition and skills
- Board meetings and preparation
- Board interaction and support
- Performance of governance functions
- Performance of Chairman, respective committees and individual directors.

Each Non-Executive Director serves the Board for a term of three years which is renewable. In accordance with the company's Articles of Association, non-executive directors are subject to periodic re-appointment. However, one-third of the Non-Executive Directors are required to resign at each AGM and may offer themselves for re-appointment to continue serving the Board.

DIRECTOR'S REMUNERATION REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

No director is entitled to any compensation upon the termination or end of their tenure as a member of the board.

The details of the tenure of the current Non-Executive Directors is provided in the table below:

Name	Date of Appointment	Date of retirement
MG Waweru	6th August 2012	To retire by rotation in 2020 AGM
D Awori	1st July 2013	To retire by rotation in 2019 AGM
PT Kanyago	12th March 2004	To retire on rotation - Reappointment by a special notice in 2018 AGM
JB Thomas	24th April 2009	To retire by rotation - Reappointment by a special notice in 2018 AGM
Transcentury Limited Represented by N Njinu	12th March 2004	To retire by rotation in 2018 AGM
Cable Holdings Limited Represented by W Muchemi.	28th August 2017	To retire by rotation in 2020 AGM
ZG Mbugua	12th March 2004	Retired on 22nd June 2017

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

During the year under review, there were no changes relating to Non-Executive Director's remuneration.

The following components are provided to the Non- Executive Directors:

1. **Quarterly fees**
   These are paid to the Non-Executive Directors taking into account their responsibility as a director of the Company. These are paid quarterly in arrears.

2. **Sitting allowance**
   Non-Executive Directors are paid a sitting allowances for attending a duly convened and constituted meeting of the Board or of any of the Committees. These are also benchmarked on market rates and trends.

3. **Duty Travel-day(s) allowance**
   An allowance is paid to a Non-Executive Director for any day of travel away from (and back to) his regular station in order to attend to duties of the Company.

4. **Duty day allowance**
   An allowance is paid to a Non-Executive Director for any day away from his regular station in order to attend to duties of the Company.

5. **Travel and accommodation**
   East African Cables Group provides travel and accommodation costs in line with the Company policy.

6. **Professional indemnity cover**
   This is provided in line with best market practice to provide protection for the Non-Executive Directors in undertaking their duties in such capacity.

DIRECTOR'S REMUNERATION REPORT FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

(c) Non-Executive Corporate Directors

Non-executive Corporate Directors and their appointed designates do not earn any remuneration as they are representatives of the majority shareholder.

(d) Executive Directors' remuneration

The remuneration for Executive Directors is as per the negotiated employment contracts. The Executive Director is employed on a permanent basis. The retirement age is as per the company policy. The Executive Directors remuneration package comprises core fixed elements (Basic salary, House allowance, pension and other benefits) designed to recognize the skills and experience. The package is benchmarked to attract and retain talent.

In the year under review, Mr. Peter Arina, served as an Executive Director until his resignation on 31st August 2017.

The Group and Company has a formal process evaluating and measuring the performance of Executive Directors through a Balanced Score Card (BSC). The Balanced Score Card reviews four key pillars including:-

- Finance perspective to measure financial performance of the business.
- Customer perspective to ensure product quality and delivery.
- Internal processes to measure efficiency, compliance and risk management.
- Learning and Growth for succession planning and team productivity.

Executive Directors are entitled to the following remuneration:-

1. Consolidated basic pay

This is the consolidated base salary paid to the Executive Director.

2. Allowances

Allowances paid include a house allowance and a telephone allowance.

3. Bonus

Executive Directors are entitled to a performance based bonus pay. The bonus is paid based on the performance of the business and on existing bonus policy.

4. Pension contribution

On a monthly basis, the business contributes 10.75% of basic pay towards pension of the Executive Director.

5. Club membership

Executive Directors are entitled to paid membership to a social or fitness club.

6. Medical insurance cover

As per Group and Company's Human Resources policy, Executive Directors, like other employees, are entitled to medical insurance cover for their individual and family medical requirements covering both out-patients and in-patients.

7. Group life assurance cover

As provided to all employees, Executive Directors, are entitled to a death in service benefit. This is payable to beneficiaries of the Executive Director at a maximum of three years pay.

DIRECTOR'S REMUNERATION REPORT FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

8. Professional indemnity cover

This is provided in line with best market practice to provide protection for the Executive Directors in undertaking their duties in such capacity.

During the year 2017, there was no adjustment to the remuneration of the Executive Directors. As per the Group and Company policy on employee compensation, 2018 pay will be dependent on the annual performance appraisals conducted at the beginning of every year.

The following amounts were paid to Directors in the year under review.

i. Non- Executive Directors' remuneration for the year ended 31 December 2017

Name	Fees KShs '000	Sitting allowances KShs '000	Duty day allowances KShs '000	Total KShs '000
MG Waweru	1,680	1,930	-	3,610
D Awori	1,260	1,250	-	2,510
PT Kanyago	1,260	1,570	-	2,830
JB Thomas	-	-	1,953	1,953
Transcentury Limited Represented by N Njinu	-	-	-	-
Cable Holdings Limited Represented by W Muchemi.	-	-	-	-
ZG Mbugua	1,050	1,280	-	2,330
George Njoroge	-	50	-	50
Total Company	**5,250**	**6,080**	**1,953**	**13,283**
EAC Tanzania Directors fees	3,465	1,375	-	4,840
Total Group	**8,715**	**7,455**	**1,953**	**18,123**

Notes: a) Mr. ZG Mbugua retired on 22nd June 2017.

b) Mr. G. Njoroge is a Non-Executive Director for Tanzania subsidiary but is invited to the Group Strategy Committee.

DIRECTOR'S REMUNERATION REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

ii. Non- Executive Directors' remuneration for the year ended 31 December 2016

Name	Fees KShs '000	Sitting allowances KShs '000	Duty day allowances KShs '000	Total KShs '000
MG Waweru	1,260	1,410	-	2,670
D Awori	1,260	1,180	-	2,440
PT Kanyago	1,260	1,500	-	2,760
JB Thomas	-	-	1,556	1,556
Transcentury Limited				
Represented by N Njinu	-	-	-	-
ZG Mbugua	2,100	3,054	-	5,154
G Njoroge	-	50	-	50
Total Company	**5,880**	**7,194**	**1,556**	**14,630**
EAC Tanzania Directors fees	3,733	1,614	-	5,347
Total Group	**9,613**	**8,808**	**1,556**	**19,977**

Note:
Mr. G. Njoroge is a Non-Executive Director for Tanzania subsidiary but is invited to the Group Strategy Committee.

iii. Executive Directors' remuneration for the year ended 31 December 2017

Name	Basic Pay KShs '000	Allowances KShs '000	Non cash benefits KShs '000	Total KShs '000
Peter Arina	16,000	5,200	-	21,200

Note:
Mr. Peter Arina resigned on 31st August 2017.

iv. Executive Directors' remuneration for the year ended 31 December 2016

Name	Basic Pay KShs '000	Allowances KShs '000	Non cash benefits KShs '000	Total KShs '000
Peter Arina	24,000	7,800	-	31,800

BY ORDER OF THE BOARD

Virginia Ndunge.
Secretary

Date: 14 June 2018

SHAREHOLDING STRUCTURE

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 2017 were as follows:

Directors' interest

Name of Director	Number of shares
Mr. M.G. Waweru	747,700
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. Abdulrehman Abdulkarim Juma	2,982,600	1.18%
5. Cyrus Njiru	2,628,250	1.04%
5. Mbogori Holdings Limited	2,600,000	1.03%
6. The Jubilee Insurance Co. of Kenya Ltd	2,277,250	0.90%
7. Goodwill (Nairobi) Limited A/C 94	2,040,400	0.81%
8. Peter Arina Kaka Munyiri	1,673,564	0.66%
9. Jitendra Chandubhai Patel & Kirankumar Chandubhai Patel	1,419,462	0.56%
10.Munirabanu Alimohamed Adam	1,054,400	0.42%
11. Others	55,292,338	21.83%
Total	**253,125,000**	**100%**

Distribution of shareholding

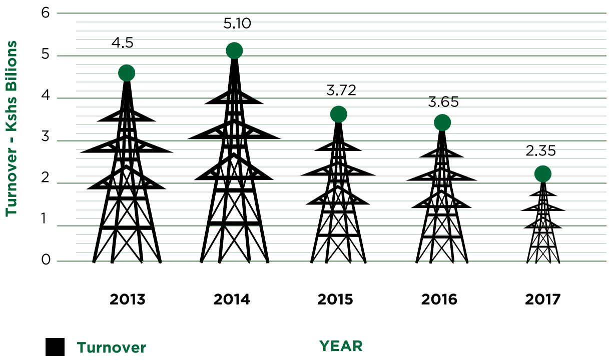
Shares range	No. of Shareholders	No. of Shares held	% shareholding
1 - 500	6,708	1,376,936	0.54
501 - 5,000	6,119	10,153,587	4.01
5,001 – 10,000	592	4,218,899	1.67
10,001 – 100,000	721	19,627,735	7.75
100,001 – 1,000,000	83	19,915,181	7.87
Above 1,000,000	13	197,832,662	78.16
Total	**14,236**	**253,125,000**	**100**

Shareholder analysis by domicile

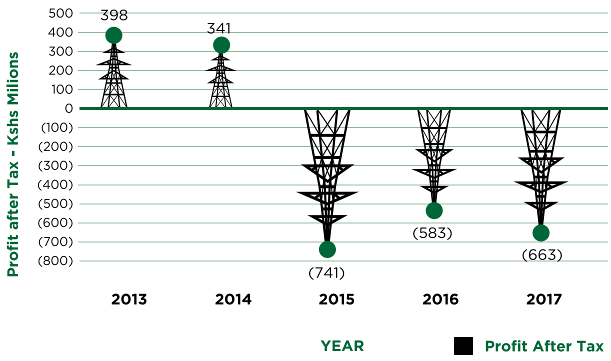
Domicile	No. of Shareholders	No. of Shares held	%shareholding
Local institutions	825	191,309,959	75.58
Local individuals	13,309	59,621,710	23.55
Foreign institutions	9	69,150	0.03
Foreign individuals	93	2,124,181	0.84
Total	**14,236**	**253,125,000**	**100**

FIVE-YEAR COMPARATIVE RESULTS

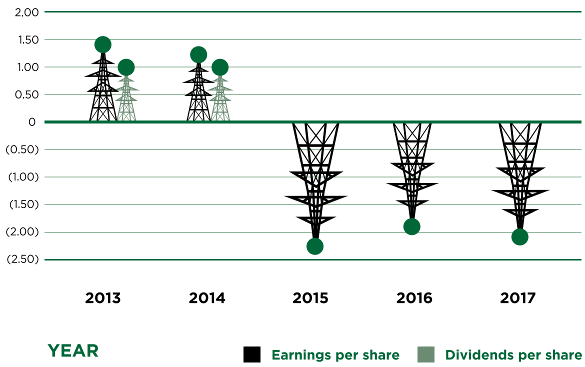
SALES TREND



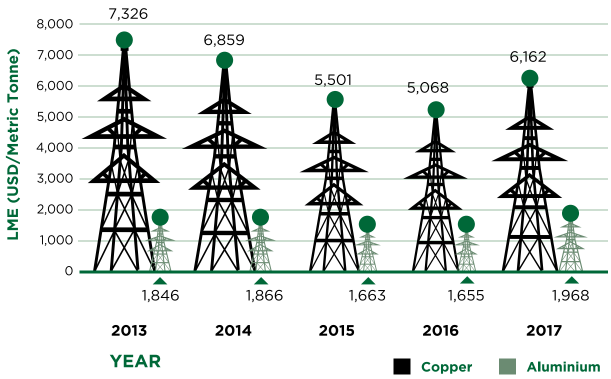
PROFIT/(LOSS) AFTER TAX



EARNINGS AND DIVIDENDS



LONDON METAL EXCHANGE CASH SETTLEMENT PRICE PER METRIC TONNE



STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for the preparation and presentation of the consolidated and separate financial statements of East African Cables PLC (Group and Company) set out on pages 37 to 103, which comprise the consolidated and company statements of financial position as at 31 December 2017, and consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

The Directors' responsibilities include: determining that the basis of accounting described in Note 2 is an acceptable basis for preparing and presenting the consolidated and separate financial statements in the circumstances, preparation and presentation of the financial statements in accordance with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, 2015 and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Under the Kenyan Companies Act, 2015, the Directors are required to prepare financial statements for each financial year which give a true and fair view of the financial position of the group and of the company as at the end of the financial year and of the profit or loss of the group and the company for that year. It also requires the Directors to ensure the company and its subsidiary keep proper accounting records which disclose with reasonable accuracy the financial position 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, 2015. The Directors are of the opinion that the financial statements give a true and fair view of the financial position of the group and the company and of the group and the company profit or loss.

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

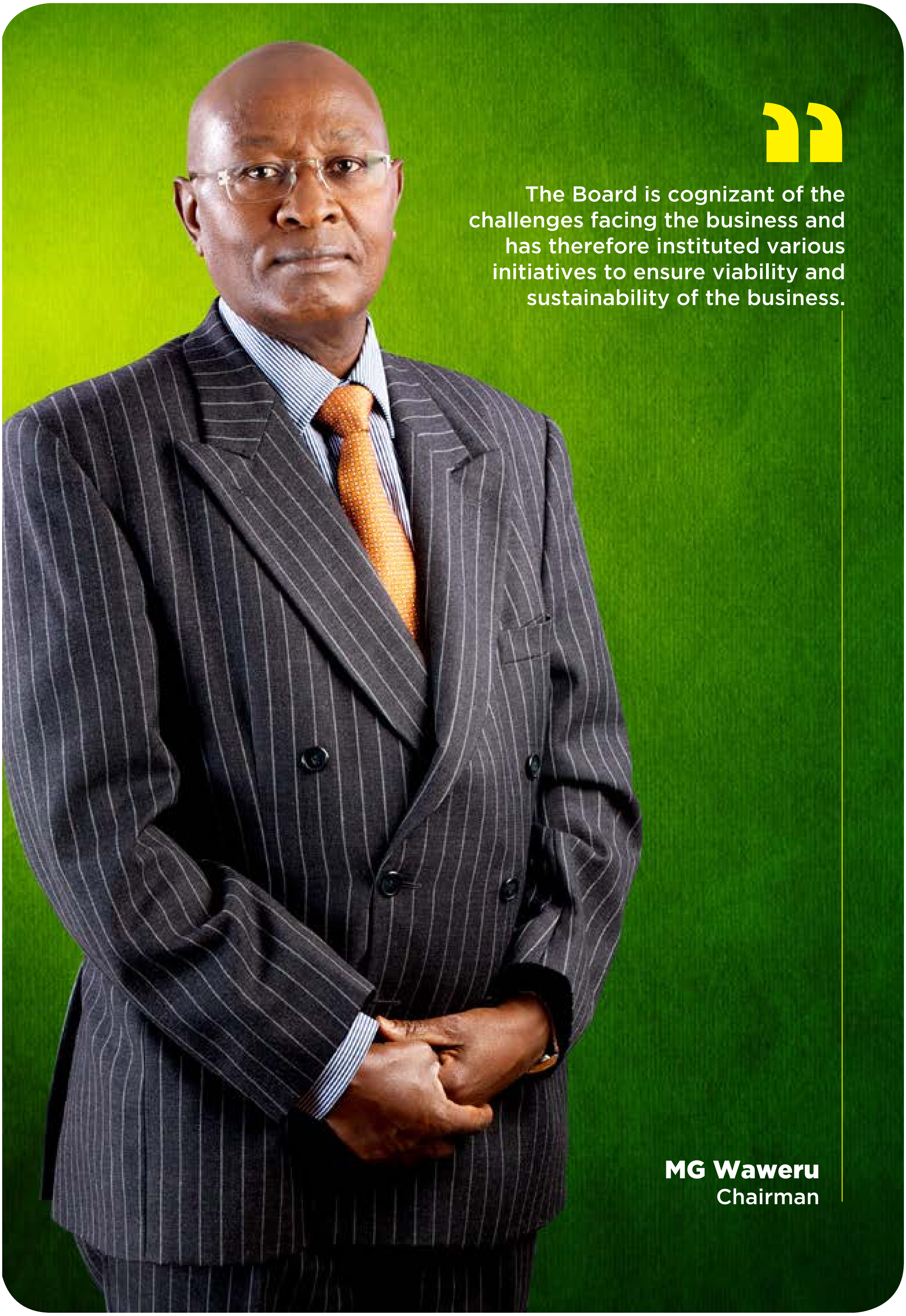
The Directors have made an assessment of the group's and the company's ability to continue as a going concern and have no reason to believe the company and its subsidiary will not be a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The financial statements, as indicated above, were approved by the Board of Directors on 14 June 2018.

MG Waweru **Chairman**	**PT Kanyago** **Director**

Date: 14 June 2018



The Board is cognizant of the challenges facing the business and has therefore instituted various initiatives to ensure viability and sustainability of the business.

MG Waweru
Chairman

CHAIRMAN'S STATEMENT

The Directors are pleased to submit the annual report and financial statements of East African Cables PLC and its subsidiary for the year ended 31 December 2017.

Our business environment

The year 2017 was very challenging for the manufacturing sector. The East African region within which we operate recorded a lower growth rate of 5.3% compared to 5.6% recorded in 2016. Closer home, the Economic Survey published by Kenya National Bureau of Statistics reported that Kenya's economy expanded by 4.9% in 2017 compared to a growth of 5.9% in 2016. The slowdown was partly as a result of uncertainty associated with a prolonged electioneering period coupled with adverse effects of weather conditions. This was further exacerbated by a slowdown in credit uptake by the private sector, further contributing to the deceleration in growth. Manufacturing recorded a lower growth of 0.2% compared to 2.7% in 2016. In addition to the above macro challenges, the sector was also affected by high cost of inputs and stiff competition from cheap imports, including sub-standard products. The cable manufacturing industry recorded a 20.4% decline.

The Tanzanian economy recorded a GDP growth of 7.1% compared to 7% in 2016. The country experienced accelerated growth in the construction sector, with an expansion of 14.1%. There was increased activity in the construction of commercial and residential buildings, and we also noted heightened activity by the power utilities to increase the rate of access to electricity, driving demand for our products.

On the global scene, the London Metal Exchange (LME) prices for Copper raw materials escalated by 30% to USD 7,157 per Metric Tonne in 2017 from USD 5,501 per Metric Tonne in 2016 while those of Aluminium raw materials rose by 31% to USD 2,241 per Metric Tonne from USD 1,713 per Metric Tonne in 2016. These adverse fluctuations in LME prices made our raw materials more expensive thereby increasing our working capital financing needs.

Going concern

The Board is cognizant of the challenges facing the business and has therefore instituted various initiatives to ensure its viability and sustainability. A detailed review of these initiatives is disclosed in note 2(f), on page 47 of these consolidated and separate financial statements.

I am pleased to report that despite the challenges, the Group has focused on order generation, closing the year with a confirmed order book in excess of KShs 6.5 billion. This order book is a significant vote of confidence from our customers who continue to recognize our company as the leading brand in the industry, and ensures the business has a positive outlook. The Board is confident that the progress made from a commercial front, together with the ongoing initiatives on re profiling the company's debt to match business cash flows, positions the group favourably for growth.

Consequently, these financial statements have been prepared on a going concern basis. In making this assessment, the Directors have considered a wide range of information relating to present and anticipated future conditions, including future projections of profitability, current order book, and debt restructuring arrangements and availability of enhanced working capital to meet business requirements.

Performance and returns to shareholders

The Group recorded a 36% decrease in revenue resulting from depressed sales volumes arising from constrained working capital and the political environment which persisted during the financial year. With decreased turnover, the group focussed on cost management through implementation of Total Performance Management (TPM) resulting in improved gross profit margins of 28% compared to 22% recorded in 2016. Overall expenses (Factory, administration and selling) also decreased by 22% to KShs 640m from KShs 823m recorded in 2016.

Production efficiencies derived from the modernized factory, lean manufacturing and synchronized

CHAIRMAN'S STATEMENT (contnued)

procurement and production processes also improved our service delivery to customers. While every effort was made to manage our costs during this turbulent year, the gains from cost management initiatives did not fully compensate the effects of decreased volumes. Consequently, the Group's net earnings decreased by 14% to a loss of KShs. 663m from a loss of KShs 583 million recorded in 2016.

Following the loss recorded in the year, the Board does not recommend payment of a dividend.

Reporting standards

The company continues to adopt the presentation and disclosure requirements of the International Financial Reporting Standards (IFRS), The Kenya Companies Act, 2015 and other regulatory requirements. Changes and developments in the standards and other regulations within the financial period under review have been complied with.

Risk management

The board recognizes that risk management is an integral part of creating value. The board has put in place processes for identifying, assessing, and proactively managing risks to ensure that the company's business objectives are achieved. The group has a fully-fledged Internal Audit function led by the parent company, TransCentury Limited. The function reports to the Audit Committee of the Board.

Corporate governance

During the year, there were some changes to the board. Mr. Michael G. Waweru, who has served as a director and chair of the Audit Committee of the Board since 2012, was appointed the Chairman of the Board. He replaces Mr. Zephaniah G. Mbugua, who retired in the last Annual General Meeting after serving in the board for 13 years. We appreciate Mr. Mbugua for his role and service to the board.

The board also accepted the resignation of Mr. Peter Arina. Until his resignation, Mr. Arina had served in the board as the Managing Director and Chief Executive Officer since October 2015. We wish to sincerely thank Mr. Arina for his contribution during his tenure in the board.

Looking forward

Within the construction and power infrastructure sector, the group has maintained a strong brand synonymous with quality. The regional governments' focus on supporting local manufacturers has also presented immense opportunities which the business can now exploit using its expanded capacity. I am excited to report that the group has an order book in excess of KShs 6.5 billion from private and public customers, including regional power utilities. This is an indication of the confidence our customers have in our business.

The Board recognizes that one of the major challenges facing the business is financing for working capital. To this end, the Board has engaged the services of a debt restructuring consultant who is working with the management and our lenders to come up with a workable solution. The Board is confident that this process will be concluded in 2018 thereby putting in place a solid foundation for returning the business back to growth and profitability.

My appreciation goes to the Board, management, staff, suppliers and all our stakeholders for their support during this difficult time.

MG Waweru FCCA, FCPA, CBS.
Chairman

SUSTAINABILITY REPORT – SAFETY, QUALITY, HEALTH, ENVIRONMENT AND SOCIAL IMPACT

Safety

Employees and customer safety comes first is one of our core values. The management has instituted a committee whose mandate is to assess potential incidences related to safety, making recommendations on how such risks can be mitigated and ensuring implementation of those recommendations. Safety briefings are conducted in all management meetings in order to ingrain the safety culture. All our employees and visitors to our factories are also equipped with proper protective gear at all times.

In 2017, the company recorded 5 work related injury accidents compared to 16 cases recorded in 2016. The reduction is attributed to improved work environment in the new factory, more engagement on safety and improved staff morale. Our safety committee has analysed the incidents and is using the findings to derive appropriate measures to prevent recurrence.

Product quality

The company takes great care to ensure that all its products meet stringent quality checks. Substandard products pose a major risk to consumers and their investments. Cognizant of the dangerous effects of using counterfeit and substandard cables, the company in conjunction with other stakeholders continue to create awareness on how to use our product verification system to ensure that you only buy our genuine products. The company continues to partner with the Anti-Counterfeit Agency, Kenya Association of Manufacturers, and Kenya Bureau of Standards among other government agencies to fight the menace.

We will continue to equip our staff with the required training and ensure continued certification and transition of the International Standards from the 2008 version to ISO 9001:2015 Quality Management System.

Employee wellness

People are the most important resources we have at East African Cables. With the lifestyle changes and related illnesses, we have put great emphasis on work life balance in order to maintain a healthy workforce. We have also increased staff awareness to live a healthy life. In the year under review, the company rolled-out various programs including quarterly health checks, advice on stress management, cancer and diabetes awareness, managing hypertension, counselling sessions and financial guidance workshops. We put great emphasis on staff overall wellness to ensure healthy workforce that is effective both at work and home.

Operational excellence

We remain focused on ensuring timely delivery of our quality products to our customers. In 2017, the company introduced Total Performance Management (TPM) program to compliment the recently commissioned state-of-the–art production facility. TPM is a set of toolkits to put in place and sustain high performance in the work area. It aims, through people, to eliminate loss and waste in order to improve performance. In the year, we have trained over 90 employees and have recorded significant improvement in operations through waste and loss eliminations, machine efficiency, safety, team cohesion among others. Efficiency improvement has significantly reduced power losses, scrap and other wastes which are detrimental to our environment.

Environment

The world is moving towards green technology, and East African Cables has been at the forefront to introduce value added products like Halogen Free Fire Retardant (HFFR) cables and Aerial Bundled Conductors (ABC). HFFR are highly recommended in high density residential areas due to their ability to retard fire while ABC cables are used by utility firms to transmit power in forested areas without need to cut trees thereby conserving environment.

Towards reduction of environmental pollution, the company is working with other stakeholders in the industry to find other packaging solutions as an alternative to polyethene films currently used to wrap domestic cables.

SUSTAINABILITY REPORT – SAFETY, QUALITY, HEALTH, ENVIRONMENT AND SOCIAL IMPACT (continued)

Social impact

The company does not operate in a vacuum. It contributes positively to the development of our youth by nurturing talent and providing equal opportunities for students in colleges, vocational training and universities. In 2017, we signed a partnership with the GIZ-KAM TVET (Technical Vocational Education Training) where we have provided students from technical schools with opportunities for apprenticeship programs. These programs aim to offer college students practical experience in engineering, procurement, finance, stores management and human resource management preparing them for their future careers and providing them with an opportunity to experiment their ideas for the betterment of the society.

On job creation, our fundi club continues to expand throughout the country as we enrol more licensed electricians. The company recognizes the importance of having well rounded partners who not only provide key technical advice to our customers, but also run profitable businesses. To this end, the company has rolled out an entrepreneurship training program extended to all club members.

In line with the Government's quest to create an enabling environment to the youth and special groups including women and people with disability, the company supports these groups to participate in tenders for local utilities and government institutions.

East African Cables PLC at Our Lady of Nazareth Primary School.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF EAST AFRICAN CABLES PLC (formerly EAST AFRICAN CABLES LIMITED)

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of East African Cables Plc (the group and company) set out on pages 37 to 103 which comprise the consolidated and separate statements of financial position as at 31 December 2017, and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of East African Cables Plc as at 31 December 2017, and of its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the Kenyan Companies Act, 2015.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the group and the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of financial statements in Kenya, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2(f) in the consolidated and separate financial statements, which indicates that the group and company incurred a loss of KShs 663 million and KShs 454 million, respectively, during the year ended 31 December 2017, and as of that date, the group's and company's current liabilities exceeded current assets by KShs 1.59 billion and KShs 1.04 billion, respectively. As stated in Note 2(f), these events or conditions, along with other matters as set forth in Note 2(f), indicate that a material uncertainty exists that may cast significant doubt on the group's and company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF EAST AFRICAN CABLES PLC (formerly EAST AFRICAN CABLES LIMITED) (continued)

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

Key Audit Matters (continued)

Impairment of trade receivables (applicable to the consolidated and separate financial statements)	
See Note 3(m)(i) and 28(a) to the financial statements	
The key audit matter	**How the matter was addressed in our audit**
The group and the company have significant trade receivables outstanding from customers at year end. Trade receivables represent approximately 51% of the group's and 45% of the company's current assets. Judgement is involved in assessing the recoverability of trade receivables and in estimating the impairment allowance required to be recognised against the gross trade receivables. Consequently, we considered this to be a key audit matter in our audit of the consolidated and separate financial statements.	**Our audit procedures included:** — we evaluated and tested key controls over the granting of credit to customers; — we inspected customer payments after year end that related to trade receivables outstanding at year end; — we inspected legal files for doubtful debts under litigation and of compliance with the agreed payment plans with customers that had entered into distress arrangements with the group and company to settle outstanding debts; — we inspected customer payment plans and agreements and compared to the actual customer payment history; and — we evaluated the group's and company's policy for recognising an impairment allowance against the procedures applied by management in raising the impairment allowance to determine the appropriateness of the impairment allowance .

Recognition of deferred tax assets on unutilised tax losses included in the net deferred tax liability (applicable to the consolidated and separate financial statements)	
See Note 22 to the financial statements	
The key audit matter	**How the matter was addressed in our audit**
In arriving at the deferred tax liability on the statements of financial position, the group and the company have recognised deferred tax assets relating to unused tax losses (see note 22 to the financial statements). The recoverability of recognised deferred tax assets is in dependent on the group's and company's ability to generate future taxable profits sufficient to utilise deductible temporary differences and tax losses before they expire. We determined this to be a key audit matter in our audit of the consolidated and separate financial statements due to the inherent uncertainty in forecasting the amount and timing of future taxable profits and the reversal of temporary differences and utilisation of tax losses.	**Our audit procedures included:** — our tax experts reviewed the group's and company's deferred tax balances against the tax calculations prepared by the management; — we evaluated the reasonableness of the group's and the company's cash flow forecasts based on supporting documentation obtained from management, our knowledge of the group and company and evidence obtained in respect of other areas of the audit; — we evaluated whether the conditions for recognition of a deferred tax asset in respect of unutilised tax losses in terms of IAS 12 Income taxes have been met; and — we evaluated whether any of the tax losses, included in the deferred tax liability balances have expired by understanding the years in which the tax losses arose and the expected expiry dates of those tax losses.

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REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF EAST AFRICAN CABLES PLC (formerly EAST AFRICAN CABLES LIMITED) (continued)

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

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and Financial Statements, but does not include the consolidated and separate financial statements and our auditors' report thereon.

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Responsibilities of Directors for the Consolidated and Separate Financial Statements

The Directors are responsible for the preparation of consolidated and separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, 2015, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. 'Reasonable assurance' is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

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REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF EAST AFRICAN CABLES PLC (formerly EAST AFRICAN CABLES LIMITED) (continued)

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

Auditors' Responsibilities for the Audit of the Consolidated and Separate Financial Statements (continued)

— Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditors' report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the group and/or the company to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

— Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

As required by the Kenyan Companies Act, 2015 we report to you, based on our audit, that:

(i) In our opinion, the information given in the Report of the Directors on pages 9 to 10 is consistent with the financial statements;

(ii) The auditable part of the Directors' Remuneration Report on page 20 to 24 has been prepared in accordance with the requirements of the Kenyan Companies Act, 2015; and

(iii) Our report on the consolidated and separate financial statements is unqualified.

The Engagement Partner responsible for the audit resulting in this independent auditors' report is CPA Alexander Mbai – P/2172.

KPMG Kenya

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

Date: 14 June 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 KShs'000	2016 KShs'000
Revenue	4(a)	2,345,086	3,650,451
Cost of sales	4(c)	(1,680,954)	(2,846,146)
Gross profit		**664,132**	**804,305**
Other income	4(b)	8,856	7,459
Factory expenses	4(c)	(208,810)	(339,411)
Administrative expenses	4(c)	(349,558)	(345,209)
Selling and distribution expenses	4(c)	(81,338)	(138,763)
Profit/(loss) before depreciation, impairment and finance costs		**33,282**	**(11,619)**
Impairment losses	6(a)	(121,692)	(248,215)
Depreciation and amortisation	6(b)	(288,457)	(271,654)
Results from operating activities		**(376,867)**	**(531,488)**
Interest expense	7	(533,060)	(258,851)
Exchange losses	7	(17,018)	(20,010)
Net finance costs	7	(550,078)	(278,861)
Loss before income tax	**8**	**(926,945)**	**(810,349)**
Income tax credit	9(a)	264,110	227,747
Loss for the year		**(662,835)**	**(582,602)**
Other comprehensive income			
Items that are or may be reclassified to profit or loss:			
Foreign currency translation differences on foreign operations		(14,772)	(10,976)
Total other comprehensive income		(14,772)	(10,976)
Total comprehensive income for the year		**(677,607)**	**(593,578)**
Loss for the year attributable to:			
Owners of the company		(566,338)	(454,725)
Non-controlling interest		(96,497)	(127,877)
		(662,835)	**(582,602)**
Total comprehensive income attributable to:			
Owners of the company		(568,307)	(460,213)
Non-controlling interest		(109,300)	(133,365)
		(677,607)	(593,578)
Basic and diluted earnings per share	**10**	**KShs (2.24)**	**KShs (1.80)**

The notes set out on pages 45 to 103 form an integral part of these financial statements.

SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 KShs'000	2016 KShs'000
Revenue	4(a)	2,043,727	3,255,984
Cost of sales	4(c)	(1,401,661)	(2,511,586)
Gross profit		**642,066**	**744,398**
Other income	4(b)	19,874	15,108
Factory expenses	4(c)	(157,046)	(290,454)
Administrative expenses	4(c)	(280,057)	(269,698)
Selling expenses	4(c)	(48,756)	(98,160)
Profit before depreciation, impairment and finance costs		**176,081**	**101,194**
Impairment losses	6(a)	(108,529)	(226,651)
Depreciation and amortisation	6(b)	(212,850)	(191,914)
Results from operating activities		**(145,298)**	**(317,371)**
Interest expense	7	(500,278)	(180,396)
Exchange losses	7	10,318	46,973
Net finance cost	7	(489,960)	(133,423)
Loss before income tax	**8**	**(635,258)**	**(450,794)**
Income tax credit	9(a)	180,854	121,653
Loss for the year		**(454,404)**	**(329,141)**
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
Foreign currency translation on foreign operations		(4)	111
Total other comprehensive income		**(4)**	**111**
Total comprehensive income for the year		**(454,408)**	**(329,030)**

The notes set out on pages 45 to 103 form an integral part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

	Note	2017 KShs'000	2016 KShs'000
ASSETS			
Non-current assets			
Property, plant and equipment	11(a)	3,798,816	4,075,424
Leasehold land	12	856,066	1,114,631
Investment properties	13	-	115,000
Intangible assets	15	6,980	13,789
		4,661,862	**5,318,844**
Current assets			
Inventories	17	547,857	519,604
Trade and other receivables	18	901,205	1,353,890
Current tax recoverable	9(c)	67,908	65,256
Cash and cash equivalents	26(b)	219,885	45,186
		1,736,855	1,983,936
Asset held for sale	14	639,704	245,626
		2,376,559	2,229,562
TOTAL ASSETS		**7,038,421**	**7,548,406**
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital	19(a)	126,563	126,563
Share premium	19(b)	545	545
Revaluation reserve	19(c)	1,712,620	1,712,620
Retained earnings		(309,639)	256,699
Foreign currency translation reserve	19(d)	(99,444)	(97,475)
Total equity attributable to equity holders of the company		1,430,645	1,998,952
Non-controlling interest	19(e)	448,157	557,457
Total equity		**1,878,802**	**2,556,409**
Non-current liabilities			
Bank loans and borrowings	20(a)	370,968	632,712
Shareholders loan	25(e)	446,271	415,888
Liability for staff gratuity	21	29,805	27,975
Deferred tax liability	22(a)	346,031	596,298
		1,193,075	**1,672,873**
Current liabilities			
Bank overdraft	26(b)	391	-
Trade and other payables	23	888,185	1,113,450
Current income tax payable	9(c)	-	15,113
Short-term portion of bank loan	20(a)	3,055,037	2,160,283
Dividends payable	24	22,931	30,278
		3,966,544	**3,319,124**
TOTAL EQUITY AND LIABILITIES		**7,038,421**	**7,548,406**

The financial statements on pages 37 to 103 were approved by the Board of Directors on 14 June 2018 and were signed on its behalf by:

M.G. Waweru
Chairman

P.T. Kanyago
Director

The notes set out on pages 45 to 103 form an integral part of the financial statements.

SEPARATE STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

ASSETS	Note	2017 KShs'000	2016 KShs'000
Non-current assets			
Property, plant and equipment	11(b)	2,240,754	2,444,014
Leasehold land	12	820,380	1,073,227
Investment property	13	-	115,000
Intangible assets	15	4,641	9,450
Investment in subsidiary	16	115,037	115,037
		3,180,812	3,756,728
Current assets			
Inventories	17	385,083	346,961
Trade and other receivables	18	1,164,797	1,498,042
Current tax recoverable	9(c)	62,895	65,256
Cash and cash equivalents	26(b)	54,170	29,037
		1,666,945	**1,939,296**
Asset held for sale	14	399,138	-
		2,066,083	**1,939,296**
TOTAL ASSETS		**5,246,895**	**5,696,024**
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital	19(a)	126,563	126,563
Share premium	19(b)	545	545
Revaluation reserve	19(c)	1,065,942	1,065,942
Retained earnings		(97,797)	356,611
		1,095,253	**1,549,661**
Non-current liabilities			
Bank loans and borrowings	20(a)	370,968	578,053
Shareholders loan	25(e)	446,271	415,888
Liability for staff gratuity	21	17,183	17,150
Deferred tax liability	22(b)	208,135	391,350
		1,042,557	**1,402,441**
Current liabilities			
Bank overdraft	26(b)	391	-
Trade and other payables	23	509,032	987,216
Short-term portion of bank loans and borrowings	20(b)	2,576,731	1,726,428
Dividend payable	24	22,931	30,278
		3,109,085	**2,743,922**
TOTAL EQUITY AND LIABILITIES		**5,246,895**	**5,696,024**

The financial statements on pages 37 to 103 were approved by the Board of Directors on 14 June 2018 and were signed on its behalf by:

M.G. Waweru
Chairman

P.T. Kanyago
Director

The notes set out on pages 45 to 103 form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

2017:	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 2017	126,563	545	1,712,620	256,699	(97,475)	1,998,952	557,457	2,556,409
Comprehensive income for the year								
Loss for the year	-	-	-	(566,338)	-	(566,338)	(96,497)	(662,835)
Other comprehensive income								
Items that are or may be reclassified to profit or loss:								
Foreign currency translation differences on foreign operations	-	-	-	-	(1,969)	(1,969)	(12,803)	(14,772)
Total other comprehensive income	**-**	**-**	**-**	**-**	**(1,969)**	**(1,969)**	**(12,803)**	**(14,772)**
Total comprehensive income for the year	**-**	**-**	**-**	**(566,338)**	**(1,969)**	**(568,307)**	**(109,300)**	**(677,607)**
Balance at 31 December 2017	**126,563**	**545**	**1,712,620**	**(309,639)**	**(99,444)**	**1,430,645**	**448,157**	**1,878,802**
2016:								
Balance at 1 January 2016	126,563	545	1,712,620	711,424	(91,987)	2,459,165	690,822	3,149,987
Comprehensive income for the year								
Loss for the year	-	-	-	(454,725)	-	(454,725)	(127,877)	(582,602)
Other comprehensive income								
Items that are or may be reclassified to profit or loss:								
Foreign currency translation differences on foreign operations	-	-	-	-	(5,488)	(5,488)	(5,488)	(10,976)
Total other comprehensive income	**-**	**-**	**-**	**-**	**(5,488)**	**(5,488)**	**(5,488)**	**(10,976)**
Total comprehensive income for the year	**-**	**-**	**-**	**(454,725)**	**(5,488)**	**(460,213)**	**(133,365)**	**(593,578)**
Balance at 31 December 2016	**126,563**	**545**	**1,712,620**	**256,699**	**(97,475)**	**1,998,952**	**557,457**	**2,556,409**

The notes set out on pages 45 to 103 form an integral part of these financial statements.

SEPARATE STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital KShs '000	Share premium KShs '000	Revaluation reserve KShs '000	Retained earnings KShs '000	Total KShs'000
2017:					
Balance at 1 January 2017	126,563	545	1,065,942	356,611	1,549,661
Comprehensive income for the year					
Loss for the year	-	-	-	(454,404)	(454,404)
Other comprehensive income					
Foreign currency translation differences on foreign operations	-	-	-	(4)	(4)
Total other comprehensive income	**-**	**-**	**-**	**(4)**	**(4)**
Total comprehensive income for the year	**-**	**-**	**-**	**(454,408)**	**(454,408)**
Balance at 31 December 2017	**126,563**	**545**	**1,065,942**	**(97,797)**	**1,095,253**
2016:					
Balance at 1 January 2016	126,563	545	1,065,942	685,641	1,878,691
Comprehensive income for the year					
Loss for the year	-	-	-	(329,141)	(329,141)
Other comprehensive income					
Foreign currency translation differences on foreign operations	-	-	-	111	111
Total other comprehensive income	-	-	-	111	111
Total comprehensive income for the year	**-**	**-**	**-**	**(329,030)**	**(329,030)**
Balance at 31 December 2016	**126,563**	**545**	**1,065,942**	**356,611**	**1,549,661**

The notes set out on pages 45 to 103 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 KShs'000	2016 KShs'000
Cash generated from operations	**26(a)**	**120,068**	**597,063**
Income taxes paid	9(c)	-	(34)
Cash generated from operating activities		**120,068**	**597,029**
Cash flows from investing activities			
Purchase of property, plant and equipment	11(a)	(68,746)	(403,384)
Purchase of intangible assets	15	-	(6,383)
Net cash used in investing activities		**(68,746)**	**(409,767)**
Cash flows from financing activities			
Bank loans and borrowings received	20(b)	973,188	2,570,446
Repayment of bank loans and borrowings	20(b)	(743,124)	(2,397,349)
Accrued interest on bank loans	20(b)	395,458	-
Accrued interest on shareholders loan	25(e)	32,579	31,685
Exchange gain on bank / shareholders loans		5,292	3,089
Interest charged	7	(533,060)	(258,851)
Dividends paid	24	(7,347)	(2,276)
Net cash used in financing activities		**122,986**	**(53,256)**
Net increase in cash and cash equivalents		**174,308**	**134,006**
Cash and cash equivalents at 1 January		45,186	(88,820)
Cash and cash equivalents at 31 December	**26(b)**	**219,494**	**45,186**

The notes set out on pages 45 to 103 form an integral part of these financial statements.

SEPARATE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 KShs'000	2016 KShs'000
Cash generated from operations	**26(a)**	**(116,188)**	**601,440**
Income taxes paid	9(c)	-	(34)
Cash generated from operating activities		**(116,188)**	**601,406**
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		20,609	
Purchase of property, plant and equipment	11(b)	(45,655)	(399,269)
Purchase of intangible assets	15	-	(981)
Net cash used in investing activities		**(25,046)**	**(400,250)**
Cash flows from financing activities			
Bank loans and borrowings received	20(b)	973,188	2,496,842
Repayment of bank loans and borrowings	20(b)	(729,342)	(2,426,835)
Accrued interest on bank loans	20(b)	395,458	-
Accrued interest on shareholders loan	25(e)	32,579	31,685
Exchange gain on shareholders/bank loans		1,718	674
Interest paid	7	(500,278)	(180,396)
Dividends paid	24	(7,347)	(2,276)
Net cash used in financing activities		**165,976**	**(80,306)**
Net increase in cash and cash equivalents		**24,742**	**120,850**
Cash and cash equivalents at 1 January		29,037	(91,813)
Cash and cash equivalents at 31 December	**26(b)**	**53,779**	**29,037**

The notes set out on pages 45 to 103 form an integral part of these financial statements.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. REPORTING ENTITY

East African Cables Limited ("the Company") is a limited liability company incorporated in Kenya under the Kenyan Companies Act, 2015 and is domiciled in Kenya. The consolidated financial statements as at and for the year ended 31 December 2017 comprise the company and its subsidiaries (together referred to as the "Group"). The Group is primarily involved in the manufacture and sale of electrical cables and conductors.

The address of its registered office and principal place of business is 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 and separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and the Kenyan Companies Act, 2015.

For Kenyan Companies Act, 2015 reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of judgements and estimates

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

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

2. BASIS OF PREPARATION (Continued)

(d) Use of judgements and estimates (continued)

Specifically, critical judgements, assumptions and estimation uncertainities are required in the following;

(i) Consolidation

Judgement is required on whether the group has defacto control over an investee (Note 3(b)(i)). Judgement is also made during acquisition of subsidiaries where fair value is measured on a provisional basis.

(ii) Lease classification

Judgement is required in assessing classification of leases into either finance or operating leases, and in reviewing whether arrangements contain a lease (Note 3(f)).

(iii) Employee benefits

Certain assumptions are made when estimating employee benefit liabilities under gratuity schemes (Note 3(h)).

(iv) Taxation

Recognition of deferred tax assets requires assessment of future taxable profits against which carry forward tax losses can be used (Note 3(i)).

(v) Impairment tests

Key assumptions underlying recoverable amounts are made in determining carrying amounts of goodwill, receivables, investments in subsidiaries, tangible and intangible assets, investment properties etc, especially where indicators of impairment exist (Note 3(m)).

(vi) Recognition and measurement of contingencies

Key assumptions are made about the likelihood and magnitude of an outflow of resources

(e) Measurement of fair values

A number of the Group's and Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group and Company has an established framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Group finance manager.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations met the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

2. BASIS OF PREPARATION (Continued)

(e) Measurement of fair values (continued)

Significant valuation issues are reported to the Group's Audit Committee.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 11 – Property, plant and equipment
- Note 12 – Leasehold land
- Note 13 – Investment property
- Note 28 – Financial instruments

(f) Going concern

The group and company incurred a loss of KShs 663 million and KShs 454 million respectively during the year ended 31 December 2017 (2016 – Group KShs 583 million, Company KShs 329 million), and as of that date, the Group's and Company's current liabilities exceeded current assets by KShs 1.59 billion and KShs 1.04 billion respectively (2016 – Group KShs 1.09 billion, Company KShs 805 million), mainly due to bank loans held by the group and company amounting to KShs 3.06 billion and KShs 2.58 billion, respectively, which are current and due in 2018. As at 31 December 2017, the group and company had overdue loans amounting to KShs 2.2 Billion and KShs 1.7 billion respectively. These loans are due and payable on demand and in the event that the lenders recall the loans due, the group and company do not have the ability to settle these loans in the normal course of business.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

2. BASIS OF PREPARATION (Continued)

(f) Going concern (continued)

These events and conditions indicate the existence of a material uncertainty that may cast significant doubt on the group's and company's ability to continue as a going concern and therefore that the group and company may be unable to realise their assets and discharge their liabilities in the normal course of business.

In our previous communication to shareholders, through our Annual Report and Financial Statements for 2016 year of income, the group outlined various measures undertaken by the Board and management to return the business back to profitability and reverse the trend in negative working capital position. Implementation of the turn-around strategy is in place with an expectation to return to the business to profitability.

The business has confirmed its viability and sustainability through market studies which place its brand in a very strong position. The survey which was conducted by a third party, in November and December 2017, indicated high preference for the Group's and Company's products ranking it the most preferred in the market. Above to 85% of the respondents in the survey confirmed that they would buy the Group's and Company's products. This preference for the Group's and Company's quality products is also evidenced by the strong order book in excess of KShs 6.8 billion mainly from the regional utility companies. Coming from a heavy capital investment project, the main challenge was the mismatch in financing arrangements of these investments thereby eroding our working capital. The Board and management are working jointly with a debt restructure consultant and the lenders to address this challenge. These and other initiatives to support the Group's and Company's ability to continue as a going concern are described below:

(i) **Debt restructure:** The Group and the Company are currently in discussions with its main lenders to restructure the entire short-term portion of bank loans amounting to KShs 3.06 billion. The discussions are aimed at restructuring the short-term loans into a 5 year term loan including a 1 year moratorium on principal debt, and obtaining a new unfunded credit facility of at least KShs 1.36 billion to be used in working capital financing. While the Group and Company anticipated to conclude this process in 2017, the political environment prevailing then was not conducive. In the fourth quarter of 2017, the Board of Directors enlisted the services of a debt restructure consultant to conduct independent review of the Group's and Company's business and advise the management and the lenders to facilitate refinancing of existing loans and improved credit facilities that meet the Group's and Company's operating requirements and working capital needs. Interim reviews by the consultant demonstrate strong business fundamentals, market potential and business viability.

(ii) **Business Potential:** Despite the challenges experienced, the Group and Company has focused on order generation to ensure the business has sufficient future revenues to be able to repay the current debt and continue to grow. The Group and Company significantly grew the contracted order book year on year in the last two (2) years as shown in the table below:

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

2. BASIS OF PREPARATION (Continued)

(f) Going concern (continued)

Beginning of year confirmed order book			
Order Book (KShs Billion)	Jan-17	Jan-18	Apr-18
Company	2.8	2.1	2.1
Subsidiary	1.4	1.4	4.7
Total Group	**4.2**	**3.5**	**6.8**

The KShs 6.8 billion order book which is substantially self-funding as it comes with advance payments will be executed within the next twelve (12) month and refers to purely contracted order book and does not include potential retail business which has historically constituted over 80% of our business. Upon completion of debt restructure which is imminent, a significant portion of this order book will be delivered in the short term.

This is a demonstration that the Group and Company has a stable market with overwhelming prospects, goodwill from customers and support from the lenders. The support from mid-tier lenders and customer down-payments continue to provide working capital financing in the interim.

(iii) **Receivables management and direct selling.** Apart from enforcing strict credit control policy, the Group and Company changed its sales strategy to cash or near cash. The result has been increased cash sales which accounted for 24% of our total revenue with further reduction in the overall cash conversion cycle. We target to achieve cash sales of 40% by end of the next financial year. To mitigate customer default risk, all our export sales are now on cash or irrevocable letters of credit while we have also made it mandatory for all our credit customers to provide directors' personal guarantee for goods supplied. Additionally, we have included title retention clause in all our sales documentation to enable us to trace and recover all our receivables.

(iv) **Enhanced partnership with key raw material suppliers:** The business continues to maintain conducive trading terms from its key suppliers of raw materials. This initiative has enabled the business to maintain continued flow of raw materials to serve its customer base especially during the difficult period.

(v) **Efficiency improvement through implementation of Total Performance Management (TPM).**Through implementation of lean manufacturing processes and deliberate efforts to cut costs, there has been significant reduction in material waste and scrap, power consumption and overall costs. Consequently, gross margins for the group improved to 28% in the year under review compared to 22% recorded in 2016, while overheads decreased by 22% to KShs 640m compared KShs 823m recorded in 2016 (Refer to Consolidated Statement of Profit or Loss and Other Comprehensive Income on page 37). Additionally, synchronization of production scheduling, procurement of raw materials and market demand has resulted to lower inventory holding as well as shorter turn-around times in product deliveries to our customers.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

2. BASIS OF PREPARATION (Continued)

(f) Going concern (continued)

(vi) **Disposal of non-operating assets:** As indicated in the Consolidated Statement of Financial Position on Page 39 and Note 14 (Assets held for sale), the group and company has offered for sale three properties with a carrying value of KShs. 640m. Two of the properties are located in Nairobi, Kenya while one is located in Dar es salaam, Tanzania. Some offers have been received from interested buyers and are under evaluation. The sale of these properties is expected to be concluded by end of 2018.

(vii) **Optimization of capital structure:** The Group and Company is also exploring ways of optimizing its capital structure which could involve raising of additional equity into the business which will be utilized to recapitalise the business. This process will aim at further strengthening the balance sheet of the Group and achievement of the growth strategy.

(viii) **The Group and Company has a competitive advantage:** Since the completion of the factory upgrade and modernisation programs in 2014 and 2015, the increased capacity resulting in triple throughput capacity in our three (3) factories has strategically positioned the business to exploit the opportunities emerging in the region.

Positively, the factories will not be in need of and discretionary capital expenditure over the next five (5) years. This means that any new external funding and internally generated funds will be utilized to optimize working capital requirements. In the current state of the business, all inflows are best utilized by ploughing back to working capital to alleviate cash-flow constraints.

The directors having taken into account the initiatives above and information at hand and are confident that the going concern assumption is appropriate in the preparation of these consolidated and separate financial statements.

The consolidated and separate financial statements have therefore been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities will occur in the ordinary course of business.

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Revenue recognition

(i) Sale of goods

Revenue 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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Revenue recognition (Continued)

(i) Sale of goods (Continued)

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

(ii) Rental income

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

(b) Consolidation principles

(i) Subsidiaries

The consolidated financial statements include the Company (which also includes a branch in Uganda) and its subsidiaries, East African Cables (Tanzania) Company Limited in which the Group holds 51% of the voting rights and Yana Trading Company Limited in which the company holds 100% voting rights (refer to Note 16).

Subsidiaries are entities controlled by the Company. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date on which control ceases.

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

Non-controlling interests (NCI) are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date.

(ii) Transactions eliminated on consolidation

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

(iii) Business combinations

All business combinations are accounted for by applying the acquisition method. Goodwill represents the difference between the cost of acquisition and the fair value of the net identifiable assets acquired.

A gain arising on a bargain acquisition is recognised directly in profit or loss.

(c) Foreign currencies

(i) Foreign currency transactions

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

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Foreign currency transactions (continued)

(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 in other comprehensive income (OCI) 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 (PPE) 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. External revaluations for the group's buildings, plant and machinery are obtained after every three years. Surpluses arising from the valuations are recognised in other comprehensive income and accumulated in revaluation reserves in equity.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment and is recognised net within profit or loss and presented within other income/ expense. When revalued assets are sold, any related amount included in the revaluation reserve is transferred to retained earnings.

(ii) Subsequent costs

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

(iii) Depreciation

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

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Property, plant and equipment (continued)

(iii) Depreciation (continued)

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 and Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Long term leasehold land is classified as leasehold land carried at revalued amounts less amortisation for the period. Leasehold land is revalued by independent valuers after every three years. The revalued amount is amortised over the remaining lease period. 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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Inventories

Work in progress and manufactured finished goods are valued at production cost including direct costs (cost of materials and labour), an appropriate proportion of production overheads and factory depreciation and other costs incurred in bringing the inventories to their present location and condition. The cost of stocks is based on the weighted average principle.

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

(h) Employee benefits

(i) Defined contribution plan

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

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

(ii) Staff gratuity

Unionisable employees of the company are eligible to a gratuity upon retirement based on 16 days pay if an employee has served 1-5years, 20 days pay if an employee has served 6-10 years and 23 days pay if an employee has served 11 years and above. The calculation of gratuity liability is performed annually by a qualified actuary.

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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Taxation

Income tax comprises current tax and change in deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in other comprehensive income or directly in equity, in which case it is recognised in other comprehensive income or in equity respectively.

Current tax is provided on the results in the year as shown in the financial statements adjusted in accordance with tax legislation.

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

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

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

(j) Related party transactions

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

(k) Dividends

Dividends are recognised as a liability in the period in which they are declared. Withholding tax is withheld for all cases where the percentage of ownership is less than 12.5%.

Proposed dividends are disclosed on Note 19(f).

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 entity. The Group and Company 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 and Company's financial instruments are classified as loans and receivables and financial liabilities at amortised cost.

Financial instruments that are 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 are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these are 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 and Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

A financial asset is derecognised when the contractual rights from the financial asset expire or it transfers the rights to receive the contractual cash flows on the financial asset transferred. A financial liability is derecognised when its contractual obligations are discharged, cancelled or expire.

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Financial instruments (continued)

(i) Accounting classifications and fair values for financial assets and liabilities

The table below sets out the carrying amounts of each class of financial assets and liabilities, and their fair values:

a) Group

31 December 2017:	Loans and receivables KShs'000	Other liabilities KShs'000	Total carrying amount KShs'000	Fair value KShs'000
Assets				
Trade receivables	701,357	-	701,357	701,357
Cash and bank balances	219,885	-	219,885	219,885
Total assets	**921,242**	**-**	**921,242**	**921,242**
Liabilities				
Bank overdraft	-	391	391	391
Bank loans and borrowings	-	3,426,005	3,426,005	3,426,005
Trade payables	-	689,605	689,605	689,605
Total liabilities	**-**	**4,116,001**	**4,116,001**	**4,116,001**

31 December 2016:	Loans and receivables KShs'000	Other liabilities KShs'000	Total carrying amount KShs'000	Fair value KShs'000
Assets				
Trade receivables	1,152,175	-	1,152,175	1,152,175
Cash and bank balances	45,186	-	45,186	45,186
Total assets	**1,197,361**	**-**	**1,197,361**	**1,197,361**
Liabilities				
Bank overdraft	-	-	-	-
Bank loans and borrowings	-	2,792,995	2,792,995	2,792,995
Trade payables	-	870,574	870,574	870,574
Total liabilities	**-**	**3,663,569**	**3,663,569**	**3,663,569**

The fair values for financial instruments such as trade receivables, cash and bank balances, and trade payables carrying amounts are a reasonable approximation of fair values.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Financial instruments (continued)

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

b) Company

31 December 2017:	Loans and receivables KShs'000	Other liabilities KShs'000	Total carrying amount KShs'000	Fair value KShs'000
Assets				
Trade receivables	567,513	-	567,513	567,513
Cash and bank balances	54,170	-	54,170	54,170
Total assets	**621,683**	**-**	**621,683**	**621,683**
Liabilities				
Bank overdraft	-	391	391	391
Bank loans and borrowings	-	2,947,699	2,947,699	2,947,699
Trade payables	-	371,010	371,010	371,010
Total liabilities	**-**	**3,319,100**	**3,319,100**	**3,319,100**

31 December 2016:	Loans and receivables KShs'000	Other liabilities KShs'000	Total carrying amount KShs'000	Fair value KShs'000
Assets				
Trade receivables	884,849	-	884,849	884,849
Cash and bank balances	29,037	-	29,037	29,037
Total assets	**913,886**	**-**	**913,886**	**913,886**
Liabilities				
Bank overdraft	-	-	-	-
Bank loans and borrowings	-	2,304,481	2,304,481	2,304,481
Trade payables	-	786,805	786,805	786,805
Total liabilities	**-**	**3,091,286**	**3,091,286**	**3,091,286**

The fair values for financial instruments such as trade receivables, cash and bank balances, and trade payables carrying amounts are a reasonable approximation of fair values.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Financial instruments (continued)

(ii) Valuation hierarchy

The fair value of certain items of property, plant and equipment, leasehold land and investment property was determined by external, independent property valuers in 2015, having appropriate recognized professional qualifications and experience in the location and category of the property being valued.

The table below shows the classification of investment property held at fair value into the valuation hierarchy set out below as at 31 December 2017 and 31 December 2016:

a) Group

	Level 1 KShs'000	Level 2 KShs'000	Level 3 KShs'000	Total KShs'000
31 December 2017:				
Property, plant and equipment				
(Excluding motor vehicles) (Note 11)	-	3,797,891	-	3,797,891
Leasehold land (Note 12)	-	856,066	-	856,066
Investment property (Note 13)	-	-	-	-
Total	**-**	**4,653,957**	**-**	**4,653,957**
31 December 2016:				
Property, plant and equipment				
(Excluding motor vehicles) (Note 11)	-	4,072,661	-	4,072,661
Leasehold land (Note 12)	-	1,114,631	-	1,114,631
Investment property (Note 13)	-	115,000	-	115,000
Total	**-**	**5,302,292**	**-**	**5,302,292**

b) Company

	Level 1 KShs'000	Level 2 KShs'000	Level 3 KShs'000	Total KShs'000
31 December 2017:				
Property, plant and equipment				
(Excluding motor vehicles) (Note 11)		2,240,158	-	2,240,158
Leasehold land (Note 12)	-	820,380	-	820,380
Investment property (Note 13)	-	-	-	-
Total	**-**	**3,060,538**	**-**	**3,060,538**
31 December 2016:				
Property, plant and equipment				
(Excluding motor vehicles) (Note 11)	-	2,442,398	-	2,442,398
Leasehold land (Note 12)	-	1,073,227	-	1,073,227
Investment property (Note 13)	-	115,000	-	115,000
Total	**-**	**3,630,625**	**-**	**3,630,625**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(I) Financial instruments (continued)

(iii) Valuation techniques and significant unobservable inputs

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Investment Property	This is residential property that has been leased to third parties. The property is leased on renewable annual leases. The investment properties are stated at fair value, which has been determined based on valuation by Lloyd Masika an accredited independent valuer as at 31st December 2015. Lloyd Masika is an industry specialist in valuing these types of investment properties. The fair value of the properties has not been determined on transactions observable in the market because of the nature of the properties and lack of comparable data. Instead valuation model in accordance with that recommended by the International Valuation Standard Committee has been applied. The resulting fair value change is dealt with through profit or loss.	The property owned by East African cables Kenya is located in the Lavington area approximately 15kms from Nairobi City Centre. This property has been put up for sale and it is expected to materialize before end of the year 2018.	The land on which the factories stand, is of high value due its prime location. The value is comparable to other land in the neighbourhood.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(I) Financial instruments (continued)

(iii) Valuation techniques and significant unobservable inputs

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Property, plant and equipment	Items of property, plant and equipment other than motor vehicles are stated at fair value, which has been determined based on valuation by Lloyd Masika an accredited independent valuer as at 31st December 2015. Lloyd Masika is an Industry specialist in valuing these types of properties. The fair value of the properties has not been determined on transactions observable in the market because of the nature of the property and lack of comparable data. Instead valuation model in accordance with that recommended by the International Valuation Standard Committee has been applied. The resulting fair value change is dealt with through other comprehensive income.	The factory buildings are located in prime locations within the industrial area. Machinery is anchored in the factory buildings and is specialized in cable manufacturing only. Other items of property, plant and equipment like motor vehicles, furniture and fittings is moveable in nature and is used to facilitate manufacture and sale of electrical cables and conductors.	The location of the factories is within the manufacturing zone. Close proximity to central business district, retail market, key customers and key service providers.
Leasehold land	This relates to leasehold land upon which the manufacturing plants are set up. These assets are stated at fair value, based on valuation by Lloyd Masika an accredited independent valuer on 31st December 2015. Lloyd Masika is an Industry specialist in valuing these types of properties. The fair value of the leasehold land has been determined on the basis of comparable transaction in the market. Additionally, valuation model in accordance with that recommended by the International Valuation Standard Committee has been applied.	The leasehold land in Kenya and Tanzania are located in prime locations within the industrial area with close proximity to all amenities.	The land on which the factories stand, is of high value due its prime location. The value is comparable to other land in the neighbourhood.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Impairment

(i) Financial assets

At each reporting date the Group and Company 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 and Company on terms that the Group and Company 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 and Company, economic conditions that correlate with defaults or the disappearance of an active market for a security.

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

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

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

(ii) Non financial assets

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

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Impairment (continued)

(ii) Non financial assets (continued)

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) Assets held for sale

Non-current assets or disposal groups comprising assets and liabilities that are expected to be recovered primarily through sale or distribution than through continuing use are classified as held for sale or distribution. Immediately before classification as held for sale or distribution the assets or components of a disposal group are measured in accordance with the Group's accounting policies. Thereafter generally the assets or disposal group are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill and then to the remaining assets and liabilities on a pro rata basis.

Impairment losses on initial classification as held for sale or distribution and subsequent gains and losses on re-measurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Once classified as held for sale or distribution, assets are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

(o) Intangible assets

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

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Intangible assets (continued)

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

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

(p) 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.

(q) 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.

(r) Segmental reporting

The Group determines and presents operating segments based on the information that internally is provided to the Group Chief Executive Officer (CEO), who is the Group's chief operating decision maker.

The Group has three reportable segments which are the Group's geographic locations.
The geographic locations offer similar products to different markets and are managed separately because they require different marketing strategies.

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

Specific segmental information is disclosed in Note 32.

(s) 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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Comparative information

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

(u) New standards, amendments and interpretations

(i) New standards, amendments and interpretations effective and adopted during the year

- New standard or amendments
- Disclosure Initiative (Amendments to IAS 7)
- Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)
- Annual improvements cycle (2014-2016) – (Amendments to IFRS 12 Disclosure of Interest in Other Entities)

- Disclosure Initiative (Amendments to IAS 7)

The amendments in Disclosure Initiative (Amendments to IAS 7) come with the objective that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The International Accounting Standards Board (IASB) requires that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The IASB defines liabilities arising from financing activities as liabilities "for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities". It also stresses that the new disclosure requirements also relate to changes in financial assets if they meet the same definition.

The amendments state that one way to fulfil the new disclosure requirement is to provide a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

Finally, the amendments state that changes in liabilities arising from financing activities must be disclosed separately from changes in other assets and liabilities.

The amendments were effective for annual periods beginning on or after 1 January 2017, with early application permitted. The amendments are being issued less than one year before the effective date and hence entities do not need to provide comparative information when they first apply the amendments. The adoption of these changes did not have an impact on the financial statements of the Group and Company since the Group and Company does not have liabilities arising from financing activities.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) New standards, amendments and interpretations (continued)

(i) New standards, amendments and interpretations effective and adopted during the year - continued

- Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12)
The amendments in Recognition of Deferred Tax Assets for Unrealised Losses clarify the following aspects:

— Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.
— The carrying amount of an asset does not limit the estimation of probable future taxable profits.
— Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences. An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilization of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

The amendments were effective for annual periods beginning on or after 1 January 2017 with early application permitted. As transition relief, an entity may recognize the change in the opening equity of the earliest comparative period in opening retained earnings on initial application without allocating the change between opening retained earnings and other components of equity. The Group and Company has not added additional transition relief for first-time adopters

The adoption of these changes did not have a significant impact on the amounts and disclosures in the consolidated and separate financial statements.

Annual improvements cycle (2014-2016) – (Amendments to IFRS 12 Disclosure of Interest in Other Entities)

The disclosure requirements for interests in other entities also apply to interests that are classified as held for sale or distribution. The adoption of these changes did not have an impact on the financial statements of the Group and Company since the Group and Company does not have Interest in Other Entities.

(ii) New and amended standards and interpretations in issue but not yet adopted
A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2017, and have not been early adopted by the Group and Company. The Group and Company is in the process of assessing the impact of these standards on the Group and Company financial statements.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) New standards, amendments and interpretations (continued)

(ii) New and amended standards and interpretations in issue but not yet adopted (continued)

New standard or amendments	Effective for annual periods beginning on or after
IFRS 9 Financial Instruments (2014)	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
Classification and Measurement of Share-based Payment transactions (Amendments to IFRS 2)	1 January 2018
Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4)	1 January 2018
IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
IFRS 16 Leases	1 January 2019
IFRIC 23 Income tax exposures	1 January 2019
IFRS 17 Insurance Contracts	1 January 2021
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS10 and IAS 28)	To be determined
Transfers of Investment Property (Amendments to IAS 40)	1 January 2018
Annual improvements cycle (2014-2016) – (Amendments to IFRS 1 First time adoption of IFRSs and IAS 28 Investments in Associates and Joint Ventures)	1 January 2018
Prepayment Features with Negative Compensation (Amendments to IFRS 9)	1 January 2019
Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)	1 January 2019

All standards and interpretations will be adopted at their effective date (except for those standards and interpretations that are not applicable to the entity).

- IFRS 9: Financial Instruments (2014)
On 24 July 2014 the IASB issued the final IFRS 9 Financial Instruments Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement.

This standard introduces changes in the measurement bases of the financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) New standards, amendments and interpretations (continued)

(ii) New and amended standards and interpretations in issue but not yet adopted (continued)

- IFRS 9: Financial Instruments (2014) - continued

The standard is effective for annual period beginning on or after 1 January 2018 with retrospective application, early adoption permitted.

The Group and Company are assessing the potential impact on its financial statements resulting from the application of IFRS 9.

- IFRS 15 Revenue from Contracts with Customers (Effective 31 December 2018)

This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue – Barter of Transactions Involving Advertising Services.

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The standard specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures.

The standard provides a single, principles based five-step model to be applied to all contracts with customers in recognising revenue being: Identify the contract(s) with a customer; identify the performance obligations in the contract; determine the transaction price; Allocate the transaction price to the performance obligations in the contract; and recognise revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group and Company are assessing the potential impact on its financial statements resulting from the application of IFRS 15.

- IFRS 16: Leases

On 13 January 2016 the IASB issued IFRS 16 Leases which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The standard defines a lease as a contract that conveys to the customer ('lessee') the right to use an asset for a period of time in exchange for consideration. A company assesses whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) New standards, amendments and interpretations (continued)

(ii) New and amended standards and interpretations in issue but not yet adopted (continued)

- **Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)**

The following clarifications and amendments are contained in the pronouncement:

- Accounting for cash-settled share-based payment transactions that include a performance condition

Up until this point, IFRS 2 contained no guidance on how vesting conditions affect the fair value of liabilities for cash-settled share-based payments. IASB has now added guidance that introduces accounting requirements for cash-settled share-based payments that follows the same approach as used for equity-settled share-based payments.

- Classification of share-based payment transactions with net settlement features

IASB has introduced an exception into IFRS 2 so that a share-based payment where the entity settles the share-based payment arrangement net is classified as equity-settled in its entirety provided the share-based payment would have been classified as equity-settled had it not included the net settlement feature.

Accounting for modifications of share-based payment transactions from cash-settled to equity-settled.

Up until this point, IFRS 2 did not specifically address situations where a cash-settled share-based payment changes to an equity-settled share-based payment because of modifications of the terms and conditions. The IASB has introduced the following clarifications:

- On such modifications, the original liability recognised in respect of the cash-settled share-based payment is derecognised and the equity-settled share-based payment is recognised at the modification date fair value to the extent services have been rendered up to the modification date.
- Any difference between the carrying amount of the liability as at the modification date and the amount recognised in equity at the same date would be recognised in profit and loss immediately.

The amendments are effective for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The amendments are to be applied prospectively. However, retrospective application is allowed if this is possible without the use of hindsight. If an entity applies the amendments retrospectively, it must do so for all of the amendments described above.

The Group and Company are assessing the potential impact on its financial statements resulting from the application of IFRS 2.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) New standards, amendments and interpretations (continued)

(ii) New and amended standards and interpretations in issue but not yet adopted (continued)

- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4)

The amendments in Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4) provide two options for entities that issue insurance contracts within the scope of IFRS 4:

- an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets; this is the so-called overlay approach;
- an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4; this is the so-called deferral approach.

The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied.

An entity applies the overlay approach retrospectively to qualifying financial assets when it first applies IFRS 9. Application of the overlay approach requires disclosure of sufficient information to enable users of financial statements to understand how the amount reclassified in the reporting period is calculated and the effect of that reclassification on the financial statements.

An entity applies the deferral approach for annual periods beginning on or after 1 January 2018. Predominance is assessed at the reporting entity level at the annual reporting date that immediately precedes 1 April 2016. Application of the deferral approach needs to be disclosed together with information that enables users of financial statements to understand how the insurer qualified for the temporary exemption and to compare insurers applying the temporary exemption with entities applying IFRS 9. The deferral can only be made use of for the three years following 1 January 2018. Predominance is only reassessed if there is a change in the entity's activities.

The adoption of these changes is not expected to have a significant impact on the financial statements the Group and Company since they do not issue insurance contracts within the scope of IFRS 4.

- IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

This Interpretation applies to a foreign currency transaction (or part of it) when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognises the related asset, expense or income (or part of it).

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) New standards, amendments and interpretations (continued)

(ii) New and amended standards and interpretations in issue but not yet adopted (continued)

- IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration - continued

This Interpretation stipulates that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

This Interpretation does not apply to income taxes, insurance contracts and circumstances when an entity measures the related asset, expense or income on initial recognition:

(a) at fair value; or

(b) at the fair value of the consideration paid or received at a date other than the date of initial recognition of the non-monetary asset or non-monetary liability arising from advance consideration (for example, the measurement of goodwill applying IFRS 3 Business Combinations).

The amendments apply retrospectively for annual periods beginning on or after 1 January 2018, with early application permitted.

The adoption of these changes will not have a significant impact on the amounts and disclosures of the consolidated and separate financial statements.

- IFRIC 23 Clarification on accounting for Income tax exposures

IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities, whilst also aiming to enhance transparency.

IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority.

If an entity concludes that it is probable that the tax authority will accept an uncertain tax treatment that has been taken or is expected to be taken on a tax return, it should determine its accounting for income taxes consistently with that tax treatment. If an entity concludes that it is not probable that the treatment will be accepted, it should reflect the effect of the uncertainty in its income tax accounting in the period in which that determination is made. Uncertainty is reflected in the overall measurement of tax and separate provision is not allowed.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) New standards, amendments and interpretations (continued)

(ii) New and amended standards and interpretations in issue but not yet adopted (continued)

- **IFRIC 23 Clarification on accounting for Income tax exposures (continued)**

The entity is required to measure the impact of the uncertainty using the method that best predicts the resolution of the uncertainty (that is, the entity should use either the most likely amount method or the expected value method when measuring an uncertainty).

The entity will also need to provide disclosures, under existing disclosure requirements, about

(a) judgments made;
(b) assumptions and other estimates used; and
(c) potential impact of uncertainties not reflected.

The new Standard is effective for annual periods beginning on or after 1 January 2019.

The Group and Company are assessing the potential impact on its financial statements resulting from the application of IFRIC 23.

- **IFRS 17 Insurance Contracts**

IFRS 17 Insurance Contracts sets out the requirements that an entity should apply in reporting information about insurance contracts it issues and reinsurance contracts it holds. An entity shall apply IFRS 17 Insurance Contracts to:

(a) insurance contracts, including reinsurance contracts, it issues;
(b) reinsurance contracts it holds; and
(c) investment contracts with discretionary participation features it issues, provided the entity also issues insurance contracts

IFRS 17 requires an entity that issues insurance contracts to report them on the statement of financial position as the total of:

(a) the fulfilment cash flows - the current estimates of amounts that the entity expects to collect from premiums and pay out for claims, benefits and expenses, including an adjustment for the timing and risk of those amounts; and
(b) the contractual service margin - the expected profit for providing insurance coverage. The expected profit for providing insurance coverage is recognised in profit or loss over time as the insurance coverage is provided.

IFRS 17 requires an entity to recognise profits as it delivers insurance services, rather than when it receives premiums, as well as to provide information about insurance contract profits that the company expects to recognise in the future. IFRS 17 requires an entity to distinguish between groups of contracts expected to be profit making and groups of contracts expected to be loss making. Any expected losses arising from loss-making, or onerous, contracts are accounted for in profit or loss as soon as the company determines that losses are expected. IFRS 17 requires the entity to update the fulfilment cash flows at each reporting date, using current estimates of the amount, timing and uncertainty of cash flows and of discount rates. The entity:

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) New standards, amendments and interpretations (continued)

(ii) New and amended standards and interpretations in issue but not yet adopted (continued)

- IFRS 17 Insurance Contracts - continued

(a) accounts for changes to estimates of future cash flows from one reporting date to another either as an amount in profit or loss or as an adjustment to the expected profit for providing insurance coverage, depending on the type of change and the reason for it; and

(b) chooses where to present the effects of some changes in discount rates—either in profit or loss or in other comprehensive income.

IFRS 17 also requires disclosures to enable users of financial statements to understand the amounts recognised in the entity's statement of financial position and statement of profit or loss and other comprehensive income, and to assess the risks the company faces from issuing insurance contracts.

IFRS 17 replaces IFRS 4 Insurance Contracts. IFRS 17 is effective for financial periods commencing on or after 1 January 2021. An entity shall apply the standard retrospectively unless impracticable. A company can choose to apply IFRS 17 before that date, but only if it also applies IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers.

The adoption of the standard will not have an impact on the financial statements of the Group and Company since they do not issue insurance contracts within the scope of IFRS 4 or IFRS 9.

- **Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)**

The amendments require the full gain to be recognised when assets transferred between an investor and its associate or joint venture meet the definition of a 'business' under IFRS 3 Business Combinations. Where the assets transferred do not meet the definition of a business, a partial gain to the extent of unrelated investors' interests in the associate or joint venture is recognised. The definition of a business is key to determining the extent of the gain to be recognised.

The effective date for these changes has now been postponed until the completion of a broader review.

The adoption of these changes is not expected to have a significant impact on the financial statements of the Group and Company since the Group and Company do not have any associates or joint ventures.

- **Transfers of Investment Property (Amendments to IAS 40)**

The IASB has amended the requirements in IAS 40 Investment property on when a company should transfer a property asset to, or from, investment property. A transfer is made when and only when there is an actual change in use – i.e. an asset meets or ceases to meet the definition of investment property and there is evidence of the change in use.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) New standards, amendments and interpretations (continued)

(ii) New and amended standards and interpretations in issue but not yet adopted (continued)

- **Transfers of Investment Property (Amendments to IAS 40) (continued)**
A change in management intention alone does not support a transfer.

The amendments apply for annual periods beginning on or after 1 January 2018. Early adoption is permitted. A company has a choice on transition to apply:

- the prospective approach – i.e. apply the amendments to transfers that occur after the date of initial application – and also reassess the classification of property assets held at that date; or
- the retrospective approach – i.e. apply the amendments retrospectively, but only if it does not involve the use of hindsight.

The adoption of these changes is not expected to have a significant impact on the financial statements of the Group and Company since they do not have Investment Property.

Annual improvements cycle (2014-2016) – (Amendments to IFRS 1 First time adoption of IFRSs and IAS 28 Investments in Associates and Joint Ventures)

Standard	Amendments
IFRS 1 First-time Adoption of IFRS	Outdated exemptions for first-time adopters of IFRS are removed effective for annual periods beginning on or after 1 January 2018. The adoption of these changes will not have an impact on the financial statements of the Group and Company since the Group and Comapny is not a first time adopter of IFRS.
IAS 28 Investments in Associates and Joint Ventures	A venture capital organisation, or other qualifying entity, may elect to measure its investments in an associate or joint venture at fair value through profit or loss. This election can be made on an investment-by-investment basis. A non-investment entity investor may elect to retain the fair value accounting applied by an investment entity associate or investment entity joint venture to its subsidiaries. This election can be made separately for each investment entity associate or joint venture. The adoption of these changes is not expected to have an impact on the consolidated and separate financial statements.

- Prepayment Features with Negative Compensation (Amendments to IFRS 9)
The amendment removes the word 'additional' so that negative compensation may be regarded as 'reasonable compensation' irrespective of the cause of the early termination. Financial assets with these prepayment features can therefore be measured at amortised cost or at FVOCI if they meet the other relevant requirements of IFRS 9.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) New standards, amendments and interpretations (continued)

(ii) New and amended standards and interpretations in issue but not yet adopted (continued)

- Prepayment Features with Negative Compensation (Amendments to IFRS 9) - continued

The amendment is effective for annual periods beginning on or after 1 January 2019 with early adoption permitted. Retrospective application is required, subject to relevant transitional reliefs. The adoption of these changes is not expected to have a significant impact on the financial statements of the Group and Company since they do not have prepayment features with negative compensation.

- **Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)**

An amendment to IAS 28 Investments in Associates and Joint Ventures will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). This is common in the extractive and real estate sectors.

The amendment, which addresses equity-accounted loss absorption by LTI, involves the dual application of IAS 28 and IFRS 9 Financial Instruments.

The amendment applies for annual periods beginning on or after 1 January 2019. Early adoption is permitted.

The Group and Company did not early adopt new or amended standards not yet effective in the year ended 31 December 2017.

4. REVENUE, OTHER INCOME AND EXPENSES

	Group		Company	
	2017 KShs '000	2016 KShs '000	2017 KShs '000	2016 KShs '000
a) Revenue				
Sale of electrical cables and conductors	2,345,086	3,650,451	2,043,727	3,255,984
b) Other income				
Profit on disposal of Plant, Property & Equipment	-	-	11,026	-
Miscellaneous income	8,856	7,459	8,848	15,108
	8,856	**7,459**	**19,874**	**15,108**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

4. REVENUE, OTHER INCOME AND EXPENSES (Continued)

	Group		Company	
	2017 KShs '000	**2016 KShs '000**	**2017 KShs '000**	**2016 KShs '000**
c) Expenses by nature				
Raw materials and consumables	1,619,582	2,775,559	1,353,903	2,445,209
Employee benefits and other staff costs (Note 5)	283,887	327,637	219,538	260,618
Electricity expenses	60,435	74,095	46,045	64,389
Repairs and maintenance	36,170	82,988	31,146	80,925
Professional and consultancy costs	33,317	58,754	25,095	53,862
Vehicle expenses	12,512	16,211	7,990	11,794
Other expenses	274,757	334,285	203,803	253,101
	2,320,660	**3,669,529**	**1,887,520**	**3,169,898**
Comprising:				
Cost of sales	1,680,954	2,846,146	1,401,661	2,511,586
Factory expenses	208,810	339,411	157,046	290,454
Administrative expenses	349,558	345,209	280,057	269,698
Selling expenses	81,338	138,763	48,756	98,160
	2,320,660	**3,669,529**	**1,887,520**	**3,169,898**

5. STAFF COSTS

	Group 2017	Group 2016	Company 2017	Company 2016
Direct labour	61,586	78,254	47,759	66,377
Indirect factory salaries	73,263	83,308	59,054	66,914
Administration salaries and wages	98,144	97,776	82,230	77,867
Distribution salaries and wages	36,026	52,506	21,424	39,982
Pension contributions	14,868	15,793	9,071	9,478
	283,887	**327,637**	**219,538**	**260,618**

6. OTHER OPERATING EXPENSES

	Group 2017	Group 2016	Company 2017	Company 2016
(a) Impairment losses				
Receivables impairment	**121,692**	**248,215**	**108,529**	**226,651**
(b) Depreciation and amortisation				
Depreciation	249,662	232,680	176,715	155,166
Amortisation of intangible assets	6,734	6,466	4,809	4,975
Amortisation of leasehold land	32,061	32,508	31,326	31,773
	288,457	**271,654**	**212,850**	**191,914**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

7. NET FINANCE COST

	Group		Company	
	2017 KShs '000	**2016 KShs '000**	**2017 KShs '000**	**2016 KShs '000**
Interest expense	(533,060)	(258,851)	(500,278)	(180,396)
Exchange gains	13,190	46,973	13,190	46,973
Exchange losses	(30,208)	(66,983)	(2,872)	-
Net exchange losses	(17,018)	(20,010)	10,318	46,973
Total	**(550,078)**	**(278,861)**	**(489,960)**	**(133,423)**

8. LOSS BEFORE TAX

Loss before tax is arrived at after charging:

	Group		Company	
	2017 KShs '000	**2016 KShs '000**	**2017 KShs '000**	**2016 KShs '000**
Depreciation expense (Note 11)	249,662	232,680	176,715	155,166
Amortisation of leasehold land (Note 12)	32,061	32,508	31,326	31,773
Amortisation of intangible assets (Note 15)	6,734	6,466	4,809	4,975
Interest expense (Note 7)	533,060	258,851	500,278	180,396
Directors' emoluments:				
- Fees (Note 25)	16,170	18,421	11,330	13,074
- Other (Note 25)	1,953	1,556	1,953	1,556
Auditors' remuneration	7,281	8,063	5,352	5,580
Write off of property, plant and equipment	-	195	-	-

9. INCOME TAX

(a) Income tax (credit)/expense

Current year	3,266	1,870	2,361	1,870
Prior year over provision	(20,867)	-	-	-
	(17,601)	**1,870**	**2,361**	**1,870**
Deferred tax credit (Note 22)				
Movement through profit or loss	(246,509)	(229,617)	(183,215)	(123,523)
	-	-	-	-
	(246,509)	**(229,617)**	**(183,215)**	**(123,523)**
Total income tax credit	**(264,110)**	**(227,747)**	**(180,854)**	**(121,653)**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

9. INCOME TAX (Continued)

(b) Tax reconciliation

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

	Group		Company	
	2017 KShs '000	2016 KShs '000	2017 KShs '000	2016 KShs '000
Loss before income tax	**(926,945)**	**(810,349)**	**(635,258)**	**(450,794)**
Tax calculated at the statutory income tax rate of 30%	(278,084)	(243,105)	(190,577)	(135,238)
Prior year overprovision - current income tax	(20,867)	-	-	-
Tax effect of other deductible costs	34,841	15,358	9,723	13,585
	(264,110)	**(227,747)**	**(180,854)**	**(121,653)**

(c) Current tax balances

	Group		Company	
	2017 KShs '000	2016 KShs '000	2017 KShs '000	2016 KShs '000
Balance as at 1 January	50,143	51,879	65,256	67,092
Current tax charge	(3,266)	(1,870)	(2,361)	(1,870)
Prior year over-provision	20,867	-	-	-
Paid during the year	-	34	-	34
Foreign exchange translation differences	164	100	-	-
Balance as at 31 December	**67,908**	**50,143**	**62,895**	**65,256**
Comprising:				
Current tax recoverable	67,908	65,256	62,895	65,256
Current tax payable	-	(15,113)	-	-
	67,908	**50,143**	**62,895**	**65,256**

10. BASIC AND DILUTED EARNINGS PER SHARE

	2017 KShs '000	2016 KShs '000
The calculation of basic and diluted earnings per share is based on:		
Loss attributable to ordinary shareholders (KShs'000)	(522,537)	(454,725)
Weighted average number of ordinary shares outstanding during the year	**253,125,000**	**253,125,000**
Basic and diluted earnings per share (KShs)	**(2.24)**	**(1.80)**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

11. PROPERTY, PLANT AND EQUIPMENT

(a) Group

2017:	Leasehold buildings KShs'000	Plant and machinery KShs'000	Motor vehicles KShs'000	Furniture, fittings & equipment KShs'000	Construction work in progress KShs'000	Total KShs'000
Cost or valuation:						
At 1 January 2017	2,412,757	1,834,754	44,105	79,628	125,076	4,496,320
Additions	263	7,609	-	32,705	28,169	68,746
Transfers	-	(9,583)	-	-	9,583	-
Transfers to assets held for sale (Note 14)	(65,000)	-	-	-	-	(65,000)
Exchange differences	(29,223)	(5,738)	(436)	(476)	(162)	(36,035)
At 31 December 2017	2,318,797	1,827,042	43,669	111,857	162,666	4,464,031
Depreciation:						
At 1 January 2017	87,192	246,662	41,342	45,700	-	420,896
Charge for the year	75,655	163,550	1,820	8,637		249,662
Depreciation adjustment on assets held for sale (Note 14)	(2,383)	-	-	-	-	(2,383)
Exchange differences	(1,803)	(422)	(418)	(317)	-	(2,960)
At 31 December 2017	158,661	409,790	42,744	54,020	-	665,215
Net carrying value:						
At 31 December 2017	**2,160,136**	**1,417,252**	**925**	**57,837**	**162,666**	**3,798,816**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

11. PROPERTY, PLANT AND EQUIPMENT (Continued)

(a) Group

2016:	Leasehold buildings KShs'000	Plant and machinery KShs'000	Motor vehicles KShs'000	Furniture, fittings & equipment KShs'000	Construction work in progress KShs'000	Total KShs'000
Cost or valuation:						
At 1 January 2016	2,394,957	1,579,825	45,586	72,458	12,995	4,105,821
Additions	27,187	41,781	-	7,315	327,101	403,384
Transfers within PPE	-	214,972	-	-	(214,972)	-
Write-offs	-		(1,332)	-		(1,332)
Exchange differences	(9,387)	(1,824)	(149)	(145)	(48)	(11,553)
At 31 December 2016	2,412,757	1,834,754	44,105	79,628	125,076	4,496,320
Depreciation:						
At 1 January 2016	10,789	103,485	35,323	38,914	-	188,511
Charge for the year	75,671	142,993	7,184	6,832	-	232,680
Write-offs	-	-	(1,137)	-	-	(1,137)
Exchange differences	732	184	(28)	(46)	-	842
At 31 December 2016	87,192	246,662	41,342	45,700	-	420,896
Net carrying value:						
At 31 December 2016	**2,325,565**	**1,588,092**	**2,763**	**33,928**	**125,076**	**4,075,424**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

11. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Company

2017:	Leasehold buildings KShs'000	Plant and machinery KShs'000	Motor vehicles KShs'000	Furniture, fittings & equipment KShs'000	Construction work in progress KShs'000	Total KShs'000
Cost or valuation:						
At 1 January 2017	994,187	1,556,195	22,942	56,580	117,234	2,747,138
Additions	263	5,303	-	30,447	9,642	45,655
Transfers to assets held for sale (Note 14)	(65,000)	-	-	-	-	(65,000)
Disposal	-	(18,547)	-	-	-	(18,547)
At 31 December 2017	929,450	1,542,951	22,942	87,027	126,876	2,709,246
Depreciation:						
At 1 January 2017	19,588	231,049	21,326	31,161	-	303,124
Charge for the year	19,671	149,779	1,020	6,245		176,715
Depreciation adjustment on assets held for sale (Note 14)	(2,383)	-	-	-	-	(2,383)
Disposal		(8,964)	-	-	-	(8,964)
At 31 December 2017	36,876	371,864	22,346	37,406	-	468,492
Net carrying value:						
At 31 December 2017	**892,574**	**1,171,087**	**596**	**49,621**	**126,876**	**2,240,754**
2016:						
Cost or valuation:						
At 1 January 2016	966,999	1,302,382	22,942	49,971	5,575	2,347,869
Additions	27,188	38,841		6,609	326,631	399,269
Transfers:						
-within PPE	-	214,972	-	-	(214,972)	-
At 31 December 2016	994,187	1,556,195	22,942	56,580	117,234	2,747,138
Depreciation:						
At 1 January 2016	-	101,736	19,495	26,727	-	147,958
Charge for the year	19,588	129,313	1,831	4,434	-	155,166
Revaluations		-	-	-	-	-
At 31 December 2016	19,588	231,049	21,326	31,161	-	303,124
Net carrying value:						
At 31 December 2016	**974,599**	**1,325,146**	**1,616**	**25,419**	**117,234**	**2,444,014**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

11. PROPERTY, PLANT AND EQUIPMENT (Continued)

Revaluation

The directors are of the view that the value carried in the books is a fair estimate of the current value of the assets as at the statement of financial position date.

Included in property, plant and equipment are assets with a gross value of KShs 783,246,000 (2016 – KShs 353,992,000), which are fully depreciated, and still in use. Such assets would have attracted a notional depreciation of KShs 97,906,000 (2016 – KShs 44,249,000).

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

Group	Leasehold buildings KShs'000	Plant and machinery KShs'000	Total KShs'000
At 31 December 2017			
Cost	817,742	2,074,770	2,892,512
Accumulated Depreciation	(148,321)	(1,115,270)	(1,263,591)
Net carrying value	**669,421**	**959,500**	**1,628,921**
At 31 December 2016			
Cost	911,702	2,091,446	3,003,148
Accumulated Depreciation	(131,967)	(1,213,176)	(1,345,143)
Net carrying value	**779,735**	**878,270**	**1,658,005**
Company			
At 31 December 2017			
Cost	768,096	1,804,808	2,572,904
Accumulated Depreciation	(127,686)	(1,118,318)	(1,246,004)
Net carrying value	**640,410**	**686,490**	**1,326,900**
At 31 December 2016			
Cost	832,833	1,818,052	2,650,885
Accumulated Depreciation	(112,325)	(1,036,544)	(1,148,869)
Net carrying value	**720,508**	**781,508**	**1,502,016**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

11. PROPERTY, PLANT AND EQUIPMENT (Continued)

Security

At 31 December 2017, land and buildings with a carrying amount of KShs 1,370 million (2016 – KShs 1,370 million) are subject to a registered debenture securing a bank loan facility for the company. Plant and machinery with a carrying amount of KShs 1,417 million (2016 – KShs 1,588 million) are subject to a registered debenture to secure bank loan facilities for the company. A motor vehicle with a cost of KShs 3.9 million (2016 – KShs 3.9 million) is also held as security for a bank loan.

The subsidiary has charged property, plant and equipment with a carrying value of KShs 1,268 million equivalent (2016 – KShs 1,351 million) to secure its bank loan facilities.

12. LEASEHOLD LAND

	Group		Company	
	2017 KShs '000	2016 KShs '000	2017 KShs '000	2016 KShs '000
Carrying value of leasehold land at 1 January	1,114,631	1,145,610	1,073,227	1,105,000
Transfer to assets held for sale – (Note 14)	(235,000)	-	(235,000)	-
Amortisation adjustment – asset held for sale (Note 14)	13,479	-	13,479	-
Amortisation for the year	(32,061)	(32,508)	(31,326)	(31,773)
Exchange adjustment	(4,983)	1,529	-	-
Balance as at 31 December	**856,066**	**1,114,631**	**820,380**	**1,073,227**

If the leasehold land was stated on the historical cost basis, the amounts would be as follows:

	Group		Company	
	2017 KShs '000	2016 KShs '000	2017 KShs '000	2016 KShs '000
Carrying value of leasehold land at 1 January	298,084	316,240	261,849	275,630
Transfer to assets held for sale - (Note 14)	(235,000)	-	(235,000)	-
Amortisation adjustment: Assets held for sale (Note 14)	13,479	-	13,479	-
Amortisation for the year	(14,402)	(15,812)	(13,092)	(13,781)
Exchange adjustment	-	(2,344)	-	-
Balance as at 31 December	**62,161**	**298,084**	**27,236**	**261,849**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

13. INVESTMENT PROPERTIES

	Group		Company	
	2017 KShs '000	2016 KShs '000	2017 KShs '000	2016 KShs '000
Balance as at 1 January	115,000	362,252	115,000	115,000
Transfer to assets held for sale (Note 14)	(115,000)	(245,626)	(115,000)	-
Exchange differences	-	(1,626)	-	-
Balance as at 31 December	**-**	**115,000**	**-**	**115,000**

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

The investment properties of parent company and its subsidiary, East African Cables (Tanzania) Limited, were revalued in December 2015 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. ASSETS HELD FOR SALE

	Group		Company	
	2017 KShs '000	2016 KShs '000	2017 KShs '000	2016 KShs '000
Balance as at 1 January	245,626	-	-	-
Transfers:				
- from property, plant & equipment (Note 11)	62,617	-	62,617	-
- from Leasehold land (Note 12)	221,521	-	221,521	-
- from Investment property (Note 13)	115,000	245,626	115,000	-
Exchange differences	(5,060)	-	-	-
Balance as at 31 December	**639,704**	**245,626**	**399,138**	**-**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

14. ASSETS HELD FOR SALE (continued)

The Board of Directors has committed to a plan to sell non-core assets listed below:

	Group		Company	
Property Description	**2017 KShs '000**	**2016 KShs '000**	**2017 KShs '000**	**2016 KShs '000**
LR No. 6982/2, on Addis Ababa Road, Industrial Area, Nairobi, Kenya	284,138	-	284,138	-
LR. No. 3734/126, on Elmolo Drive, Lavington, Nairobi, Kenya	115,000	-	115,000	-
LR No. 21707, Plot 581 on Malik Road, Upanga West, Dar es salaam, Tanzania	240,566	240,566	-	-
Balance as at 31 December	**639,704**	**245,626**	**399,138**	**-**

15. INTANGIBLE ASSETS

Computer software:

	Group		Company	
	2017 KShs '000	**2016 KShs '000**	**2017 KShs '000**	**2016 KShs '000**
Net carrying value at 1 January	13,789	13,896	9,450	13,444
Additions during the year	-	6,383	-	981
Amortisation for the year	(6,734)	(6,466)	(4,809)	(4,975)
Exchange adjustment	(75)	(24)	-	-
Net carrying value at 31 December	**6,980**	**13,789**	**4,641**	**9,450**

16. INVESTMENT IN SUBSIDIARIES

	2017 KShs'000	**2016 KShs'000**
East African Cables (Tanzania) Limited	**115,037**	**115,037**

On 31 October 2005, the Company purchased 51% of the share capital of East African Cables (Tanzania) Limited, a company incorporated in Tanzania. The investment is carried at cost less impairment losses. In the opinion of the Directors, the investment is not impaired as at 31 December 2017 (2016 – KShs Nil). The company also owns Yana Trading Limited a company incorporated in South Africa which is dormant.

The overall results of operations for the subsidiary, East African Cables (Tanzania) Limited is as follows:

	2017 KShs '000	**2016 KShs '000**
Revenue for the year ended 31 December	**301,360**	**394,468**
Loss after tax for the year ended 31 December	**(196,197)**	**(260,238)**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

17. INVENTORIES

	Group		Company	
	2017 KShs '000	**2016 KShs '000**	**2017 KShs '000**	**2016 KShs '000**
Finished goods	210,196	174,749	157,255	90,034
Raw materials	224,214	169,898	155,484	116,729
Work in progress	50,467	107,396	36,849	98,095
Strategic spares and lubricants	58,666	62,756	34,579	40,973
Stationery and printing	4,314	4,805	916	1,130
	547,857	**519,604**	**385,083**	**346,961**

18. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017 KShs '000	**2016 KShs '000**	**2017 KShs '000**	**2016 KShs '000**
Trade receivables (Note 28 (a))	701,357	1,152,175	567,513	884,849
Prepaid expenses	138,715	116,650	99,954	59,437
Prepayments for machinery & spares	8,553	35,889	8,553	35,889
Due from subsidiary (Note 25 (c))	-	-	446,329	478,996
Due from other related parties (Note 25 (c))	52,580	49,176	42,448	38,871
	901,205	**1,353,890**	**1,164,797**	**1,498,042**

19. CAPITAL AND RESERVES

(a) Share capital

Group and Company: Authorised, issued and fully paid:	**2017 Number of shares (Thousands)**	**2017 KShs'000**	**2016 Number of shares (Thousands)**	**2016 KShs'000**
Ordinary shares of KShs 0.50 each at 1 January and 31 December	**253,125**	**126,563**	**253,125**	**126,563**

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

(b) Share premium

	2017 KShs '000	**2016 KShs '000**
Share premium (Group and company)	**545**	**545**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

19. CAPITAL AND RESERVES (Continued)

(c) Revaluation reserve

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

(d) Foreign currency translation reserve

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

(e) Non-controlling interests (NCI)

The following table summarises the information relating to East Africa Cables Tanzania Limited, a subsidiary that has material non-controlling interest (NCI) before any intra-group eliminations:

	2017	2016
NCI percentage	**49.00% KShs '000**	**49.00% KShs '000**
Non-current assets	1,560,402	1,635,750
Current assets	751,787	748,229
Non-current liabilities	(150,519)	(704,287)
Current liabilities	(1,314,161)	(615,499)
Lease operating rentals	35,685	41,404
Net assets	**883,194**	**1,105,597**
Carrying amount of NCI	**448,157**	**557,457**
Revenue	301,360	394,468
Loss	(196,197)	(260,238)
OCI	-	-
Total comprehensive income	**(196,197)**	**(260,238)**
Loss allocated to NCI	(96,497)	(127,877)
OCI allocated to NCI	-	-
Cash flows from operating activities	214,329	(22,086)
Cash flows from investment activities	(32,671)	(9,323)
Cash flows from financing activities (dividends to NCI: nil)	(31,769)	44,586
Net increase (decrease) in cash and cash equivalents	**149,889**	**13,177**

(f) Dividend per share

The directors do not propose the payment of a dividend in respect of the year ended 31 December 2017 (2016 – Nil) per share. Dividend is paid less withholding tax where applicable.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

20. BANK LOANS AND BORROWINGS

(a) Outstanding balances, terms and repayment schedule

	Currency	Nominal interest rate (p.a)	Group 2017 KShs '000	Group 2016 KShs '000	Company 2017 KShs '000	Company 2016 KShs '000
Standard Chartered Bank (Ke)	US$ and KShs	9% 14%	2,268,292	1,725,130	2,268,292	1,725,130
Standard Chartered Bank (Tz)	US$	6.5%	478,306	488,514	-	-
Ecobank Kenya Limited	KShs	14%	223,286	295,030	223,286	295,030
Chase Bank Kenya Limited	KShs	14%	314,990	249,741	314,990	249,741
Credit Bank Kenya Limited	KShs	14%	141,131	34,580	141,131	34,580
			3,426,005	**2,792,995**	**2,947,699**	**2,304,481**

Comprising:	**Year of maturity**				
Non-current liability	2019-2021	370,968	632,712	370,968	578,053
Current liability	2018	3,055,037	2,160,283	2,576,731	1,726,428
		3,426,005	**2,792,995**	**2,947,699**	**2,304,481**

(b) Loan movement schedule

	Group 2017 KShs '000	Group 2016 KShs '000	Company 2017 KShs '000	Company 2016 KShs '000
Balance at 1 January	2,792,995	2,617,381	2,304,481	2,234,372
Received during the year	973,188	2,570,446	973,188	2,496,842
Repaid during the year	(743,124)	(2,397,349)	(729,342)	(2,426,835)
Accrued interest	395,458	-	395,458	-
Foreign currency translations	7,488	2,517	3,914	102
Balance at 31 December	**3,426,005**	**2,792,995**	**2,947,699**	**2,304,481**
Comprising:				
Non-current liability	370,968	632,712	370,968	578,053
Current liability	3,055,037	2,160,283	2,576,731	1,726,428
	3,426,005	**2,792,995**	**2,947,699**	**2,304,481**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

20. BANK LOANS AND BORROWINGS (Continued)

(c) Securities and coventants

East African Cables Limited (Kenya) has entered into a facility arrangement with banks and the borrowings are secured by certain land and buildings for KShs 1,370 million (2016 - KShs 1,370 million) and debentures over all assets of the company for KShs 3.2 billion (2016 - KShs 3.2 billion). The bank facility comprises term loan, letters of credit, bonds/guarantee and forex dealing. The subsidiary, East African Cables (Tanzania) Limited, has a term loan with Standard Bank (Tanzania) Limited. The loan is charged against the leasehold land and moveable assets of the subsidiary.

As at 31 December 2017, the group and company had overdue loans amounting to KShs 2.2 billion and KShs 1.7 billion respectively. These loans are due and payable on demand. The business is in discussion with lenders to restructure this debt.

21. RETIREMENT BENEFITS OBLIGATIONS

2017:	Balance at 1/1/2017 KShs'000	Movement KShs'000	Balance at 31/12/2017 KShs'000
Group			
Staff gratuity	**27,975**	**1,830**	**29,805**
Company			
Staff gratuity	**17,150**	**33**	**17,183**

2016:	Balance at 1/1/2016 KShs'000	Movement KShs'000	Balance at 31/12/2016 KShs'000
Group			
Staff gratuity	**23,141**	**4,834**	**27,975**
Company			
Staff gratuity	**14,028**	**3,122**	**17,150**

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 ICEA Limited. During the year, the company expensed KShs 9,071,251 (2016 – KShs 9,477,893) in contributions payable. The group expensed KShs 14,867,584 (2016 – KShs 15,793,001).

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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

22. DEFERRED TAX LIABILITIES

(a) Group

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

2017:	At 1 January KShs'000	Recognised through profit or loss KShs'000	Exchange difference KShs'000	Balance at 31 December KShs'000
Staff gratuity provision	(8,414)	(621)	71	(8,964)
Other provisions and accruals	(335,484)	(47,756)	3,511	(379,729)
Tax loss	(392,515)	(139,293)	3,139	(528,669)
Property, plant and equipment	1,281,127	(52,355)	(9,610)	1,219,162
Revaluation of investment property	47,513	-	-	47,513
Unrealised exchange gain	4,071	(6,484)	(869)	(3,282)
	596,298	**(246,509)**	**(3,758)**	**346,031**
2016:				
Staff gratuity provision	(6,942)	(1,461)	(11)	(8,414)
Other provisions and accruals	(193,810)	(140,439)	(1,235)	(335,484)
Tax loss	(294,643)	(97,536)	(336)	(392,515)
Property, plant and equipment	1,270,390	11,386	(649)	1,281,127
Revaluation of investment property	47,513	-		47,513
Unrealised exchange gain	6,994	(1,568)	(1,355)	4,071
	829,502	**(229,618)**	**(3,586)**	**596,298**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

22. DEFERRED TAX LIABILITIES (Continued)

(b) Company

Movements during the year are as follows:

2017:	**Balance at 1 January KShs'000**	**Recognise through profit or loss KShs'000**	**Balance at 31 December KShs'000**
Staff gratuity provision	(5,146)	(10)	(5,156)
Other provisions and accruals	(168,735)	(34,294)	(203,029)
Tax loss	(253,032)	(100,480)	(353,512)
Unrealised exchange gain	5,428	(6,484)	(1,056)
Property, plant and equipment	807,802	(41,947)	765,855
Revaluation on investment property	5,033	-	5,033
	391,350	**(183,215)**	**208,135**

2016:			
Staff gratuity provision	(4,209)	(937)	(5,146)
Other provisions and accruals	(87,013)	(81,722)	(168,735)
Tax loss	(171,464)	(81,568)	(253,032)
Unrealised exchange gain	6,994	(1,566)	5,428
Property, plant and equipment	765,532	42,270	807,802
Revaluation on investment property	5,033	-	5,033
	514,873	**(123,523)**	**391,350**

23. TRADE AND OTHER PAYABLES

	Group		**Company**	
	2017 KShs '000	**2016 KShs '000**	**2017 KShs '000**	**2016 KShs '000**
Trade payables	689,605	870,573	371,010	786,805
Due to other related parties (Note 25 (d))	68,191	1,306	68,149	1,306
Other payables and accrued expenses	130,389	241,571	69,873	199,105
	888,185	**1,113,450**	**509,032**	**987,216**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

24. DIVIDEND PAYABLE

The movement in the dividend payable account is as follows:

	Group		Company	
	2017 KShs '000	2016 KShs '000	2017 KShs '000	2016 KShs '000
At beginning of year	30,278	32,554	30,278	32,554
Declared during the year		-		-
Paid during the year	(7,347)	(2,276)	(7,347)	(2,276)
At end of year	**22,931**	**30,278**	**22,931**	**30,278**

Included in dividend payable is KShs NIL (2016 – KShs NIL) payable to related parties.

25. 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:

	Group		Company	
	2017 KShs '000	2016 KShs '000	2017 KShs '000	2016 KShs '000
Directors' emoluments: - Fees	16,170	18,421	11,330	13,074
- Others	1,953	1,556	1,953	1,556
Senior managements' remuneration	76,667	87,975	71,319	66,380
	94,790	**107,952**	**84,602**	**81,010**

(b) Amounts due from the directors

No amounts were due from the directors at close of the year (2016 – Nil).

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

25. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Due from related parties

	Group		Company	
	2017 KShs '000	2016 KShs '000	2017 KShs '000	2016 KShs '000
i) Owed by subsidiaries				
East African Cables (Tz) Limited	**-**	**-**	**446,329**	**478,996**
ii) Owed by other related parties				
Kewberg Cables & Braids (Pty)	39,508	33,911	39,508	33,911
Cableries Du Congo	-	3,713	-	3,713
Civicon Limited	2,484	955	2,484	955
AEA Limited	1,193	1,005	456	292
Tanelec Limited	9,395	9,592	-	-
	52,580	**49,176**	**42,448**	**38,871**

(d) Amounts due to related parties

	Group		Company	
	2017 KShs '000	2016 KShs '000	2017 KShs '000	2016 KShs '000
i) Owed to subsidiaries				
East African Cables (Tz) Limited	-	-	-	-
ii) Owed to other related parties				
AEA Limited	577	-	535	-
Tanelec Limited	-	1,306	-	1,306
TransCentury Limited	67,614	-	67,614	-
	68,191	**1,306**	**68,149**	**1,306**

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

(e) Shareholders loan

	2017 KShs'000	2016 KShs'000
Company:		
Balance at 1 January	415,888	383,631
Accrued interest	32,579	31,685
Exchange (gain) / loss	(2,196)	572
Balance at 31 December	**446,271**	**415,888**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

25. RELATED PARTY TRANSACTIONS (CONTINUED)

(e) Shareholders loan

On 22 April 2014, the company received unsecured loan of USD 4 million from Trans-Century Limited with a tenor of 20 months from the drawdown date at an interest rate of 9% per annum. The loan was converted to long-term loan and interest continues to accrue at 9% per annum. It is revalued from USD to KShs at the closing rates at the end of each reporting date.
On 16 October 2015 the loan was subordinated to bank borrowings and reclassified to long term liabilities.

26. NOTES TO THE STATEMENT OF CASH FLOWS

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

	Group		Company	
	2017 KShs '000	**2016 KShs '000**	**2017 KShs '000**	**2016 KShs '000**
Loss before tax	(926,945)	(810,349)	(635,258)	(450,794)
Adjustments for:				
Depreciation (Note 11)	249,662	232,680	176,715	155,166
Amortisation of leasehold land (Note 12)	32,061	32,508	31,326	31,773
Amortisation of intangible assets (Note 15)	6,734	6,466	4,809	4,975
Property, plant and equipment write off (Note 11 (a))	-	195	-	-
Profit on disposal of property, plant and equipment (Note 4(b))	-	-	(11,026)	-
Interest expense (Note 7)	533,060	258,851	500,278	180,396
Net foreign currency changes	24,499	(2,147)	(4)	111
Increase in provision for staff gratuity (Note 21)	1,830	4,834	33	3,122
Operating loss before working capital changes	**(79,099)**	**(276,962)**	**66,873**	**(75,251)**
(Increase) / decrease in inventories	(28,253)	306,961	(38,122)	308,227
Decrease in trade and other receivables	452,685	659,815	333,245	498,184
Decrease in trade and other payables	(225,265)	(92,751)	(478,184)	(129,720)
Cash generated from operations	**120,068**	**597,063**	**(116,188)**	**601,440**

(b) Cash and cash equivalents at 31 December

Group

	2017 KShs '000	**2016 KShs '000**	**Change in year KShs '000**
Bank overdraft	(391)	-	(391)
Cash and bank balances	219,885	45,186	174,699
Cash and cash equivalents	**219,494**	**45,186**	**174,308**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

26. NOTES TO THE STATEMENT OF CASH FLOWS (CONTINUED)

(b) Cash and cash equivalents at 31 December (continued)

Company

	2017 KShs '000	2016 KShs '000	Change in year KShs '000
Bank overdraft	(391)	-	(391)
Cash and bank balances	54,170	29,037	25,133
Cash and cash equivalents	**53,779**	**29,037**	**24,742**

27. 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, no significant liability is likely to crystallise. Furthermore, this cannot be currently established.

Guarantees with the bankers amounted to KShs 60,975,845 as at 31 December 2017 (2016 – KShs 195,450,115). Letters of credit amounted to KShs 201,801,391 as at 31 December 2017 (2016 – KShs 565,631,475) whose related liabilities have been accrued in the financial statements as appropriate for the supplies.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Overview

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

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

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

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

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(a) Credit risk

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

Trade and other receivables
The Group's and Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's and Company's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk.

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

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

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

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

	Carrying amount			
	Group		**Company**	
	2017 KShs '000	**2016 KShs '000**	**2017 KShs '000**	**2016 KShs '000**
Trade receivables	701,357	1,152,175	567,513	884,849
Due from subsidiaries	-	-	446,329	478,996
Due from related parties	13,072	49,176	2,940	38,871
Cash and cash equivalents	219,885	45,186	54,170	29,037
	934,314	**1,246,537**	**1,070,952**	**1,431,753**

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(a) Credit risk (continued)

Impairment losses

The aging of trade receivables at the reporting date was:

	Group		Company	
	2017 KShs'000	2016 KShs'000	2017 KShs'000	2016 KShs'000
Not past due	56,226	217,940	55,777	206,653
Past due 30-90 Days	105,029	364,011	95,344	316,648
Past due 90-365 Days	368,209	415,065	318,878	373,053
More than a year	986,472	860,922	692,141	474,551
Gross trade receivables	1,515,936	1,857,938	1,162,140	1,370,905
Allowance for impairment	(814,579)	(705,763)	(594,627)	(486,056)
Net trade receivables	**701,357**	**1,152,175**	**567,513**	**884,849**

Based on historic default rates, the Group and Company 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:

	Group		Company	
	2017 KShs'000	2016 KShs'000	2017 KShs'000	2016 KShs'000
Balance at 1 January	705,763	458,028	486,056	257,721
Net impairment loss recognised	121,692	248,215	108,571	226,651
Write-off/(back) of bad debts	(8,295)	1,684		1,684
Exchange differences	(4,581)	(2,164)	-	-
Balance at 31 December	**814,579**	**705,763**	**594,627**	**486,056**

(b) Liquidity risk

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

Typically the Group and Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Liquidity risk (continued)

excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. The maturities of the Group's and Company's financial liabilities are shown below:

Group
31 December 2017:

	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	(391)	-	-	-	(391)
Loans and borrowings	(2,660,045)	(394,992)	(370,968)	-	(3,426,005)
Trade payables	(888,185)	-	-	-	(888,185)
At 31 December 2017	**(3,548,621)**	**(394,992)**	**(370,968)**	**-**	**(4,314,581)**
31 December 2016:					
Financial liabilities					
Bank overdraft	-	-	-	-	-
Loans and borrowings	(1,353,093)	(807,190)	(632,712)	-	(2,792,995)
Trade payables	(1,085,175)	-	-	-	(1,085,175)
At 31 December 2016	**(2,438,268)**	**(807,190)**	**(632,712)**	**-**	**(3,878,170)**

Company

	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	(391)	-	-	-	(391)
Loans and borrowings	(2,181,739)	(394,992)	(370,968)	-	(2,947,699)
Trade payables	(509,032)	-	-	-	(509,032)
At 31 December 2017	**(2,691,162)**	**(394,992)**	**(370,968)**	**-**	**(3,457,122)**
31 December 2016:					
Financial liabilities					
Bank overdraft	-	-	-	-	-
Loans and borrowings	(1,209,949)	(516,435)	(578,097)	-	(2,304,481)
Trade payables	(987,216)	-	-	-	(987,216)
At 31 December 2016	**(2,197,165)**	**(516,435)**	**(578,097)**	**-**	**(3,291,697)**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Liquidity risk (continued)

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

— KShs 2,300 million (2016 - KShs 2,300 million) 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 and Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

(i) Interest rate risk

The Group's and Company's operations are subject to the risk of interest rate fluctuations to the extent that interest earning assets (including investments) and interest bearing liabilities mature or reprice at different times or in differing amounts. Risk management activities are aimed at optimizing net interest income, given market interest rates levels consistent with the group's and company's business strategies. The company does not have any significant interest rate risk exposures.

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

Group

	Average effective interest rate	Due within 3 months 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 2017						
Bank overdraft	14%	(391)	-	-	-	(391)
Bank loans and borrowings	14%	(2,660,045)	(394,992)	(370,968)	-	(3,426,005)
On statement of financial position interest sensitivity gap		**(2,660,436)**	**(394,992)**	**(370,968)**	**-**	**(3,426,396)**
At 31 December 2016						
Bank overdraft	-	-	-	-	-	-
Bank loans and borrowings	14%	(1,353,094)	(807,190)	(632,712)	-	(2,792,996)
On statement of financial position interest sensitivity gap		**(1,353,094)**	**(807,190)**	**(632,712)**	**-**	**(2,792,996)**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

c) Market risk (Continued)

Company

	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 2017						
Bank overdraft	14%	(391)	-	-	-	(391)
Bank loans and borrowings	14%	(2,181,739)	(394,992)	(370,968)	-	(2,947,699)
On statement of financial position interest sensitivity gap		**(2,182,130)**	**(394,992)**	**(370,968)**	**-**	**(2,948,090)**
At 31 December 2016						
Bank overdraft	-	-	-	-	-	-
Bank loans and borrowings	14%	(1,209,949)	(516,435)	(578,097)	-	(2,304,481)
On statement of financial position interest sensitivity gap		**(1,209,949)**	**(516,435)**	**(578,097)**	**-**	**(2,304,481)**

(ii) Currency risk

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

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

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

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

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Market risk (continued)

(ii) Currency risk (continued)

	Group		Company	
	2017 KShs'000	**2016 KShs'000**	**2017 KShs'000**	**2016 KShs'000**
Financial assets				
Cash and cash equivalents	16,503	1,253	15,803	1,094
Trade receivables	529,528	703,943	472,973	587,075
	546,031	**705,196**	**488,776**	**588,169**
Financial liabilities				
Shareholders loan	(446,271)	(415,888)	(446,271)	(415,888)
Bank overdraft	(391)	-	(391)	-
Bank loan	(533,554)	(626,146)	(55,248)	(137,632)
Trade payables	(332,387)	(664,204)	(270,358)	(577,772)
	(1,312,603)	**(1,706,238)**	**(772,268)**	**(1,131,292)**
Net exposure	**(766,572)**	**(1,001,042)**	**(283,492)**	**(543,123)**

The following significant exchange rates applied during the year:

	Closing rate		Average rate	
	2017 KShs	**2016 KShs**	**2017 KShs**	**2016 KShs**
USD	**103.23**	**102.49**	**103.40**	**101.52**

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 2016:

	Profit or loss			
	Group		Company	
	2017 KShs '000	**2016 KShs '000**	**2017 KShs '000**	**2016 KShs '000**
At 31 December	**76,657**	**100,104**	**28,349**	**54,312**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(d) Capital risk management

The group's and company's objectives when managing capital are to safeguard the group's and company's ability to continue as a going concern in order to provide returns for shareholders and the benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Board's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital and the level of dividend payout to its shareholders.

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

	Group		Company	
	2017 KShs'000	2016 KShs'000	2017 KShs'000	2016 KShs'000
Borrowings				
Bank loans	3,426,005	2,792,995	2,947,699	2,304,481
Bank overdraft	391	-	391	-
Cash and bank balances	(219,885)	(45,186)	(54,170)	(29,037)
Net debt	**3,206,511**	**2,747,809**	**2,893,920**	**2,275,444**
Total equity	**1,878,802**	**2,584,308**	**1,095,253**	**1,577,562**
Gearing ratio	**171%**	**106%**	**264%**	**144%**

The group and company received a credit rating of BBB on long-term borrowing and A3 on short term borrowing.

29. CAPITAL COMMITMENTS

	2017 KShs '000	2016 KShs '000
Authorised and contracted for	**87,000**	**29,000**

30. ULTIMATE HOLDING COMPANY

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

31. EVENTS AFTER THE REPORTING DATE

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

32. SEGMENTAL REPORTING

Management has determined the operating segments based on the reports reviewed by the Strategy committee. The committee considers the business from a geographical perspective. This committee has the primary responsibility of overseeing implementation of strategic decisions of the board including product and geographical diversification. Geographically, management considers the performance of the business in Kenya, Uganda and Tanzania. The reportable operating segments derive their revenues primarily from manufacture and sale of electric cables, conductors and traded products. The Strategy committee assesses the performance of the operating segments on a measure of profit/(loss) before tax.

	Kenya & Uganda		Tanzania		Consolidated	
	2017 KShs '000	2016 KShs '000	2017 KShs '000	2016 KShs '000	2017 KShs '000	2016 KShs '000
External sales	2,043,727	3,255,983	301,359	394,468	2,345,086	3,650,451
Inter-segment sales	-	-	-	-	-	-
Total sales	**2,043,727**	**3,255,983**	**301,359**	**394,468**	**2,345,086**	**3,650,451**
Segment loss from operations	(145,298)	(317,371)	(231,569)	(214,117)	(376,867)	(531,488)
Net finance costs	(489,960)	(133,423)	(60,118)	(145,438)	(550,078)	(278,861)
Loss before tax	**(635,258)**	**(450,794)**	**(291,687)**	**(359,555)**	**(926,945)**	**(810,349)**
Other information:						
Segment assets	5,246,895	5,696,024	1,791,526	1,852,382	7,038,421	7,548,406
Segment liabilities	4,151,642	4,146,363	1,007,977	845,634	5,159,619	4,991,997
Capital expenditure	45,655	399,268	32,674	4,116	78,329	403,384
Depreciation expense & amortisation	212,850	191,913	75,607	79,741	288,457	271,654

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period. Segment revenue is based on the geographical location of both customers and assets. Sales between segments are carried out at arm's length. The revenue from external parties reported to the Strategy committee is measured in a manner consistent with that in the income statement. There is no reliance on individually significant customers by the group. The amounts provided to the Strategy committee in respect of total assets and total liabilities are measured in a manner consistent with that of the financial statements.

FIVE YEAR CONSOLIDATED FINANCIAL RECORD

A. STATEMENT OF COMPREHENSIVE INCOME SUMMARY

	2013 Consolidated KShs'000	2014 Consolidated KShs'000	2015 Consolidated KShs'000	2016 Consolidated KShs'000	2017 Consolidated KShs'000
Sales	4,502,964	5,098,417	3,724,212	3,650,451	2,345,086
Profit/(loss) before tax	585,400	507,483	(1,087,004)	(810,349)	(926,945)
Tax (expense)/credit	(187,198)	(166,334)	345,800	227,747	264,110
Profit/(loss) after tax	398,202	341,149	(741,204)	(582,602)	(662,835)
Non-controlling interest	(51,787)	(46,578)	181,184	127,877	96,497
Profit/(loss) attributable to parent company shareholders	346,415	294,571	(560,020)	(454,725)	(566,338)
Dividends	(253,125)	(253,125)	-	-	-
Retained profit/(loss)	93,290	41,446	(560,020)	(454,725)	(566,338)
Earnings per share (KShs) - Restated	1.37	1.16	(2.21)	(1.80)	(2.24)
Dividend per share (KShs)	1.00	1.00	-	-	-

B. STATEMENT OF FINANCIAL POSITION

	2013	2014	2015	2016	2017
Non-current assets	3,226,081	4,042,701	5,439,068	5,318,844	4,661,862
Current assets	3,583,184	3,846,795	2,945,075	2,229,562	2,376,559
TOTAL ASSETS	**6,809,265**	**7,889,496**	**8,384,143**	**7,548,406**	**7,038,421**
Equity and liabilities					
Share capital	126,563	126,563	126,563	126,563	126,563
Reserves	2,307,975	2,324,108	2,424,589	1,969,864	1,403,526
Exchange differences	(22,101)	(35,066)	(91,987)	(97,475)	(99,444)
Non-controlling interest	654,101	676,272	690,822	557,457	448,157
Total equity	3,066,538	3,091,877	3,149,987	2,556,409	1,878,802
Non-current liabilities	1,111,573	1,503,930	2,079,046	1,672,873	1,193,075
Current liabilities	2,631,154	3,293,689	3,155,110	3,319,124	3,966,544
TOTAL EQUITY AND LIABILITIES	**6,809,265**	**7,889,496**	**8,384,143**	**7,548,406**	**7,038,421**

NOTES

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 Cables PLC (formerly East African Cables Limited), hereby

appoint ____________________

of ____________________

To vote for me/us/on my/our behalf at the 53rd Annual General Meeting of the said company to be held at 11:00 a.m. on Monday 9th July 2018 and at the adjournment thereof:

Signed this ____________________day of____________________2018.

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 writting.

HATI YA UWAKILISHI

Mimi/Sisi ____________________

wa ____________________

Nikiwa/tukiwa/mwanachama wa Kampuni hii ya East African Cables PLC (ambayo hapo awali ilikuwa inajulikana kama East African Cables Limited)., namchagua/tunamchagua

____

wa ____________________

au akikosa yeye/wakikosa wao ____________________

Kupiga kura kwa niaba yangu/yetu katika Mkutano Mkuu wa mwaka wa 53 wa kampuni hii, utakaofanyika saa tano asubuhi Jumatatu, Julai 9, 2018 ama siku nyingine ikiwa Mkutano huo utaahirishwa.

Hati hii imetiwa sahihi hivi leo tarehe ____________________mwezi wa ____________________ 2018

Sahihi ____________________

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