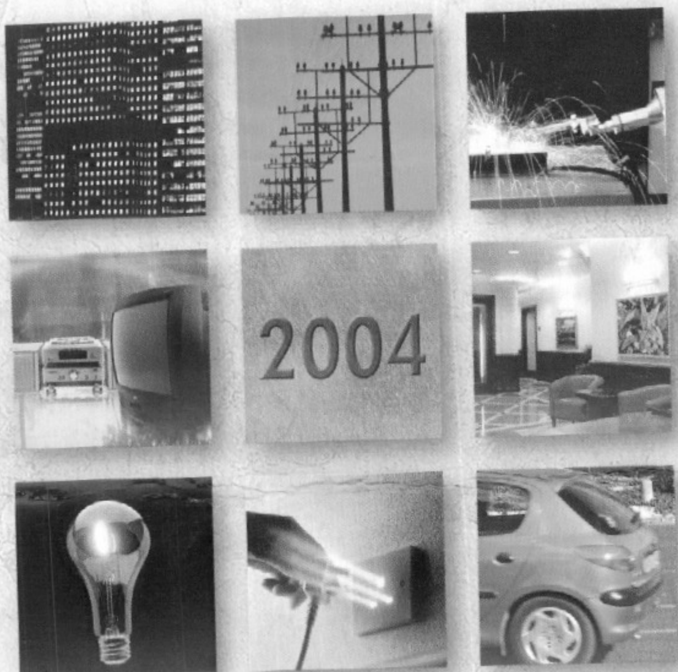
East African Cables Ltd



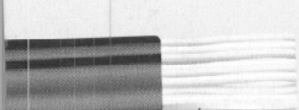
Annual Report & Accounts

Manufacturer of quality electrical cables and conductors

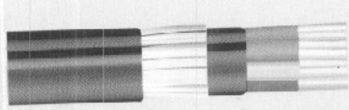
ISO 9001

UKAS

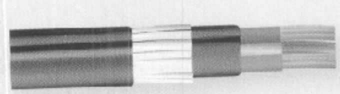
Aluminium Overhead Conductors and Centric Neutral Cables
Size: 16 to 400mm^2
High and low voltage overhead power distribution for both domestic and industrial undertaking



Multi-Core Armoured Cable
Size: 0.5 to 6mm^2
Low voltage signal and control cables mostly for centralized remote controls



Three-Core Armoured Cable
Size: 1.5 to 400mm^2
For underground low voltage power transmission and distribution for domestic, industrial and street lighting



10mm^2 C.N.C Copper Cable
Size: 10, 16, 25, 35mm^2
Low voltage pole to house for bot
overhead and underground powe
transmission and distribution

Table of Contents

t Twin With Earth
e: 1 to 1.5mm^2
neral low voltage for house and
ice wiring

Seven-Core Auto Cable
Size: 1 to 1000mm^2
Automobile electrical wiring cable especially for trailers

House & General wiring Cable
Size: 1 to 1000mm^2
General house wiring, machine cubicle and cabinet low voltage wiring for control and power circuits

Flexible Cable
Size: 0.5 to 95mm^2
Used for mobile installation e.g low voltage power supply to computers, fans, fridges, fence trimmers, drills, where the appliance does not become hot or generate heat

Notice of the Annual General Meeting

1. East African Cables -- Periodic
2. Cables Industry -- Kenya -- Period

Notice is hereby given that the fortieth Annual General Meeting of the shareholders will be held at The Holiday Inn, Nairobi, on 21st April, 2005 at 11:00 a.m. for the following purposes:

1. To confirm the Minutes of the thirty ninth Annual General Meeting held on 23rd April, 2004.

2. To receive the Accounts for the year ended 31st December, 2004 and the Directors' and Auditors' Reports thereon.

3. To approve the Directors' remuneration as provided in the accounts for the period ended 31st December, 2004

4. To declare a final dividend of 35% representing one shilling and seventy five cents per share.

5. To elect Directors in accordance with the Company's Articles of Association.
   Z.G. Mbugua retire by rotation and being eligible offers himself for re-election.

6. To appoint KPMG Kenya as auditors for the ensuing year and to authorise the Directors to fix their remuneration.

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

BY ORDER OF THE BOARD
Virginia Ndunge
Secretary

P.O. Box 61120
00200 City Square
Nairobi

10th February, 2005

Note:

A member entitled to attend and vote is entitled to appoint a Proxy to attend and vote in his stead. Such 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.

Automotive Battery Cables
Application: General automotive wiring

Tangazo la Mkutano

Mnatangaziwa kwamba Mkutano wa Mwaka wa arubaini wa wenye hisa utafanyika Holiday Inn, Westlands, Nairobi, tarehe 21 Aprili, 2005 saa tano kamili kwa shughuli zifuatazo:

1. Kuthibitisha Taarifa za Mkutano wa thelathini na tisa uliofanyika tarehe 23 Aprili, 2004.
2. Kupokea Hesabu za mwaka uliomalizika tarehe 31 Desemba, 2004 pamoja na taarifa ya Wakurugenzi na Wakaguzi.
3. Kutoa idhini ya malipo ya Wakurugenzi kwa mwaka uliomalizika tarehe 31 Desemba, 2004.
4. Kutangaza mgawo wa faida wa mwisho wa kiasi cha 35%, yaani shilingi moja na senti sabini na tano kwa kila hisa.
5. Kuwachagua Wakurugenzi kwa kulingana na kanuni za kampuni Z.G Mbugua ambaye muda wake umemalizika, amejitolea kuchaguliwa tena.
6. Kuwachagua wakaguzi wa hesabu za mwaka unaofuata na kuwapa wakurugenzi idhini ya kuamua ujira wao.
7. Kushughulikia jambo lingine lolote linaloweza kushughulikiwa katika mkutano mkuu wa kila mwaka.

KWA AMRI YA HALMASHAURI
Virginia Ndunge
Katibu

P.O. Box 61120
00200, City Square
Nairobi

10th Februari, 2005

Jambo Muhimu:

Mwenye hisa ambaye ana haki ya kuhudhuria Mkutano na kupiga kura, anaweza kumchagua mwakilishi ikiwa yeye mwenyewe hawezi kuhudhuria. Mwakilishi huyo si lazima awe mwenye hisa katika kampuni hii. Fomu ya uwakilishi ni lazima irudishwe kwenye Afisi kuu ya Kampuni katika muda usiopungua masaa 48 kabla ya kufanyika mkutano.

PVC Insulated and Sheathed Flexible Cables
Application: General household appliances

Report of the Directors

The directors have pleasure in submitting their report together with the audited financial statements for the year ended 31 December, 2004 which disclose the state of affairs of the company and the group.

1. Activities

The group's principal activities are the manufacture and sale of electrical cables and conductors.

2. Results

The results for the year are set out on Page 20.

3. Dividends

The directors recommend a final dividend of KShs. 1.75 per share. This together with the first and second interim dividends of KShs. 0.75 and KShs. 1.00 per share announced in July and December 2004 brings the total dividend for the year to KShs. 3.50 (2003 - KShs. 1.00) per share.

4. Directors

The directors who served since 1 January 2004 are set out on page 19.

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 10th February, 2005.

BY ORDER OF THE BOARD

Virginia Ndunge
Secretary

Date:10th February, 2005

Overhead Aluminium Conductors
Application: Used for Grid Power transmission both low and high voltage

Taarifa ya Wakurugenzi

Wakurugenzi wanafuraha kutoa ripoti yao pamoja na taarifa za kifedha zilizokaguliwa za mwaka uliomalizikia tarehe 31 Desemba 2004 ambazo zinaonyesha hali ya mambo ya kampuni ilivyo.

1. **Shughuli**

   Shughuli kuu ya Kampuni ni kutengeneza na kuuza waya za stima.

2. **Matokeo**

   Matokeo ya mwaka yanaonyeshwa katika ukurasa wa 20.

3. **Mgawo wa Faida**

   Wakurugenzi wanapendekeza gawio la mwisho la KShs. 1.75 kwa kila hisa. Hii ni juu ya magawio ya kwanza na ya pili ya KShs 0.75 na KShs. 1.00 yaliyotangazwa mnamo mwezi Julai na Desemba 2004. Jumla ya gawio inakuwa ni KShs. 3.50 (2003 - KShs. 1.00) kwa kila hisa.

4. **Wakurugenzi**

   Wakurugenzi waliokuwa ofisini mwaka huu ni kama inavyoonyeshwa katika ukurasa wa kumi na tisa.

5. **Wakaguzi**

   Wakaguzi wa hesabu, KPMG Kenya, wameonyesha nia yao yakuendelea na kazi yao kulingana na kifungu cha 159(2) cha Sheria za Makampuni.

6. **Kuidhinishwa kwa Hesabu**

   Hesabu ziliidhinishwa katika Mkutano wa Wakurugenzi uliofanyika tarehe 10 Februari, 2005.

KWA AMRI YA HALMASHAURI

Virginia Ndunge
Katibu

Tarehe: 10 Februari, 2005.

PVC Insulated and Sheathed Flexible Cords
Application: Information Technology Power

Corporate Governance

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

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 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 for establishing and maintaining the company's overall internal control on financial, operational and compliance issues. All our directors have also attended various corporate governance courses organised by accredited institutions.

Four out of the five members of the Board are non-executive including the chairman of the Board and all other than the Managing Director are subject to periodic reappointment in accordance with the 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 by listed companies in Kenya and any other internationally developed principles on good governance. The company adopts the best principle 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 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
- Equal employment opportunities and commitment to our people

COMMITTEES OF THE BOARD

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

1. Audit Committee

The Board has constituted an audit committee which meets four times a year or as necessary. Its responsibilities include review of financial information in particular half year and annual financial statements, compliance with accounting standards, liaison with the 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 capital expenditure and insurance renewals.

2. Staff committee

This is a staff committee of the Board. The committee meets quarterly or as required. The committee is responsible for monitoring and appraising the performance of senior management including the Managing Director, review of all human resources policies and determining the remuneration of senior management.

3. Strategy Committee

The Board has also set up a strategy committee. It meets four times a year or as required. 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 reviews proposal involving capital expenditure.

All the committees enjoyed a busy and a fulfiling year and look forward to fruitful years ahead.

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 the distribution of the Company's Annual Report and the release of notices in the national press of its half -yearly, nine months and year end results. The company also held an investor briefing on 2nd December 2004. In this regard, the company complies with the obligations contained in the Nairobi Stock Exchange's Listing Rules and the Capital Markets Authority Act applicable in Kenya.

DIRECTORS' EMOLUMENTS AND LOANS

The aggregate amount of emoluments paid to Directors for services rendered during the financial year ended 2004 is disclosed in note 19 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.

INTERNAL CONTROLS

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 organisation remains structured to ensure appropriate segregation of duties.

In reviewing the effectiveness of the systems of internal control, the Board takes into account the results of all the work carried out to audit and review 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.

PVC Insulated House Wiring Cables and Cords
Application: Lighting, Socket outlets and general wiring

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 2004 were as follows:-

SHARE REGISTER DETAILS

Directors' interest

Name of Director	Number of Shares
Peter Tirus Kanyago	3,000

Distribution of Shareholding

Shares Range	No. of Shareholders	No. of Shares held	% Shareholding
0-500	184	48,756	0.24
501-5,000	579	1,399,325	6.91
5001-10,000	65	432,631	2.14
10,001-100,000	50	1,020,613	5.04
100,001-1,000,000	5	2,034,613	10.05
Above 1,000,000	1	15,314,062	75.62
Total	884	20,250,000	100.00

Analysis of ten major shareholders

No.	Name(s)	No. of Shares	% Shareholding
1.	Cable Holdings Limited	15,314,062	75.62
2.	CDSC Nominees Limited	844,838	4.17
3.	Provincial Insurance Co. of East Africa Ltd	600,643	2.97
4.	Ali Mohamed Adam	307,725	1.52
5.	Mushtaq Gulamhusein	167,850	0.83
6.	Chandubhai Bhikhabhai Patel	113,557	0.56
7.	The Heritage A.I.I. Insurance Company	99,580	0.49
8.	Rajen Somchand Shah	61,875	0.31
9.	Travis East Africa Limited	56,952	0.28
10.	Bashir Nurali	50,000	0.25
	Total	**17,617,082**	**87.00**

Udhibiti wa Shirika

Udhibiti wa Shirika ni mbinu zinazoainisha jinsi Kampuni zinavyoendeshwa, kuongozwa na kuwajibishwa. Bodi ya Wakurugenzi wa East African Cables Limited ina jukumu la kudhibiti Kampuni hii na inawajibika kwa udhibiti huo kwa wanahisa ili kuhakikisha kwamba Kampuni inatekeleza udhibiti wa hali ya juu na maadili ya kibiashara.

BODI YA WAKURUGENZI

Bodi hukutana sio chini ya mara nne kwa mwaka na pengine hata zaidi inapolazimika. Wakurugenzi wanataarifiwa kwa muda muafaka kusudi waweze kudumisha uendeshaji unaofaa katika malengo, fedha, shughuli za kila siku na mambo ya utekelezaji. Isipokuwa kuhusu mwelekeo na sera, Bodi imempa mamlaka ya kuendesha shughuli za kawaida za Kampuni Meneja Mkurugenzi. Hata hivyo Bodi inashikilia wajibu wa kuweka na kutekeleza uendeshaji katika nyanja za kifedha, utendaji na utekelezaji. Wakurugenzi wetu wote wameshahudhuria mafunzo kadhaa ya udhibiti wa mashirika ambayo yametayarishwa na taasisi zinazotambuliwa.

Wakurugenzi wanne kati ya watano wa Bodi sio watendaji pamoja na mwenyekiti wa Bodi. Aidha wao isipokuwa Meneja Mkurugenzi huwa wanachaguliwa tena baada ya muda fulani kulingana na sera ya kampuni ambayo inasema theluthi moja ya wakurugenzi waliokwishatumikia Kampuni kwa muda mrefu zaidi tangu walipoteuliwa wanastaafu, na kama wanastahili, majina yao yanaweza kupendekezwa tena kuchaguliwa kwenye mkutano wa kawaida wa mwaka.

MAADILI YA KIBIASHARA

Wakurugenzi hutia maanani sana haja ya kufanya biashara na uendeshaji wa kampuni kwa njia za uadilifu kulingana na mazoea ya udhibiti bora wa kampuni jinsi unavyotolewa na Mamlaka ya Soko la Hisa kwa kampuni zinazouza hisa zake kwa umma nchini Kenya pamoja na kanuni za kimataifa zinazohusu udhibiti wa mashirika. Kampuni inakubali kanuni na mila nzuri zinazowataka wakurugenzi na wafanyakazi wote kuwa na kiwango cha juu kabisa cha maadili bora kibinafsi na kufanya kwa uaminifu mambo yatakayoikuza kampuni. Kampuni imetayarisha mwongozo na kanuni ambazo zinazingatia udhibiti mzuri kama ifuatavyo:

- Utekelezaji kamilifu wa sheria
- Kuweka mahesabu kwa njia iliyo sawa kabisa
- Usalama wa wadau wote
- Ubora wa bidhaa na malengo kwa wateja
- Kujali mazingira
- Kufanya biashara kwa njia zilizo sawa
- Kutoa nafasi ya ajira kwa haki na kujali maslahi ya watu wetu

KAMATI ZA BODI

Bodi ina kamati tatu zinazokutana mara kwa mara jinsi Bodi ilivyopanga:

1. Kamati ya Ukaguzi wa Mahesabu

Bodi imeunda kamati ya ukaguzi wa mahesabu ambayo hukutana mara nne kwa mwaka au inapohitaji kukutana. Wajibu wake ni kuhakikisha hesabu za nusu mwaka na za mwaka; kuhakikisha kwamba hesabu zimeandikwa inavyotakikana, kushirikiana na wakaguzi wa kutoka nje ya kampuni; malipo ya wakaguzi wa kutoka nje ya kampuni na kutupia jicho uthibiti wa mambo ya ndani ya kampuni. Majukumu mengine ya kamati hii ni kupokea na kutafakari makisio ya mapato na matumizi ya kampuni kwa kipindi cha mwaka, kuangalia taratibu za ununuzi na pia mapendekezo ya matumizi makubwa (mtaji) na kufanywa upya kwa bima.

2. Kamati ya Watumishi

Hii ni kamati ya Bodi kuhusu watumishi ambayo hukutana baada ya kila miezi mitatu au inapohitajika kukutana. Kamati hii inahusika na kuchunguza na kutathmini utendaji kazi wa wafanyikazi wa ngazi za juu akiwamo Meneja Mkurugenzi; kuangalia sera za mahitaji ya wafanyikazi wa ngazi za juu.

3. Kamati ya Mikatati

Bodi imeunda kamati ya mikakati ambayo hukutana mara nne kwa mwaka au inapohitajika kukutana. Jukumu la kamati hii ni kukagua utekelezaji wa mikakati iliyowekwa na Bodi ambayo inahusu bidhaa na upanuzi wa eneo la soko; mikakati ya ushirikiano na mapendekezo yanayohusu matumizi ya uwekezaji.

Kamati zote ziliridhishwa na mwaka huu wa shughuli nyingi na zinatazamia mafanikio zaidi miaka ijayo.

MAWASILIANO NA WANAHISA

Kampuni ina sharti ya kuhakikisha kwamba wanahisa na soko la hisa wanafahamishwa kwa kina na kwa wakati ufaao jinsi hali ya kampuni ilivyo. Katika mwaka huu kampuni ilitimiza jambo hili kwa kuchapisha na kusambaza Ripoti ya Mwaka wa Kampuni na kutangaza katika magazeti ya nchini vile hali ilivyokuwa kwa kipindi cha miezi sita; miezi tisa na mwisho wa mwaka. Kampuni pia ilifanya mkutano wa wawekezaji 2 Desemba 2004. Kwa hali hii kampuni inazingatia maagizo ya Soko la Ubadilishanaji wa Hisa, Nairobi, na Sheria ya Masoko ya Mtaji ilivyo nchini Kenya.

MALIPO NA MIKOPO YA WAKURUGENZI

Jumla ya malipo ya Wakurungezi kwa kazi yao katika mwaka huu wa fedha (2004) imeonyeshwa katika kifungu cha 19 cha ripoti ya fedha. Hadi mwisho wa mwaka huu na katika kipindi chote cha mwaka huu, haikutokea kuweko kwa mpango wowote ambao kampuni ilihusika ambapo wakurungenzi wangefaidika kwa kujipatia hisa za Kampuni.

UTHIBITI WA NDANI

Kampuni ina utaratibu wa kudhibiti fedha ili kuhakikisha kuweko kwa ripoti za hesabu zilizo sawa na kamilifu. Utaratibu huu unachangia mbinu za kupata kibali cha matumizi makubwa pamoja na kuzingatia sheria na maagizo yanayogusia mambo ya kifedha. Utaratibu upo pia kuhakikisha kuwa amana za Kampuni zi salama na kampuni ina umbo linalobainisha majukumu mbalimbali.
Kwa kukagua uimara wa udhibiti huu, Bodi huangalia matokeo ya kazi iliyofanywa ili iweke misingi ya shughuli za kampuni.
Kuna utaratibu wa kina wa kuandika hesabu zinazoonyesha hali ya fedha na hisia ya matokeo. Mikutano ya wafanyakazi wa ngazi za juu hufanyika mara kwa mara ambapo maendeleo ya kampuni huzungumziwa na muafaka wa hatua za kufanya vizuri zaidi hupatikana.

Statement of Directors' Responsibilities

The Kenyan Companies Act requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the group and 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 group and the company keep proper accounting records which disclose with reasonable accuracy the financial position of the group and the company. They are also responsible for safeguarding the assets of the group.

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 accordance 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 the operating results of the group. 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.

Nothing has come to the attention of the directors to indicate that the company will not remain a going concern for at least the next twelve months from the date of this statement. The subsidiary has however ceased trading.

Z.G Mbugua
(Chairman)

Mugo Kibati
(Managing Director)

Date:10th February 2005.

Taarifa ya Majukumu ya Wakurugenzi

Sheria ya Makampuni inawataka wakurugenzi watengeneze orodha ya hesabu ya kila mwaka inayoonyesha ukweli na usawa wa hali ya Kampuni kila mwisho wa mwaka wa kampuni. Sheria hiyo inawataka wakurugenzi wahakikishe ya kuwa vitabu vya hesabu vinavyoonyesha kwa usahihi unaoaminika wakati wote vinaandikwa vikionyesha hali ya kifedha ya kampuni. Wakurugenzi wanapaswa pia kulinda na kutunza mali ya kampuni.

Wakurugenzi wanawajibika kwa hesabu za mwaka ambazo zimeandikwa kwa mtindo unaofaa zikishuhudiwa na maamuzi na makadirio yanayoaminika kulingana na sera za hesabu zinazokubalika na inavyotakikana na Sheria ya Kampuni.

Wakurugenzi wanahisi kwamba hesabu zilizoandikwa zinaonyesha ukweli na usawa wa hali ya kifedha ya Kampuni na matokeo ya biashara yake. Pia wakurugenzi wanawajibika kuweka vitabu vinavyoweza kutegemewa ili kuandika hesabu ya kampuni na vile vile kuweka usimamizi mzuri wa fedha.

Hakuna dokezo lolote lililowafikia wakurugenzi kuonyesha kwamba kampuni haitaendelea na shughuli zake kwa kipindi cha miezi kumi na mbili ijayo kuanzia tarehe ya taarifa hii. Hata hivyo kampuni yake mwenza haifanyi biashara tena.

Z.G Mbugua	**Mugo Kibati**
(Chairman)	(Managing Director)

Tarehe: 10 Februari, 2005.

Chairman's Statement

Z. G. Mbugua - *Chairman*

I am pleased to present the Annual Report and Audited Financial statements for the year ended 31st December 2004.

This has been a year of change at East African Cables Limited. On 12th of March 2004, Trans-Century Limited acquired the shares of Yana Trading in Cables Holdings Limited. At the AGM held on 23rd April 2004 the new Board of Directors was confirmed in office. Mr. Alfred Kithusi who was seconded from Sameer Group as the Company's General Manager left on 12th June 2004.

Mr. Mugo Kibati was appointed as the Chief Executive Officer on 1st August 2004. I take this opportunity to thank the previous Board for their stewardship and to welcome Mr. Kibati to this challenging position.

BUSINESS ENVIRONMENT

International business environment especially in the Far East posed the most significant challenges. This saw the prices of inputs such as aluminium, copper, steel and resin increase beyond unprecedented levels. This was compounded by a volatile exchange rate, which in turn affected the economic activity locally through higher than forecasted inflation levels leading to reduced disposable incomes. Despite these challenges management instituted appropriate response measures to mitigate the challenges.

MARKETING OPERATIONS

In the year the company commissioned a new fleet of branded motor vehicles which strengthened our distribution system and increased efficiency in our marketing operations. The response was overwhelming and I thank management for this initiative. The company will undertake a series of marketing activities in the coming year in order to increase awareness of our products thus increasing market share.

The company has also developed a website and we encourage all our members and the public at large to obtain updates of the Company's operations by visiting the site at the address www.eacables.com. This will be a major marketing tool as well as a medium of communication with the company's current and potential investors.

YANA TRADING (PTY) SOUTH AFRICA

Yana Trading SA Ltd (incorporated in South Africa) in which the company has 100% shareholding did not trade in the year. The company recorded a loss before tax of KShs.3.7 million which arose principally due to the provision of amounts owed by customers now considered doubtful. The company has instituted legal proceedings in South Africa to recover the amounts but minimal progress has been made. The intention of the board is to discontinue operations in that market and focus its attention in the Great Lakes Region.

RESULTS

Despite the above challenges we were able to achieve impressive results. The results signify a new chapter for the company which is to implement aggressive market growth strategies to take advantage of the growth in the construction industry. This was coupled with strict control of operating costs during the year.

Our sales increased by 93% to KShs.825 million from KShs.428 million in year 2003. Profit before tax increased by 1175% to KShs.178.8 million up from Kshs.14 million the previous year. Because of a decline in interest rates on government securities and bank deposits, we earned negligible interest income of KShs.59,000 compared to 1.7 million in 2003. I am happy to report that the profit for the year is principally from our manufacturing activities.

DIVIDENDS

Following the impressive performance, the Board of Directors is pleased to recommend a final dividend of KShs.1.75 per share. This is in addition to first and second interim dividends of KShs.0.75 and KShs.1.00 per share announced in July and December 2004. This brings the total dividend for the year to KShs.3.50 per share which represents a return of 70% on the par value.

HUMAN RESOURCES

The company will continue to invest heavily on its staff and will strive to retain and draw the best productivity from its staff. The company also undertakes to enhance competency based training programmes in order to further the talents of staff at all levels, with a view to improving efficiency.

In order to effectively focus on the above issues, the company set up a human resource function in the year under review. It is my expectation that this unit will review the human resource with a view to increasing staff morale, motivation and focus on employee career development for the benefit of all.

FUTURE PROSPECTS

Future growth within the construction and energy sectors remain crucial for our business. We remain optimistic that the sectors will record growth in year 2005. The board and management will continue to look at alternative activities that can add value to the bottom line, whilst containing costs and maintaining operational efficiency.

We are currently restructuring the company in order to proactively pursue opportunities within the Great Lakes Region together with Southern Sudan.

APPRECIATION

In a year of outstanding performance, I would like to thank my fellow directors for their support and guidance. I also thank the management team and the employees for their good work, continued dedication and loyalty to the company. I additionally would like to thank our suppliers and customers for their continued support and assure them of our commitment to quality and service going into the future. I acknowledge that the company's performance was as a result of the combined effort of all stakeholders.

Z. G. MBUGUA
CHAIRMAN

Taarifa ya Mwenyekiti

Z. G. Mbugua - *Chairman*

Ninafurahi kuwapeni Taarifa na Mahesabu ya mwaka ulioishia 31 Desemba 2004. Huu umekuwa mwaka wa mabadiliko katika East African Cables Limited.

Mnamo tarehe 12 Machi 2004, Trans - Century Limited ilinunua hisa za Yana Trading Limited katika kampuni ya Cable Holdings Limited. Kwenye mkutano wa Mwaka tarehe 23 Aprili 2004, Bodi mpya ya Wakurugenzi iliidhinishwa. Bwana Alfred Kithusi aliyekuwa anashikilia wadhifa wa Meneja wa Kampuni aliondoka tarehe 12 Juni 2004.

Bwana Mugo Kibati aliteuliwa kuwa Mtendaji Mkuu wa kampuni tarehe 1 Agosti 2004. Nachukua nafasi hii kuishukuru Bodi iliyotangulia kwa uongozi wao na kumkaribisha Bwana Kibati katika kazi yake inayohitaji ushupavu mkubwa.

HALI YA BIASHARA

Biashara ya kimataifa hasa huko Mashariki ya Mbali ilileta ushindani mkubwa. Hii ilisababisha bei za mali ghafi kama alumini, shaba, chuma na gundi kupanda juu kiasi kisichopata kufikiwa. Haya yote yalifuatana na thamani ya sarafu kubadilikabadilika ambako kuliathiri hali ya uchumi nchini na kuleta gharama za vitu kupanda hivyo watu kupungukiwa na kipato cha matumuzi. Hata hivyo uongozi ulichukua hatua za kufaa kukabili matatizo hayo.

KAMPENI YA SOKO

Katika kipindi cha mwaka huu, kampuni ilinunua magari mapya ambayo yaliongezea shughuli ya usambasaji na ufanisi katika kampeni ya soko. Matokeo yake yalikuwa mazuri mno na ninashukuru uongozi kwa hatua hii uliyobuni. Kampuni itaendelea na kampeni ya soko mwaka ujao ili soko litambue kuweko kwa bidhaa zetu na kukuza mauzo.

Kampuni imetengeneza tovuti www.eacables.com. Tovuti hii itakuwa ni kigezo kikubwa cha kupata soko na pia njia mojawapo ya mawasiliano na wawekezaji wa sasa na wanaotarajiwa.

YANA TRADING (PTY) SOUTH AFRICA

Yana Trading SA Ltd (kampuni ilioandikishwa Afrika Kusini) ambayo kampuni inamiliki hisa zote (100%) haikufanya biashara yoyote kwa kipindi cha mwaka huu. Kampuni ilienda hasara ya KShs. 3.7 milioni kabla ya kodi ambayo iliongezewa na madeni ya wateja ambao pengine hawatalipa. Kampuni imeshachukua hatua za kisheria kudai madeni hayo huko Afrika Kusini lakini mpaka sasa hatujafanikiwa sana. Azma ya Bodi ni kusitisha kabisa kufanya biashara katika soko hilo na kulenga zaidi eneo la Maziwa Makuu.

MATOKEO

Licha ya matatizo hayo, tuliweza kupata matokeo mazuri sana. Matokeo haya yanaashiria upeo mpya wa kampuni katika kutekeleza mikakati ya kuongeza mauzo na kufaidi kutokana na shughuli za ujenzi. Yote haya yaliambatana na uthibiti wa matumizi katika kipindi cha mwaka huu. Mauzo yetu yaliongezeka kwa kiasi cha 93% kufikia KShs. 825 milioni kutoka KShs 428 milioni mnamo mwaka wa 2003.Faida kabla ya kodi iliongezeka kwa kiasi cha 1175% kufikia KShs 178.8 milioni kutoka KShs. 14 milioni mwaka uliopita.Kutokana na upungufu wa riba katika hundi za serikali na akiba za benki, tulipata faida kidogo tu ya KShs. 59,000 ikilinganishwa na KShs. 1.7 milioni mwaka 2003. Nina furaha kuwajulisha kwamba sehemu kubwa ya faida inatokana na shughuli zetu za kutengeneza bidhaa.

GAWIO

Kutokana na ufanisi huo, Bodi ya Wakurugenzi inafurahi kupendekeza gawio la mwisho la KShs. 1.75 kwa kila hisa. Hii ni juu ya magawio ya kwanza na ya pili ya KShs. 0.75 na KShs. 1.00 yaliyotangazwa mnamo mwezi Julai na Desemba 2004. Jumla ya gawio inakuwa ni KShs. 3.50 kwa kila hisa ambayo ni faida ya 70% kwa thamani ya hisa.

NGUVUKAZI

Kampuni itaendelea kukuza uwezo wa wafanyikazi wake ili kuongeza uhodari wa wafanyikazi katika ngazi zote ili kuongeza umahiri. Ili kulenga juhudi hizo inavyotakiwa, kampuni imeunda kitengo cha nguvukazi katika mwaka huu. Ninatarajia kwamba kitengo hiki kitachunguza mahitaji ya nguvukazi na kutia motisha miongoni mwa wafanyikazi na kukuza mwelekeo wao kwa faida yetu sote.

SIKU ZA USONI

Kukua kwa shughuli za ujenzi na nishati ni muhimu kwa biashara yetu. Tunatarajia shughuli hizo zitaendelea kukua katika mwaka wa 2005. Bodi na menejimenti watazidi kuchunguza mbinu mbandala ambazo zitaongezea kima cha pato na kuendelea kubana matumizi na kuzingatia utendaji bora. Sasa hivi kuna mipango katika kampuni ya kulenga soko katika eneo la Maziwa Makuu pamoja na Sudani ya Kusini.

SHUKRANI

Katika mwaka huu wenye ufanisi mkubwa, ningependa kuwashukuru Wakurugenzi wenzangu kwa msaada na uongozi wao. Pia natoa shukrani kwa menejimenti na wafanyikazi wote kwa kazi yao nzuri kwa kujitolea na uaminifu wao kwa kampuni. Aidha ningependa kuwashukuru wagavi na wateja wetu kwa ushirikiano wao na kuwahakikishia msimamo wetu wa ustadi utaendelea. Ninajua vizuri kwamba ufanisi wa kampuni unatokana na juhudi za washika dau wote.

Z.G. Mbugua
Mwenyekiti

Report of the independent Auditors

We have audited the financial statements set out on pages 20 to 35 for the year ended 31 December 2004. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. The balance sheet of the company is in agreement with the books of account.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND INDEPENDENT AUDITORS

As stated on page 11, the directors are responsible for the preparation of financial statements that give a true and fair view of the financial position of the group and the company and of the group's operating results. Our responsibility is to express an opinion on the financial statements based on our audit.

BASIS OF OPINION

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform our audit to obtain reasonable assurance that the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion, proper books of account have been kept and the financial statements give a true and fair view of the state of the financial position of the group and the company at 31st December 2004 and of the group's operating results and cash flows for the year then ended and comply with International Financial Reporting Standards and the Kenyan Companies Act.

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

Date: 10th February, 2005

Tumekagua taarifa za fedha na rasilmali za mwaka unaoishia tarehe 31 Desemba, 2004 jinsi zilivyoandikwa kutoka ukurasa wa 20 hadi wa 35.Tumepata habari na maelezo yote ambayo kwa ujuzi na imani yetu yalikuwa ni ya lazima kwa ukaguzi wetu na ambayo yametuwezesha kutoa kauli yetu. Taarifa za fedha na rasilmali zinalingana na vitabu vya hesabu.

MAJUKUMU MBALIMBALI YA WAKURUGENZI NA WAKAGUZI

Ilivyoelezwa katika ukurasa wa kumi na moja, Wakurugenzi wana jukumu la kutayarisha taarifa za fedha na rasilmali za Kampuni zinazoonyesha ukweli na usawa wa hali ya mambo yalivyo na matokeo ya shughuli za Kampuni na Kampuni shiriki. Jukumu letu ni kutoa kauli juu ya taarifa hizo kutokana na uhasibu wetu.

MSINGI WA KAULI

Tulifanya ukaguzi wetu kulingana na Kanuni za Uhasibu za Kimataifa (International Standards on Auditing). Kanuni hizo zinatuagiza tupange na kufanya uhasibu ili tupate uhakika wa kutosha kwamba taarifa hizo hazina dosari kubwa. Ukaguzi unaangalia na kuthibitisha uhakika wa taarifa hizo za fedha na rasilmali. Ukaguzi unaangalia kanuni za uwekaji wa hesabu, makadirio yaliyowekwa na wakurugenzi na pia ustadi wa jinsi taarifa hizo zilivyotayarishwa. Tunaamini kwamba ukaguzi wetu umetupatia msingi bora wa kutoa kauli yetu.

KAULI

Kwa maoni yetu, vitabu vya hesabu viliandikwa vilivyo na taarifa za fedha na rasilmali zinaonyesha ukweli na usawa wa hali ya Kampuni na Kampuni shiriki ilivyokuwa hadi tarehe 31 Desemba, 2004. Pia taarifa zinaonyesha matokeo ya shughuli za Kampuni na mapato na matumizi ya fedha mpaka tarehe hiyo kwa mujibu wa Kanuni za Uhasibu za Kimataifa na Sheria ya Kampuni, Kenya.

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

Tarehe: 10 Februari, 2005

Directors, Officers and Administration

DIRECTORS

S.G. Smith*
Chairman - Resigned on 12th March 2004

A.H. Butt
Resigned on 12th March 2004

Z.G. Mbugua
Chairman - Appointed on 12th March 2004

J. Gachui
Appointed on 12th March 2004

Mugo Kibati
Managing Director - Appointed 1st August 2004

P. Kanyago
Appointed on 12th March 2004

J. Schwartzman**
Resigned on 12th March 2004

D. Sikand
Appointed on 19th July 2004

***American **Israeli**

SECRETARY

Virginia Ndunge

ADVOCATES

Timamy and Company Advocates

P O Box 87288 - 80100 GPO Mombasa

AUDITORS

KPMG Kenya

16th Floor, Lonrho Hse, Standard St, P. O. Box 40612 - 00100, GPO Nairobi

REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

East African Cables Limited

Industrial Area, Kitui Road, P. O. Box 18243 - 00500, Nairobi

BANKERS

Standard Chartered Bank Kenya Limited

Kenyatta Avenue Branch, P. O. Box 30001, Nairobi

Citibank NA

Upperhill Branch P.O. Box 30711, Nairobi

First American Bank of Kenya Ltd

Nyerere Road, P.O. Box 30691-00100 Nairobi.

Consolidated Profit and Loss Account

	Notes	2004	2003
		KShs '000	KShs '000
Revenue		**825,316**	**428,430**
Cost of sales		(511,602)	(288,324)
Gross profit		313,714	140,106
Other Income		1,089	4,115
Factory expenses		(34,686)	(33,401)
Administrative expenses		(47,354)	(54,436)
Distribution costs		(38,099)	(28,701)
Other operating expenses	3	(14,229)	(19,250)
Profit from operations		**180,435**	**8,433**
Net finance (cost)/ income	4	(1,620)	5,589
Profit before tax	5	**178,815**	**14,022**
Income tax	6	(55,154)	(4,657)
Net profit for the year		**123,661**	**9,365**
Basic and dilutive earnings per share	7	**KShs 6.11**	**KShs 0.46**
Dividend per share		**KShs 3.50**	**KShs 1.00**

The notes set out on pages 26 to 35 form an integral part of these financial statements.

Consolidated Balance Sheet

ASSETS	Notes	2004	2003
		KShs '000	KShs '000
Non current assets			
Property, plant and equipment	8	81,316	82,795
Prepaid operating lease rentals	9	317	324
		81,633	**83,119**
Current assets			
Stocks	11	172,903	112,553
Debtors	12	176,792	81,659
Related party balances	19(f)	-	968
Short term deposits	13	9,395	40,490
Cash and bank balances		51,493	37,112
		410,583	**272,782**
TOTAL ASSETS		**492,216**	**355,901**
EQUITY AND LIABILITIES			
Capital and Reserves			
Issued capital	14	101,250	101,250
Share premium		545	545
Revaluation reserve		34,936	35,572
Revenue reserves		144,873	91,392
Proposed dividends		35,438	20,250
		317,042	**249,009**
Non current liabilities			
Deferred tax liability	15	10,178	13,592
Provision for staff gratuity	17	10,434	9,232
		20,612	**22,824**
Current liabilities			
Creditors	16	99,883	79,431
Tax Payable		53,640	3,589
Unclaimed dividends		1,039	1,048
		154,562	**84,068**
TOTAL EQUITY AND LIABILITIES		**492,216**	**355,901**

The financial statements on pages 20 to 35 were approved by the Board of Directors on 10th February 2005 and were signed on its behalf by:

Z.G Mbugua
(Chairman)

Mugo Kibati
(Managing Director)

The notes set out on pages 26 to 35 form an integral part of these financial statements.

Company Balance Sheet

ASSETS	Notes	2004	2003
		KShs '000	KShs '000
Non current assets			
Property, plant and equipment	8	81,316	82,795
Prepaid operating rentals	9	317	324
Investment in subsidiary company	10	-	-
		81,633	**83,119**
Current assets			
Stocks	11	172,903	113,363
Debtors	12	176,792	74,086
Related party balances	19(f)	-	9,720
Short term deposits	13	9,395	40,490
Cash and bank balances		50,997	36,297
		410,087	**273,956**
TOTAL ASSETS		**491,720**	**357,075**
EQUITY AND LIABILITIES			
Capital and Reserves			
Issued capital	14	101,250	101,250
Share premium		545	545
Revaluation reserve		34,936	35,572
Revenue reserves		144,546	92,841
Proposed dividends		35,438	20,250
		316,715	**250,458**
Non current liabilities			
Deferred tax liability	15	10,178	13,592
Provision for staff gratuity	17	10,434	9,232
		20,612	**22,824**
Current liabilities			
Creditors	16	99,714	79,156
Tax payable		53,640	3,589
Unclaimed dividends		1,039	1,048
		154,393	**83,793**
TOTAL EQUITY AND LIABILITIES		**491,720**	**357,075**

The financial statements on pages 20 to 35 were approved by the Board of Directors on 10th February 2005 and were signed on its behalf by:

Z.G Mbugua
(Chairman)

Mugo Kibati
(Managing Director)

The notes set out on pages 26 to 35 form an integral part of these financial statements.

Consolidated Cash Flow Statement

	Note	2004 KShs '000	2003 KShs '000
Cash flows from operating activities	18(a)	48,445	6,494
INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		1,315	1,280
Interest received		59	1,439
Interest paid		(1,610)	-
Purchase of plant and equipment		(9,227)	(1,166)
Cash flows from investing activities		**(9,463)**	**1,553**
FINANCING ACTIVITIES			
Loan received		76,306	-
Loan repayment		(76,306)	-
Dividends paid		(55,696)	(10,125)
Cash flows from financing activities		**(55,696)**	**(10,125)**
Net decrease in cash and cash equivalents	**18(b)**	**(16,714)**	**(2,078)**

The notes set out on pages 26 to 35 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

	Share capital KShs'000	Share premium KShs'000	Revaluation reserve KShs'000	Revenue reserve KShs'000	Proposed dividends KShs'000	Total KShs'000
Balance at 31st Dec,2002	**101,250**	**545**	**36,208**	**97,889**	**10,125**	**246,017**
Net profit for the year	-	-	-	9,365	-	9,365
Dividends - 2002 paid	-	-	-	-	(10,125)	(10,125)
- 2003 proposed	-	-	-	(20,250)	20,250	-
Exchange difference on translation of a subsidiary	-	-	-	4,219	-	4,219
Exchange adjustment	-	-	-	(467)	-	(467)
Excess depreciation transfer	-	-	(909)	909	-	-
Deferred tax on excess depreciation	-	-	273	(273)	-	-
Balance at 31st Dec 2003	**101,250**	**545**	**35,572**	**91,392**	**20,250**	**249,009**
Net profit for the year	-	-	-	123,661	-	123,661
Dividends -2003 paid	-	-	-	-	(20,250)	(20,250)
- 2004 proposed	-	-	-	(70,875)	70,875	-
- 2004 paid	-	-	-	-	(35,437)	(35,437)
Exchange difference on translation of a subsidiary	-	-	-	59	-	59
Excess depreciation transfer	-	-	(909)	909	-	-
Deferred tax on excess depreciation	-	-	273	(273)	-	-
Balance at 31st Dec 2004	**101,250**	**545**	**34,936**	**144,873**	**35,438**	**317,042**

The notes set out on pages 26 to 35 form an integral part of these financial statements.

Company Statement of Changes in Equity

	Share capital KShs'000	Share premium KShs'000	Revaluation reserve KShs'000	Revenue reserve KShs'000	Proposed dividends KShs'000	Total KShs'000
Balance at 31st Dec, 2002	**101,250**	**545**	**36,208**	**103,102**	**10,125**	**251,230**
Net profit for the year	-	-	-	9,353	-	9,353
Dividends - 2002 paid	-	-	-	-	(10,125)	(10,125)
- 2003 proposed	-	-	-	(20,250)	20,250	-
Excess depreciation transfer	-	-	(909)	909	-	-
Deferred tax on excess depreciation	-	-	273	(273)	-	-
Balance at 31st Dec, 2003	**101,250**	**545**	**35,572**	**92,841**	**20,250**	**250,458**
Net profit for the year	-	-	-	121,944	-	121,944
Dividends - 2003 paid	-	-	-	-	(20,250)	(20,250)
- 2004 proposed	-	-	-	(70,875)	70,875	-
- 2004 paid	-	-	-	-	(35,437)	(35,437)
Excess depreciation transfer	-	-	(909)	909	-	-
Deferred tax on excess depreciation	-	-	273	(273)	-	-
Balance at 31st Dec, 2004	**101,250**	**545**	**34,936**	**144,546**	**35,438**	**316,715**

The notes set out on pages 26 to 35 form an integral part of these financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:

a) Basis of preparation

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

The financial statements are prepared under the historical cost convention, modified by revaluation of certain assets. The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilites and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the directors' best knowledge of current events, actual results may ultimately differ from those estimates.

b) Revenue recognition

Sales are recognised upon delivery of products and are stated net of VAT.

c) Consolidation principles

The consolidated financial statements include the Company and its subsidiary, Yana Trading Company Limited (refer to note 10) in which the Group holds 100% of the voting rights.

All inter-company balances and transactions, including unrealised inter-company profits, are eliminated on consolidation.

d) Translation of foreign currencies

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 balance sheet date. Resulting exchange differences are recognised in the profit and loss account for the year.

e) Property, plant and equipment

Items of property, plant and equipment are stated at historical cost or valuation less accumulated depreciation and impairment. 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	10%
• Furniture, fixtures, fittings, motor vehicles and computers	25%

f) 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 profit and loss account on a straight - line basis over the period of the lease.

g) Impairment

The carrying amounts of the group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indications exists, the asset's recoverable amount is estimated and an impairment loss recognised in the profit and loss account if the carrying amount exceeds its recoverable amount.

h) Stocks

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.

i) Trade and other debtors

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

j) 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 income statement as incurred.

ii) Staff gratuity

Unionisable staff are eligible to a gratuity upon retirement based on 2.5 weeks pay for each completed year of service at current salary. A provision is made in the financial statements for the estimated liability of such gratuity payable. Movements in the provision are accounted for in the profit and loss account.

iii) Leave accrual

The monetary value of the unutilised leave by staff as at year end is recognised as an expense in the year and carried in the accruals as a payable.

k) Taxation

Tax on the operating results for the year comprises both current and change in deferred tax. 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 balance sheet 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.

l) 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.

m) 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.

n) Dividends

Dividends are recognised as a liability in the period in which they are declared. Proposed dividends are treated as a separate component of equity.

o) 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 balance sheet date to ensure that all financial instruments are appropriately classified. Financial instruments are measured initially at cost, including transaction costs.

Originated 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.

p) Provisions

A provision is recognised in the balance sheet 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 cashflows at a pre - tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specifics to the liability.

2. STAFF COSTS

	2004 KShs '000	2003 KShs '000
Direct labour	19,749	16,093
Administration salaries and wages	9,872	15,541
Distribution salaries and wages	11,382	12,063
Works salaries and wages	11,910	17,281
Pension contributions	1,910	2,636
	54,823	**63,614**

The average number of people engaged during the year was 147 (2003- 121)

3. OTHER OPERATING EXPENSES

	2004 KShs '000	2003 KShs '000
Depreciation	9,700	9,015
Amortisation of long term lease prepayment	7	7
Management fees	4,522	10,228
	14,229	**19,250**

4. NET FINANCE (COST)/ INCOME

	2004 KShs '000	2003 KShs '000
Interest income	59	1,439
Interest paid	(1,610)	-
(Loss)/gain on exchange	(69)	4,150
	(1,620)	**5,589**

5. PROFIT BEFORE TAX

	2004 KShs '000	2003 KShs '000
Profit before tax is arrived at after charging/(crediting):		
Depreciation expense	9,700	9,015
Amortisation of long term lease prepayment	7	7
Profit on disposal of property, plant and equipment	(309)	(1,280)
Interest Income	(59)	(1,439)
Interest paid	1,610	-
Directors emoluments - Fees	1,334	922
- Other	3,957	8,286
Auditors remuneration	850	725

6. INCOME TAX

	2004	2003
Current tax expense	58,568	4,468
Previous year's overprovision	-	(92)
Deferred tax (Note 15)	(3,414)	281
	55,154	**4,657**

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

	2004	2003
Accounting profit	178,815	14,022
Tax at the applicable rate	53,345	4,207
Previous year's overprovision	-	(92)
Non-deductible costs and non-taxable income	1,809	542
	55,154	**4,657**

7. BASIC AND DILUTIVE EARNINGS PER SHARE

The calculation of basic and dilutive earnings per share is based on:

	2004 KShs '000	2003 KShs '000
Profit attributable to ordinary shareholders (KShs '000)	123,661	9,365
Number of ordinary shares outstanding during the year	20,250,000	20,250,000
Basic and dilutive earnings per share	KShs 6.11	KShs 0.46

8. PROPERTY, PLANT AND EQUIPMENT

Group & Company

	Freehold Land and Buildings KShs '000	Leasehold Building KShs '000	Plant and Machinery KShs '000	Motor Vehicle KShs '000	Furniture Fittings & Equipment KShs '000	Total KShs '000
Cost or valuation:						
At 1st January, 2004	14,331	44,043	78,664	20,575	7,875	165,488
Additions	-	-	-	6,686	2,541	9,227
Disposals	-	-	-	(3,255)	-	(3,255)
At 31st December, 2004	14,331	44,043	78,664	24,006	10,416	171,460
Comprising:						
Cost	-	-	78,664	24,006	10,416	113,086
Valuation	14,331	44,043	-	-	-	58,374
	14, 331	44,043	78,664	24,006	10,416	171,460
Depreciation:						
At 1st January, 2004	624	5,160	54,488	15,905	6,516	82,693
Charge for the year	131	860	4,858	3,154	697	9,700
Disposals	-	-	-	(2,249)	-	(2,249)
At 31st December, 2004	755	6,020	59,346	16,810	7,213	90,144
Net book value :						
At 31st Dec, 2004	13,576	38,023	19,318	7,196	3,203	81,316
At 31st Dec, 2003	13,707	38,883	24,176	4,670	1,359	82,795

The land and buildings were revalued on 3rd January 1998 by Tysons 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 was credited to a revaluation reserve account.

9. PREPAID OPERATING LEASE RENTALS

	2004 KShs'000	2003 KShs'000
Group &Company		
Carrying value of leasehold land at 1st January	324	331
Amortisation for the year	(7)	(7)
Balance at 31st December	**317**	**324**

10. INVESTMENT IN SUBSIDIARY COMPANY

	2004 KShs'000	2003 KShs'000
Investment in Yana Trading SA (Proprietary) Limited	-	-

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

11. STOCKS

	2004 KShs'000	2003 KShs'000
Group		
Finished goods	66,834	32,731
Work in progress	29,314	18,819
Raw materials	64,236	51,396
Strategic spares and lubricants	12,519	9,607
	172,903	**112,553**
Company		
Finished goods	66,834	33,541
Work in progress	29,314	18,819
Raw materials	64,236	51,396
Strategic Spares and lubricants	12,519	9,607
	172,903	**113,363**

12. DEBTORS

	2004 KShs '000	2003 KShs '000
Group		
Trade debtors	154,171	66,397
Prepaid expenses	625	3,915
Sundry debtors	21,996	11,347
	176,792	**81,659**
Company		
Trade debtors	154,171	61,708
Prepaid expenses	625	3,915
Sundry debtors	21,996	8,463
	176,792	**74,086**

13. SHORT TERM DEPOSITS

The weighted average effective interest rate earned on the short term deposits during the year was 1.25% (2003 - 2.75%).

14. SHARE CAPITAL

	2004 KShs '000	2003 KShs '000
Authorised, issued and fully paid		
20,250,000 Ordinary shares of KShs 5 each	**101,250**	**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.

15. DEFERRED TAX LIABILITIES

Group and company

Movements during the year are as follows:-

	Balance at 1/1/04 KShs '000	Movement during the year KShs '000	Balance at 31/12/04 KShs '000
Staff gratuity provision	(2,770)	(360)	(3,130)
Other provisions and accruals	-	(1,689)	(1,689)
Property, plant and Equipment	16,362	(1,365)	14,997
	13,592	(3,414)	10,178

16. CREDITORS

	2004 KShs '000	2003 KShs '000
Group		
Trade creditors	82,052	67,225
Other creditors and accrued expenses	17,831	12,206
	99,883	**79,431**
Company		
Trade creditors	82,052	66,950
Other creditors and accrued expenses	17,662	12,206
	99,714	**79,156**

17. RETIREMENT BENEFITS OBLIGATIONS

The company operates a defined contribution retirement benefits scheme for its non-unionisable employees. The scheme is administered independently by Alexander Forbes 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 (K) Limited. During the year, the company expensed KShs 1,910,165 in contributions payable (2003 - KShs 2,636,086).

Unionisable staff are eligible to a gratuity upon retirement based on 2.5 weeks pay for each completed year of service at current salary. A provision is made in the financial statements for the estimated liability of such gratuity payable. At 31st December, 2004 the provision carried in the financial statements amounted to KShs 10,434,278 (2003 -KShs 9,232,270).

18. NOTES TO THE CASH FLOW STATEMENT

	2004 KShs '000	2003 KShs '000
a) Reconciliation of net profit before tax to cash flow from operating activities		
Net profit before tax	178,815	14,022
Adjustments for:		
Depreciation	9,700	9,015
Amortisation of long term lease prepayment	7	7
Profit on disposal of property, plant and equipment	(309)	(1,280)
Interest income	(59)	(1,439)
Interest expense	1,610	-
Foreign currency changes	59	3,752
Operating profit before working capital changes	**189,823**	**24,077**
Increase in stocks	(60,350)	(25,511)
Increase in debtors	(95,133)	(10,805)
Decrease in related party balances	968	959
Increase in creditors	21,654	18,500
Cash generated from operations	**56,962**	**7,220**
Income taxes paid	(8,517)	(726)
Cash inflow from operating activities	**48,445**	**(6,494)**

b) Movement in cash and cash equivalent	2004 KShs '000	2003 KShs'000	Change in year KShs'000
Cash and bank balances	51,493	37,112	14,381
Short term deposits	9,395	40,490	(31,095)
	60,888	77,602	(16,714)

19. RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties:

		2004 KShs '000	2003 KShs '000
a) Directors and executive officers			
The total remuneration of directors and executive officers is as follows:			
Directors (note 5)	-Fees	1,334	922
	-Others	3,957	8,286
Executive officers		5,577	7,526
		10,868	**16,734**
b) Amounts due from directors			
Due from the Managing Director		930	-

This amount represents the balance on a car loan advanced to the Managing Director.

c) Management fees

Management fees of KShs 4,521,667 (See Note 3) was charged in the year by Sameer Management Limited for company secretarial and legal support services. The management fees however ceased after the majority shareholding changed in the year.

d) Sales to related parties	2004 KShs'000	2003 KShs'000
H. Young & Co. (East Africa) Ltd	-	7,677
Ryce Motors Limited	-	559
Firestone East Africa Limited	-	110
Sasini Tea and Coffee	-	39
	-	8,385
e) Purchases from related parties		
Ryce Motors Limited	-	172

19. RELATED PARTY TRANSACTIONS (CONTINUED)	2004 KShs '000	2003 KShs '000
f) Balances due from related parties		
Group		
H. Young & Co. (East Africa) Ltd	-	484
Ryce Motors Limited	-	348
Firestone East Africa Limited	-	87
Sasini Tea and Coffee Limited	-	49
	-	968
Company		
Yana Trading SA (Proprietary) Limited	5,429	8,752
Less: Provision for doubtful debt	(5,429)	-
	-	8,752
H. Young & Co. (East Africa) Ltd	-	484
Ryce Motors Limited	-	348
Firestone East Africa Limited	-	87
Sasini Tea and Coffee Limited	-	49
	-	9,720
g) Balances due to related parties		
Ryce Motors Limited	-	127

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

20. CONTINGENT LIABILITIES

A claim has been made by certain former employees of the company resulting from termination of employment. No provision has been made in these financial statements as in the opinion of the directors, a liability is unlikely to crystallise and cannot be currently established.

21. FINANCIAL COMMITMENTS

The company has entered into a contract with Japanese Aide, a Japanese Government Programme, and has placed an amount of KShs 9.1 million as a guarantee to facilitate a one year finance for purchase of raw materials using the Programme. This initiative is a joint effort between the Governments of Kenya and Japan to assist manufacturing companies in Kenya with a one interest free credit facility for purchase of raw materials. All purchases made under this Programme are to be settled after one year from the date of purchase. As at 31 December 2004, the company had committed to purchase KShs 15.6 million worth of raw materials through the Programme.

22. ULTIMATE HOLDING COMPANY

The ultimate holding company was Yana Trading limited until 12 March 2004. Thereafter after a change in ownership, the ultimate holding company is Transcentury Limited, a company incorporated in Kenya.

23. INCORPORATION

The company is incorporated in Kenya under the Companies Act.

24. CURRENCY

The financial statements are presented in Kenya Shillings.

Company Profit and Loss Account

	2004 KShs '000	2003 KShs '000
Revenue	**825,316**	**406,292**
Cost of sales	(511,602)	(266,264)
Gross profit	313,714	140,028
Other Income	1,089	4,115
Factory expenses	(34,686)	(33,401)
Administrative expenses	(49,056)	(52,436)
Distribution costs	(38,099)	(26,820)
Other operating expenses	(14,229)	(19,250)
Profit from operations	178,733	12,236
Net finance income	(1,635)	1,774
Profit before tax	**177,098**	**14,010**
Income tax	(55,154)	(4,657)
Net profit for the year	**121,944**	**9,353**
Basic and dilutive earnings per share	**KShs 6.02**	**KShs 0.46**
Dividend per share	**KShs 3.50**	**KShs 1.00**

Five Year Financial Record

Profit and Loss Summary	2000	2001	2002	2003	2004
		Restated	Consolidated	Consolidated	Consolidated
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Sales	399,255	358,161	388,008	428,430	825,316
Profit/(loss) Before Tax	46,698	24,112	(4,954)	14,022	178,815
Tax	(16,304)	(8,176)	(992)	(4,657)	(55,154)
Profit/(loss) After Tax	30,394	15,936	(5,946)	9,365	123,661
Dividends	(22,275)	(22,275)	(10,125)	(20,250)	(70,875)
Retained profit/(loss)	8,119	(6,339)	(16,071)	(10,885)	52,786
Earnings/(loss) Per Share (KShs)	1.50	0.79	(0.29)	0.46	6.11
Dividend Per Share (KShs)	1.10	1.10	0.50	1.00	3.50

BALANCE SHEET					
Non-current assets					
Property, plant and equipment	96,682	86,353	90,644	82,795	81,316
Long term lease prepayment	-	338	331	324	317
	96,682	86,691	90,975	83,119	81,633
Current assets					
Stocks	74,737	62,786	87,042	112,553	172,903
Debtors	59,712	73,814	70,854	81,659	176,792
Related party balances	-	2,335	1,927	968	-
Tax recoverable	-	2,165	61	-	-
Investment in Treasury Bills	-	29,570	-	-	-
Short term deposits	118,817	56,045	56,466	40,490	9,395
Cash and bank balances	10,629	14,908	23,214	37,112	51,493
	263,895	241,623	239,564	272,782	410,583
TOTAL ASSETS	**360,577**	**328,314**	**330,539**	**355,901**	**492,216**

Equity and Liabilities					
Share capital	101,250	101,250	101,250	101,250	101,250
Reserves	165,665	150,910	134,642	127,509	180,354
Proposed dividends	22,275	22,275	10,125	20,250	35,438
	289,190	274,435	246,017	249,009	317,042
Non- current liabilities					
Deferred tax liability	19,090	14,840	13,311	13,592	10,178
Provision for staff gratuity	-	7,689	8,555	9,232	10,434
	19,090	22,529	21,866	22,824	20,612
Current Liabilities					
Creditors	49,296	31,350	61,608	79,431	99,883
Taxation	3,001	-	-	3,589	53,640
Unclaimed dividends	-	-	1,048	1,048	1,039
	52,297	31,350	62,656	84,068	154,562
TOTAL EQUITY AND LIABILITIES	**360,577**	**328,314**	**330,539**	**355,901**	**492,216**

Notes

Proxy Form

I/We ______________________________

of ______________________________

being a member(s) of East African Cables Ltd, hereby appoint ______________________________

of ______________________________

or failing him ______________________________

of ______________________________

to vote for me/us/on my/our behalf at the 40th Annual General Meeting of the said Company to be held at 11.00 a.m. on Friday 21st April, 2005 and at any adjournment thereof:

Signed this ______________ day of ______________ 2005.

Signature (S) ______________________________

Note: In the case of a Corporation, the Proxy must be under the Common Seal.

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 ______________________________

wa ______________________________

kupiga kura kwa niaba yangu/yetu katika Mkutano Mkuu wa mwaka wa 40 wa kampuni hii, utakaofanyika saa tano asubuhi Ijumaa Aprili 21, 2005 ama siku nyingine ikiwa Mkutano huo utaahirishwa.

Hati hii imetiwa sahihi hivi leo tarehe ______________ mwezi wa ______________ 2005.

Sahihi ______________________________

Tazama: Ikiwa ni Kampuni ndiyo inayowakilishwa, muhuri wa Kampuni hiyo ni lazima utiwe katika hati hii ya uwakilishi.

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