

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

	2017 KShs'000	2016 KShs'000
Revenue	2,345,086	3,650,451
Cost of sales	(1,680,954)	(2,846,146)
Gross profit	664,132	804,305
Other income	8,856	7,459
Factory expenses	(208,810)	(339,411)
Administrative expenses	(349,558)	(345,209)
Selling and distribution expenses	(81,338)	(139,763)
Profit (loss) before depreciation, impairment and finance costs	33,282	(11,619)
Impairment losses	(121,892)	(249,215)
Depreciation and amortisation	(288,457)	(271,554)
Results from operating activities	(376,867)	(531,488)
Interest expense	(533,060)	(258,851)
Exchange losses	(17,018)	(20,010)
Net finance costs	(550,078)	(278,861)
Loss before income tax	(926,945)	(810,349)
Income tax credit	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	(566,338)	(454,725)
Non-controlling interest	(109,300)	(133,365)
(677,607)	(593,578)	
Basic and diluted earnings per share - KShs	(2.24)	(1.80)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

	2017 KShs'000	2016 KShs'000
ASSETS		
Non-current assets		
Property, plant and equipment	3,798,816	4,075,424
Leasehold land	856,066	1,114,631
Investment properties	-	115,000
Intangible assets	6,980	13,789
	4,661,862	5,318,844
Current assets		
Inventories	547,857	519,604
Trade and other receivables	901,205	1,353,890
Current tax recoverable	67,908	65,256
Cash and cash equivalents	219,885	45,186
	1,736,855	1,983,936
Asset held for sale	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	126,563	126,563
Share premium	545	545
Revaluation reserve	1,712,620	1,712,620
Retained earnings	(309,639)	256,699
Foreign currency translation reserve	(99,444)	(97,475)
Total equity attributable to equity holders of the company	1,430,645	1,998,952
Non-controlling interest	448,157	557,457
Total equity	1,878,802	2,556,409
Non-current liabilities		
Bank loans and borrowings	370,968	632,712
Shareholders loan	448,271	415,888
Liability for staff gratuity	29,805	27,975
Deferred tax liability	346,031	596,298
	1,195,075	1,672,873
Current liabilities		
Bank overdraft	301	-
Trade and other payables	888,185	1,113,540
Current income tax payable	-	15,113
Short-term portion of bank loan	3,055,037	2,160,283
Dividends payable	22,931	30,278
	3,966,544	3,319,124
TOTAL EQUITY AND LIABILITIES	7,038,421	7,548,406

The financial statements were approved by the Board of Directors on 14th June 2018 and were signed on its behalf by:

M.G. Waweru
Chairman

P.T. Kanyago
Director

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

	2017 KShs'000	2016 KShs'000
Cash generated from operations	120,068	597,063
Income taxes paid	-	(34)
Cash generated from operating activities	120,068	597,029
Cash flows from investing activities		
Purchase of property, plant and equipment	(68,746)	(403,384)
Purchase of intangible assets	-	(6,383)
Net cash used in investing activities	(68,746)	(409,767)
Cash flows from financing activities		
Bank loans and borrowings received	973,168	2,570,446
Repayment of bank loans and borrowings	(743,124)	(2,397,349)
Accrued interest on bank loans	385,456	-
Accrued interest on shareholders loan	32,579	31,685
Exchange gain on bank / shareholders loans	5,292	3,089
Interest charged	(533,060)	(258,851)
Dividends paid	(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	219,494	45,186

SUMMARY DIRECTORS' REMUNERATION REPORT

During the year, East African Cables PLC paid KShs 18.12 million (2016 - KShs 19.98 million) as Directors' emoluments.

A full copy of the Group financial statements including explanatory notes will be available on our website www.eacables.com from 21st June 2018.



East African Cables
Connecting lives

EAST AFRICAN CABLES PLC
(Formerly East African Cables Limited)
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 9th July 2018 at 11.00 a.m. for the following purposes:

- Ordinary business**
 - 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.
 - To approve the Directors' remuneration as provided in the financial statements for the period ended 31 December, 2017.
 - Dividend: The Board of Directors does not recommend payment of a dividend for the year ended 31 December 2017.
 - To elect Directors:
 - In accordance with the Company's Articles of Association, TransCentury PLC retires by rotation and being eligible offers itself for re-election.
 - 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.
 - 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 who have attained the age of seventy (70) years:
 - Mr. Bruno Thomas
 - Mr. Peter T. Kanyago
- To elect Directors of Section 769 of the Companies Act 2015, Mr. Peter T. Kanyago

and Mr. Njiru Nganga (representing TransCentury PLC) being Members of the Board Audit Committee be re-elected to continue to serve as Members of the said committee.

- 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.
- To transact any other business which may be properly transacted at an Annual General Meeting.

BY ORDER OF THE BOARD
Company Secretary
P.O. Box 40111-00100 GPO
Nairobi
14 June 2018

Note:

- 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.
- 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 31 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.

CONSOLIDATED 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	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
2017:								
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	-	-	-	(566,338)	-	(566,338)	(96,497)	(662,835)
Loss for the year								
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								
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	-	-	-	(454,725)	-	(454,725)	(127,877)	(582,602)
Loss for the year								
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								
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

Commentary

The group faced headwinds in 2017 due to unfavourable political environment and prevailing challenges of access to credit due to effects of interest rate capping that persisted in our main market Kenya. This led to both reduced growth in the construction sector as well as constrained access to working capital funding. Resulting in a decline in revenue of 36% and reduction of net earnings by 14%. However, the group's cost management strategy implemented within the year bore fruits resulting in a 22% decrease in expenses. The group has initiated various measures to restructure the existing debt and address the working capital gap.

Dividend

The directors do not recommend payment of a dividend.

Outlook

While securing working capital funding remains a key focus, the group projects improved performance owing to a favourable business environment, a confirmed order book of KShs

6.8 billion, improved factory efficiencies, and optimized cash conversion cycles. The group has 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. The current crackdown on counterfeit goods by the Government and its focus on the Big Four Agenda, especially on housing and manufacturing, further improves the operating environment for the group. To meet its financing requirements, the group is seeking improved credit facilities that meet its operating needs and reduce interest costs including refinancing current facilities and enhancements. The Board and management are confident that the financing solution will be achieved during 2018. This will set the business back on a strong growth trajectory.

By Order of the Board
Virginia Ndunge
Company Secretary
Nairobi
14th June 2018

REPORT OF THE INDEPENDENT AUDITORS ON THE SUMMARY FINANCIAL STATEMENTS TO THE MEMBERS OF EAST AFRICAN CABLES PLC (Formerly East African Cables Limited)

Opinion

The summary financial statements, which comprise the summary consolidated statement of financial position as at 31 December 2017, the summary consolidated statement of profit or loss and other comprehensive income, summary consolidated statement of changes in equity and summary consolidated statement of cash flows for the year then ended are derived from the audited financial statements of East African Cables Plc (formerly East African Cables Limited) for the year ended 31 December 2017.

The summary directors' remuneration report is derived from the auditable part of the directors' remuneration report for the year ended 31 December 2017.

In our opinion, the accompanying summary financial statements and the auditable part of the directors' remuneration report are consistent, in all material respects, with the audited consolidated financial statements and the auditable part of the directors' remuneration report, in accordance with the Kenyan Companies Act, 2015.

Summary financial statements

The summary financial statements do not contain all the disclosures required by the International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, 2015. In addition, the summary directors' remuneration report does not contain all the disclosures required by the Kenyan Companies Act, 2015. Reading the summary financial statements, the summary directors' remuneration report and the auditors' report thereon, is not a substitute for reading the audited consolidated financial statements, the directors' remuneration report and the auditors' report thereon. The summary financial statements and the audited financial statements do not reflect the effects of the events that occurred subsequent to the date of our report on the audited financial statements.

The audited consolidated financial statements, directors' remuneration report and our report thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 14 June 2018 and also reported that the auditable part of the directors' remuneration report was prepared in accordance with the Kenyan Companies Act, 2015. That report also includes:

- A Material Uncertainty Related to Going Concern section that draws attention to Note 2(f) of the audited consolidated financial statements. Note 2(f) of the audited consolidated financial

statements indicates that East African Cables Plc incurred a loss of KShs 663 million during the year ended 31 December 2017, and as of that date, East African Cables Plc's current liabilities exceeded current assets by KShs 1.59 billion. These events or conditions, along with other matters as set forth in Note 2(f) of the audited consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on East African Cables Plc's ability to continue as a going concern. These matters are addressed in Note 2(f) of the audited consolidated financial statements.

- The communication of other key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period.

Directors' responsibility for the summary financial statements and summary directors' remuneration report

The directors are responsible for the preparation of the summary financial statements and the summary directors' remuneration report in accordance with the Kenyan Companies Act, 2015.

Auditors' responsibility

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with the audited consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), Engagements to Report on Summary Financial Statements and in the manner required by the Kenyan Companies Act, 2015. We are also required to report whether the summary directors' remuneration report is consistent with the auditable part of the directors' remuneration report in accordance with the Kenyan Companies Act, 2015.

The Engagement Partner responsible for the audit resulting in the independent auditors' report is CPA Alexander Mbal - Practising Number P2172.

KPMG Kenya
Certified Public Accountants
8th Floor, ABC Towers, Waiyaki Way
P.O. Box 40612 - 00100 Nairobi GPO.
14 June 2018