



East African Cables

Annual Report And Financial Statements 2009



Our Vision

To be the leading and preferred provider of cabling solutions.

Our Mission

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

Our Core Values

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

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Notice is hereby given that the forty fifth Annual General Meeting of the shareholders will be held at East African Cables premises on Addis Ababa Road, off Enterprise Road, Industrial Area, Nairobi, on 30th April, 2010 at 11.00am for the following purposes.

1. To table the proxies and note the presence of a quorum.
2. To confirm the minutes of the forty fourth Annual General Meeting held on 23rd April, 2009.
3. To receive and if approved, adopt the Group's audited financial statements for the year ended 31st December, 2009 together with the Chairman's, Directors' and Auditors' reports thereon.
4. To approve the Directors' remuneration as provided in the accounts for the period ended 31st December, 2009.
5. To approve the payment of a final dividend of 100% representing KShs. 0.50 per ordinary share.
6. To elect Directors in accordance with the Company's Articles of Association. Mr. Peter Kanyago and Mr. Davinder Sikand retire by rotation and being eligible offer themselves for re-election at the forth coming AGM.
7. To appoint auditors for the ensuing year and to authorize the Directors to fix their remuneration.
8. To consider and if approved, pass the following Special Resolution:

"That the Articles of Association of the Company be amended as follows:

Article no. 148

By inserting the following proviso at the end of the Article:

"The accounts may be sent or otherwise made available by electronic means and not by post. This Article shall not require a copy of the Accounts to be sent or otherwise made available by electronic means to any person whose electronic or postal address the Company is not aware of, nor to more than the first named of any joint holders of any shares or debentures. The Company may also send the Accounts to all persons entitled thereto by publishing the Accounts on the Company's official website provided that the Company shall send to every Member or publish a summary of the financial statements and Auditors Report in two daily newspapers with a national circulation for two consecutive days drawing attention to the website on which the Accounts in full may be read, and the address to which a request for a printed copy of the Accounts may be submitted to the Company Secretary and upon such publication the Accounts shall be deemed to have been sent to every Member or other person entitled to receive a copy of the Account."

Article no. 69

By inserting the following proviso at the end of the Article:

"Such notice may also be given by publishing a notice in at least two local daily newspapers with national circulation for at least two consecutive days.

Where a notice is published in a daily newspaper, it shall be deemed to be served on the day on which it is first published."

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

BY ORDER OF THE BOARD

Virginia Ndunge
Secretary

P.O Box 61120
00200 City Square
Nairobi
25th February, 2010

Note:

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

Mnatangaziwa kwamba mkutano mkuu wa arobaini na tano wa mwaka, wa wenye hisa utafanyika katika kiwanda cha East African Cables kilichopo Addis Ababa road, eneo la viwandani, Nairobi, tarehe 30 Aprili 2010 kuanzia saa tano asubuhi, kujadili mambo yafuatayo:

1. Kuwasilisha majina ya wawakilishi na kuangazia uwepo wa idadi ya wanachama wa kutosha
2. Kuthibitisha kumbukumbu za mkutano mkuu wa arobaini na nne uliofanyika tarehe 23 Aprili, 2009.
3. Kupokea, na iwapo itakubalika, kuidhinisha ripoti iliyokaguliwa ya mahesabu ya kipindi cha matumizi ya fedha kilichoisha tarehe 31 Desemba 2009 na ripoti ya wakurugenzi na wakaguzi wa mahesabu zinazofuatia.
4. Kuidhinisha ujira wa wakurugenzi kama ilivyopendekezwa katika mahesabu ya kipindi cha matumizi ya fedha kilichoisha tarehe 31 Desemba 2009.
5. Kutangaza gawio la asilimia mia moja (100%) inayowakilisha Senti hamsini kwa kila hisa ya kawaida.
6. Kuchagua wakurugenzi kulingana na kanuni za kampuni. Mabwana Peter Kanyago na Davinder Sikand wanafaa kustaaifu kipindi hiki na kwa kuwa wangali na azimio, wamejitolea kuchaguliwa upya katika mkutano huu mkuu wa mwaka.
7. Kuteua wakaguzi wa mahesabu mwakani na kuwapa idhini wakurugenzi kuweka ujira wao.
8. Kupendekeza, na iwapo itaidhinishwa, kupitisha maamuzi haya ya maana:

Kifungu nambari 148

Kwa kuingiza pendekezo lifuatalo mwishoni mwa kifungu:

“Akaunti zinaweza kutumwa ama kuwasilishwa kwa njia ya kielektroniki wala sio posta. Kifungu hiki hakitahitaji kutumwa nakala ya akaunti ama kuwasilishwa kwa njia hiyo ya elektroniki kwa mtu mwingine yeyote ambaye kampuni haina anwani yake, iwe ya posta ama baruapepe, wala akaunti hiyo kutumiwa mtu mwingine isipokuwa aliyetajwa wa kwanza katika hali ya umiliki wa hisa kwa ushirika. Aidha, kampuni inaweza kutuma akaunti hizo kwa kila mwanachama ama kuzichapisha kwenye tovuti yake rasmi mradi tu anwani hizo zitumiwe kila mwanachama ama mukhtasari wa taarifa za kifedha na ripoti ya wakaguzi zichapishwe sikumbili mfululizo kwenye magazeti mawili ya kila siku yenye uwezo wa kusambaza nakala kitaifa, ili kuhamasisha kuhusu tovuti ambayo kwayo akaunti hizo zinaweza kusomwa kwa ukamilifu, pamoja na anwani ambayo kwayo maombi ya nakala zilizochapishwa zinaweza kuagizwa kupitia kwa katibu wa kampuni. Katika uchapishaji wa namna hiyo, akaunti hizo zitachukuliwa kuwa zimetumwa kwa kila mwanachama ama mtu mwingine yeyote ambaye ameruhusiwa kuipokea nakala ya akaunti hiyo.”

Kifungu nambari 69

Kuingiza pendekezo lifuatalo mwishoni mwa kifungu:

“ Tangazo kama hilo linaweza pia kutolewa kwa kuchapisha kwa siku mbili mfululizo kwenye magazeti yasiyozidi mawili ya kila siku humu nchini na ambayo yana uwezo wa kusambaza nakala hizo kitaifa. Katika hali ambayo tangazo limechapishwa kwenye gazeti, itachukuliwa kwamba limewasilishwa siku ya kwanza ya kuchapishwa.”

9. Kushughulikia jambo lingine lolote linaloweza kushughulikiwa katika mkutano mkuu wa kila mwaka.

KWA AMRI YA HALMASHAURI

Virgina Ndunge
Katibu

P.O. Box 61120
00200 City Square
Nairobi.
25 Februari, 2010

Jambo Muhimu:

Mwanachama aliye na haki ya kuhudhuria mkutano huu na kupiga kura, ana uhuru wa kuchagua mwakilishi wake kuhudhuria na kupiga kura kwa niaba yake, ikiwa yeye mwenyewe hawezi kuhudhuria. Mwakilishi huyo si lazima awe mwanachama wa kampuni lakini ili akubalike, fomu za uwakilishi lazima ziwasilishwe katika tawi lolote la ofisi lililosajiliwa kwa kipindi kisichopungua saa 48 kabla ya muda ulioteuliwa wa mkutano.

Board Of Directors



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- 1 Mr. Bruno Thomas (67)**
 Consultant, Mr. Bruno Thomas, formerly of the Nexans Group, was executive vice president of the Rest of the World Area. He was also Senior Corporate Vice President, Strategic Operations in Nexans. He was previously President of the Energy Cables Division, President of the board of Alcatel Kabel KG and Director of Industrial strategy. In 1992 he was appointed Vice-President of Alcatel cable, in charge of the France sector. He joined Alcatel in 1986 as General Director of Cableries de Lens, with responsibility for the Benelux sector. He began his career at Usinor in 1968.
- 2 Mr. Peter Kanyago (62)**
 Mr. Kanyago was educated at Nyeri High School, Strathmore College and Pacific States University. He has a wide range of experience in business. He is currently the Chairman of Ecobank Kenya Ltd, East African Courier Limited and East African Elevator Co. Limited (OTIS). He is also a member of the board of several other companies including Corporate Insurance, Kenya Tea Development Agency (KTDA) and a number of tea factories.
- 3 Mr. Zephaniah G. Mbugua - Chairman (60)**
 He is a Bsc.graduate of Makerere University. He is the CEO of Abcon Group of companies whose principal business is supply of Industrial Raw materials. He holds Directorship in several other companies. He was appointed a Director and Chairman of the Board in March 2004.
- 4 Mr. George Mwangi (36)**
 Mr. George Mwangi is a Certified Public Accountant and a member of the ICPAK. He is also a Certified Public Secretary and holds a bachelor's degree in International Business Administration. He has substantial experience in the industry having worked with the Company for over 11 years at the senior levels.
- 5 Mr. Davinder Sikand (52)**
 He is the Managing Partner at Aureos East Africa Fund, a US\$ 40 Million fund since its inception in 1996. Previously managed the Acacia Fund, a US\$20 million fund for SME's in Kenya. Davinder has 24 years' experience in private equity and investment banking gained in the United States, Europe and East Africa, having worked at various leading firms including Drexel Burnham Lambert, Financial Security Assurance and Pricewaterhousecoopers. He holds an MBA from Kellogg School of Business, Northwestern University, USA.
- 6 Gachao Kiuna (32)**
 Gachao joins Trans-Century from McKinsey & Company in Johannesburg, where he was involved in advising corporate clients in emerging markets on corporate finance and strategy. He was also the principal consultant that led the McKinsey assignment to develop the Vision 2030 project for the Government of Kenya. During his term at McKinsey he has been able to develop a strong global network of private and public sector professionals. Gachao Joined McKinsey in 2003 after completing his PhD at the University of Cambridge, Corpus Christi College in the UK. He holds a First Class Honors BSc degree from Imperial College, London in Biochemistry. At McKinsey, Gachao focussed on economic development (e.g., country strategy), electric power (particularly generation), global health and education. Gachao also serviced his clients on issues of corporate finance, strategy, operational excellence and organizational effectiveness.
- 7 James Gachui (62)**
 Mr. Gachui studied chemical Engineering at the University of Surrey, Guildford, England, and graduated with a first class honours Bsc. Degree in 1972. He has held various positions in Total Kenya from 1978 to 1993. He launched Galana Petroleum, a petroleum trading business he co-founded with a former colleague. He retired from the business in 2000. He is the Chairman of Trans-Century Ltd., Wananchi On Line Ltd. and Jimana Ltd. He is also Director of Rift Valley Railways (Pty) Ltd., East African Cables Ltd, Chase Bank Kenya Ltd, Kewberg Cables and Braids, and Metal Fabricators Zambia PLC.



George Mwangi
Chief Executive Officer



Gordon Anampiu
Acting Managing Director EAC (Tz)



Joseph Kinyua
Finance Manager



David Mwangi
Technical Manager



Tom Oyugi
Business Development Manager

The directors have pleasure in submitting their report together with the audited financial statements for the year ended 31 December 2009, which disclose the state of affairs of the company and the group.

1. Activities

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

2. Group results

	KShs'000
Profit before taxation	526,444
Income tax expense	(230,411)
Profit for the year transferred to retained earnings	<u>296,033</u>

The detailed results for the year are set out on page 24.

3. Dividends

The directors recommend the payment of a final dividend of KShs 0.50 per share. This together with the Interim dividend of KShs 0.50 per share paid in the year amount to KShs 1.00 per share (2008 – KShs 1.00).

4. Directors

The directors who served since 1 January 2009 are set out on page 4 and 5.

5. Auditors

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

6. Approval of financial statements

The financial statements were approved at a meeting of the directors held on 25th February 2010.

BY ORDER OF THE BOARD

Virginia Ndunge
Secretary

Date: 25th February 2010

Wakurugenzi wana furaha kuwasilisha ripoti yao pamoja na taarifa za ukaguzi wa mahesabu za kipindi cha matumizi ya pesa kilichoisha tarehe 31 Desemba 2009, ambayo inaangazia hali ya mambo katika kampuni na shirika kwa jumla.

1. Shughuli

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

2. Matokeo

	KShs'000
Profit before taxation	526,444
Income tax expense	(230,411)
Profit for the year transferred to retained earnings	<u>296,033</u>

Matokeo ya mwaka yameainishwa katika ukurasa wa 24.

3. Gawio

Wakurugenzi wanapendekeza malipo ya gawio la mwisho la senti hamsini kwa kila hisa. Gawio hili pamoja na lile la awali la kiasi kama hicho (senti hamsini) ambalo lililipwa mwakani linafikisha jumla ya shilingi moja, kwa gawio la kila hisa (2008 – KShs 1.00).

4. Wakurugenzi

Wakurugenzi waliohudumu tangu mwezi Januari mwaka wa 2009 wameorodheshwa katika ururasa wa 4 na 5.

5. Wakaguzi wa Mahesabu

Wakaguzi wa mahesabu kutoka kampuni ya, KPMG Kenya wameonyesha nia yao ya kuendelea kuhudumu kama wakaguzi kulingana na kifungu 159(2) cha sheria za makampuni nchini Kenya.

6. Taarifa za kifedha zilizoidhinishwa

Taarifa za kifedha ziliidhinishwa katika mkutano wa wakurugenzi uliofanyika 25 Februari 2010.

KWA AMRI YA HALMASHAURI

Virginia Ndunge
Katibu

Tarehe: 25 Februari 2010

Corporate governance is the process by which companies are directed, controlled and held to account. The Board of Directors of East African Cables Limited is responsible for the governance of the company and is accountable for the governance to the shareholders for ensuring that the company complies with the law, the highest standards of corporate governance and business ethics.

BOARD OF DIRECTORS

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

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

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

BUSINESS ETHICS

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

- Full compliance with the law
- Application of best accounting practices

- Safety of all stakeholders
- Product quality and customer focus
- Care of our environment
- Application of best business practices
- Fair competition

EQUAL EMPLOYMENT OPPORTUNITIES AND COMMITMENT TO OUR PEOPLE

The company is committed to provide equal opportunity to all employees and applicants on the basis of merit. Our practice is to comply with all laws prohibiting discrimination.

COMMITTEES OF THE BOARD

The board has three standing committees which meet regularly under the terms of reference set by the board.

Audit Committee

The board has constituted an audit committee which meets quarterly or as required. Its membership is composed of Davinder Sikand and Peter Kanyago who are non-executive directors. Its responsibilities include review of financial information in particular half year and annual financial statements, compliance with accounting standards, liaison with external auditors, remuneration of external auditors and maintaining oversight on internal control systems. Other responsibilities are to receive and consider the company's annual budget, to review the purchasing regulations and to consider recommendations for insurance renewals. The committee is guided by a charter from the board which outlines its mandate.

The committee met six times in the year.

Staff Committee

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

Strategy Committee

The committee meets quarterly or as required. Its membership is composed of James Gachui, Z. G. Mbugua, Bruno Thomas, Gachao Kiuna and George Njoroge. James Gachui, Z. G. Mbugua, Bruno Thomas and Gachao Kiuna are non-executive directors of the company while George Njoroge, a non-executive director of East African Cables (Tz) Ltd was appointed to the committee in order to benefit from his expertise in the electrical business.

The main responsibility of the committee is to chart the strategy of the company and to oversee implementation of strategic decisions of the board which include product and or geographical diversification, strategic partnerships and also review proposals involving capital expenditure. The committee met four times in the year.

The Managing Director is invited to all committees while senior managers are invited to the relevant committees. The committees submit their findings and recommendations at the quarterly board meetings.

COMMUNICATION WITH SHAREHOLDERS

The company is committed to ensuring that shareholders and the financial markets are provided with full and timely information about its performance. In the year, the company accomplished this objective through investor briefing held on 17th February 2009, distribution of the company's Annual Report and the release of notices in the national press of its quarterly and year end results. The company also holds statutory meetings as required.

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

DIRECTORS' EMOLUMENTS AND LOANS

The aggregate amount of emoluments paid to the directors for services rendered during the financial year ended 2010 is disclosed on note 21 to the financial statements. Neither at the end of the financial year nor at any time during the year did there exist any arrangement to which the company is a party, whereby directors might acquire benefits by means of the acquisition of the company's shares.

All business transactions with the directors or related parties are carried out at arms length. Such transactions have been disclosed on note 21.

RISK MANAGEMENT AND CONTROLS

The board recognizes that managing risk to ensure optimal mix between risk and return is an integral part of achieving corporate goals. The board has put in place processes for identifying, assessing, managing and monitoring risks to ensure that the risk of failure to achieve business objectives is mitigated. The company has defined procedures and financial controls to ensure the reporting of complete and accurate accounting information. These cover systems for obtaining authority for major transactions and for ensuring compliance with the laws and regulations that

have significant financial implications. Procedures are also in place to ensure that assets are subject to proper physical controls and that the organization remains structured to ensure appropriate segregation of duties.

In reviewing the effectiveness of the systems of internal controls, the board takes into account the results of all the work carried out to audit and review of the activities of the company.

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

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 2009 were as follows:

Directors' interest

Name of Director	Number of Shares
Peter Tirus Kanyago	3,000
George Mwangi	109,756

Distribution of Shareholding

Shares range	No. of Shareholders	No. of Shares held	%shareholding
1 - 500	7,678	2,042,383	1.01
501 - 5,000	7,489	12,668,421	6.26
5,001 – 10,000	582	4,496,770	2.22
10,001 – 100,000	679	18,204,445	8.99
100,001 – 1,000,000	79	17,806,941	8.79
Above 1,000,000	7	147,281,040	72.73
Total	16,514	202,500,000	100.00

Major Shareholders

No. Name(s)	No. of shares	% shareholding
1. Cable Holdings (Kenya) Ltd	136,329,420	67.33
2. Stanbic Nominees Kenya Ltd-A/c NR13631	3,860,700	1.91
3. Ali Mohamed Adam	3,077,250	1.52
4. The Jubilee Insurance Co. (K) Ltd	1,821,800	0.90
5. Chandubhai Bhikabhai Patel	1,135,570	0.56
6. CFC Life Assurance Ltd – Pension Fund	1,056,300	0.52
7. Stanbic Nominnee Kenya Ltd – A/c R48703	800,000	0.40
8. British America Insurance Co. (K) Ltd	676,260	0.33
9. Barclays (Kenya) Nominees Ltd - A/c 9660	648,000	0.32
10. Travis (EA) Ltd	569,520	0.28
11. Others	52,525,180	25.93
Total	202,500,000	100.00

Utawala wa shirika ni namna ambavyo makampuni yanaongozwa, yanavyodhibitiwa na kuwajibishwa. Halmashauri ya Wakurugenzi wa kampuni ya East African Cables Limited inawajibika katika kuiongoza kampuni pamoja na kuwajibika katika uongozi kwa wadau ili kuhakikisha kwamba kampuni inatimiza sheria, viwango vya juu zaidi vya utawala wa shirika pamoja na kuhakikisha maadili bora ya kibiashara.

HALMASHAURI YA WAKURUGENZI

Halmashauri hii inajumuisha mwenyekiti Z.G Mbugua, wakurugenzi watano wasio watendaji na mkurugenzi mkuu, Bwana George Mwangi. Wasifu wa wakurugenzi hawa unapatikana katika ukurasa wa 4 na 5. Wakurugenzi wote wasio watendaji wanachukuliwa na halmashauri hii kuwa huru katika usimamizi mbali na kuwa na uzoefu, ustadi na ushindani ambao ni mwafaka katika uongozi bora wenye kuifaa shughuli ya kampuni.

Halmashauri hii hukutana angalau mara nne kwa mwaka ikiwemo mikutano mingine ijapobidi. Wakurugenzi hupata habari mwafaka na kwa wakati ufaao ili kudumisha uhabiti kamili dhidi ya masuala ya kimkakati, kifedha, kiutendakazi na utimilifu. Isipokuwa kwa kuelekeza na kuongoza katika sera za jumla, halmashauri hii imeidhinisha mamlaka kwa mkurugenzi mkuu kuendesha shughuli za kila siku za kampuni. Isitoshe, halmashauri hii inabakia na jukumu la kuanzisha na kudumisha uhabiti wa ndani wa kampuni katika masuala ya kifedha, utendaji kazi na ikibali. Wakurugenzi wetu wote aidha wamehudhuria kozi mbalimbali za utawala wa shirika zilizoandaliwa na taasisi zenye kutambulika.

Wakurugenzi wote wasio watendaji wanaweza kuteuliwa tena upya kwa kutegemea vifungu vya sheria za kampuni vinavyohitaji kuwa thuluthi moja ya wakurugenzi waliowahi kuhudumu kwa muda mrefu (tangu uchaguzi wao uliopita) wastaafu kwa awamu kila mwaka na ijapofaa, majina yao yawasilishwe katika mkutano mkuu wa mwaka ili wachaguliwe upya.

MAADILI MEMA YA KIBIASHARA

Wakurugenzi huambatisha umuhimu mkubwa katika haja ya kuendesha biashara na utendakazi wa kampuni kwa tajiriba kubwa na kwa mujibu wa zoezi la utawala mzuri wa shirika kama ilivyokusudiwa na mwongozo wa Halmashauri ya masoko ya fedha kwa makampuni yaliyoorodheshwa nchini Kenya yakiwemo maadili mengine ya kimataifa yanayohusu utawala bora. Kampuni hii pia inakubali maadili bora zaidi ya desturi nzuri za shirika zinazohitaji kuwa wakurugenzi na wafanyakazi wote wadumishe

viwango vya juu vya uadilifu na matendo yao yawe ni yenye nia njema na yenye kunufaisha kampuni. Kampuni hii imeanzisha na kutekeleza kanuni ya maadili mema inayodhamiria miongozo na kanuni zenye msingi wa maadili mema ya:

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

UTOAJI WA NAFASI SAWA ZA KAZI NA UWAJIBIKAJI KWA WATU WETU

Kampuni hii imejitolea kuwapa nafasi sawa wafanyakazi na wanaoomba nafasi za kazi kwa misingi ya stahili zao. Desturi yetu ni kutimiza sheria zote zinazopiga marufuku ubaguzi.

KAMATI ZA HALMASHAURI

Halmashauri hii ina kamati tatu simamizi zinazokutana mara kwa mara chini ya hadidu za rejea zilizotungwa na halmashauri hii.

Kamati ya ukaguzi wa mahesabu

Halmashauri hii imeanzisha kamati ya ukaguzi wa mahesabu ambayo hukutana kila baada ya miezi mitatu au inavyotarajiwa. Uanachama wake unajumuisha Davinder Sikand na Peter Kanyago ambao ni wakurugenzi wasio watendaji. Majukumu ya kamati hii ni pamoja na kukagua taarifa za kifedha za kila mwaka, kutimiza viwango vya uhasibu, ushirikiano na wahasibu wengine wa nje ya shirika, kuwazawadi wahasibu wasiokuwa wa kampuni na kudumisha uandalizi wa mfumo wa uhabiti wa mambo ya ndani. Majukumu mengine ni kupokea na kuzingatia bajeti ya mwaka ya kampuni, kuchunguza taratibu za ununuzi na kukata bima upya. Kamati hii inaongozwa na mkataba kutoka kwa halmashauri, ambao unadokeza mamlaka yake. Kamati hii ilikutana mara sita mwaka huu.

Kamati ya wafanyakazi

Kamati hii hukutana kila baada ya miezi mitatu ama inapohitajika. Uanachama wake unajumuisha Peter Kanyago na James Gachui ambao ni wakurugenzi wasio watendaji. Kamati hii inawajibika kufuatilia na kutathmini utendaji wa wasimamizi, kuchunguza sera zote za utendajikazi na kuamua kuhusu utuzwaji wa wasimamizi wakuu. Kamati hii ilikutana mara nne mwaka huu.

Kamati ya maarifa

Kamati hii hukutana mara nne kwa mwaka ama inavyohitajika. Uanachama wake unawajumuisha James Gachui, Z. G. Mbugua, Bruno Thomas, Gachao Kiuna na George Njoroge. James Gachui, Z. G. Mbugua, Bruno Thomas na Gachao Kiuna ni wakurugenzi wa kampuni wasio watendaji ilhali George Njoroge, ambaye pia ni mkurugenzi, asiye mtendaji, wa East African Cables (Tz) Ltd aliteuliwa kwenye kamati ili kuinufaisha kutokana na utaalamu wake katika maswala ya umeme. Jukumu kubwa la kamati hii ni kuchunguza maarifa ya kampuni na kuhakikisha utekelezaji wa maamuzi ya kimaarifa ya halmashauri ambayo ni kupanua maeneo ya mauzo, ubia wa kimaarifa na kuchunguza mapendekezo yanayohusu matumizi ya mtaji. Kamati hii ilikutana mara nne mwaka huu.

Mkurugenzi mkuu hualikwa katika kamati zote ilhali wasimamizi wengine wakuu hualikwa kwa kamati husika. Kamati hizo hatimaye huwasilisha ripoti pamoja na mapendekezo yao katika mkutano wa robo ya mwaka wa halmashauri.

MAWASILIANO NA WADAU

Kampuni hii imejitolea kuhakikisha kuwa wadau na masoko ya fedha yanapata habari kamili kuhusu utendaji wake kwa wakati ufaao. Katika mwaka huu, kampuni hii ilitimilisha lengo hili kupitia ujulishaji wa wawekezaji, ugawanyaji wa ripoti ya kampuni ya kila mwaka na kutolewa kwa taarifa za matokeo yake ya kila robo-mwaka na ya mwisho wa mwaka kwa vyombo vya habari vya kitaifa. Kampuni hii vilevile hufanya mikutano ya kisheria kama inavyohitajika. Kwa namna hivi, kampuni hii inatimiza wajibu uliowekwa katika sheria za uratibishaji za soko la hisa la Nairobi, sheria iliyoidhinishwa ya halmashauri ya masoko ya fedha na sheria iliyoidhinishwa inayohusu makampuni nchini Kenya.

UJIRA NA MIKOPO YA WAKURUGENZI

Kiasi cha mshahara waliolipwa wakurugenzi kwa huduma walizotoa katika kipindi cha matumizi ya fedha kilichoisha mwaka 2009 kimefafanuliwa katika kijejezi cha 21 kwa taarifa za kifedha. Sio mwishoni mwa kipindi cha matumizi ya fedha au katika kipindi chochote kila mwakani kulipotokea mpango wowote unaoihusu kampuni, ambapo wakurugenzi wangalijilimbikia faida kwa umiliki wa hisa za kampuni.

Uendeshaji wa shughuli zote za kibiashara na wakurugenzi au pande husika unafanywa kwa uwazi. Shughuli kama hizo zimefafanuliwa katika kijejezi cha 21.

UDHIBITI NA UZUIZI WA HATARI

Halmashauri hii inatambua kuwa kudhibiti tahadhari ili kuhakikisha mchanganyiko wa hali ya juu wa tahadhari na mapato ni njia mojawapo muhimu ya kufikia malengo ya shirika. Halmashauri hii imeweka hatua za kutambua, kutathmini, kudhibiti na kuchunguza tahadhari ili kuhakikisha kwamba hatari

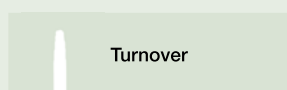
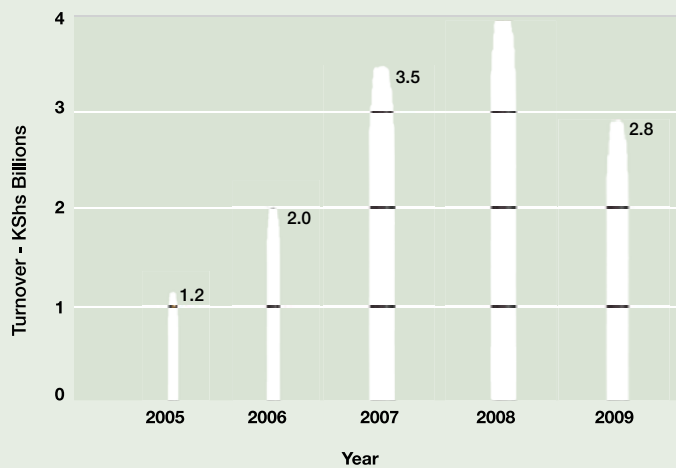
za kukosa kufikia malengo ya biashara zimepunguzwa kama si kumalizwa.

Kampuni hii ina taratibu bainifu na udhibiti wa kifedha ili kuhakikisha utoaji wa ripoti za uhasibu zilizokamilika na zenye taarifa kamili. Haya yanajumuisha mifumo ya kujipa mamlaka kwa shughuli muhimu na kuhakikisha uzingatifu wa sheria na taratibu ambazo zina athari kubwa kifedha. Taratibu pia zimewekwa kuhakikisha kwamba rasilimali zinaangaliwa vizuri kihali na kwamba muundo wa shirika unabakia ili kuhakikisha utengaji maalumu wa majukumu.

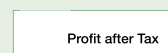
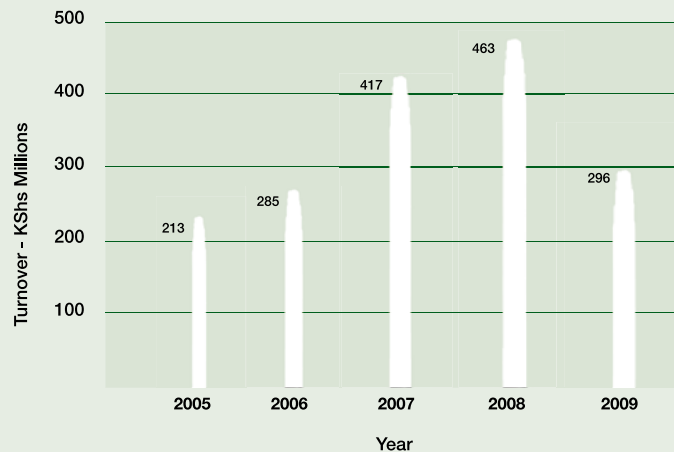
Katika kukagua uwezo wa taratibu za udhibiti wa mambo ya ndani, halmashauri ya wakurugenzi hutilia maanani matokeo ya kazi zilizotekelezwa katika kukagua mahesabu na kuchunguza shughuli za kampuni.

Mfumo wa uwajibikaji mpana wa wasimamizi upo ili kuweka vipimo vya kifedha na utendaji. Mikutano ya mara kwa mara ya wasimamizi wakuu hufanywa kuchunguza utendaji na kuafikiana kuhusu taratibu za kujiimarisha.

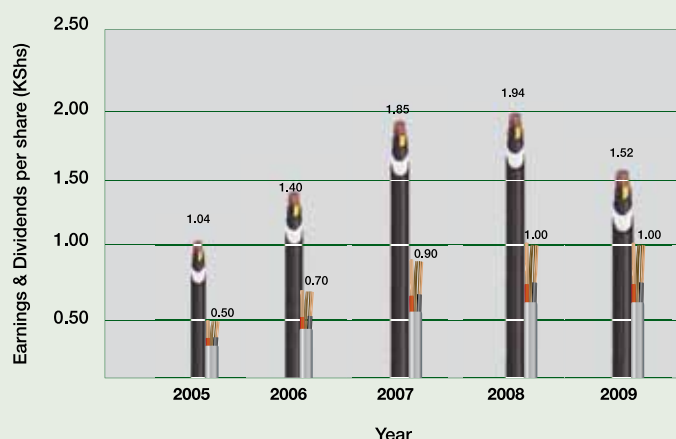
Sales Trend



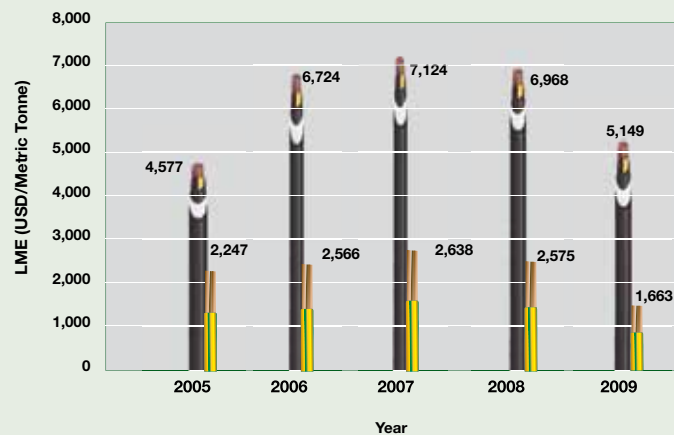
Profit after Tax



Earnings & Dividends



London Metal exchange Cash Settlement price per Metric Tonne



The Directors are responsible for the preparation and presentation of the consolidated financial statements of East African Cables Limited and its subsidiary set out on pages 24 to 57 which comprise the statements of financial positions of the group and of the company as at 31 December 2009, and the group's statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

The Directors' responsibilities include: determining that the basis of accounting described in Note 3 is an acceptable basis for preparing and presenting the financial statements in the circumstances; designing, implementing and maintaining internal control relevant to the preparation and presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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

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

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

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

Approval of the financial statements

The financial statements, as indicated above, were approved by the Board of Directors on 25th February 2010 and were signed on its behalf by:



Z.G. Mbugua
(Director)



George Mwangi
(Director)

Wakurugenzi wanahusika katika kuandaa na kuwasilisha taarifa za kifedha za kampuni ya East African Cables na washirika wake kama ilivyoainishwa katika kurasa za 24 na 57 ambazo zinajumuisha taarifa za matokeo ya kifedha za Shirika na kampuni kufikia tarehe 31 Desemba 2009, na taarifa kamilifu za mapato ya shirika; taarifa kuhusu mapato na matumizi ya fedha za mwaka huo uliomalizika pamoja na ufupisho wa sera muhimu za uhasibu na taarifa nyingine zilizoлезewa.

Majukumu ya wakurugenzi ni pamoja na: kuamua kuwa kanuni za uhasibu zilizoлезewa katika kijezezi 3 ni zenye kukubalika katika kuandaa na kuwasilisha taarifa za kifedha katika hali hizo; kutengeneza, kutekeleza na kudumisha udhibiti wa mambo ya ndani unaofaa katika kuandaa na kuwasilisha taarifa hizi za kifedha zisizo na makosa; aidha ya ulaghai au kasoro, pamoja na kuchagua na kutumia sera zinazofaa za uhasibu pamoja na kufanya ukadiriaji unaofaa wa hesabu katika hali hizo.

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

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

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

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

Kuidhinishwa kwa taarifa za kifedha

Taarifa za kifedha, kama ilivyoenezewa hapo juu, ziliidhinishwa na halmashauri ya wakurugenzi tarehe 25, Februari 2010 na kutiwa sahihi kwa niaba yake na:



Z.G. Mbugua
(Mkurugenzi)



George Mwangi
(Mkurugenzi)

INTRODUCTION

It is my pleasure to present to you the Annual Report and Audited Financial Statements for the year ended 31st December 2009. The group performance was below the levels achieved in the previous year.

ECONOMIC ENVIRONMENT

The prevailing global economic conditions, a prolonged drought and a weak GDP growth did not augur well for business. The GDP growth rate recovered marginally from 1.7 % in 2008 to 2.5% in 2009 and is further projected to grow by 4% in 2010. The overall 12-month inflation maintained a downward trend throughout the year. It declined from 13.3% in January 2009 to 5.3% by the close of the year. The decline was attributed to falling prices of food, medical goods and services, recreation and education and personal goods and services. The annual average inflation also declined from 16.5% to 8.5%.

In the period, the Monetary Policy Committee (MPC) lowered the Central Bank Rate (CBR) from 8.4 % to 7 % while other short term and long term interest rates trended upwards in 2009. This resulted in increased cost of borrowing.

The Kenya shilling depicted mixed performance against major world currencies. It was relatively stable against the US dollar but strengthened against the Sterling Pound and the Euro.

CHALLENGES

The following still remain major challenges but we are able to deal with them as part and parcel of business of the business environment we are in:

• Raw material prices

The metal prices are determined by supply and demand and the LME (London Metal Exchange) keeps track of the material prices. Since October last year, LME prices for Copper and Aluminium have increased by 26% and 25% respectively. The prices may rise further depending on the demand and supply patterns. With this trend it will be increasingly difficult to transfer full price increases of raw materials to our customers in order to safe guard margins. The volatility in LME is a major risk which affects us and our competitors. In some years it has been more difficult to mitigate than others and we expect 2010 to be one of the tougher years to deal with the situation but we are up to the challenge.

• Exchange rate

Depreciation of the local currency against the major currencies of international trade will inevitably increase the cost of raw materials. The appreciation or depreciation of the shillings will largely depend on political and economic factors beyond our control.

• Counterfeits and substandard goods

We have witnessed a high influx of cheap counterfeit and substandard goods from within and outside the country. The cheap products have had an impact on our sales level especially in the informal sector where price is the major determining factor. We have sustained an education campaign to raise awareness as well as sensitizing consumers on the risks of using sub-standard, fake, or counterfeit cables. We are also working closely with the authorities concerned and expect to see positive impact as the awareness grows. This problem is global and we keep abreast of its development and apply relevant tactics to mitigate against it.

We recognize the potential impact these challenges pose on our business and have where feasible instituted appropriate response mechanisms to deal with them.

FINANCIAL PERFORMANCE

The group turnover and profit before tax declined by 28% and 22% respectively. However, the company's turnover declined



by 19% while the profits remained at the same level. The overall decline in turnover is attributable to the reduction in average global metal prices (LME) in the year and a significant reduction in aluminium business. It's important to note that group recorded organic growth of 23 % in the Copper segment while the aluminium segment sales, mostly consumed by utilities declined by 75%. I am pleased to report that the strategy of reducing dependence on public utilities is working well and that more effort will be applied in this direction to further enhance this position.

I am also happy to report that following the success in Kenya, we are currently restructuring the activities of our Tanzania operation which will result in increased productivity and efficiency while placing more focus on the private and export market to boost growth and to cushion against dependency on purchases by the local utility. The large decline in the group is attributable to the performance of our Tanzania subsidiary. Measures have been put in place to reverse this situation.

CAPACITY ENHANCEMENT

In the year under review, we invested Kshs. 441 million in new plant. The last batch of equipments is currently under installation. The plant will result in increased capacity, efficiency and new production capabilities. This will put us in a more competitive position to execute our market expansion program which includes establishing a solid market presence in 12 countries by 2012. The board has considered the suitability of new equipments based on their flexibility and adaptability to pave way for innovative multi-material products, such as revolutionary extrusion concepts that insulate and jacket cables with different materials on just one equipment. We should see the positive results of this investment in the current year.

REPORTING STANDARDS

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

AWARDS AND RECOGNITION

The company once again participated in the competitive Financial Reporting Excellence Award (FiRe) which is promoted by the Nairobi stock exchange, Kenya Capital Markets Authority and the Institute of Certified Public Accountants of Kenya. I am delighted to inform you that the company was ranked 1st Runners Up in the Industrial, Commercial and Services category. The entry into the FiRe Awards aims at getting an independent view of the level of the financial reporting standards. I take this opportunity to thank the Management for their dedication to improvement that has resulted in this award.

DIVIDEND

I am pleased to report that the Board of Directors is recommending to the Annual General Meeting a final dividend of KShs. 0.50 per share. This is in addition to an interim dividend of KShs. 0.50 per share paid in December 2009. This brings the total dividend for the year to KShs. 1.00 per share, which represents a return of 200% on the par value.

FUTURE OUTLOOK

The business environment continues to pose some challenges which are not unique to the company. We see some recoveries in demand in the regional markets but fear this could be negatively impacted by the high degree of volatility in global commodity pricing mentioned earlier. However, the board remains confident of the future. In order to overcome the aforementioned challenges the company will continue to invest in initiatives to realize efficiencies and flexibility required to exploit new trends which is critical for our long-term competitiveness. We acknowledge that customers are seeking more value and the winners of tomorrow should be dynamic and must respond to market trends with agility. Investing in customer relations and building strong partnerships with stakeholders with strong emphasis on a more environmentally and socially responsive business will top our priorities going forward.

ELECTRONIC PUBLICATION OF FINANCIAL STATEMENTS AND NOTICES OF GENERAL MEETINGS

Capital Markets Authority is in the process of amending its regulations to allow circulation of financial statements and notices of general meetings to the shareholders by electronic means and the Board of Directors is recommending to the shareholders to approve the amendment of the Company's Articles of Association to this effect.

APPRECIATION

Special thanks go to our customers, suppliers and all other stakeholders for their invaluable support over the past year, to the management and staff for their dedication, hardwork and loyalty and finally to my fellow directors for their support, guidance and stewardship. With the commitment demonstrated by all the stakeholders we are confident that we shall be able to overcome challenges and return better results in the coming year. Let us go forward together.



Z.G. Mbugua
Chairman
Board of Directors



UTANGULIZI

Ni furaha yangu kuwasilisha kwenu ripoti ya mwaka wa 2009 pamoja na taarifa zilizokaguliwa za kifedha katika kipindi cha mwaka kilichoisha tarehe 31 Desemba 2009. Utendaji wa shirika hili ulikuwa wa chini ikilinganishwa na viwango vilivyoafikiwa hapo mwaka uliotangulia.

MAZINGIRA YA KIUCHUMI

Hali ya msukosuko usiobashiriwa katika uchumi wa dunia, kukithiri kwa ukame kwa muda mrefu pamoja na kuffia kwa jumla ya pato la nyumbani hazikuwa dalili bora katika biashara. Kiwango cha ukuaji wa jumla ya pato la nyumbani hata hivyo kiliimarika kutoka asilimia moja nukta saba (1.7 %) hapo mwaka wa 2008 hadi asilimia mbili nukta tano (2.5%) mnamo mwaka wa 2009 huku kiwango hicho kikitazamiwa kukua kwa asilimia nne mwaka huu wa 2010.

Kiwango cha mfumko katika miezi kumi na miwili vilevile kilizidi kupungua katika kipindi chote mwakani. Hii ni kutokana na kushuka kwake kutoka asilimia kumi na tatu nukta tatu (13.3%) mnamo mwezi Januari mwaka wa 2009 hadi asilimia tano nukta tatu (5.3%) kufikia mwisho wa mwaka huo. Kushuka huku kulitokana na kushuka kwa bei za vyakula, bidhaa na huduma za matibabu, burudani na elimu pamoja na bidhaa na huduma za kawaida kwa matumizi ya watu binafsi. Kiwango cha kadiri cha mfumko katika mwaka huo vilevile kilipungua kutoka asilimia kumi na sita nukta tano (16.5%) hadi asilimia nane nukta tano (8.5%).

Katika kipindi hicho, kamati ya kudhibiti sera za kifedha (MPC) ilipungua kiwango cha riba inayotowza mikopo na Benki Kuu ya Kenya kutoka asilimia nane nukta nne (8.4 %) hadi asilimia saba (7%) huku viwango vingine vya riba ya muda mfupi na ile ya muda mrefu vikiimarika katika mwaka huo wa 2009. Hatua hii ilipelekea ongezeko la gharama ya ukopeshaaji.

Shilingi ya Kenya ilishuhudia mchanganyiko wa bei katika ubadilishanaji dhidi ya sarafu kuu za kigeni. Shilingi ya Kenya kwa kiasi kikubwa ilikuwa imara dhidi ya dola ya Marekani lakini ikawa thabiti zaidi dhidi ya pauni ya Uingereza na Yuro.

Changamoto

Yafuatayo yanasalia kuwa changamoto kuu lakini tunaweza kukabiliana nayo kama shughuli za kawaida katika mazingira ya kibiashara tuliyo:

• Bei za malighafi

Bei za chuma hukadiriwa kutokana na usambazaji na Bei za chuma hukadiriwa kutokana na usambazaji na mahitaji, na soko la ubadilishanaji wa chuma la London (LME) limekuwa likidhibiti bei ya malighafi haya. Tangu mwezi Oktoba mwaka uliopita, bei za LME kwa madini ya Shaba Nyekundu na Alumini zimeongezeka kwa asilimia ishirini na sita (26%) na asilimia ishirini na tano (25%) mtawalia. Bei hizo huenda zikaongezeka zaidi kutegemea mkondo wa usambazaji na mahitaji.

Katika hali kama hii, itakuwa vigumu zaidi kuilimbikiza bei inayotokana na ongezeko hilo la malighafi kwa bei za bidhaa wanazotumia wateja wetu ili kufidia tofauti hizo. Msukosuko wa hali ya utendaji katika soko hilo la LME ni hatari kubwa ambayo inatuathiri sisi pamoja na washindani wetu. Katika miaka mingine, imekuwa vigumu zaidi kupunguza hatari hizo kinyume na miaka mingine, huku tukitarajia mwaka wa 2010 kuwa mmojawapo wa miaka migumu zaidi katika kukabiliana na hali hiyo lakini tuko tayari kukabiliana na changamoto hiyo.

• Viwango vya ubadilishanaji

Kushuka kwa thamani ya shilingi dhidi ya zile sarafu kuu zinazotumika katika ubadilishanaji wa kigeni bila shaka kutazidisha gharama ya malighafi. Kupanda ama kushuka kwa thamani ya shilingi kutategemea pakubwa maswala ya kisiasa na kiuchumi ambayo hatuwezi kuyadhibiti.

• Bidhaa ghushi na zile zisizoafiki viwango vya ubora

Tumeshuhudia kuwepo kwa wingi kwa bidhaa nyingi ghushi na zile zisizoafiki viwango vya ubora na ambazo ni za bei rahisi ndani na nje ya nchi. Bidhaa hizo za bei rahisi zimekuwa na madhara makubwa kwa viwango vyetu vya mauzo hasa katika sekta huru ambapo bei ni kigezo kikuu cha mauzo. Hata hivyo tunazidi kuendeleza kampeni kali za kutoa mafunzo ili kuwahamasisha pamoja na kuwafahamisha wateja kuhusiana na hatari inayowakabili katika matumizi ya nyaya ghushi, na zisizotimiza viwango vya ubora. Aidha, tunafanya kazi kwa ushirika na mamlaka husika na tunatazamia kuona mabadiliko muhimu kadiri hamasisho hili linavyozidi kuendelezwa. Tatizo hili ni la ulimwengu mzima na tunafuatilia kwa makini hali yake na kuweka maarifa muafaka ili kulipunguza.

Vilevile, tunatambua madhara kubwa ambayo changamoto hizi zinaweka katika biashara yetu na mahali inapofaa, tumeweka mikakati madhubuti ya kukabiliana nayo.

UTENDAJI WA KIFEDHA

Kiwango cha ubadilishanaji cha shirika hili pamoja na faida kabla Kiwango cha ubadilishanaji cha shirika hili pamoja na faida kabla ya kutozwa ushuru ilididimia kwa asilimia ishirini na nane (28%) na asilimia ishirini na mbili (22%) mtawalia. Hata hivyo, kiwango cha ubadilishanaji cha kampuni kilirudi nyuma kwa asilimia kumi na tisa (19%) huku kile cha faida kikasalia imara. Kushuka huku kwa ujumla kulitokana na kushuka kwa bei za chuma katika soko la kimataifa (LME) katika mwaka huo pamoja na kupungua maradufu kwa biashara ya alumini. Ni muhimu kutilia maanani kwamba shirika hili lilirekodi ukuaji wa asilimia ishirini na tatu (23 %) katika kitengo cha shaba nyekundu huku mauzo katika kitengo cha alumini ambayo yana mahitaji makubwa yakishuka kwa asilimia sabini na tano (75%). Nina furaha kuripoti kwamba mkakati wa kupunguza utegemezi wa mali ya umma unafanya kazi vyema na kwamba juhudi zaidi zitawekwa katika hali hii ili kuendeleza zaidi msimamo huu.

Nina furaha vilevile kuripoti kwamba kufuatia ufanisi nchini Kenya, kwa sasa, tunaratibu upya shughuli katika operesheni za tawi letu la Tanzania; shughuli ambayo inatazamiwa kuzidisha kiwango cha uzalishaji na utendakazi mbali na kuangazia zaidi soko la kibinafsi na ile ya kigeni ili kuimarisha ukuaji mbali na kutuepusha na utegemezi wa wanunuzi kutoka nchini humo pekee. Kupungua kwa kiasi kikubwa kwa utendaji wa shirika hili kunatokana na utendaji katika tawi letu la Tanzania. Hata hivyo hatua tayari zimewekwa ili kurekebisha hali hii.

KUZIDISHA UWEZO

Katika mwaka unaorejelewa, tuliwekeza kiasi cha shilingi milioni 441 katika kiwanda kipya. Awamu ya mwisho ya mitambo inawekwa kwa sasa. Kiwanda hicho kitasaidia kuzidisha kiwango cha uzalishaji, utendakazi pamoja na kuongeza uwezo wa kuzalisha bidhaa. Hatua hii itatuweka katika hali nzuri zaidi ya ushindani ili kutekeleza mpango wetu wa kupanua masoko yetu ikiwa ni pamoja na kudhibiti uwepo wetu sokoni katika nchi kumi na mbili kufikia mwaka wa 2012. Bodi ya wakurugenzi tayari imeelezea kuridhishwa na ufaafu wa mitambo mipya ikizingatiwa hali yao ya uzalishaji na mwoano wao ili kuweka viwango vipya vya mabadiliko katika ubunifu hasa katika kuzalisha aina kadhaa za bidhaa, kama vile dhana ya kuzikinga nyaya kwa aina mbalimbali za vifaa kwa kutumia mtambo mmoja tu. Tunatazamia kuona manufaa mema ya uwekezaji huu mwaka wa 2010.

VIWANGO VYA KURIPOTI

Kampuni hii inaendelea kuzingatia uwasilishaji na toaji wa mahitaji ya Halmashauri ya Kimataifa ya Uripoti wa Kifedha (IFRS) kama inavyohitajika na Taasisi ya Mahasibu Halali wa Umma nchini Kenya (ICPAK). Mabadiliko na ustawi katika halmashauri hiyo katika kipindi cha matumizi ya pesa cha mwaka ulioangaziwa, yametekelezwa.

TUZO NA UTAMBUZI

Kampuni hii kwa mara nyingine ilishiriki katika mashindano ya tuzo ya ubora katika uripoti wa kifedha (FIRE) ambayo yanadhaminiwa na soko la hisa la Nairobi, mamlaka ya masoko ya mtaji nchini Kenya pamoja na Taasisi ya Mahasibu Halali wa umma nchini Kenya. Nina furaha kuwajulisha kwamba kampuni hii iliibuka ya pili katika kitengo cha Viwanda, Mauzo na Huduma. Mashindano hayo yanalenga kuibuka na maoni huru kuhusu viwango vya uripoti wa kifedha. Nachukua fursa hii kuwashukuru wasimamizi kwa kujitolea kwao kuimarisha kampuni, hali ambayo imepelekea tuzo hii.

RIBA

Nina furaha kuripoti kwamba bodi ya wakurugenzi inapendekeza kwa mkutano mkuu wa mwaka, riba ya mwisho ya senti hamsini kwa kila hisa. Hii ni nyongeza kwa riba ya awali ya muda ambayo ilikuwa ya senti hamsini kwa kila hisa na ambayo ililipwa mwezi Desemba mwaka wa 2009. Hii inafikisha jumla ya riba mwaka

huu kuwa shilingi moja kwa kila hisa, ambayo ni inawakilisha faida ya asilimia mia mbili (200%) kwa thamani ya hisa.

MATARAJIO YA BAADAYE

Mazingira ya biashara yanazidi kuibua changamoto mbalimbali ambazo si ngeni kwa kampuni. Tunatazamia kuregea kwa uhitaji katika masoko ya kieneo lakini pia tunahofu hali hii huenda ikadhalilishwa na msukosuko wa hali ya juu wa bei za bidhaa katika soko la kimataifa kama ilivyotajwa awali. Hata hivyo, bodi hii inasalia na imani kuu kuhusu hali ya baadaye. Na ili kuepuka changamoto zilizotajwa awali, kampuni hii itaendelea kuwekeza katika mikakati ambayo itaiwezesha kufikia utendakazi bora na kuiweka katika hali nzuri inayohitajika ili kutumia mifumo mipya ambayo ni muhimu zaidi katika ushindani wetu wa kipindi kirefu. Tunatambua kwamba wateja wanatafuta thamani zaidi na kwamba washindi wa kesho wanafaa kuwa na uwezo mbalimbali mbali na kukabiliana na mifumo ya masoko kwa ukakamavu. Kuwekeza katika uhusiano na wateja pamoja na kujenga ubia dhabiti na washikadau kwa kutilia maanani biashara yenye kuzingatia mazingira na jamii kutazidi kuongoza vigezo vyetu vikuu daima.

MACHAPISHO YA TAARIFA ZA KIFEDHA NA MATANGAZO YA MIKUTANO MIKUU KWA NJIA YA KIELEKTRONIKI

Mamlaka ya masoko ya mtaji iko katika harakati za kuzifanyia marekebisha sheria zake ili kuruhusu usambazaji wa taarifa za kifedha pamoja na matangazo ya mikutano mkuu kwa washikadau kwa njia ya kielektroniki na bodi ya wakurugenzi inapendekeza kwa washikadau kuidhinisha badiiliko hilo katika sheria za kampuni kuhusiana na swala hili.

SHUKURANI

Shukurani kuu ziwaendee wateja wetu, wasambazaji wa bidhaa zetu na wadau wote kwa kutuunga mkono katika mwaka uliopita; wasimamizi na wafanyakazi kwa kujitolea kwao, bidii na uaminifu wao kazini na hatimaye kwa wakurugenzi wenzangu kwa kutuunga mkono, uongozi na uelekezi wao. Kwa kiwango cha uwajibikaji kilichodhihirishwa na kila mshikadau, tuna imani kwamba tutazipiku changamoto zinazotukabili na kuibuka na matokeo bora zaidi mwaka ujao. Tusonge mbele pamoja.



Z.G. Mbugua
Mwenyekiti
Bodi ya Wakurugenzi

As a dynamic company committed to exceeding our customer expectations and taking the lead in the marketing of high quality products and services in the sub Sahara region, East African Cables Ltd continues to reinforce our processes, systems and operations to ensure we remain a socially responsible organization.

Our CSR is pegged on our strong belief that our employees and customer safety comes first. We also strive to ensure that we maintain high ethical standards as we take practical steps to ensure that we mitigate potential adverse effects from our commercial or environmental aspects of operations.

We take pride in sharing the society's general concerns by facilitating positive social development amongst the regions in which we operate and derive our income.

In the year under review, we set off by having health awareness drives for our employees. We had a free medical check-up for all our staff conducted by medical insurance services provider AAR. We also continued with our efforts to increase awareness on HIV/ Aids and Breast Cancer by organizing a series of workshops for the staff.

As part of team building efforts, we organized an event dubbed, "The Navigator" where all our employees spent half-a-day in challenging their physical and mental activities. In line with our belief that freedom comes with responsibility in all what we do, the staff had the opportunity to mingle freely during this informal session.

The company also entered into a number of contracts with the Directorate of Industrial Training to offer apprenticeship to students in order to learn their occupations and gain practical experience. This will help the students acquire relevant practical skills and equip them in order to build a meaningful career in the future.

We are constantly pursuing excellence by actively engaging in training programmes for a number of urban and rural based electrical technicians.

We have also taken it upon ourselves to raise the public awareness levels on the negative impact of using fake, counterfeit and substandard cables.

Kama kampuni madhubuti ambayo imejitolea kuzidisha kiwango cha matarajio ya wateja wetu na kuongoza katika mauzo ya bidhaa na huduma za hali ya juu katika eneo la jangwa la Sahara, kampuni ya East African Cables Ltd inaendelea na juhudi za kuimarisha taratibu zetu, mifumo pamoja na operesheni ili kuhakikisha kuwa tunasalia kuwa shirika lenye wajibu kwa jamii.

Uwajibikaji wetu kwa jamii unahusishwa pakubwa na imani yetu kuu kwamba usalama wa wafanyakazi wetu pamoja na wateja unapewa kipa-umbele. Aidha, tunajizatiti kuhakikisha kwamba tunadumisha viwango vya juu vya maadili kwa kuchukua hatua tekelezi kuhakikisha tunapunguza madhara makubwa ambayo huenda yakatokana na mitazamo yetu katika operesheni zetu za kibiashara ama kimazingira.

Tunajivunia kutilia maanani matatizo ya kijumla yanayoikumba jamii kwa kufasilisha ustawi bora wa kijamii baina ya maeneo ambayo tunaendesha shughuli zetu na ambayo kwayo tunazumbua mapato yetu.

Katika mwaka huu unaoangaziwa, tulianza kwa kutoa hamasisho la kiafya kwa wafanyakazi wetu. Tuliandaa hafla ya uchunguzi wa kimatibabu matibabu bila malipo kwa wafanyakazi wetu; uchunguzi ulitekelezwa na shirika la kutoa bima za huduma za matibabu AAR. Vilevile, tuliendelea na juhudi zetu za kuzidisha hamasisho kuhusu Ukimwi na saratani ya matiti kwa kuandaa makongamano kadha kwa wafanyakazi wetu.

Kama njia ya kudhibiti mahusiano ya kikazi baina yetu, tuliandaa hafla kwa jina "The Navigator" ambapo wafanyakazi wote walitumia kipindi cha nusu siku katika shughuli za kuzichangamsha bongo na miili yao. Kwa imani yetu kwamba uhuru huambatana na wajibu katika kila tulifanyalo, wafanyakazi walipata fursa ya kutangamana bila vikwazo katika hafla hii isiyo rasmi.

Kampuni hii vilevile iliingia katika kandarasi mbalimbali na mkurugenzi wa mafunzo ya kiviwanda ili kutoa mafunzo kwa wanagenzi. Huu ni mpango wa kijamii ambao unalenga kuwasaidia vijana kupata maarifa ya kitaalam, ujuzi pamoja na kutambuliwa kupitia mafunzo ya namna hii. Maarifa muafaka watakapopata wanagenzi hao yatawafaa katika utekelezi wa mambo kadha na hivyo kuwawezesha kujenga taaluma bora katika siku za usoni.

Tunazidi kuwania ubora kwa kushiriki kikamilifu katika mipango ya mafunzo kwa mafundi kadha wa stima katika maeneo ya mijini na mashambani.

Tumechukua pia kama jukumu letu swala la kutekeleza uhamasisho katika viwango mbalimbali kwa umma kuhusu madhara ya matumizi ya nyaya ghushi na zile zisizoafiki viwango vya ubora.

Report of the Independent Auditors

Report on the Financial statements

We have audited the consolidated financial statements of East African Cables Limited set out on pages 24 to 57 which comprise the statements of financial position of the group and the company as at 31 December 2009, and the consolidated statement of comprehensive income, consolidated and company statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

As stated on page 14, the directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the group and the company at 31 December 2009, and the group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Kenyan Companies Act.

Report on other legal requirements

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

- (i) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
- (ii) in our opinion, proper books of account have been kept by the company, so far as appears from our examination of those books; and
- (iii) the statement of financial position of the company is in agreement with the books of account.



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

Date: 25th February 2010

DIRECTORS

Zephaniah Mbugua	Chairman
George Mwangi	Chief Executive Officer
James Gachui	
Peter Kanyago	
Davinder Sikand	Alternated by Peter Njoka
Bruno Thomas*	
Gachao Kiuna	Appointed 1 April 2009
Antony Wainaina	Resigned 31 March 2009

* French

REGISTERED OFFICE & PRINCIPAL

PLACE OF BUSINESS

East African Cables Limited

Addis Ababa Road, Industrial Area
P.O. Box 18243
00500 Nairobi
Tel: (+254) 20 6607000

SUBSIDIARY OFFICE

East African Cables (Tanzania) Limited

Plot 31 Nyerere Road
P.O. Box 508,
Dar-es Salaam, Tanzania

BRANCH OFFICE

East African Cables (Uganda) Limited

6th Street Plot 85, Industrial Area
P.O. Box 32111
Kampala, Uganda

SECRETARY

Virginia Ndunge

Certified Public Secretary (Kenya)
P.O. Box 61120
00200 Nairobi

ADVOCATES

Kaplan & Stratton Advocates

9th Floor, Williamson House
4th Ngong Avenue
P.O. Box 40111
00100 Nairobi GPO

AUDITORS

KPMG Kenya

Certified Public Accountants (Kenya)
16th Floor, Lonhro House
Standard Street
P.O. Box 40612
00100 Nairobi GPO

BANKERS***Standard Chartered Bank Kenya Limited***

Kenyatta Avenue Branch

P.O. Box 40310

00100 Nairobi

Commercial Bank of Africa

P.O. Box 30437

00100 Nairobi

Citibank NA

Upper Hill Branch

P.O. Box 30711

00100 Nairobi

Kenya Commercial Bank Limited

Industrial Area Branch

P.O. Box 18031 - 00500

Nairobi.

REGISTRAR***Custody & Registrar Services***

6th Floor, Bruce House

Standard Street

P.O. Box 8484

00100 Nairobi GPO

Tel (+254) 20 2230242/250

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	Notes	2009 KShs'000	2008 KShs'000
Revenue		2,811,861	3,929,312
Cost of sales		(1,713,713)	(2,581,613)
Gross profit		1,098,148	1,347,699
Other income	5	61,162	11,025
Factory expenses		(192,752)	(159,539)
Administrative expenses		(222,156)	(231,473)
Distribution costs		(112,848)	(128,973)
Depreciation and amortisation	6	(86,217)	(61,632)
Results from operating activities		545,337	777,107
Finance income	7	58,632	34,979
Finance expenses	7	(77,525)	(142,159)
Net finance costs	7	(18,893)	(107,180)
Profit before income tax	8	526,444	669,927
Income tax expense	9	(230,411)	(207,167)
Profit for the year		296,033	462,760
Other comprehensive income			
Revaluation of property, plant and equipment		470,394	-
Deferred tax on revaluation surplus	23(a)	(141,118)	-
Foreign currency translation differences for foreign operations		(27,618)	9,785
Total other comprehensive income		301,658	9,785
Total comprehensive income for the year		597,691	472,545
Profit for the year is attributable to:			
Equity holders of parent company		308,064	392,242
Non-controlling interest		(12,031)	70,518
		296,033	462,760
Total comprehensive income attributable to:			
Equity holders of the parent company		609,722	402,027
Non-controlling interest		(12,031)	70,518
		597,691	472,545
Basic and dilutive earnings per share	10	KShs 1.52	KShs 1.94

The notes set out on pages 30 to 57 form an integral part of these financial statements.


Consolidated Statement of Financial Position

As at 31 December 2009

	Notes	2009 KShs'000	2008 KShs'000
ASSETS			
Non current assets			
Property, plant and equipment	11(a)	1,609,056	888,931
Prepaid operating lease rentals	12	167,174	174,362
Investment property	13	60,000	-
Intangible assets	14	7,997	6,902
		1,844,227	1,070,195
Current assets			
Inventories	16	711,064	686,266
Trade and other receivables	17	976,960	1,121,382
Cash and bank balances		11,132	165,750
		1,699,156	1,973,398
TOTAL ASSETS		3,543,383	3,043,593
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital	18(a)	101,250	101,250
Share premium		545	545
Revaluation reserve	18(b)	424,024	94,748
Revenue reserves		962,891	958,577
Exchange reserve	18(c)	1,701	(6,700)
Total equity attributable to equity holders of the company		1,490,411	1,148,420
Non-controlling interest		170,369	218,419
Total equity		1,660,780	1,366,839
Non-current liabilities			
Bank loans and borrowings	19(a)	347,444	368,246
Provision for staff gratuity	22	17,116	11,805
Deferred tax liability	23(a)	270,959	108,027
		635,519	488,078
Current liabilities			
Bank overdraft		74,491	4,277
Trade and other payables	24	361,779	348,549
Current income tax payable		34,427	159,093
Shareholders loan	20(d)	-	13,600
Bank loan	19(a)	741,732	661,476
Dividends payable	20	34,655	1,681
		1,247,084	1,188,676
TOTAL EQUITY AND LIABILITIES		3,543,383	3,043,593

The financial statements on pages 24 to 57 were approved by the Board of Directors on 25 February 2010 and were signed on its behalf by:

Director: 

Director: 


The notes set out on pages 30 to 57 form an integral part of the financial statements.


Company Statement of Financial position

As at 31 December 2009

	Notes	2009 KShs'000	2008 KShs'000
ASSETS			
Non current assets			
Property, plant and equipment	11(b)	1,286,449	671,239
Prepaid operating lease rentals	12	117,380	121,151
Investment property	13	60,000	-
Intangible assets	14	3,535	6,506
Investment in subsidiary company	15	115,037	115,037
		1,582,401	913,933
Current assets			
Inventories	16	427,026	405,750
Trade and other receivables	17	930,076	1,037,635
Current income tax recoverable		29,872	-
Cash and bank balances		7,221	70,566
		1,394,195	1,513,951
TOTAL ASSETS		2,976,596	2,427,884
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital	18(a)	101,250	101,250
Share premium		545	545
Revaluation reserve	18(b)	402,315	73,039
Revenue reserves		900,538	860,843
		1,404,648	1,035,677
Non-current liabilities			
Bank loan	19(b)	303,866	368,246
Provision for staff gratuity	22	7,496	5,913
Deferred tax liability	23(b)	257,884	87,483
		569,246	461,642
Current liabilities			
Bank overdraft		31,223	4,277
Trade and other payables	24	260,914	155,694
Current income tax payable		-	143,275
Shareholders loan	20(d)	-	13,600
Bank loans and borrowings	19(b)	675,910	612,038
Dividends payable	20	34,655	1,681
		1,002,702	930,565
TOTAL EQUITY AND LIABILITIES		2,979,596	2,427,884

The financial statements on pages 24 to 57 were approved by the Board of Directors on 25 February 2010 and were signed on its behalf by:

Director: 

Director: 

The notes set out on pages 30 to 57 form an integral part of the financial statements.

Statement of Cashflows

For the year ended 31 December 2009

	Notes	2009 KShs'000	2008 KShs'000
Cash generated from operations	25(a)	761,941	1,154,791
Interest received		-	2
Income taxes paid		(332,544)	(163,652)
Cash generated from operating activities		429,397	991,141
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		2,458	-
Purchase of property, plant and equipment and leasehold land		(356,101)	(143,462)
Purchase of computer software		(5,965)	(5,604)
Cash used in investing activities		(359,608)	(149,066)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans acquired		1,402,875	1,506,579
Repayment of borrowings		(1,357,021)	(1,760,967)
Interest paid on financing facility		(69,699)	(80,966)
Dividends paid		(270,776)	(208,051)
Cash used in financing activities		(294,621)	(543,405)
Net (decrease)/increase in cash and cash equivalents	25(b)	(224,832)	298,670

The notes set out on pages 30 to 57 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 december 2009

	Share Capital KShs '000	Share Premium KShs '000	Revaluation reserve KShs '000	Revenue reserve KShs '000	Exchange 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 2008	101,250	545	94,748	748,585	(10,677)	934,451	167,894	1,102,345
Total comprehensive income for the period								
Profit for the year	-	-	-	392,242	-	392,242	70,518	462,760
Other comprehensive income								
Foreign currency translation differences for foreign operations					3,977	3,977	5,808	9,785
Contributions by and distributions to owners								
Dividends - 2007 paid	-	-	-	(182,250)	-	(182,250)	(25,801)	(208,051)
Balance at 31 December 2008	101,250	545	94,748	958,577	(6,700)	1,148,420	218,419	1,366,839
Total comprehensive income for the period								
Profit for the year	-	-	-	308,064	-	308,064	(12,031)	296,033
Other comprehensive income								
Deferred tax on revaluation surplus	-	-	(141,118)	-	-	(141,118)	-	(141,118)
Foreign currency translation differences for foreign operations	-	-	-	-	8,401	8,401	(36,019)	(27,618)
On revaluation of property, plant and equip- ment	-	-	470,394	-	-	470,394	-	470,394
Total other comprehensive income	-	-	329,276	-	8,401	337,677	(36,019)	301,658
Contributions by and distributions to owners								
Dividends - 2008 paid	-	-	-	(202,500)	-	(202,500)	-	(202,500)
- 2009 interim paid	-	-	-	(101,250)	-	(101,250)	-	(101,250)
Balance at 31 December 2009	101,250	545	424,024	962,891	1,701	1,490,411	170,369	1,660,780

The notes set out on pages 30 to 57 form an integral part of these financial statements.

Company Statement of Changes in Equity

For the year ended 31 December 2009

	Share Capital KShs '000	Share Premium KShs '000	Revaluation reserve KShs '000	Revenue reserve KShs '000	Total Equity KShs '000
Balance at 1 January 2008	101,250	545	73,039	702,593	877,427
Profit for the year	-	-	-	340,500	340,500
Contributions by and distributions to owners					
Dividends - 2007 paid	-	-	-	(182,250)	(182,250)
Balance at 31 December 2008	101,250	545	73,039	860,843	1,035,677
Profit for the year	-	-	-	342,682	342,682
Other comprehensive income					
Foreign currency translation differences for foreign operations	-	-	-	763	763
On revaluation of property, plant and equipment	-	-	470,394	-	470,394
Deferred tax on revaluation	-	-	(141,118)	-	(141,118)
Total other comprehensive income	-	-	329,276	763	330,039
Contributions by and distributions to owners					
Dividends - 2008 paid	-	-	-	(202,500)	(202,500)
- 2009 interim paid	-	-	-	(101,250)	(101,250)
Balance at 31 December 2009	101,250	545	402,315	900,538	1,404,648

The notes set out on pages 30 to 57 form an integral part of these financial statements.

Notes to the Financial Statements

For the year ended 31 December 2009

1. REPORTING ENTITY

East African Cables Limited is a limited liability company incorporated in Kenya under the Kenyan Companies Act, and is domiciled in Kenya. The consolidated financial statements of the company as at and for the year ended 31 December 2009 comprise the company and its subsidiaries (together referred to as the "Group"). The Group primarily is involved in the manufacture and sale of electrical cables and conductors. The address of its registered office is as follows:

East African Cables Limited
Addis Ababa Road
Industrial Area
P.O. Box 18243
Code 00500
Nairobi

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

The following new and revised Standards and Interpretations have been adopted in the current period and have affected the amounts reported in these financial statements.

(i) *Presentation of financial statements*

Starting 1 January 2009, the Group adopted the revised IAS 1 Presentation of Financial Statements (2007), which became effective as of 1 January 2009. This Standard has introduced terminology changes in the format and content of the financial statements. As a result, the Group presents in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income.

Comparative information has been re-presented so that it is also in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

(ii) *Determination and presentation of operating segments*

As of 1 January 2009, the Group determines and presents operating segments based on the information that internally is provided to the Chief Executive Officer (CEO), who is the Group's chief operating decision maker. This change in presentation of financial statements is due to the adoption of IFRS 8 Operating Segments. Previously operating segments were determined and presented in accordance with IAS 14 Segment Reporting. The new accounting policy in respect of segment operating disclosures is presented as follows:

Comparative segment information has been presented in conformity with the transitional requirements of such standard. Since the change only impacts presentation and disclosure aspects, there is no impact on earnings per share.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

Notes to the Financial Statements

For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

(i) *Statement of compliance*

The financial statements are prepared in accordance with and comply with International Financial Reporting Standards (IFRS).

(ii) *Basis of Measurement*

The financial statements have been prepared on the historical cost basis as modified by revaluation of certain property, plant and equipment and investment property.

(iii) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Kenya Shillings (KShs), which is the Company's functional and presentation currency.

(iv) *Use of estimates and judgement*

The preparation of financial statements in conformity with International Financial Reporting Standards 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.

(b) Revenue recognition

(i) *Goods sold*

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

Transfers of risks and rewards vary depending on the individual terms of the contract of sale.

Sales are generally recognised upon delivery of products and are stated net of Value Added Tax (VAT).

(ii) *Rental income*

Rental income on the investment property is recognised in the statement of comprehensive income on a straight line basis over the term of the lease.

(c) Consolidation principles

The consolidated financial statements include the Company (which also includes a branch in Uganda) and its subsidiary, 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 18). Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable are taken into account. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until that control ceases.

Notes to the Financial Statements

For the year ended 31 December 2009

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.

(d) Foreign currencies

(i) Foreign currency transaction

Transactions in foreign currencies during the year are converted into Kenya Shillings at the exchange rate ruling at the date of the transaction. Foreign currency monetary assets and liabilities are translated at the exchange rate ruling at the statement of financial position date. Resulting exchange differences are recognised in the statement of comprehensive income for the year.

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

(ii) Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill/premium and fair value adjustments arising on consolidation, are translated to Kenya Shillings at foreign exchange rates ruling at the statement of financial position 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 retranslation are recognised through other comprehensive income and accumulated as a separate component of equity until the disposal of the foreign operation.

(f) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at valuation/cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset.

(ii) Subsequent costs

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

(iii) Depreciation

Depreciation is charged on a straight-line basis over the estimated useful lives of the assets. The annual rates of depreciation used are as follows:

• Freehold Land	Nil
• Freehold Buildings	2%
• Leasehold Buildings	Over the lease period
• Plant, machinery and equipment	5% - 12.5%
• Computers	33.3%
• Furniture, fixtures, fittings and motor vehicles	12.5% - 25%

The assets' residual values and useful lives are reviewed and adjusted as appropriate at each statement of financial position date.

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of 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, prudently and without compulsion. The market value of items of plant, equipment, fixtures and fittings is based on the quoted market prices for similar items

(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 the statement of comprehensive income.

Notes to the Financial Statements

For the year ended 31 December 2009

(g) Investment properties

Investment properties are stated at fair value. External valuations are obtained on such a basis as to ensure that substantially all properties are valued once every five years. In the event of a material change in market conditions between the valuation date and statement of financial position 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 reflected in the profit or loss for the year.

(h) Operating 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 the statement of comprehensive income on a straight-line basis over the period of the lease.

(i) Impairment

(i) Financial assets

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

When a decline in the fair value of an available for sale financial asset has been recognised in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised in other comprehensive income is reclassified from equity to profit or loss for the year as a reclassification adjustment even though the financial asset has not been derecognised.

The amount of the cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale cannot be reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss for the year.

(ii) Non financial assets

The carrying amounts of the Group's non-financial assets, 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 statement of comprehensive income. Impairment losses recognised in respect of cash-generating units reduce the carrying amount 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.

(j) Inventories

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

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

Notes to the Financial Statements

For the year ended 31 December 2009

(k) Trade and other receivables

Trade and other receivables are stated at amortised cost less an estimate made for doubtful receivables based on a review of all outstanding amounts at year end.

(l) Employee benefits

(i) Defined contribution plan

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

Contributions to the defined contribution plan are charged to the statement of comprehensive income as incurred. The company has no further obligation once the contributions have been paid.

(ii) Staff gratuity

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

Unionisable employees of East African Tables (Tanzania) Company 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 provision is made in the financial statements for estimated liability of such gratuity payable. Gratuity is computed at current salary. Movements in the provision are accounted for in the statement of comprehensive income.

(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 debited/credited to the statement of comprehensive income.

(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.

(m) Taxation

Tax on the operating results for the year comprises both current and change in deferred tax. Income tax expense is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in other comprehensive income, in which case it is recognised in equity.

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 provided using the statement of financial position liability method on all temporary differences between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is calculated on the basis of the tax rates currently enacted.

(n) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, bank balances, and short term deposits net of bank overdrafts.

(o) Related party transactions

The group discloses the nature, volume and 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.

(p) Dividends

Dividends are recognised as a liability in the period in which they are declared. Proposed dividends are disclosed on note 18(d).

Notes to the Financial Statements

For the year ended 31 December 2009

(q) Financial instruments

A financial instrument is a contract that gives rise to both a financial asset of one enterprise and a financial liability of another enterprise. Financial instruments held by the group include term deposits and receivables arising from day to day sale of goods and services and cash and bank balances.

Management determines the appropriate classification of its financial instruments at the time of purchase and re-evaluates its portfolio every statement of financial position date to ensure that all financial instruments are appropriately classified.

Financial instruments are measured initially at cost, including transaction costs.

Loans and receivables which include term deposits and receivables arising from day to day sale of goods and services, are measured at amortised cost less impairment losses. Amortised cost is calculated on the effective interest rate method.

A financial asset is derecognised when the group loses control over the contractual rights that comprise that asset. This occurs when the rights are realised, expire or are surrendered. A financial liability is derecognised when it is extinguished.

(r) Intangible assets

(i) Goodwill/premium on acquisition

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

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is no longer amortised but is tested annually for impairment.

Negative goodwill arising on an acquisition is recognised directly in profit and loss.

(ii) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the basis of the expected useful lives.

(s) Offsetting

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.

(t) 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.

(u) Finance income and expenses

Finance expenses comprise interest expense on borrowings. All borrowing costs are recognised in the statement of comprehensive income using the effective interest rate.

Foreign exchange gains and losses are reported on a net basis.

(v) Segmental reporting

A segment is a distinguishable component of the Group that is providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment) which is subject to risks and rewards that are different from those of other segments. The Group's primary form for segment reporting is based on geographic segments.

(w) 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 Financial Statements

For the year ended 31 December 2009

(x) Comparative information

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

(y) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2009, and have not been applied in preparing these financial statements:

- IAS 24 Related Party Disclosures amends the definition of a related party and modifies certain related party disclosure requirements for government related entities. The amendment to IAS 24 will become mandatory for the Group's 2011 financial statements and are expected to have an impact on the presentation of related party information in the Group's financial statements.
- IFRS 9 Financial Instruments retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised costs and fair value. The basis for classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply.

Notes to the Financial Statements

For the year ended 31 December 2009

		2009 KShs '000	2008 KShs'000
4.	STAFF COSTS		
	(a) Group		
	Direct labour	66,078	52,656
	Indirect factory salaries	49,045	41,137
	Administration salaries and wages	63,200	51,875
	Distribution salaries and wages	29,986	30,398
	Re-organisation costs	-	12,676
	Pension contributions	10,270	9,587
		218,579	198,329
	The average number of people engaged during the year was 242 (2008 - 265)		
	(b) Company		
	Direct labour	43,900	37,358
	Indirect factory salaries	32,016	30,440
	Administration salaries and wages	34,851	33,602
	Distribution salaries and wages	20,014	24,241
	Re-organisation costs	-	12,676
	Pension contributions	3,833	4,762
		134,614	143,079
5.	OTHER INCOME		
	Change in fair value of investment property	46,945	-
	Other	14,217	11,025
		61,162	11,025
6.	DEPRECIATION AND AMORTISATION		
	Depreciation	76,755	52,286
	Amortisation of operating lease rentals	4,693	4,680
	Amortisation of intangible assets	4,769	4,666
		86,217	61,632
7.	NET FINANCE COST		
	Finance income		
	Interest income	-	2
	Gain on exchange	58,632	34,977
		58,632	34,979
	Finance cost		
	Interest paid	(69,699)	(80,966)
	Bank charges	(1,394)	(1,593)
	Loss on exchange	(6,432)	(59,600)
		(77,525)	(142,159)
	Net finance cost	(18,893)	(107,180)

Notes to the Financial Statements

For the year ended 31 December 2009

		2009 KShs '000	2008 KShs'000
8.	PROFIT BEFORE TAX		
	Profit before tax is arrived at after charging/(crediting):		
	Depreciation expense	76,885	52,286
	Amortisation of operating lease rentals	4,693	4,680
	Amortisation of intangible assets	4,769	4,666
	Interest expense	69,699	80,966
	Directors emoluments:		
	- Fees	13,890	6,958
	- Other	4,748	5,037
	Auditors remuneration - Group	4,900	4,900
	Profit on disposal of property, plant & equipment	(1,741)	-
	Write off of property, plant & equipment	3,607	3,161
	Fair value gain on investment property	(46,495)	-
	Interest income	-	(2)
9.	INCOME TAX		
	Current tax expense	146,080	254,062
	Previous year's under provision	61,798	7,421
		207,878	261,483
	Deferred tax expense/(credit) (Note 23)	22,533	(54,316)
		230,411	207,167
	The tax on the consolidated results differs from the theoretical amount using the basic tax rate as follows:		
	Profit before income tax	547,066	669,927
	Tax calculated at the statutory income tax rate of 30%	164,120	200,978
	Prior years' under provision	61,798	7,421
	Non-deductible costs and non-taxable income	4,493	(1,232)
		230,411	207,167
10.	BASIC AND DILUTIVE EARNINGS PER SHARE		
	The calculation of basic and dilutive earnings per share is based on:		
	Profit attributable to ordinary shareholders (KShs'000)	308,064	392,242
	Number of ordinary shares outstanding during the year	202,500,000	202,500,000
	Basic and dilutive earnings per share	KShs 1.52	KShs 1.94

Notes to the Financial Statements

For the year ended 31 December 2009

11. PROPERTY, PLANT AND EQUIPMENT

a) Group	Freehold land and buildings KShs'000	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
2009:							
Cost or valuation:							
At 1 January 2009	14,331	512,812	351,031	48,722	33,741	101,277	1,061,914
Additions	-	293	186,843	11,645	10,257	147,063	356,101
Transfers	-	2,088	242,021	-	-	(244,109)	-
Transfer to investment properties(14,331)	-	-	-	-	-	-	(14,331)
Disposals and write offs	-	145	390	(6,678)	(1,419)	(4,099)	(11,661)
Surplus on revaluation	-	268,246	88,308	(4,301)	-	-	352,253
Exchange differences	-	(4,182)	(5,444)	(914)	(794)	-	(11,334)
At 31 December 2009	-	779,402	863,149	48,474	41,785	132	1,732,942
Comprising:							
Cost	-	331,565	689,381	48,885	32,594	132	1,102,557
Valuation	-	447,837	173,768	(411)	9,191	-	630,385
	-	779,402	863,149	48,474	41,785	132	1,732,942
Depreciation:							
At 1 January 2009	1,276	20,608	109,984	27,406	13,710	-	172,984
Charge for the year	-	11,547	52,038	8,238	4,932	-	76,755
Transfer to investment properties(1,276)	-	-	-	-	-	-	(1,276)
Disposals and write offs	-	-	-	(5,918)	(1,419)	-	(7,337)
On revaluation	-	(17,265)	(91,654)	(9,222)	-	-	(118,141)
Exchange differences	-	(590)	(953)	1,541	903	-	901
At 31 December 2009	14,300	-	69,415	22,045	18,126	-	123,886
Net book value:							
At 31 December 2008	-	765,102	793,735	26,429	23,659	132	1,609,056
2008:							
Cost or valuation:							
At 1 January 2008	14,331	488,494	312,550	35,380	28,855	52,997	932,607
Additions	-	25,192	44,058	14,298	10,805	49,109	143,462
Transfers	-	-	824	-	5	(829)	-
Write offs	-	(2,932)	(8,419)	(1,248)	(6,144)	-	(18,743)
Exchange differences	-	2,058	2,018	292	220	-	4,588
At 31 December 2008	14,331	512,812	351,031	48,722	33,741	101,277	1,061,914
Comprising:							
Cost	7,684	333,221	265,571	44,832	24,550	101,277	777,135
Valuation	6,647	179,591	85,460	3,890	9,191	-	284,779
	14,331	512,812	351,031	48,722	33,741	101,277	1,061,914
Depreciation:							
At 1 January 2008	1,146	8,820	87,381	22,430	15,516	-	135,293
Charge for the year	130	11,491	30,550	6,034	4,081	-	52,286
Write offs	-	-	(8,350)	(1,248)	(5,984)	-	(15,582)
Exchange differences	-	297	403	190	96	-	986
At 31 December 2008	1,276	20,608	109,984	27,406	13,709	-	172,983
Net book value:							
At 31 December 2008	13,055	492,204	241,047	21,316	20,032	101,277	888,931

Notes to the Financial Statements

For the year ended 31 December 2009

11. PROPERTY, PLANT AND EQUIPMENT (Continued)

b) Company	Freehold land and buildings KShs'000	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
2009:							
Cost or valuation:							
At 1 January 2009	14,331	419,226	229,231	28,522	16,684	101,277	809,271
Additions	-	293	67,053	2,462	2,590	147,063	219,461
Transfers	-	2,088	242,021	-	-	(244,109)	-
Transfer to investment properties (14,331)	-	-	-	-	-	-	(14,331)
Write offs	-	145	390	(4,429)	(1,419)	(4,099)	(9,412)
Surplus on revaluation	-	268,246	88,308	(4,301)	-	-	352,253
Exchange differences	-	-	-	(11)	(6)	-	(17)
At 31 December 2009	-	689,998	627,003	22,243	17,849	132	1,357,225
Depreciation:							
At 1 January 2009	1,276	9,381	94,300	22,548	10,527	-	138,032
Charge for the year	-	7,884	41,548	2,530	2,077	-	54,039
Transfer to investment properties (1,276)	-	-	-	-	-	-	(1,276)
Write offs/Disposals	-	-	-	(4,369)	(1,419)	-	(5,788)
On revaluation	-	(17,265)	(91,654)	(9,222)	-	-	(118,141)
Exchange difference	-	-	-	2,795	1,115	-	3,910
At 31 December 2009	-	-	44,194	14,282	12,300	-	70,776
Net book value:							
At 31 December 2009	-	689,998	582,809	7,961	5,549	132	1,286,449
2008:							
Cost or valuation:							
At 1 January 2008	14,331	396,966	222,790	26,067	19,536	52,997	732,687
Additions	-	25,192	14,036	3,620	3,276	49,109	95,233
Transfers	-	-	824	-	5	(829)	-
Write offs	-	(2,932)	(8,419)	(1,248)	(6,144)	-	(18,743)
Exchange differences	-	-	-	83	11	-	94
At 31 December 2008	14,331	419,226	229,231	28,522	16,684	101,277	809,271
Depreciation:							
At 1 January 2008	1,146	1,500	76,931	20,681	14,063	-	114,321
Charge for the year	131	7,881	25,720	3,073	2,444	-	39,249
Write offs	-	-	(8,350)	(1,248)	(5,984)	-	(15,582)
Exchange difference	(1)	-	(1)	42	4	-	44
At 31 December 2008	1,276	9,381	94,300	22,548	10,527	-	138,032
Net book value:							
At 31 December 2008	13,055	409,845	134,931	5,974	6,157	101,277	671,239

Notes to the Financial Statements

For the year ended 31 December 2009

11. PROPERTY, PLANT AND EQUIPMENT (Continued)

Revaluation

The buildings of the company were revalued in December 2009 by Lloyd Masika Limited, a firm of professional valuers on the basis of open market value for existing use. The increase in net carrying value as a result of the revaluation is dealt with through other comprehensive income.

All the property, plant and equipment of the subsidiary, East African Cables (Tanzania) Limited, were revalued in January 2006 by Gimco Limited, a firm of professional valuers on the basis of open market value for existing use and were used to determine fair value of these assets at the date of acquisition of the subsidiary.

Security

At 31 December 2009, properties with a carrying amount of KShs 870 million (2008 – KShs 80 million) are subject to a registered debenture to secure a bank loan facility.

12. PREPAID OPERATING LEASE RENTALS

Group:

Carrying value of leasehold land at 1 January

174,362 177,815

Amortisation for the year

(4,693) (4,680)

Exchange adjustment

(2,495) 1,227

Balance at 31 December

167,174 174,362

Company:

Carrying value of leasehold land at 1 January

121,151 124,923

Amortisation for the year

(3,771) (3,772)

Balance at 31 December

117,380 121,151

13. INVESTMENT PROPERTIES

Group and company

At 1 January

- -

Transfer from property, plant and equipment:

- Cost

14,331 -

- Depreciation

(1,276) -

Change in fair value

46,945 -

60,000 -

Investment property comprises of a residential property that has been leased to a third party. The property has been transferred from property, plant and equipment (see Note 11) to investment property, since the building was no longer used by the Group and as such it was decided that the building would be leased to a third party.

The property is leased on a renewable annual lease.

Notes to the Financial Statements

For the year ended 31 December 2009

14. INTANGIBLE ASSETS

Computer software:

Group:

At 1 January	6,902	6,223
Additions during the year	5,965	5,604
Amortisation for the year	(4,769)	(4,666)
Exchange adjustment	(101)	(259)

Net book value at 31 December

7,997 **6,902**

Company:

At 1 January	6,506	6,223
Additions during the year	1,588	2,942
Amortisation for the year	(4,559)	(2,659)

Net book value at 31 December

3,535 **6,506**

15. INVESTMENT IN SUBSIDIARY COMPANY

East African Cables (Tanzania) Limited

115,037 115,037

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

The company has 100% shareholding in Yana Trading SA (Proprietary) Limited, a company incorporated in the Republic of South Africa, which is dormant.

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

	2009 KShs '000	2008 KShs '000
Revenue for the year ended 31 December	763,356	1,859,278
(Loss)/Profit after tax for the year ended 31 December	(24,552)	147,080

Notes to the Financial Statements

For the year ended 31 December 2009

16. INVENTORIES

Group

Raw materials	229,564	235,662
Finished goods	304,552	317,988
Work in progress	133,058	93,387
Strategic spares and lubricants	41,702	37,106
Stationery and printing	2,188	2,123

711,064 686,266

Company

Raw materials	137,968	118,657
Finished goods	191,106	213,146
Work in progress	76,373	47,922
Strategic spares and lubricants	20,799	24,488
Stationery and printing	780	1,537

427,026 405,750

17. TRADE AND OTHER RECEIVABLES

Group

Trade receivables	695,368	931,137
Prepaid expenses	5,018	14,752
Other receivables	276,574	175,493

976,960 1,121,382

Company

Trade receivables	509,361	344,386
Prepaid expenses	787	9,955
Other receivables	183,170	243,077
Due from fellow subsidiary	236,758	440,217

930,076 1,037,635

Notes to the Financial Statements

For the year ended 31 December 2009

18. CAPITAL AND RESERVES

(a) Share capital

Group and Company: Authorised, issued and fully paid:	2009		2008	
	Number of shares (Thousands)	KShs'000	Number of shares (Thousands)	KShs'000
Ordinary shares of KShs 0.50 each	202,500	101,250	202,500	101,250

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

(b) Revaluation reserve

The revaluation reserve related to the revaluation of property, plant and equipment.

(c) Exchange reserve

The exchange reserve comprises all foreign currency differences arising from the translation of the financial statement of foreign operations.

(d) Dividend per share

The directors have proposed the payment of a final dividend of KShs 0.50 per share in respect of the year ended 31 December 2009. This together with the Interim dividend of KShs 0.50 per share paid the year amount to KShs 1.00 (2008 – KShs 1.00). The dividend will be paid less withholding tax where applicable.

19. BANK FACILITY

(a) Group

Bank loan:

Standard Chartered Bank Kenya Limited	979,776	980,284
Standard Chartered Bank Tanzania Limited	65,823	49,438
Kenya Commercial Bank Tanzania Limited	43,577	-
	1,089,176	1,029,722

Comprising:

Non current liability	347,444	368,246
Current liability	741,732	661,476
	1,089,176	1,029,722

(b) Company Bank loan:

Standard Chartered Bank Kenya Limited	979,776	980,284
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Comprising:

Non current liability	303,866	368,246
Current liability	675,910	612,038
	979,776	980,284

Notes to the Financial Statements

For the year ended 31 December 2009

19. BANK FACILITY (Continued)

Kenya:

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

Tanzania:

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

20. DIVIDEND PAYABLE

The movement in the dividend payable account is as follows:

	Group		Company	
	2009 KShs '000	2008 KShs '000	2009 KShs '000	2008 KShs '000
At beginning of year	1,681	1,681	1,681	1,681
Declared during the year	303,750	208,051	303,750	182,250
Paid during the year	(270,776)	(208,051)	(270,776)	(182,250)
At end of year	34,655	1,681	34,655	1,681

21. 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:

	2009 KShs '000	2008 KShs '000
Directors (Note 8) – Fees	13,890	6,958
– Others	4,748	5,037
Executive officers	11,799	6,687
	30,437	18,682

(b) Purchases from related parties

	17,690	1,458
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Notes to the Financial Statements

For the year ended 31 December 2009

21. RELATED PARTY TRANSACTIONS (Continued)

(c) Shareholders' loans

Group and Company

Cable Holdings Limited:- Current liability

- 13,600

The loan was unsecured, denominated in US dollars and had a repayment period of three years from the date of drawdown at an interest rate of 7% per annum.

Transactions with related companies are priced on arm's length basis and are in the ordinary course of business.

22. RETIREMENT BENEFITS OBLIGATIONS

2009:

Group

Staff gratuity

Balance at
1/1/2009
KShs'000

Movement
KShs'000

Balance at
31/12/2009
KShs'000

11,805

5,311

17,116

Company

Staff gratuity

5,913

1,583

7,496

2008:

Group

Staff gratuity

Balance at
1/1/2008
KShs'000

Movement
KShs'000

Balance at
31/12/2008
KShs'000

10,646

1,159

11,805

Company

Staff gratuity

6,156

243

5,913

The Company operates a defined contribution retirement benefits scheme for its non-unionisable employees. The scheme is administered independently by Eagle Africa Insurance Brokers Limited and is funded by contributions from both the company and the employees. The scheme's funds are managed by Old Mutual Asset Managers (Kenya) Limited. During the year, the company expensed KShs 4,380,635 (2008 – KShs 4,762,108) in contributions payable.

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

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

Notes to the Financial Statements

For the year ended 31 December 2009

23. DEFERRED TAX LIABILITIES

(a) Group

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

	Balance at 1 January KShs'000	Recognised through statement of comprehensive income KShs'000	Recognised through equity KShs'000	Exchange difference KShs'000	Balance at 31 December KShs'000
2009:					
Staff gratuity provision	(3,479)	(2,874)	-	1,218	(5,135)
Other provisions and accruals	(18,751)	(31,335)	-	(24,927)	(75,013)
Property, plant and equipment	139,048	57,000	141,118	(22,702)	314,464
Unrealised exchange gain	(8,791)	(258)	-	45,692	36,643
	108,027	22,533	141,118	(719)	270,959

	Balance at 1 January KShs'000	Recognised through statement of comprehensive income KShs'000	Recognised through equity KShs'000	Exchange difference KShs'000	Balance at 31 December KShs'000
2008:					
Staff gratuity provision	(1,856)	(1,623)	-	-	(3,479)
Other provisions and accruals	(15,138)	(3,614)	-	-	(18,752)
Property, plant and equipment	175,517	(36,582)	-	114	139,049
Unrealised exchange gain	3,706	(12,497)	-	-	(8,791)
	162,229	(54,316)	-	114	108,027

Notes to the Financial Statements

For the year ended 31 December 2009

23. DEFERRED TAX LIABILITIES (Continued)

(b) Company

Movements during the year are as follows:

	Balance at 1 January KShs'000	Recognised through statement of comprehensive income KShs'000	Recognised through equity KShs'000	Balance at 31 December KShs'000
2009:				
Staff gratuity provision	(1,774)	(475)	-	(2,249)
Other provisions and accruals	(18,751)	9,976	-	(8,775)
Property, plant and equipment	(8,791)	(258)	-	(9,049)
Unrealised exchange gain	116,799	20,040	141,118	277,957
	87,483	29,283	141,118	257,884

	Balance at 1 January KShs'000	Recognised through statement of comprehensive income KShs'000	Recognised through equity KShs'000	Balance at 31 December KShs'000
2008:				
Staff gratuity provision	(1,856)	82	-	(1,774)
Other provisions and accruals	(15,138)	(3,613)	-	(18,751)
Property, plant and equipment	3,706	(13,788)	-	(10,082)
Unrealised exchange gain	130,587	(12,497)	-	118,090
	117,299	(29,816)	-	87,483

24. TRADE AND OTHER PAYABLES

	2009 KShs '000	2008 KShs '000
Group		
Trade payables	282,579	233,784
Other payables and accrued expenses	79,200	114,765
	361,779	348,549
Company		
Trade payables	206,650	124,751
Other payables and accrued expenses	54,264	30,943
	260,914	155,694

Notes to the Financial Statements

For the year ended 31 December 2009

25. NOTES TO THE STATEMENT OF CASHFLOWS

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

	2009 KShs '000	2008 KShs '000
Profit before tax	526,444	669,927
Adjustments for:		
Depreciation	76,755	52,286
Amortisation of long term lease	4,693	4,680
Amortisation of intangible assets	4,769	4,666
Profit on disposal of property, plant and equipment	(1,741)	-
Property, plant and equipment write off	3,607	3,161
Change in fair value of investment property	(46,945)	-
Interest income	-	(2)
Interest expense	69,699	80,966
Net foreign currency changes	(13,505)	5,329
Operating profit before working capital changes	623,776	821,013
(Increase)/decrease in inventories	(24,798)	351,224
Decrease in trade and other receivables	144,422	57,914
Increase in provision for staff gratuity	5,311	1,159
Increase/(decrease) in trade and other payables	13,230	(76,519)
Cash generated from operations	761,941	1,154,791

(b) Movement in cash and cash equivalents

	2009 KShs '000	2008 KShs '000	Change in year KShs '000
Bank overdraft	(74,491)	(4,277)	(70,214)
Cash and bank balances	11,132	165,750	(154,618)
	(63,359)	161,473	(224,832)

Notes to the Financial Statements

For the year ended 31 December 2009

26. CONTINGENT LIABILITIES

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

Guarantees with the bankers amounted to KShs 82,131,446 as at 31 December 2009 (2008 – KShs 48,330,000). Letters of credit amounted to KShs 205,649,208 (2008 – KShs 86,554,000).

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Overview

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

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

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

The board of directors has overall responsibility for the establishment and oversight the Group's risk management framework. The finance department identifies, evaluates and hedges 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, use of derivative financial instruments and investing excess liquidity.

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

(a) Credit risk

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

Trade and other receivables

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

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

The Company has a stringent debt provisioning policy that represents its estimate of incurred losses in respect of trade and other receivables and investments.

The Group also manages the level of credit risk by focusing on customer satisfaction as a key performance indicator. It also maintains a short credit period. Due to the nature of the Group's activities, credit risk concentrations are high 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:

Notes to the Financial Statements

For the year ended 31 December 2009

Carrying amount

	2009 KShs'000	2008 KShs'000
Trade receivables	695,368	931,137
Other receivables and prepayments	281,592	190,245
Cash and cash equivalents	11,132	161,473
	988,092	1,282,855

Guarantees

The Group obtains financial guarantees in the ordinary course of business for the supply of goods from certain suppliers. At 31 December 2009, the guarantees outstanding were KShs 82 million (2008 - KShs 48.3 million).

Investments

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

Impairment losses

The aging of trade receivables at the reporting date was:

	Gross 2009 KShs'000	Provision for impairment 2009 KShs'000	Net 2009 KShs'000	Gross 2008 KShs'000	Provision for impairment 2008 KShs'000	Net 2008 KShs'000
Not past due	200,287	-	200,287	391,581	-	391,581
Past due 0-90 days	187,831	-	187,831	358,833	-	358,833
Past due 90-365 days	150,170	-	150,170	125,121	-	125,121
More than one year	219,580	(62,500)	157,080	81,258	(25,656)	55,602
	757,868	(62,500)	695,368	956,793	(25,656)	931,137

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

	2009 KShs'000	2008 KShs'000
Balance at 1 January	25,656	12,079
Impairment loss recognised	46,815	13,666
Impairment loss reversed	(9,971)	(89)
Balance at 31 December	62,500	25,656

Notes to the Financial Statements

For the year ended 31 December 2009

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Liquidity risk

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

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

The maturities of the Group's financial obligations can be analysed as shown below:

31 December 2009:	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 assets and liabilities					
Cash and bank balances	11,132	-	-	-	11,132
Bank overdraft	(74,491)	-	-	-	(74,491)
Receivables	976,960	-	-	-	976,960
Loans and borrowings	(341,130)	(400,602)	(347,444)	-	(1,089,176)
Payables and accruals	(361,779)	-	-	-	(361,779)
At 31 December 2009	210,692	(400,602)	(347,444)	-	(537,354)
31 December 2008:					
Financial assets and liabilities					
Cash and bank balances	165,750	-	-	-	165,750
Bank overdraft	(4,277)	-	-	-	(4,277)
Receivables	1,121,382	-	-	-	1,121,382
Loans and borrowings	(404,817)	(256,659)	(368,246)	-	(1,029,722)
Payables and accruals	(348,549)	-	-	-	(348,549)
At 31 December 2008	529,489	(256,659)	(368,246)	-	(95,416)

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

- KShs 70 million overdraft facility that is secured. Interest would be payable at the rate of 14%; and
- KShs 700 million letter of credit.

(c) Market risk

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

Notes to the Financial Statements

For the year ended 31 December 2009

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Market risk (Continued)

Interest rate risk

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

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

At 31 December 2009:	Average effective interest rate	Due within 3months KShs '000	Due between 3 and 12 months KShs '000	Due between 1 and 5 years KShs '000	Non interest bearing KShs '000	Total KShs'000
Bank overdraft	14%	(74,491)	-	-	-	(74,491)
Bank loans and borrowings	10.5%	(341,130)	(400,602)	(347,444)	-	(1,089,176)
On statement of financial position interest sensitivity gap		(415,621)	(400,620)	(347,444)		(1,163,685)
At 31 December 2008						
Bank overdraft	14%	(4,277)	-	-	-	(4,277)
Bank loans and borrowings	10.5%	(404,817)	(256,659)	(368,246)	-	(1,029,722)
Share holder loan	7%	(13,600)	-	-	-	(13,600)
On statement of financial position interest sensitivity gap		(422,694)	(256,659)	(368,246)	-	(1,047,599)

Currency risk

The company is exposed to currency risk through transactions in foreign currencies. The company's transactional exposures give rise to foreign currency gains and losses that are recognised in the statement of comprehensive income.

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

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

Notes to the Financial Statements

For the year ended 31 December 2009

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Market risk (continued)

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

	2009 KShs'000	2008 KShs'000
Monetary assets		
Cash and cash equivalents	6,210	52,197
Trade receivables	198,246	294,927
Monetary liabilities		
Shareholder loans	-	(13,600)
Bank overdraft	(3,221)	(4,277)
Bank loan	(483,649)	(555,119)
Trade payables	(98,914)	(463,867)
Net exposure	(381,328)	(689,739)

The following significant exchange rates applied during the year:

	Closing rate		Average rate	
	2009 KShs	2008 KShs	2009 KShs	2008 KShs
USD	75.82	78.26	77.3	68.00

Sensitivity analysis

A 10 percent strengthening 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 2008:

	Profit or loss KShs'000
At 31 December 2009:	
USD	<u>38,133</u>
At 31 December 2008:	
USD	<u>68,974</u>

(d) Capital risk management

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

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

The group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings) less cash and cash equivalents. Total capital is calculated as equity as shown in the consolidated statement of financial position plus net debt. The gearing ratio at end of the reporting period was as follows:

Notes to the Financial Statements

For the year ended 31 December 2009

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(d) Capital risk management (Continued)

	2009 KShs'000	2008 KShs'000
Borrowings		
Bank loans (note 19(a))	1,089,176	1,029,722
Bank overdraft	74,491	4,277
Loans from related parties (note 20 (d))	-	13,600
Cash and bank balances	(11,132)	(165,750)
Net debt	1,152,535	881,849
Total equity	1,660,780	1,366,839
Gearing ratio	69%	65%

The group has consistently maintained a credit rating of A- on long-term borrowing and A2 on short term borrowing for the last three years.

Notes to the Financial Statements

For the year ended 31 December 2009

28. SEGMENTAL REPORTING

	Kenya		Uganda		Tanzania		Consolidated	
	2009 KShs '000	2008 KShs '000	2009 KShs '000	2008 KShs '000	2009 KShs '000	2008 KShs '000	2009 KShs '000	2008 KShs '000
External sales	2,020,729	2,439,716	165,783	299,035	763,357	1,859,278	2,949,868	4,598,027
Inter-segment sales	(136,383)	(649,831)	-	-	(1,624)	(18,884)	(138,007)	(668,715)
Total sales	1,884,346	1,789,885	165,783	299,035	761,733	1,840,394	2,811,861	3,929,312
Segment profit from operations	526,903	533,624	(16,275)	26,868	34,709	230,875	545,337	777,107
Net finance income/(costs)	(54,629)	(88,117)	(3,622)	(7,958)	39,358	(23,105)	(18,893)	(107,180)
Income tax expense	(147,801)	(140,860)	-	(5,617)	(82,610)	(60,690)	(230,411)	(207,167)
Profit for the year	324,474	304,647	(19,898)	13,293	(8,543)	147,080	296,033	462,760
Attributable to:								
Equity holders of parent								
- Company	324,474	304,647	(19,898)	13,292	38,106	23,269	342,682	340,500
- Subsidiary	-	-	-	-	(34,618)	51,742	(34,618)	51,742
Non-controlling interest	324,474	304,647	(19,898)	13,292	3,488	75,011	308,064	392,242
	-	-	-	-	(12,031)	72,069	(12,031)	70,518
Profit for the year	324,474	304,647	(19,898)	13,292	(8,543)	147,080	296,033	462,760
Other information:								
Segment assets	2,563,781	1,802,093	36,068	121,506	948,454	1,119,994	3,548,303	3,043,593
Segment liabilities	1,110,208	844,369	40,585	104,933	629,907	727,452	1,780,700	1,676,754
Capital expenditure	219,217	97,499	2,655	797	147,271	50,771	369,143	143,462
Depreciation expense	53,661	38,629	378	626	22,715	13,031	76,754	52,286
Amortisation of operating leases	3,771	3,772	-	-	922	908	4,693	4,680
Amortisation of intangible assets	4,424	2,659	29	134	316	1,873	4,769	4,666

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period. Segment revenue is based on the geographical location of both customers and assets.

The Tanzanian operation was acquired on 27 October 2005 and the company also set up a branch in Uganda in June 2006. The profit and loss above reflects the operations from date of acquisition to respective year ends.

Notes to the Financial Statements

For the year ended 31 December 2009

29. CAPITAL COMMITMENTS

	2009 KShs '000	2008 KShs '000
Authorised and contracted for	85,684	55,842

30. ULTIMATE HOLDING COMPANY

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

Company Statement of Comprehensive Income For the year ended 31 December 2009

	2009 KShs '000	2008 KShs '000
Revenue	2,050,129	2,517,228
Cost of sales	(1,246,694)	(1,682,814)
Gross profit	803,435	834,414
Other income	122,604	115,390
Factory expenses	(121,213)	(107,942)
Administrative expenses	(143,625)	(152,221)
Distribution costs	(51,678)	(60,909)
Depreciation and amortisation	(62,265)	(45,680)
Results from operating activities	547,258	583,052
Finance income	13,702	34,977
Finance cost	(71,953)	(131,052)
Net finance cost	(58,251)	(96,075)
Profit before income tax	489,007	486,977
Income tax expense	(146,325)	(146,477)
Profit for the year	342,682	340,500
Other comprehensive income		
Revaluation of property, plant and equipment	470,394	-
Deferred tax on revaluation surplus	(141,118)	-
Total other comprehensive income	329,276	-
Total comprehensive income for the year	671,958	340,500

FIVE YEAR FINANCIAL RECORD

STATEMENT OF COMPREHENSIVE INCOME SUMMARY

	2005	2006	2007	2008	2009
	Consolidated KShs'000	Consolidated KShs'000	Consolidated KShs'000	Consolidated KShs'000	Consolidated KShs'000
Sales	1,162,041	2,040,533	3,462,139	3,929,312	2,811,861
Profit before tax	294,035	422,812	597,486	669,927	526,444
Tax	(81,096)	(138,177)	(180,361)	(207,167)	230,411
Profit after tax	212,939	284,635	417,125	462,760	296,033
Non-controlling interest	(2,372)	(1,098)	(43,097)	(70,518)	12,031
Profit attributable to parent company shareholders	210,567	283,537	374,028	392,242	308,064
Dividends	(101,250)	(141,750)	(182,250)	(202,500)	(202,500)
Retained profit	109,317	141,787	191,778	189,742	105,564
Earnings per share (KShs)	1.04	1.40	1.85	1.94	1.52
Dividend per share (KShs)	0.50	0.70	0.90	1.00	1.00

STATEMENT OF FINANCIAL POSITION

Non-current assets	306,715	661,926	981,352	1,070,195	1,844,227
Current assets	745,455	1,245,731	2,228,347	1,973,398	1,699,156
TOTAL ASSETS	1,052,170	1,907,657	3,209,699	3,043,593	3,543,383
Equity and liabilities					
Share capital	101,250	101,250	101,250	101,250	101,250
Reserves	360,487	615,625	843,878	1,053,870	1,387,460
Exchange differences	(4,095)	(22,648)	(10,677)	(6,700)	1,701
Non-controlling interest	131,444	110,783	167,894	218,419	170,369
Total equity	589,086	805,010	1,102,345	1,366,839	1,660,780
Non-current liabilities	44,592	333,311	671,922	488,078	635,519
Current liabilities	418,492	769,336	1,435,432	1,188,676	1,247,084
TOTAL EQUITY AND LIABILITIES	1,052,170	1,907,657	3,209,699	3,043,593	3,543,383

[illegible]

Proxy Form

I/We _____
of _____
Being a member (s) of East African Cables Ltd, hereby appoint _____
of _____
or failing him/her _____
of _____

To vote for me/us/on my/our behalf at the 45th Annual General Meeting of the said company to be held at 11:00 a.m on Friday 30 April 2010 and at any adjournment thereof:

Signed this _____ day of _____ 2010
Signature (s) _____

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

Hati ya Uwakilishi

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

Kupiga kura kwa niaba yangu/yetu katika Mkutano Mkuu wa mwaka wa 45 wa kampuni hii,
utakaofanyika saa tano asubuhi Ijumaa Aprili 30 2010 ama siku nyingine ikiwa Mkutano huo
utaahirishwa.

Hati hii imetiwa sahihi hivi leo tarehe _____ mwezi wa _____ 2010
Sahihi _____

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

First Fold

Kunja hapa kwanza

Stamp

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

Second Fold

Halafu kunja hapa



East African Cables

Connecting Lives

Head Office

Addis Ababa Road.
P.O. Box 18243 - 00500 Nairobi, Kenya.
Tel: (+254) 20 6607000
Email: info@eacables.com
www.eacables.com

Tanzania Office

Nyerere Road
P.O. Box 508 Dar-es-Salaam, Tanzania.
Tel: (+255) 22 2862834
Email: infotz@eacables.com

Uganda Office

6th Street, Industrial Area
P.O. Box 32111 Kampala, Uganda.
Tel: (+256) 31 2272144
Email: infoug@eacables.com

Rwanda Office

Muhima Road B.P. 6215
Kigali, Rwanda
Tel: (+250) 78 3301207
Email: info@eacables.com

Burundi Office

Plot No. E3, Avenue Ntahangwa
P.O. Box 799 Bujumbura, Burundi
Tel: (+257) 22 223210
Email: info@groupeledak.com