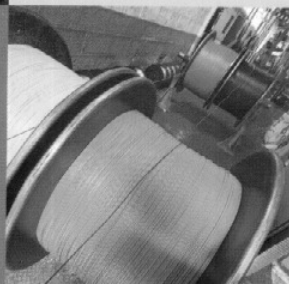
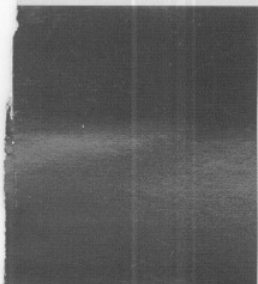


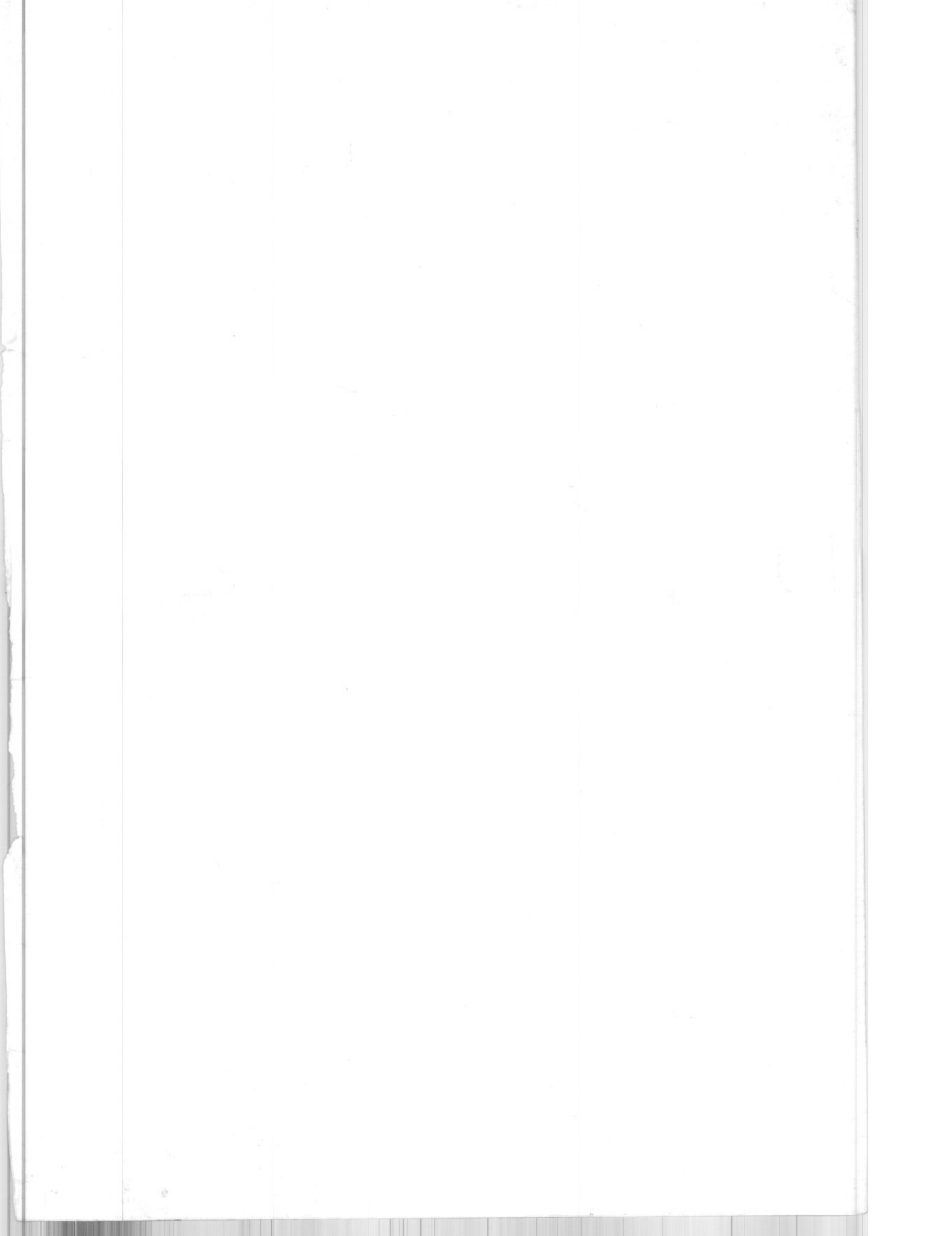


East African Cables

ANNUAL REPORT
AND ACCOUNTS 2005



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2. Cables Industry -- Kenya -- Periodic

Notice of the Annual General Meeting

Notice is hereby given that the forty first Annual General Meeting of the shareholders will be held at The Holiday Inn, Nairobi, on 13th April, 2006 at 11:00 a.m. for the following purposes:

1. To confirm the Minutes of the fortieth Annual General Meeting held on 21st April, 2005.
2. To receive the Accounts for the year ended 31st December, 2005 and the Directors' and Auditors' Reports thereon.
3. To approve the Directors' remuneration as provided in the accounts for the period ended 31st December, 2005.
4. To Declare a final dividend of 70% representing three shillings and fifty cents per share.
5. To elect Directors in accordance with the Company's Articles of Association. J.M Gachui 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

13th February, 2006

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.

2007/0901

Mnatangaziwa kwamba Mkutano wa Mwaka wa arubaini na moja wa wenye hisa utafanyika Holiday Inn, Westlands, Nairobi, tarehe 13 Aprili, 2006 saa tano kamili kwa shughuli zifuatazo:

1. Kuthibitisha Taarifa za Mkutano wa arubaini uliofanyika tarehe 21 Aprili, 2005.
2. Kupokea Hesabu za mwaka uliomalizika tarehe 31 Desemba, 2005 pamoja na taarifa ya Wakurugenzi na Wakaguzi.
3. Kutoa idhini ya malipo ya Wakurugenzi kwa mwaka uliomalizika tarehe 31 Desemba, 2005.
4. Kutangaza mgawo wa faida wa mwisho wa kiasi cha 70%, yaani shilingi tatu na senti hamsini kwa kila hisa.
5. Kuwachagua Wakurugenzi kwa kulingana na kanuni za kampuni. J.M Gachui ambaye muda wake umemalizika, amejitolea kuchaguliwa tena.
6. Kuwachagua KPMG Kenya kama wakaguzi wa hesabu za mwaka unaofuata na kuwapa wakurugenzi idhini ya kua-mua 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

13 Februari, 2006

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.

Board of Directors



Zephania G. Mbugua (Chairman)

Z. G. Mbugua, 56, 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 Directorships in ten other companies.

He was appointed a Director and Chairman of the Board in March 2004.



MUGO KIBATI

Mr. Kibati, 36, is the Managing Director and Chief Executive Officer of East African Cables Group Limited. An engineer by profession he was educated at Alliance High School and Moi University, before proceeding to George Washington University and the Massachusetts Institute of Technology (MIT) where he obtained his MBA and Masters degrees in economics and telecommunications. While at MIT, he studied economics and business strategy at Oxford and Harvard universities respectively.

Mugo started his career as an engineer at Bamburi Cement Company in Mombasa in 1991 before proceeding to the United States for further studies in 1995. Prior to joining East African Cables, he has worked across the world at the Fortune 50 Company - Lucent Technologies in the United States as Technical Marketing Manager as well as Market Development Manager for the Voice over IP and Optical Business Units respectively, at the World Bank's Multilateral Guarantee Agency in Washington, DC and at the International Telecommunications Union in Geneva, Switzerland.

Mugo is a member of the board of directors of the Kenya Association of Manufacturers and the Federation of Kenya Employers as well as a member of the Institute of Directors (Kenya).



JAMES GACHUI

Mr. Gachui, 58, studied Chemical Engineering at the University of Surrey, Guildford, England and graduated with a first class honors Bsc. degree in 1972. He worked for the Kenya Petroleum Refineries from July 1972 to October 1978 when he joined the French petroleum group Total in the Nairobi Office. He also worked in the group's Paris headquarters as well as the regional office in Abidjan, Cote d'Ivoire.

In 1994 he joined Galana Petroleum Ltd, a regional oil trading company, as General Manager and shareholder. He sold his interests in the company in 2000 to venture into private business.

James Gachui is the Chairman of Wananchi Online Limited, Seven Seas Technologies Limited, Trans Century Limited and Jimana Limited. In addition to being a member of the Institute of Directors (Kenya), director of Community Investments Limited and Chase Bank Kenya Limited, he is also a Director of Transparency International Kenya.

Board of Directors

5

PETER KANYAGO

Mr. Kanyago, 58, was educated at Nyeri High School, Strathmore College and Pacific States University. He is a qualified Accountant and holds a masters degree in Industrial Management.

He has a wide range of experience in business, having been the Chairman of Express Kenya Limited and currently the Chairman of East African Courier Limited (FedEx), East African Elevator Co. Limited (OTIS) and Kenya Medical Supplies Agency (KEMSA). He is also a member of the board of many companies including Kenya Tea Development Agency (KTDA) and a number of tea factories.



DAVINDER SIKAND

Mr. Sikand, 48, is the Managing Partner of Aureos East Africa Fund, a US\$40 million Fund. Prior to that he was with Kenya Capital Partners which was managing the Acacia Fund a US\$20 million Fund since its inception in 1996. Davinder has 15 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 a masters degree from Kellogg School of Business, Northwestern University, USA.



Report of the Directors

The directors have pleasure in submitting their report together with the audited financial statements for the year ended 31 December 2005, 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 32.

3. Dividends

The directors recommend the payment of a final dividend of KShs 3.50 per share. This together with the interim dividends of KShs. 1.50 per share paid in August brings the total dividend for the year to KShs. 5.00 (2004 – KShs 3.50) per share.

4. Directors

The directors who served since 1 January 2005 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 13th February 2006

BY ORDER OF THE BOARD

Virginia Ndunge
Secretary

Date: 13th February, 2006

Wakurugenzi wanafuraha kutoa ripoti yao pamoja na taarifa za kifedha zilizokaguliwa za mwaka uliomalizikia tarehe 31 Desemba 2005 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 32.

3. Mgawo wa Faida

Wakurugenzi wanapendekeza gawio la mwisho la KShs. 3.50 kwa kila hisa. Hii ni juu ya gawio la kwanza la KShs. 1.50 lililolipwa mnamo mwezi Agosti. Jumla ya gawio inakuwa ni KShs. 5.00 (2004 - KShs. 3.50) kwa kila hisa.

4. Wakurugenzi

Wakurugenzi waliokuwa ofisini mwaka huu ni kama inavyoonyeshwa katika ukurasa wa nne na wa tano.

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 13 Februari, 2006.

KWA AMRI YA HALMASHAURI

Virginia Ndunge

Katibu

Tarehe: 13 Februari, 2006.

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, three other non-executive directors and the Managing Director Mugo Kibati. 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 the 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 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 organized by accredited institutions.

All non-executive directors 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 for 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 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, ensure compliance with accounting standards, liaison with the external auditors, review the 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.

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.

Strategy Committee

The committee meets four times a year or as required. Its membership is composed of James Gachui, Z G Mbugua and George Njoroge. James Gachui and Z G Mbugua are non-executive directors of the company while George Njoroge, a non-executive director of Tanzania Dacsung Cables 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 reviews proposals involving capital expenditure.

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. All the committees enjoyed a busy and a fulfilling 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 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 Directors for services rendered during the financial year ended 2005 is disclosed on note 20 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 20.

Internal Controls

The company has defined procedures and financial controls to ensure the reporting of complete and accurate accounting information. These covers 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 control, 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.

Director' interests in the shares of the Company, the distribution of the Company shareholding and analysis of the ten major shareholders as at 31 st December 2005 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	264	64,070	0.32
501 - 5,000	571	1,054,865	5.21
5,001 - 10,000	82	593,423	2.93
10,001 - 100,000	71	1,691,816	8.36
100,001 - 1,000,000	9	1,531,764	7.56
Above 1,000,000	1	15,314,062	75.62
Total	998	20,250,000	100.00

Analysis of ten major shareholders

No.Names(s)	No. of shares	% Shareholding
1. Cable Holdings (Kenya) Ltd	15,314,062	75.62
2. The Jubilee Insurance Co Ltd	285,869	1.41
3. Madison Insurance Co. Ltd	200,000	0.99
4. Secumart Investment Ltd A/c Client	197,971	0.98
5. Mushtaq Gulamhusein	167,850	0.83
6. Ali Mohamed Adam	166,745	0.82
7. Gidjoy Investments Ltd	153,792	0.76
8. Ali Mohamed Adam	140,980	0.70
9. Chandubhai Bhikhabhai Patel	113,557	0.56
10. Cannon Assurance (Kenya) Ltd	105,000	0.51
Total	16,845,826	83.18

Utawala wa shirika ni namna ambavyo makampuni yanaongozwa, yanadhibitiwa na kutumiwa kwa njia yenye kunufaisha. Halmashauri ya wakurugenzi wa kampuni ya East African Cables Limited inawajibika katika kuiongoza kampuni na pia katika uongozi wa wadau ili kuhakikisha kwamba kampuni hii inatimiza sheria, kiwango cha juu zaidi cha utawala wa shirika na maadili mema ya kibiashara.

Halmashauri ya Wakurugenzi

Halmashauri hii inajumuisha mwenyekiti Z G Mbugua, wakurugenzi watatu wasio na mamlaka ya uamuzi na mkurugenzi mkuu (mwendeshaaji), Mugo Kibati. Wasifu wa wakurugenzi hawa unapatikana katika ukurasa wa nne na wa tano. Wakurugenzi wote wasio na mamlaka kamili wanazingatiwa na bodi kuwa huru wa uongozi, wana ujuzi mbalimbali, uzoefu na pia uwezo mwafaka wa kuongoza wenye kuifaa shughuli za kampuni.

Halmashauri hii hukutana angalau mara nne kwa mwaka, ikiwemo mikutano mingine ya dharura. Wakurugenzi hupata mawasiliano muafaka kwa wakati ufaao ili waweze kudumisha udhibiti unaohitajika katika masuala ya kimkakati, kifedha, utendajikazi na ukubalifu. Isipokuwa kwa kuelekeza na kuongoza katika sera za jumla, halmashauri hii imetenga mamlaka kwa Mkurugenzi Mkuu kuendesha shughuli za kila siku.

Isitoshe, halmashauri hii inabakia na jukumu la kuimarisha na kudumisha uongozi wa ndani ya kampuni katika masuala ya kifedha, utendakazi na ikibali.

Wakurugenzi wetu wamechudhuria kozi mbalimbali za utawala wa shirika zilizoandaliwa na taasisi zenye kutambulika. Wakurugenzi wote wasio na mamlaka ya kuamua wanaweza kuteuliwa tena upya kwa mujibu wa vifungu vya ushirikiano wa kampuni vinavyohitaji kuwa thuluthi moja ya wakurugenzi waliohudumu kwa muda mrefu (tangu uchaguzi wao uliopita) wastaafu mmoja baada ya mwingine kila mwaka, na ijapostahili, majina yao huwasilishwa katika mkutano wa mwaka ili kuchaguliwa upya.

Maadili mema ya Biashara

Wakurugenzi huambatisha umuhimu mkubwa katika haja ya kuendeleza biashara hii na utendakazi wa kampuni kwa tajiriba na kwa mujibu wa utendaji mwema wa utawala wa shirika kama inavyodhamiriwa na mwongozo wa Halmashauri ya Masoko ya Fedha kwa makampuni yaliyoorodheshwa nchini Kenya ikiwemo maadili mengine ya kimataifa kuhusu utawala mzuri.

Kampuni hii pia inakubali maadili mema ya tamaduni nzuri za shirika zinazohitaji kwamba wakurugenzi na wafanyakazi wote wadumisha uadilifu wa hali ya juu na matendo yenye nia njema na yenye kupendelea kampuni. Kampuni hii imekuza na kutekeleza kanuni ya maadili mema inayolenga miongozo na kanuni zenye msingi wa maadili mema ya:

- Kutimiza sheria kikamilifu
- Kutumia njia bora zaidi za kutekeleza uhasibu
- Usalama wa washikadau wote
- Kutunza njia bora zaidi za kuendesha biashara na
- Kuhurisha soko.

Utoaji wa nafasi sawa za kazi na uwajibikaji kwa watu wetu.

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

Kamati Za Halmashauri

Halmashauri hii ina kamati tatu simamizi ambazo hukutana mara kwa mara chini ya hadidu za rejea zilizolengwa na halmashauri hii.

Kamati ya ukaguzi wa mahesabu

Halmashauri hii imeanzisha kamati ya ukaguzi wa mahesabu ambayo hukutana kila baada ya miezi mitatu au kwa dharura. Uanachama wake unajumuisha Davinder Sikand na Peter Kanyago ambao ni wanakamati wasi mamlaka ya uamuzi. Majukumu ya kamati hii ni pamoja na kukagua taarifa za kifedha za kipindi cha nusu ya mwaka na taarifa nyingine za kifedha za kila mwaka; kutimiza viwango vya uhasibu, ushirikiano na wahasibu wa nje ya shirika, kuwatuza wahasibu kutoka nje na kudumisha uangalizi wa mfumo wa uongozi wa ndani. Majukumu mengine ni kupokea na kuzingatia bajeti ya kampuni ya kila mwaka; kukagua taratibu za ununuzi na kuzingatia mapendekezo kwa matumizi ya mtaji na kukata bima upya. Kamati hii inaongozwa na mkataba kutoka kwa halmashauri ambao unadokeza mamlaka yake.

Kamati ya wafanyakazi

Kamati hii hukutana kila baada ya miezi mitatu ama farari inapoita. Uanachama wake unajumuisha Peter Kanyago na James Gachui ambao ni wakurugenzi wasi mamlaka ya kuamua. Kamati hii vilevile inawajibika kwa usimamizi na kutathmini utendakazi wa uongozi (menejimenti), sera za utendajikazi na kuamua utuzwaji wa viongozi wakuu.

Kamati ya maarifa

Kamati hii hukutana mara nne kwa mwaka ama inavyohitajika kufanya hivyo. Uanachama wake unawajumuisha James Gachui, Z G Mbugua na George Njoroge. James Gachui na Z G Mbugua ni wakurugenzi wasio na mamlaka ya kuamua katika kampuni hii ilhali George Njoroge ambaye pia ni mkurugenzi msi mamlaka, wa Tanzania Daesung Cables Ltd ya Tanzania aliteuliwa kwenye kamati hiyo ili kuinufaisha kutokana na utaalamu wake katika kazi za umeme.

Jukumu kubwa la kamati hii ni kuchunguza maarifa ya kampuni na kuhakikisha mapendekezo yao ambayo ni pamoja na kupanua aina za bidhaa na/au kupanua mauzo katika maeneo mengine na pia kuchunguza mapendekezo yanayohusu matumizi ya mtaji yametekelezwa.

Mkurugenzi Mkuu hualikwa katika kamati zote ilhali mameneja wakuu hualikwa katika kamati husika. Kamati hizo kisha huwasilisha ugunduzi wao pamoja na mapendekezo yake katika mkutano wa robo mwaka wa halmashauri. Kamati zote zilifurahia mwaka wenye shughuli nyingi toshelezi na wanatazamia ufanisi mkubwa katika miaka ya baadaye.

Mawasiliano na wadau

Kampuni hii imejitolea kuhakikisha kwamba wadau na masoko ya fedha yanapata habari kamili kuhusu utendakazi wake kwa wakati unaofaa. Mwaka huu, kampuni hii ilitimilisha lengo hili kupitia kwa ugawanyaji wa ripoti ya kila mwaka ya kampuni pamoja na kutolewa kwa taarifa za matokeo yake ya kila robo mwaka kwa vyombo vya habari vya kitaifa. Kampuni hii pia hufanya mikutano ya kisheria kama inavyostahili. Kwa namna hivi, kampuni hii inatimiza wajibu uliowekwa katika sheria za uratibishaji za soko la hisa la Nairobi, sheria za halmashauri ya masoko ya fedha na sheria kuhusu makampuni nchini Kenya.

Ujira na Mikopo ya Wakurugenzi

Kwa jumla, kiasi cha mshahara waliolipwa wakurugenzi kwa huduma zao katika mwaka wa fedha ulioisha 2005 kimefafanuliwa katika muhtasari wa 20 kwa taarifa za kifedha. Sio mwishoni mwa mwaka wa fedha ama wakati wowote uliowekwa kulipotokea mpango wowote unaoihusu kampuni, ambapo wakurugenzi wanalijilimbikizia faida kwa njia ya umiliki wa hisa za kampuni. Uendeshaji wa shughuli zote na wakurugenzi ama pande husika unafanywa kwa uwazi. Shughuli kama hizo pia zimefafanuliwa katika muhtasari wa 20.

Udhibiti wa mambo ya ndani

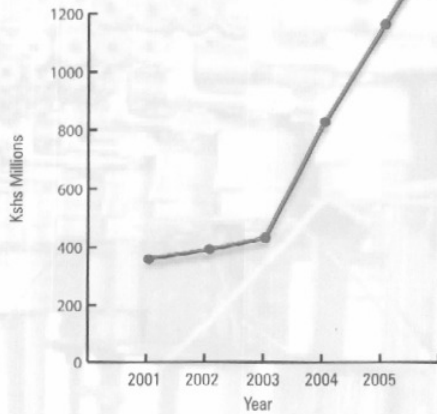
Kampuni hii ina taratibu bainifu na udhibiti wa fedha ili kuripoti taarifa za uhasibu zilizo timilifu na sahihi. Haya yana-jumlisha mifumo ya kupata mamlaka ya shughuli muhimu na kuhakikisha uzingatifu wa sheria na taratibu ambazo zinaweza kutia kampuni katika upungufu wa kifedha.

Utaratibu pia umepangwa kuhakikisha kwamba rasimali zinaangaliwa vizuri na kwamba muundomsingi wa shirika unabakia ili kuhakikisha utengaji maalumu wa kazi.

Katika kukagua uwezo wa taratibu za kudhibiti mambo ya ndani, halmashauri hii inazingatia sababu za matokeo ya kazi zilizotekezwa kwa kukagua mahesabu na shughuli nyingine za kampuni.

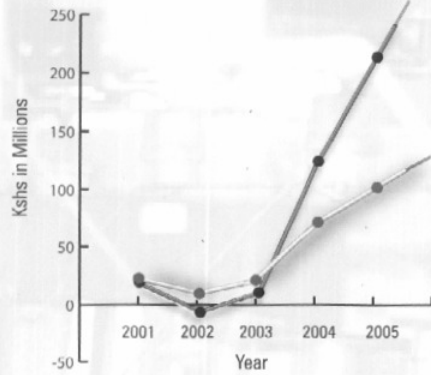
Mfumo wa uongozi wenye tabasuri katika uwajibikaji umewekwa kuelekeza vipimo vya utendaji kazi na vya kifedha. Mikutano ya mara kwa mara hufanywa kusimamia utendakazi na maafikiano kuhusu taratibu za kujiimarisha.

Turnover



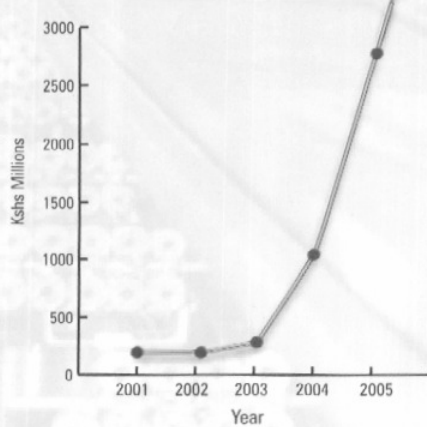
Key: Turnover

Profit after tax and dividend



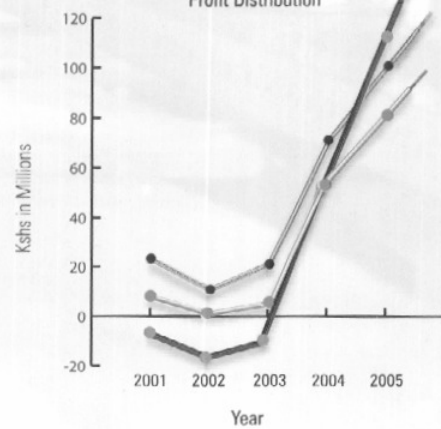
Key: Dividends Profit after tax

Market Capitalization



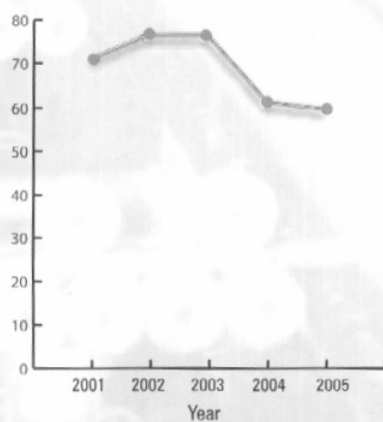
Key: Market Capitalization

Profit Distribution



Key: Dividends Retained profits Corporate tax

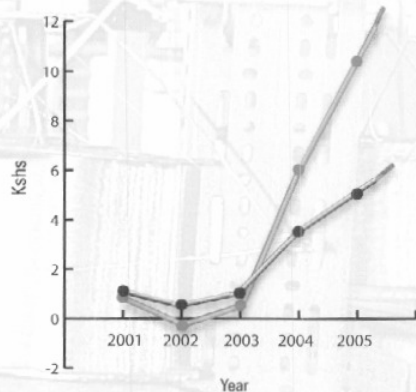
Cash Balance



Key: Cash balance

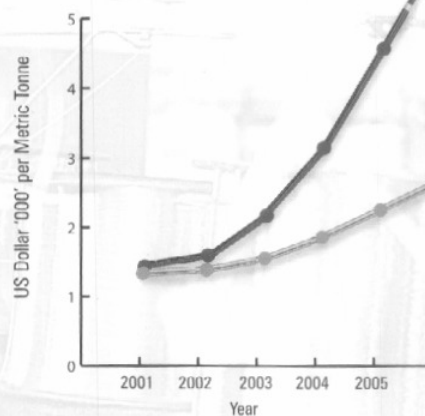
Comparative Results

Earnings and Dividends per share



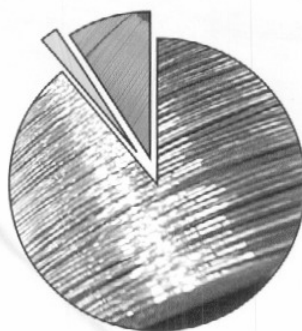
Key: — Earnings pershare — Dividends per share

London Metal Exchange cash settlement price per metric tonne

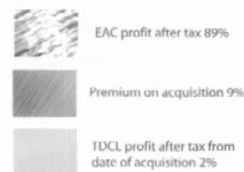


Key: — Copper — Aluminium

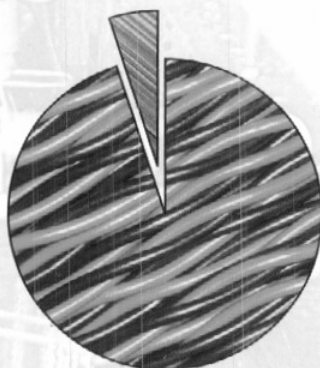
Profit after tax



Key:



Sales Distribution



Key:



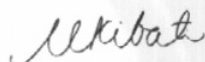
The Kenyan Companies Act requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the group and the company as at the end of the financial year and the operating results of the group for that year. It also requires the directors 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 group will not remain a going concern for at least the next twelve months from the date of this statement.



Z. G. Mbugua
(Chairman)



Mugo Kibati
(Managing Director)

13th February, 2006

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 maa-muzi 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.

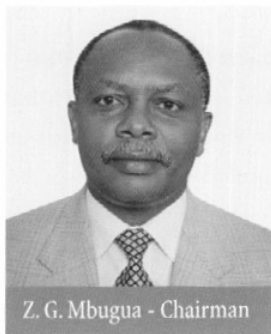


Z. G. Mbugua
(Chairman)



Mugo Kibati
(Managing Director)

Tarehe: 13 Februari, 2006.



Z. G. Mbugua - Chairman

It is my pleasure to present to you the Annual Report and Audited Financial Statements for the year ended 31st December 2005. Incorporated in the report are the challenges within which the company operated. The year was eventful as you will see in the report but the main highlights are:

- 1) the successful EGM at which the members authorized the board to acquire a subsidiary.
- 2) the acquisition of the subsidiary.
- 3) strategic partnership with Nexans, a company listed on Paris Stock Exchange.

BUSINESS ENVIRONMENT

Economic growth momentum slowed down in the 2nd half of 2005 weighed down by the severe drought situation and increased political activities occasioned by among others the referendum exercise. Despite all these, the annual average inflation rate declined to 10.31% compared to 11.62% in 2004 while the GDP growth forecasted at 5.5% was higher than the level of 4.3% achieved last year.

The 91 day T bills rate at 8.44% in 2005 marked a significant increase over the previous year's 2.86%. This resulted in increased cost of borrowing.

The Kenya shilling strengthened against all major trading currencies. Over the three months to December 2005, the shilling gained 2.3 %, 4.2% and 3.6% against the US Dollar, Sterling Pound and the Euro. For the twelve months to December 2005, the shilling gained 6.4%, 16.1% and 18.4% against the US Dollar, Sterling Pound and the Euro. The Strengthening of the shilling was attributable to strong inflows coupled with weak corporate demand. The strong shilling had a positive impact on our business.

In spite of the above, there have been signs of improved economic performance in the construction and energy sectors that we serve.

CHALLENGES

The following still remain as major challenges to the business:

• London Metal Exchange (LME) prices

World metal prices are determined by supply and demand and the LME keeps track of raw material prices. Since the beginning of the year, LME prices for copper and aluminium have increased by 46% and 22% respectively. The prices may rise further due to increased demand in the South East Asian region. It is becoming increasingly difficult to transfer price increases to our customers in an effort to safeguard our margins. The strength of the shilling has marginally reduced our raw material costs thus partially checking against the overall increases and this has been of assistance to our business in general.



1



2



3



4

1. EACL golf day.
2. EACL family fun day.
3. Nazareth primary school open day.
4. EACL Christmas party at Huruma Childrens' home.

Chairman's Statement (Continued)

• Exchange rate

Depreciation of the local currency against the Major Currencies of international trade will inevitably increase the cost of raw materials. There is demand for this to happen from parts of the economy especially the export based sector. The appreciation of the shilling against major currencies in the year was beneficial to the company as explained earlier. However, the appreciation or depreciation of the shilling will largely depend on political and economic factors beyond our control. These factors and the uncertainty they engender pose some risks in the next financial year. We shall keep a close watch and take the necessary appropriate actions.

• Counterfeits and substandard goods

This is another major challenge. 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. In the year, the company embarked on a campaign to raise awareness and sensitize consumers on the risks of using sub-standard, fake or counterfeit cables. We have already seen positive achievements and will continue with the campaigns in the next financial periods.

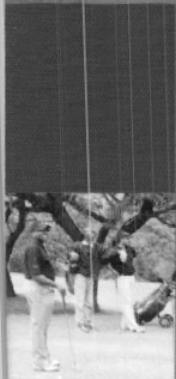
We recognize the potential impact these challenges pose to our business and appropriate response strategies are already in place to deal with them.

RESULTS

In spite of the above challenges, we were able to achieve encouraging growth with turnover and profit before tax increasing by 41% and 64% respectively for the group and 33% and 50% respectively for the company above levels achieved last year. I am also delighted to report that for the first time, the company surpassed the Kshs. 1 billion mark on turnover. This growth was as a result of focused marketing, production efficiencies and strict control of operating costs during the year. The profit for the year was principally from our manufacturing activities.

DIVIDENDS

Following this impressive performance, I am pleased to report that the Board of Directors is recommending to the Annual General Meeting a final dividend of Kshs. 3.50 per share. This is in addition to an interim dividend of Kshs. 1.50 per share paid on 31st August 2005. This brings the total dividend for the year to Kshs. 5.00 per share, which represents a return of 100% on the par value.



STRATEGIC GOALS

I am pleased to report that within the year, the company achieved two of its main strategic goals:-

- i) Regional diversification through acquisition of 51% shareholding in Tanzania Daesung Cables Ltd (now East African Cables (TZ) Ltd) situated in Dar-es-salaam Tanzania. The company is the market leader in Tanzania and manufactures both copper and aluminium cables and conductors. It also manufactures copper enamelled wires (used for re-winding electric motors and transformers) whose potential in this region is very good; this product range is not manufactured in our Nairobi factory. The company also positions itself more strategically for export business. Tanzania is a member of SADC and this will enable the company to supply its products in the SADC block at preferential tariffs. Moreover, with the recent establishment of the East African Customs Union, exports from Tanzania to Kenya and Uganda are duty-free. It is therefore easy for the Group to penetrate the very vibrant construction industry in this whole region under preferential tariff.
- ii) Strategic alliance through Technical and Commercial partnership with Nexans, a company listed on Paris Stock Exchange and a leading cable manufacturer in the world.
 - The commercial partnership has seen EAC appointed a sole distributor of Nexans products in the great lakes region together with Sudan, Ethiopia and Somali. We shall be distributing complementary products which include medium and high voltage power cables, fiber optic cables, data networking cables, telecommunication cables amongst others. Operational structures are now in place and we hope to do good business in this area in the next financial year.
 - The technical partnership will enable the company receive a wide range of technical assistance including factory upgrades, product range extension, and staff training.

ACQUISITION OF A SUBSIDIARY IN TANZANIA

On 27th October 2005, the company acquired 51% shareholding in Tanzania Daesung Cables Ltd (TDCL), the largest cable manufacturer in Tanzania at a cost of Kshs. 115 million. Kshs. 64 million of the acquisition price was financed from cash generated from operations while the balance of Kshs. 51 million was financed from a loan received from the majority shareholder, Cable Holding (K) Ltd. This transaction was approved by the EGM as mentioned earlier.

YANA TRADING (PTY) SOUTH AFRICA

The company remained dormant through out the financial period.

CMA-LIBRARY



MARKETING OPERATIONS

The company undertook a series of marketing activities in the year in order to increase awareness of our products and increase market share. The company created a technical sales section which in the second half of the year undertook a series of fruitful activities which included organizing various fundi workshops in various parts of the country. The workshops were aimed at educating the electricians on the qualities of good cables and the danger of installing substandard cables. The results were very encouraging and the company will continue with this initiative in the coming year.

HUMAN RESOURCES

In order to strengthen our capacity, the company recruited a Plant Manager, Commercial Manager and a Human Resources Manager. The company continues to invest heavily on its staff and strives to retain and draw the best productivity from the staff. During the year the company sponsored several competency based training programmes in order to further the talents of the staff; I can report that we have seen improvements in terms of efficiency. Following our technical partnership with Nexans we now have access to their laboratories, research and development center as well as training facilities. We shall use every opportunity to ensure that our staff benefit from these facilities. The goal is to ensure that what our staff learn impacts positively on the bottom line.

CORPORATE SOCIAL RESPONSIBILITY

The company has continued supporting community projects by financing various activities and charitable organizations. Most of the company's contribution is directed to very deserving sectors in education, homes for the destitute children among others. The company has offered support to Huruma Children's home; Nazareth Primary School situated at Mukuru Kwa Njenga and the Kenya Red Cross Society to assist areas affected by the drought.

ENVIRONMENTAL AUDIT

Following the enactment in 2004 of the environmental legislation based on environmental (Impact assessment and audits) regulations 2003 legislative supplement No. 31 of 2003 and Environmental Management and Co-ordination Act (EMCA) 1999 which requires all organizations to undertake an environmental audit every year, I am happy to report that the company submitted year 2005 report to the National Environmental Management Authority (NEMA). The report did not identify any adverse environmental issues. Management is currently addressing areas identified for improvement. The company will continue complying with the requirements of the legislation to ensure safe environment for all.



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 have been complied with.

FUTURE PROSPECTS

The outlook for 2006 is encouraging. I see tremendous growth potential in the region with most of the neighboring economies showing signs of growth. I am also optimistic that the Kenyan economy will continue to register improvement which will in turn result to further growth in the construction and energy sector and hence demand for our products.

In order to take advantage of the very vibrant construction industry in Uganda and Rwanda, the company will set up and commission a branch in Uganda in the first quarter of 2006; we have also signed an agreement with a distributor in Rwanda. This will strengthen our presence and operations in those markets and will ensure that we take advantage of prevailing opportunities. The company is also actively pursuing opportunities in Ethiopia, DRC, Somalia and Southern Sudan.

The company will also expand its production capacity in year 2006. A new site will be acquired to accommodate new production lines. The company will therefore incur heavy capital expenditure in the coming year. We expect to reap full benefits of the expansion in year 2007. At the end of year 2005, the company had committed to acquire land for the new site.

APPRECIATION

Special thanks go to our customers, suppliers and business partners for their continued support, to the management and staff for their continued delivery of outstanding results and finally to my fellow directors for their support, guidance and good leadership to the company.



Ni furaha yangu kukuwasilishieni ripoti ya mwaka huu kuhusu taarifa za mahesabu yalokaguliwa ya kipindi cha fedha kilichoisha tarehe 31 Desemba mwaka wa 2005. Yaliyoshirikishwa kwenye taarifa hiyo ni changamoto ambazo kwazo kampuni yetu ilijishughulisha kuzikabili. Mwaka wa 2005 ulikuwa ni mwaka wenye shughuli nyingi kama mtakvyobaini kwenye mwingiliano wa hesabu katika ripoti hii. Hata hivyo, vidokezo muhimu ni:

1. Kufaulu kwa mkutano wa dharura ambapo wanachama waliiruhusu halmashauri kumiliki kampuni tanzu.
2. Umiliki wa kampuni hiyo tanzu
3. Ushirika wa kimkakati na Nexans, kampuni mojawapo iliyoorodheshwa katika soko la hisa la Paris.

MAZINGIRA YA KIBIASHARA

Kazi ya ukuaji wa uchumi ilipunguwa katika sehemu ya pili ya nusu ya mwaka huu wa 2005 kutokana na ukame uliokithiri pamoja na shughuli za kisiasa, aghalabu za kura ya maoni. Mbali na haya yote, kiwango cha gharama za matumizi kilipungua hadi asilimia 10.3 ikilinganishwa na asilimia 11.62 mwaka wa 2004 huku ukuaji wa jumla wa pato la nyumbani (GDP) uliotabiriwa kuwa asilimia 5.5 ukipita kiwango cha asilimia 4.3 kiliyopatikana mwaka uliopita.

Kiwango cha hawala za serikali za siku 91 ambacho ni asilimia nane nukta nne nne (8.44) ya mwaka wa 2005 kilidhihirisha ongezeko maradufu, hiyo ikiwa ni asilimia mbili nukta nane sita (2.86%) zaidi kuliko mwaka uliopita. Hii ilileta ongezeko la gharama ya ukopeshaji.

Shilingi ya Kenya iliimarika dhidi ya sarafu nyingine za kigeni. Kwa kipindi cha miezi mitatu kufikia December 2005, shilingi ya Kenya iliimarika kwa asilimia 2.3, 4.2 na 3.6 dhidi ya Dola ya Marekani, Pauni ya Uingereza na Yuro. Kwayo miezi kumi na miwili kufikia Desemba 2005, shilingi ya Kenya iliimarika kwa asilimia 6.4, 16.1 na 18.4 dhidi ya Dola ya Marekani, Pauni ya Uingereza na Yuro. Kuimarika huku kunatokana na kiasi kikubwa cha uwekezaji pamoja na kupungua kwa uhitiji wa shirika. Uthabiti wa shilingi ulileta matokeo bora ya shughuli zetu.

Mbali na hayo, kumekuwa dalili za ukuaji wa uchumi katika sekta za ujenzi na kawi ambazo tunahudumia.

CHANGAMOTO

Yafuatayo yanasalia kuwa changamoto kwa shughuli zetu:

Bei za Uingereza za ubadilishanaji wa metali

Bei za metali ulimwenguni hutegemea ugavi na mahitaji na soko la ubadilishanaji wa metali la Uingereza hufuatana na bei za malighafi. Tangu mwanzo wa mwaka, bei za shaba nyekundu na alumini za soko hili zimeongezeka kwa asilimia 46 na 22 mtawalia. Heunda bei hizo zikaongezeka zaidi kutokana na kuongezeka kwa mahitaji ya bidhaa hizi kusini mashariki mwa Asia.

Ni vigumu kuelekeza nyongeza hizi kwa wateja wetu ili kulinda ukingo wetu. Uthabiti wa shilingi umepunguza bei zetu za malighafi hivyo basi kupunguza kwa kiasi fulani ongezeko lolote la shirika zima, jambo ambalo limefaidi shughuli za biashara kwa jumla.



Hali ya ubadilishaji

Kudorora kwa shilingi ya Kenya dhidi ya sarafu nyingine za soko la kimataifa bila shaka kutazidisha bei za malighafi. Kuna uhitaji wa hili kufanyika katika sekta nyingine za uchumi; haswa sekta ya usafirishaji bidhaa kwenda nje. Kuimarika kwa shilingi ya Kenya dhidi ya sarafu nyingine hapo mwakani kulikuwa na manufaa kwa kampuni kama iliyoelezwa hapo awali. Hata hivyo, kuimarika ama kudorora kwa shilingi kutategemea kwa kiasi kikubwa masuala ya kiuchumi na siasa tusiyouweza kuyadhiti. Mambo haya na mashaka yanayoibua yanaashiria athari fulani katika kipindi kijacho cha fedha. Licha ya hayo, tutaendelea uchunguzi wa makini na kuchukua hatua kabambe zitakazohitajika.

Bidhaa Bandia na Hafifu

Hii ni changamoto nyingine madhubuti. Tumeshuhudia kiwango kikubwa cha uagizaji wa bidhaa bandia zilizoigwa za humu inchini na hata kutoka nje. Bidhaa hizo za bei ya chini zimeathiri mauzo yetu hasa katika sekta ya kawaida ambapo bei ina umuhimu mkubwa. Mwaka huu pia, kampuni hii ilirejelea kampeni za kuwaelimisha na kuwatahadharisha wateja wake juu ya hatari za kutumia nyaya duni. Tayari tumepata ufanisi na tutazidisha kampeni zetu katika vipindi vijavyo vya fedha.

Tunatambua umuhimu ambao changamoto hizi zimetupa nayo mikakati kabambe ya kukabiliana nazo, tayari imewekwa.

MATOKEO

Japo changamoto hizi, tulifanikiwa kupata ongezeko maradufu huku pato la jumla - kabla ya kutozwa ushuru- likiongezeka kwa asilimia 41 na 64 mtawalia kwa kampuni na kampuni shiriki; na asilimia 33 na 50 mtawalia kwa kampuni, hili likizidi viwango vilivyopatikana mwaka uliopita. Vilevile, nina furaha kueleza ya kwamba kwa mara ya kwanza kampuni hii imepitisha kiwango cha mauzo cha shilingi bilioni moja. Ongezeko hili limetokana na kusisitizwa kwa mauzo, uzalishaji bora wa bidhaa na kudhibiti gharama za shughuli za kampuni za mwaka huu. Faida ya mwaka huu hata hivyo imetokana na shughuli zetu za uzalishaji.

GAWIO

Kufuatia ufanisi huu wa kuvutia, nina furaha kuwataarifu kwamba halmashauri ya wakurugenzi inapendekeza kwa mkutano wa mwaka kutolewa kwa gawio la shilingi tatu na senti hamsini kwa kila hisa. Hii ni nyongeza ya gawio la muda la shilingi moja na senti hamsini lililolipwa mnamo Agosti 31, 2005. Gawio la mwaka hivyo basi linafikia shilingi tano kwa kila hisa, hii ikiwakilisha asilimia 100 ya thamani ya hisa.



MALENGO YENYE MIKAKATI

Nina furaha kuwaeleza kuwa kampuni hii imefanikisha mikakati ya malengo yake mawili muhimu mwaka huu:

- i) Kupanua maeneo mbalimbali kwa kununua asilimia 51 za hisa za Tanzania Daesung Cables Ltd (sasa East African Cables (Tz) Ltd) iliyoko mjini Dar-es-Salaam, nchini Tanzania. Kampuni hii ndiyo inayoongoza katika soko ya Tanzania kwa kuzalisha nyaya za shaba nyekundu na alumi ni pamoja na vipitishi umeme. Vilevile, inazalisha nyaya za enameli za shaba nyekundu (zinatu mika kurejesha kamili mota na transfoma) ambazo zinao umuhimu mkubwa katika kanda hii. Bidhaa hii haitengenezwi katika kiwanda chetu cha Nairobi. Kampuni hii inajitayarisha hasa kwa biashara za nje. Tanzania ikiwa ni mwanachama wa SADC itaiwezesha kampuni hii kupeleka bidhaa zake katika jumuia ya SADC kwa uhuru wa ushuru wa forodha. Isitoshe, kwa uzinduzi wa karibuni wa umoja wa ushuru wa forodha ya Afrika mashariki, bidhaa zinazoletwa Kenya na kupeleka Uganda kutoka Tanzania hazitowazi ushuru. Hivyo basi, ni rahisi kwa shirika hili kupenya katika soko lenye kusisimua la ujenzi katika kanda hii chini ya uhuru wa ushuru wa forodha.
- ii) Uhusiano wa kimkakati kupitia kwa ufundi na biashara ya ushirika na Nexans, kampuni mojawapo iliyoorodheshwa katika soko la hisa la Paris na inayoongoza katika uzalishaji wa nyaya duniani. Biashara hiyo ya ushirika imepelekea kampuni hii kuteuliwa kuwa msambazaji wa pekee wa bidhaa za Nexans katika eneo la maziwa makuu yakiwemo mataifa ya Sudan, Ethiopia na Somali. Tutakuwa tukisambaza bidhaa zilizokamilika kama vile nyaya za vipimo vya chini na vya juu; nyaya za nyuzi; nyaya za kutandawiza miongoni mwa nyinginezo. Miundomsingi imek wisha kuandaliwa, na tunataraji kuendesha biashara bora zaidi katika eneo hili kwa kipindi kija cho cha fedha. Ushirikiano wa kiufundi utaiwezesha kampuni hii kupata aina mbalimbali za misaada ya kiufundi ikiwa ni pamoja na kuboresha viwanda, kuongeza aina za bidhaa na mafunzo kwa wafanyikazi wake.

UMILIKI WA KIWANDA TANZU NCHINI TANZANIA

Mnamo tarehe 27 Oktoba, 2005, kampuni hii ilinunua asilimia 51 ya hisa za Tanzania Daesung Cables Ltd ya Tanzania, ambayo ndiyo inayozalisha nyaya kwa wingi nchini Tanzania, kwa kiasi cha shilingi milioni 115. Milioni 64 yayo ilifadhiliwa kutoka kwa pesa zilizopatikana kutokana na shughuli za kampuni, ilhali kiasi kilichosalia cha shilingi milioni 51 kikifadhiliwa kwa mkopo uliotolewa na mdau mkubwa ambayo ni Cable Holdings (K) Ltd. Shughuli hii iliidhinishwa katika mkutano ule wa farari kama iliyotajwa hapo awali.



YANA YA AFRIKA KUSINI – MSHIRIKI WA KIBIASHARA

Kampuni hii haikutumika kwa kipindi chote cha mwaka.

SHUGHULI ZA UUZAJI

Kampuni hii iliandaa shughuli mbalimbali za uuzaji mwaka huu ili kuelimisha wateja wetu zaidi kuhusu bidhaa zetu, na kuzidisha umiliki wa hisa. Vilevile, kampuni hii iliunda kitengo cha kiufundi cha mauzo ambacho katika sehemu ya nusu ya pili ya mwaka kiliandaa shughuli mbalimbali zenye manufaa ambazo ni pamoja na kupanga mikutano na mafundi wa juakali katika sehemu nyingi nchini. Mikutano hiyo ilikusudiwa kuwaelimisha mafundi-umeme juu ya umuhimu wa kutumia nyaya bora na hatari za matumizi ya nyaya hafifu. Matokeo yalikuwa yenye kutia motisha nasi tutaendeleza mpan-go huu mwaka ujao.

UTENDAJIKAZI

Ili kuimarisha uwezo wetu, kampuni hii iliajiri meneja wa kiwanda, meneja wa biashara na meneja wa utendaji kazi. Kampuni hii vilevile inaendelea kuwekeza katika wafanyikazi wake na kujizatiti iwahi-fadhi ili ipate uzalishaji bora zaidi kutoka kwao. Mwaka huu, kampuni hii ilifadhili taratibu mbalimbali za mafunzo yenye ubora ili kuendeleza vipawa vya wafanyikazi na naweza kusema kuwa kunayo mabadiliko katika utendaji wao wa kazi.

Kufuatia ushirikiano wetu wa kiufundi na Nexans, sasa tunao uwezo wa kutumia maabara yao, kituo chao cha utafiti na ustawi pamoja na huduma za mafunzo. Tutatumia kila fursa kuhakikisha wafanyikazi wetu wananufaika na huduma hizo. Dhamira yetu ni kuhakikisha kuwa wafanyikazi wana-jifunza mambo ya kimsingi.

UWAJIBIKAJI WA SHIRIKA KWA KIJAMII

Kampuni hii imeendelea kuunga mkono miradi ya kijamii kwa kugharimia shughuli mbalimbali, pamoja na kuyafadhili mashirika yanayotoa misaada. Mchango mkubwa wa kampuni hii umeelekezwa kwenye sekta zenye uhitaji mkubwa za kielimu; makao ya watoto yatima miongoni mwa nyingine. Kampuni hii pia imefadhili makao ya watoto yatima ya Huruma, shule ya msingi ya Nazareth iliyoko katika mtaa wa Mukuru Kwa Njenga na shirika la msalaba mwekundu ili kuliwezesha kutoa msaada katika maeneo yaliyoathiriwa na ukame.

UCHUNGUZI WA MAZINGIRA

Kufuatia kuidhinishwa kuwa sheria mnamo mwaka wa 2004, kwa hoja zilizotungwa kwa misingi ya taratibu za kimazingira za mwaka wa 2003; kifungu cha sheria nambari 31 ya mwaka wa 2003, na sheria inayoratibu uongozi wa mazingira, ya mwaka wa 1999 ambayo inashurutisha mashirika yote kuandaa siku ya ukaguzi wa mazingira kila mwaka, nina furaha kusema kuwa kampuni hii iliwasilisha ripoti yake ya mwaka wa 2005 kwa mamlaka ya kitaifa kuhusu usimamizi wa mazingira. Ripoti hiyo hata hivyo haikutambua masuala yoyote yenye athari mbaya kwa mazingira. Uongozi wa kampuni kwa sasa unashughulikia maeneo yaliyopendekezwa yaimarishwe. Kampuni hii itazi-di kuzingatia matakwa ya kisheria ili kuhakikisha mazingi-ra salama kwa wote.



VIWANGO VYA KURIPOTI

Kampuni hii inaendelea kuridhi matakwa ya uwasilishaji na ufumbuzi wa kiwango cha kimataifa cha kuripoti matumizi ya fedha kama inavyohitajika na taasisi ya wahasibu halali wa umma. Mabadiliko ya ustawi wa viwango hivi katika kipindi hiki cha fedha yamezingatiwa.

MATARAJIO YA BAADAYE

Matarajio ya mwaka wa 2006 ni yenye kutia moyo. Naona tukipata ukuaji mkubwa wenye manufaa katika kanda hii huku uchumi wa mataifa jirani ukionyesha ishara za kuimarika. Vilevile, nina matumaini kuwa uchumi wa Kenya utazidisha imariko ambalo litaleta ukuaji zaidi katika sekta za ujenzi na kawi hivyo kuzidisha uhitaji wa bidhaa zetu.

Ili kuchukua fursa mahususi za masoko ya ujenzi yaliyo tayari nchini Uganda na Rwanda, kampuni hii itaweka na kuwajibisha tawi nchini Uganda katika kipindi cha robo ya kwanza ya mwaka wa 2006. Pia tumetia sahihi mkataba wa maelewano na msambazaji mmoja nchini Rwanda. Hii inakusudiwa kuimarisha uwepo wetu na shughuli zetu kwenye masoko hayo pamoja na kuhakikisha tunazitumia fursa zilizopo kikamilifu. Kampuni hii inawania pia kupata fursa nyingine katika nchi za Ethiopia, Jamhuri ya Kidemokrasia ya Kongo, Somalia na kusini mwa Sudan.

Isitoshe, kampuni hii itapanua kiwango chake cha uzalishaji hapo mwaka wa 2006. Eneo jipya litanunuliwa kujengea viwanda vipya vya uzalishaji. Kampuni hii hivyo basi, itakuwa na matumizi mengi ya mtaji wake hapo mwakani. Tunatarajia kuvuna mazao bora ya upanuzi huu ifikapo mwaka wa 2007. Kufikia mwisho wa mwaka wa 2005, kampuni hii ilitia sahihi mkataba wa kununua ardhi kitakapojengwa kiwanda hicho kipya.

SHUKURANI

Shukurani zangu za dhiti zinawaendea wateja wetu, wagawaji wa bidhaa zetu na washiriki wetu wa kibiasara kwa kutuunga mkono siku zote. Kadhalika ninawashukuru viongozi na wafanyikazi kwa kudumisha uzalishaji wa matokeo ya kipekee. Hatimaye, nawashukuru wakurugenzi wenzangu kwa kuniunga mkono; kuelekeza vema kampuni na kudhihirisha uongozi wake bora. Ahsanteni.



We have audited the financial statements set out on pages 32 to 60 for the year ended 31 December 2005. 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 17, 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 financial position of the group and company at 31 December 2005 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: 13th February, 2006

Tumekagua taarifa za fedha za mwaka ulioishia tarehe 31 Desemba, 2005 jinsi zilivyoandikwa kutoka ukurasa wa 32 hadi wa 60. Tumepata habari na maelezo yote ambayo kwa ujuzi na imani yetu yalikuwa ni ya lazima kwa ukaguzi wetu na ambayo yametuwzesha kutoa kauli yetu. Taarifa za fedha na raslimali zinalingana na vitabu vya hesabu.

Majukumu Mbalimbali ya Wakurugenzi na Wakaguzi

Ilivyochezwa katika ukurasa wa 18, Wakurugenzi wana jukumu la kutayarisha taarifa za fedha na raslimali za Kampuni zinazoonyesha ukweli na usawa wa hali ya mambo yalivyo na matokco 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 raslimali. 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 raslimali zinaonyesha ukweli na usawa wa hali ya Kampuni na Kampuni shiriki ilivyokuwa hadi tarehe 31 Desemba, 2005. 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: 13 Februari, 2006

DIRECTORS

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 12 March 2004

D. Sikand

Appointed on 19th July 2004

SECRETARY

Virginia Ndunge

ADVOCATES

Kaplan & Stratton Advocates

P. O. Box 40111 - 00100, Nairobi

Anjarwalla & Khanna Advocates

P. O. Box 61278 - 00200 , Nairobi

AUDITORS

KPMG Kenya

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

REGISTERED OFFICE & PRINCIPLE 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 40310 - 00100, Nairobi

Citibank NA

Upperhill Branch P. O. Box 30711 - 00100, Nairobi

Commercial Bank of Africa Ltd

P. O. Box 30437 - 00100, Nairobi.

Consolidated Profit and Loss Account

	Notes	2005 KShs '000	2004 KShs '000
Revenue		1,162,041	825,316
Cost of sales		(737,456)	(511,602)
Gross profit		424,585	313,714
Other Income		3,178	1,089
Factory expenses		(38,471)	(34,686)
Administrative expenses		(73,102)	(47,354)
Distribution costs		(32,612)	(38,099)
Other operating expenses	3	(9,986)	(14,229)
Profit from operations		273,592	180,435
Premium on acquisition of subsidiary	19 (c)	19,301	-
Net finance income/ (cost)	4	1,142	(1,620)
Profit before tax	5	294,035	178,815
Income tax	6	(81,096)	(55,154)
Net profit for the year		212,939	123,661
Attributable to:			
Equity holders of parent:			
Company		188,796	123,661
Subsidiary (including premium on acquisition)		21,771	-
Group		210,567	123,661
Minority interest		2,372	-
Net profit for the year		212,939	123,661
Basic and dilutive earnings per share	7	KShs 10.40	KShs 6.11
Dividend per share		KShs 5.00	KShs 3.50

The notes set out on pages 37 to 60 form an integral part of these financial statements.

Balance Sheet

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		Group		Company	
	Notes	2005 KShs '000	2004 KShs '000	2005 KShs '000	2004 KShs '000
ASSETS					
Non current assets					
Property, plant and equipment	8	239,602	81,316	97,237	81,316
Prepaid operating lease rentals	9	60,948	317	310	317
Intangible assets	10	6,165	-	6,165	-
Investment in subsidiary company	11	-	-	115,037	-
		<u>306,715</u>	<u>81,633</u>	<u>218,749</u>	<u>81,633</u>
Current assets					
Stocks	12	332,221	172,903	303,565	172,903
Debtors	13	353,745	176,792	290,168	176,792
Short term deposits	14	10,221	9,395	10,221	9,395
Related party balance	20(d)	-	-	-	-
Cash and bank balances		49,268	51,493	31,639	50,997
		<u>745,455</u>	<u>410,583</u>	<u>635,593</u>	<u>410,087</u>
TOTAL ASSETS		1,052,170	492,216	854,342	491,720
Equity and Liabilities					
Capital and Reserves					
Issued capital	15	101,250	101,250	101,250	101,250
Share premium		545	545	545	545
Revaluation reserve		34,300	34,936	34,300	34,936
Revenue reserves		254,767	144,814	232,728	144,546
Proposed dividends		70,875	35,438	70,875	35,438
Minority Interest		131,444	-	-	-
Exchange differences on translation of subsidiary		(4,095)	59	-	-
		<u>589,086</u>	<u>317,042</u>	<u>439,698</u>	<u>316,715</u>
Non current liabilities					
Deferred tax liability	16	15,532	10,178	11,935	10,178
Provision for staff gratuity	18	12,160	10,434	7,176	10,434
Shareholders' loan	20(e)	16,900	-	16,900	-
		<u>44,592</u>	<u>20,612</u>	<u>36,011</u>	<u>20,612</u>
Current liabilities					
Creditors	17	368,819	99,883	332,836	99,714
Tax payable		11,518	53,640	10,187	53,640
Shareholders' loan	20 (e)	34,579	-	34,579	-
Dividends payable		3,576	1,039	1,031	1,039
		<u>418,492</u>	<u>154,562</u>	<u>378,633</u>	<u>154,393</u>
TOTAL EQUITY AND LIABILITIES		1,052,170	492,216	854,342	491,720

The financial statements on pages 32 to 60 were approved by the Board of Directors on 13th February 2006 and were signed on its behalf by:

Z. G. Mbugua (Chairman)

Mugo Kibati (Managing Director)

The notes set out on pages 37 to 60 form an integral part of these financial statements.

Consolidated Cash Flow Statement

	Note	2005 KShs '000	2004 KShs '000
Cash flows from operating activities	19(a)	<u>138,610</u>	<u>48,445</u>
Investing Activities			
Proceeds from disposal of property, plant and equipment		2,827	1,315
Interest received		1,746	59
Interest paid		(288)	(1,610)
Investment in subsidiary	19(c)	(97,967)	-
Purchase of plant and equipment and software		<u>(31,985)</u>	<u>(9,227)</u>
Cash flows from investing activities		<u>(125,667)</u>	<u>(9,463)</u>
Financing Activities			
Shareholders loan received		51,479	-
Loan received		-	76,306
Loan repayment		-	(76,306)
Dividends paid		<u>(65,821)</u>	<u>(55,696)</u>
Cash flows from financing activities		<u>(14,342)</u>	<u>(55,696)</u>
Net decrease in cash and cash equivalents	19(b)	<u>(1,399)</u>	<u>(16,714)</u>

The notes set out on pages 37 to 60 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	Minority interest KShs '000	Exchange reserve KShs '000	Total KShs '000
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	144,814	35,438	-	59	317,042
Net profit for the year	-	-	-	210,567	-	2,372	-	212,939
Dividends- 2004 paid	-	-	-	-	(35,438)	-	-	(35,438)
- 2005 proposed	-	-	-	(101,250)	101,250	-	-	-
- 2005 paid	-	-	-	-	(30,375)	-	-	(30,375)
Exchange difference on translation of a subsidiary	-	-	-	-	-	-	(4,154)	(4,154)
Excess depreciation transfer	-	-	(909)	909	-	-	-	-
Deferred tax on excess depreciation	-	-	273	(273)	-	-	-	-
Minority interest at acquisition of subsidiary	-	-	-	-	-	129,072	-	129,072
Balance at 31st Dec 2005	101,250	545	34,300	254,767	70,875	131,444	(4,095)	589,086

The notes set out on pages 37 to 60 form an integral part of these financial statements.

Company Statement of Changes in Equity

	Share capital	Share premium	Revaluation reserve	Revenue reserve	Proposed dividends	Total
	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
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
Net profit for the year	-	-	-	188,796	-	188,796
Dividends - 2004 paid	-	-	-	-	(35,438)	(35,438)
- 2005 proposed	-	-	-	(101,250)	101,250	-
- 2005 paid	-	-	-	-	(30,375)	(30,375)
Excess depreciation transfer	-	-	(909)	909	-	-
Deferred tax on excess depreciation	-	-	273	(273)	-	-
Balance at 31st Dec, 2005	101,250	545	34,300	232,728	70,875	439,698

The notes set out on pages 37 to 60 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 have been prepared under the historical cost convention as modified by the revaluation of certain property and equipment.

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

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, Tanzania Daesung Cable 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 11). 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. The financial statement of the subsidiaries are included in the consolidated financial statements from the date that control commences until that control ceases.

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) 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, which is the Company's functional and presentation currency.

Notes to the Financial Statements

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

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

(iii) 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 balance sheet 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 as a separate component of equity.

(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%

The assets residual values and useful lives are reviewed and adjusted as appropriate at each balance sheet date.

(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 indication 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 23 days 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.

Notes to the Financial Statements

(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.

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) 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 the profit and loss account.

(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.

Notes to the Financial Statements

(q) Offsetting

Financial assets and liabilities are offset and the net amount reported on the balance sheet 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.

(r) 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 specific to the liability.

2. STAFF COSTS	2005	2004
	KShs '000	KShs '000
(a) Group		
Direct labour	24,405	19,749
Indirect factory salaries	16,150	11,910
Administration salaries and wages	21,578	9,872
Distribution salaries and wages	17,278	11,382
Pension contributions	3,463	1,910
	<u>82,874</u>	<u>54,823</u>

The average number of people engaged during the year was 186 (2004 - 147)

(b) Company		
Direct labour	23,632	19,749
Indirect factory salaries	16,150	11,910
Administration salaries and wages	20,336	9,872
Distribution salaries and wages	17,278	11,382
Pension contributions	3,437	1,910
	<u>80,833</u>	<u>54,823</u>

The average number of people engaged during the year was 142 (2004 - 147)

Notes to the Financial Statements

3. OTHER OPERATING EXPENSES	2005	2004
	KShs '000	KShs '000
Depreciation	9,979	9,700
Amortisation of long term lease prepayment	7	7
Management fees	-	4,522
	<u>9,986</u>	<u>14,229</u>
4. NET FINANCE INCOME	2005	2004
	KShs '000	KShs '000
Interest income	1,746	59
Interest paid	(288)	(1,610)
Gain/(Loss) on exchange	343	(69)
Bank charges	(659)	-
	<u>1,142</u>	<u>(1,620)</u>
5. PROFIT BEFORE TAX	2005	2004
	KShs '000	KShs '000
Profit before tax is arrived at after charging/(crediting):		
Depreciation expense	9,979	9,700
Amortisation of long term lease prepayment	7	7
Profit on disposal of property, plant and equipment	(1,875)	(309)
Interest Income	(1,746)	(59)
Interest paid	288	1,610
Directors emoluments - Fees	1,411	1,334
- Other	11,507	3,957
Auditors remuneration	<u>1,243</u>	<u>850</u>

Notes to the Financial Statements

6. INCOME TAX	2005 KShs '000	2004 KShs '000
Current tax expense	79,150	58,568
Previous year's overprovision	-	-
Deferred tax (Note 16)	1,946	(3,414)
	<u>81,096</u>	<u>55,154</u>
The tax on the consolidated results differ from the theoretical amount using the basic tax rate as follows:		
Accounting profit	<u>294,035</u>	<u>178,815</u>
Tax at the applicable rate	88,211	53,645
Previous year's overprovision	-	-
Non-deductible costs and non-taxable income	(7,115)	1,509
	<u>81,096</u>	<u>55,154</u>

7. 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)	<u>210,567</u>	<u>123,661</u>
Number of ordinary shares outstanding during the year	<u>20,250,000</u>	<u>20,250,000</u>
Basic and dilutive earnings per share	<u>KShs 10.40</u>	<u>KShs 6.11</u>

Notes to the Financial Statements

8. PROPERTY, PLANT AND EQUIPMENT

(a) Group

	Freehold land and buildings	Leasehold buildings	Plant and machinery	Motor vehicles	Furniture, fittings & equipment	Construction work in progress	Total
	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
Cost or valuation:							
At 1st January, 2005	14,331	43,000	78,529	24,006	10,417	1,178	171,461
Additions	-	-	-	7,919	2,674	15,227	25,820
On acquisition of subsidiary	-	111,886	100,120	1,888	3,324	-	217,218
Disposals	-	-	(294)	(6,446)	(658)	-	(7,398)
Exchange differences	-	(550)	(3,832)	(72)	(119)	-	(4,573)
At 31st December, 2005	14,331	154,336	174,523	27,295	15,638	16,405	402,528
Comprising:							
Cost	-	-	78,530	24,006	10,416	-	112,952
Valuation	14,331	154,336	95,993	3,289	5,222	16,405	289,576
	14,331	154,336	174,523	27,295	15,638	16,405	402,528
Depreciation:							
At 1st January, 2005	754	6,020	59,346	16,810	7,215	-	90,145
Charge for the year	131	961	4,675	2,665	1,547	-	9,979
On acquisition of subsidiary	-	10,201	57,405	1,656	2,686	-	71,948
Disposals	-	-	-	(6,446)	-	-	(6,446)
Exchange differences	-	(392)	(2,157)	(59)	(92)	-	(2,700)
At 31st December, 2005	885	16,790	119,269	14,626	11,356	-	162,926
Net book value :							
At 31st Dec, 2005	13,446	137,546	55,254	12,669	4,282	16,405	239,602
At 31st Dec, 2004	13,577	36,980	19,183	7,196	3,202	1,178	81,316

8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) Company

	Freehold land and buildings	Leasehold buildings	Plant and machinery	Motor vehicles	Furniture, fittings & equipment	Construction work in progress	Total
	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
Cost or valuation:							
At 1st January, 2005	14,331	43,000	78,529	24,006	10,417	1,178	171,461
Additions	-	-	-	7,919	2,673	15,227	25,819
Transfers	-	1,043	135	-	-	(1,178)	-
Disposals	-	-	-	(6,446)	-	-	(6,446)
At 31st December, 2005	14,331	44,043	78,664	25,479	13,090	15,227	190,834
Depreciation:							
At 1st January, 2005	754	6,020	59,346	16,810	7,215	-	90,145
Charge for the year	131	881	4,676	2,665	1,545	-	9,898
Disposals	-	-	-	(6,446)	-	-	(6,446)
At 31st December, 2005	885	6,901	64,022	13,029	8,760	-	93,597
Net book value :							
At 31st Dec, 2005	13,446	37,142	14,642	12,450	4,330	15,227	97,237
At 31st Dec, 2004	13,577	36,980	19,183	7,196	3,202	1,178	81,316

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.

The land and buildings of the subsidiary, Tanzania Daesung Cable Ltd, 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 the fair value of these assets at the date of acquisition.

Notes to the Financial Statements

9.	PREPAID OPERATING LEASE RENTALS	2005	2004
		KShs'000	KShs'000
	Group:		
	Carrying value of leasehold land at 1st January	317	324
	On acquisition of subsidiary	60,638	-
	Amortisation for the year	(7)	(7)
	Balance at 31st December	60,948	317
	Company:		
	Carrying value of leasehold land at 1st January	317	324
	Amortisation for the year	(7)	(7)
	Balance at 31st December	310	317
10.	INTANGIBLE ASSETS	2005	2004
		KShs'000	KShs'000
	Group and Company		
	Purchase of software licenses	6,165	-
	Amortisation for the year	-	-
	Net book value at 31 December 2005	6,165	-
11.	INVESTMENT IN SUBSIDIARY COMPANIES		
	Tanzania Daesung Cable Limited	115,037	-
	Yana Trading SA (Proprietary) Limited	-	-
		115,037	-

11. INVESTMENT IN SUBSIDIARY COMPANIES (CONTINUED)

On 27th October 2005, the Company purchased 51% of the share capital of Tanzania Daesung Cable Limited, a company incorporated in Tanzania. The effect of the acquisition is summarised under note 19(c).

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 of the subsidiary, Tanzania Daesung Cable Limited are as follows:

	KShs '000
Revenue for the year ended 31 December 2005	<u>326,779</u>
Profit after tax for the year ended 31 December 2005	<u>50,439</u>

12. STOCKS

	2005 KShs'000	2004 KShs'000
Group		
Raw materials:		
- Goods in transit	76,903	979
- Others	99,231	65,855
Finished goods	86,971	29,314
Work in progress	54,116	64,236
Strategic spares and lubricants	14,850	12,519
Stationery and printing	150	-
	<u>332,221</u>	<u>172,903</u>
Company		
Raw materials:		
- Goods in transit	76,903	979
- Others	89,062	65,855
Finished goods	80,349	29,314
Work in progress	45,126	64,236
Strategic Spares and lubricants	12,125	12,519
	<u>303,565</u>	<u>172,903</u>

Notes to the Financial Statements

	2005 KShs'000	2004 KShs'000
13. DEBTORS		
Group		
Trade debtors	306,112	154,171
Prepaid expenses	1,299	625
Sundry debtors	46,334	21,996
	<u>353,745</u>	<u>176,792</u>
Company		
Trade debtors	244,117	154,171
Prepaid expenses	330	625
Sundry debtors	45,721	21,996
	<u>290,168</u>	<u>176,792</u>

14. SHORT TERM DEPOSITS

The weighted average effective interest rate earned on the short term deposits during the year was 2.8% (2004 - 2.1%)

15. SHARE CAPITAL**Group and Company**

	2005 KShs '000	2004 KShs '000
Authorised, issued and fully paid		
20,250,000 Ordinary shares of KShs 5 each	<u>101,250</u>	<u>101,250</u>

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.

16. DEFERRED TAX LIABILITIES**(a) Group**

Movements during the year are as follows:-

	Balance at 1/1/05 KShs '000	On acquisition of subsidiary KShs '000	Movement during the year KShs '000	Exchange difference KShs '000	Balance at 31/12/05 KShs '000
Staff gratuity provision	(3,130)	-	977	-	(2,153)
Other provisions and accruals	(1,689)	-	(4,708)	-	(6,397)
Property, plant and Equipment	14,997	3,544	(425)	(136)	17,980
Unrealised exchange gain	-	-	6,102	-	6,102
	<u>10,178</u>	<u>3,544</u>	<u>1,946</u>	<u>(136)</u>	<u>15,532</u>

(b) Company

Movements during the year are as follows:-

	Balance at 1/1/05 KShs '000	Movement during the year KShs '000	Balance at 31/12/05 KShs '000
Staff gratuity provision	(3,130)	977	(2,153)
Other provisions and accruals	(1,689)	(4,708)	(6,397)
Unrealised exchange gain	-	6,102	6,102
Property, plant and Equipment	14,997	(614)	14,383
	<u>10,178</u>	<u>1,757</u>	<u>11,935</u>

17. CREDITORS**Group**

Trade creditors
Other creditors and accrued expenses

	2005 KShs '000	2004 KShs '000
Trade creditors	329,398	82,052
Other creditors and accrued expenses	39,421	17,831
	<u>368,819</u>	<u>99,883</u>

Company

Trade creditors
Other creditors and accrued expenses

	2005 KShs '000	2004 KShs '000
Trade creditors	301,273	82,052
Other creditors and accrued expenses	31,563	17,662
	<u>332,836</u>	<u>99,714</u>

18. RETIREMENT BENEFITS OBLIGATIONS**Group**

	Balance at 1/1/05 KShs '000	On acquisition of subsidiary KShs '000	Movement KShs '000	Exchange difference KShs '000	Balance at 31/12/05 KShs '000
Staff gratuity	<u>10,434</u>	<u>188</u>	<u>1,727</u>	<u>(189)</u>	<u>12,160</u>

Company

	Balance at 1/1/2005	Movement	Balance at 31/12/05
Staff gratuity	<u>10,434</u>	<u>(3,258)</u>	<u>7,176</u>

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 3,437,370 (2004 - KShs. 1,910,165) in contributions payable.

Unionisable staff are eligible to a gratuity upon retirement based on 23 days pay for each completed year of service at current salary. A provision is made in the accounts for the estimated liability of such gratuity payable. At 31st December, 2005 the provision carried in the accounts amounted to KShs 7,175,654 (2004 -KShs 10,434,278).

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 is 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.

19. NOTES TO THE CASH FLOW STATEMENT

	2005 KShs '000	2004 KShs '000
a) Reconciliation of net profit before tax to cash flow from operating activities		
Net profit before tax	294,035	178,815
Adjustments for:		
Depreciation	9,979	9,700
Amortisation of long term lease prepayment	7	7
Profit on disposal of property, plant and equipment	(1,875)	(309)
Interest income	(1,746)	(59)
Interest expense	288	1,610
Premium on acquisition	(19,301)	-
Foreign currency changes	(2,520)	59
Operating profit before working capital changes	278,867	189,823
Increase in stocks	(121,557)	(60,350)
Increase in debtors	(119,643)	(95,133)
Increase in related party balances	-	968
Increase in creditors	219,585	21,654
Cash generated from operations	257,252	56,962
Income taxes paid	(118,642)	(8,517)
Cash inflow from operating activities	138,610	48,445

19. NOTES TO THE CASH FLOW STATEMENT (CONTINUED)**b) Movement in cash and cash equivalents**

	2005 KShs '000	2004 KShs '000	Change in Year KShs '000
Cash and bank balances	49,268	51,493	(2,225)
Short term deposits	10,221	9,395	826
	<u>59,489</u>	<u>60,888</u>	<u>(1,399)</u>

(c) Acquisition of subsidiary

The acquisition had the following effect on the Group's assets and liabilities.

Acquiree's net assets at the acquisition date:

	Carrying amounts KShs'000	Fair value adjustments KShs'000	Recognised values KShs '000
Property, plant and equipment	47,746	97,527	145,273
Prepaid operating lease rentals	-	60,638	60,638
Stocks	37,761	-	37,761
Debtors	57,309	-	57,309
Tax recoverable	2,629	-	2,629
Cash and bank balances	17,070	-	17,070
	<u>162,515</u>	<u>158,165</u>	<u>320,680</u>
Deferred tax liability	(3,547)	-	(3,547)
Staff gratuity provision	(5,104)	-	(5,104)
Creditors	(45,973)	-	(45,973)
Dividends payable	(2,646)	-	(2,646)
	<u>(57,270)</u>	<u>-</u>	<u>(57,270)</u>
Net identifiable assets and liabilities	<u>105,245</u>	<u>158,165</u>	<u>263,410</u>
Minority interest at acquisition			<u>(129,072)</u>
Majority interest at acquisition			<u>134,338</u>
Premium on acquisition			<u>(19,301)</u>
Consideration satisfied in cash			115,037
Cash acquired			<u>(17,070)</u>
Net cash outflow			<u>97,967</u>

20. RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties:

(a) Directors and executive officers

The total remuneration of directors and executive officers is as follows:

	2005	2004
	KShs '000	KShs '000
Directors (see note 5) - Fees	1,411	1,334
- Others	11,507	3,957
Executive officers	6,952	5,577
	<u>19,870</u>	<u>10,868</u>

(b) Amounts due from the directors

Due from the Managing Director

292

930

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

(c) Purchases from related parties

Wananchi online Limited	382	95
East African Courier Limited	<u>67</u>	<u>-</u>
	<u>449</u>	<u>95</u>

(d) Balances due from related parties

Company

Yana Trading SA (Proprietary) Limited

-

5,429

Less: Provision for doubtful debt

-

(5,429)

-

-

(e) Balances due to related parties

Cable Holdings Kenya Limited

Non current liability

16,900

-

Current liability

34,579

-

51,479

-

East African Courier Limited

36

-

51,515

-

The company has entered into an agreement with Cable Holdings Kenya Limited, the immediate holding company whereby the latter will provide a loan to the company of US\$ 1,911,333. The loan is due for repayment in three years from the date of drawdown and attracts an interest rate of 7% per annum. No security has been given against this loan. The company had drawn down US\$ 711,333 of this loan at the year end.

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

21. CONTINGENT LIABILITIES

A claim has 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 124,764,000 as at 31 December 2005. No security has been provided as the guarantees are based on negative pledge basis.

22. FINANCIAL COMMITMENTS

The company has entered into a contract with Japanese Aide, a Japanese Government Programme, and has placed an amount of KShs 7.8 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 year 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 2005, the company had purchased KShs 77.5 million worth of raw materials through the Programme.

23. RISK MANAGEMENT DISCLOSURES

This section provides details of the company's exposure to risk and describes the methods used by management to control risk. The most important types of financial risk to which the company is exposed are credit risk, liquidity risk and market risk. Market risk includes currency risk and interest rate risk.

A. Trading activities

The company has one core trading activity and as a result has to focus on controlling production costs and enhancing product quality and service delivery so as to maintain customer satisfaction.

(i) Credit risk

The company's credit exposure at the balance sheet date from financial instruments held or issued for trading purposes is represented by the fair value of instruments with a positive fair value at that date, as recorded on the balance sheet.

The risk that counter-parties to trading instruments might default on their obligations is monitored on an ongoing basis.

To manage the level of credit risk, the company focuses on customer satisfaction as a key performance indicator. It also maintains a short credit period. Due to the nature of the company's activities, credit risk concentrations are high and as such close monitoring of credit relationships is carried out.

(ii) Market risk

All trading instruments are subject to market risk, the risk that future changes in market conditions may make an instrument less valuable or more onerous. The instruments are recognised at fair value, and all changes in market conditions directly affect net trading income.

The company manages its use of trading instruments in response to changing market conditions.

Exposure to market risk is formally managed in accordance with risk limits set by senior management.

B. Non-trading activities

Below is a discussion of the various risks the company is exposed to as a result of its non-trading activities and the approach taken to manage those risks.

(i) Liquidity risk

Liquidity risk arises in the general funding of the company's activities and in the management of positions. It includes both the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame.

The company does not have access to a diverse funding base. Funds are raised mainly from its shareholders, banks and its own internal resources.

The company strives to maintain a balance between continuity of funding and flexibility through the use of liabilities with a range of maturities.

The company continually assesses liquidity risk by identifying and monitoring changes in funding required to meet business goals and targets set in terms of the overall company strategy.

In addition the company holds a portfolio of liquid assets as part of its liquidity risk management strategy.

(ii) Market risk*Interest rate risk*

The company 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.

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 income statement.

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.

Notes to the Financial Statements

24 FINANCIAL INSTRUMENTS**Liquidity risk**

The table below analyses the company's financial assets and liabilities into relevant maturity groupings based on the remaining periods to repayment:

	Due on demand KShs '000	Due within 3 months KShs '000	Due between 3 and 12 months KShs '000	Total KShs '000
At 31 December 2005				
Debtors	-	353,745	-	353,745
Cash and bank balances	49,268	-	-	49,268
Short term deposits	-	10,221	-	10,221
Creditors	-	(368,819)	-	(368,819)
Taxation	-	-	(11,518)	(11,518)
Shareholders loan	-	-	(34,579)	(34,579)
Net liquidity gap at 31 Dec 2005	49,268	(4,853)	(46,097)	(1,682)
At 31 December 2004				
Total assets	51,493	186,187	-	237,680
Total liabilities	-	(99,883)	(53,640)	(153,523)
Net liquidity gap at 31 Dec 2004	51,493	86,304	(53,640)	84,157

24 FINANCIAL INSTRUMENTS (CONTINUED)**Interest rate risk****Contractual maturity analysis of assets and liabilities**

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 repricing or maturity dates:

	Average interest rate during the year %	Due within 3 months KShs '000	Due between 3 and 12 months KShs '000	Non interest bearing KShs '000	Total KShs '000
At 31 December 2005					
Debtors	-	-	-	353,745	353,745
Cash and bank balances	-	-	-	49,268	49,268
Creditors	-	-	-	(368,819)	(368,819)
Short term deposits	2.8%	10,221	-	-	10,221
Taxation	-	-	-	(11,518)	(11,518)
Shareholders Loan	7.0%	-	(34,579)	-	(34,579)
On balance sheet interest sensitivity gap		10,221	(34,579)	22,676	(1,682)
At 31 December 2004					
Total assets	2.1%	9,395	-	228,285	237,680
Total liabilities		-	-	(153,523)	(153,523)
On balance sheet interest sensitivity gap		9,395	-	74,762	84,157

24 FINANCIAL INSTRUMENTS (CONTINUED)**Foreign currency risk**

The table below summarises the company's exposure to foreign currency risks for assets and liabilities denominated in US dollars:

	2005 KShs '000	2004 KShs '000
Monetary assets		
Cash and bank balances	31,324	6,259
Debtors	126,320	-
Monetary liabilities		
Shareholder's loan	(51,479)	-
Creditors	(306,800)	(63,585)
Net open position	<u>(200,635)</u>	<u>(57,326)</u>

25. SEGMENTAL REPORTING

	Kenya		Tanzania		South Africa		Consolidated	
	2005 Shs'000	2004 Shs'000	2005 Shs'000	2004 Shs'000	2005 Shs'000	2004 Shs'000	2005 Shs'000	2004 Shs'000
External sales	1,099,278	825,316	62,763	-	-	-	1,162,041	825,316
Inter-segment sales	-	-	-	-	-	-	-	-
Total sales	1,099,278	825,316	62,763	-	-	-	1,162,041	825,316
Segment profit from operations	264,428	178,733	9,164	-	-	1,701	273,592	180,435
Premium on Acquisition of subsidiary company	19,301	-	-	-	-	-	19,301	-
Net finance income/(costs)	886	(1,635)	256	-	-	16	1,142	(1,620)
Income tax expense	(76,518)	(55,154)	(4,578)	-	-	-	(81,096)	(55,154)
Segment results	208,097	121,944	4,842	-	-	1,717	212,939	123,661
Attributable to:								
Equity holders of parent								
- Company	208,097	121,944	-	-	-	-	208,097	121,944
- Subsidiary	-	-	2,470	-	-	1,717	2,470	1,717
	208,097	121,944	2,470	-	-	1,717	210,567	123,661
Minority interest	-	-	2,372	-	-	-	2,372	-
Net profit for the year	208,097	121,944	4,842	-	-	1,717	212,939	123,661
Other Information:								
Segment assets	854,342	491,720	197,332	-	496	496	1,052,170	492,216
Segment liabilities	414,644	175,005	48,271	-	169	169	463,084	175,174
Capital expenditure	31,985	9,227	-	-	-	-	31,985	9,227
Depreciation expense	9,913	9,700	66	-	-	-	9,979	9,700
Amortization of Operating Leases	7	7	-	-	-	-	7	7

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 27th October 2005. The profit and loss above reflects the operations from date of acquisition to year end.

Notes to the Financial Statements

26. CAPITAL COMMITMENTS

	2005 KShs '000	2004 KShs '000
Authorised and contracted for	<u>141,488</u>	<u>-</u>

27. ULTIMATE HOLDING COMPANY

The ultimate holding company is Transcentury Limited, a company incorporated in Kenya.

28. INCORPORATION

The company is incorporated in Kenya under the Companies Act.

29. CURRENCY

The financial statements are presented in Kenya Shillings.

Company Profit and Loss Account

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	2005 KShs '000	2004 KShs '000
Revenue	1,099,278	825,316
Cost of sales	(689,756)	(511,602)
Gross profit	409,522	313,714
Other Income	3,292	1,089
Factory expenses	(38,471)	(34,686)
Administrative expenses	(67,923)	(49,056)
Distribution costs	(32,087)	(38,099)
Other operating expenses	(9,905)	(14,229)
Profit from operations	264,428	178,733
Net finance income	886	(1,635)
Profit before tax	265,314	177,098
Income tax	(76,518)	(55,154)
Net profit for the year	188,796	121,944
Basic and dilutive earnings per share	<u>KShs 9.32</u>	<u>KShs 6.02</u>
Dividend per share	<u>KShs 5.00</u>	<u>KShs 3.50</u>

Five Year Financial Record

PROFIT AND LOSS SUMMARY

	2001	2002	2003	2004	2005
	Restated	Consolidated	Consolidated	Consolidated	Consolidated
	KShs' 000	KShs' 000	KShs' 000	KShs' 000	KShs' 000
Sales	358,161	388,008	428,430	825,316	1,162,041
Profit/(loss) before tax	24,112	(4,954)	14,022	178,815	294,035
Tax	(8,176)	(992)	(4,657)	(55,154)	(81,096)
Profit/(loss) after tax	15,936	(5,946)	9,365	123,661	212,939
Dividends	(22,275)	(10,125)	(20,250)	(70,875)	(101,250)
Retained profit/(loss)	(6,339)	(16,071)	(10,885)	52,786	111,689
Earnings/(loss) per share (KShs)	0.79	(0.29)	0.46	6.11	10.40
Dividend per share (KShs)	1.10	0.50	1.00	3.50	5.00

BALANCE SHEET**Assets**

Non-current assets	86,691	90,975	83,119	81,633	306,715
Current assets	241,623	239,564	272,782	410,583	745,455
TOTAL ASSETS	328,314	330,539	355,901	492,216	1,052,170

Equity and liabilities

Share capital	101,250	101,250	101,250	101,250	101,250
Reserves	150,910	134,642	127,509	180,354	289,612
Proposed dividends	22,275	10,125	20,250	35,438	70,875
Exchange differences	-	-	-	-	(4,095)
Minority interest	-	-	-	-	131,444
Total equity	274,435	246,017	249,009	317,042	589,086
Non-current liabilities	22,529	21,866	22,824	20,612	44,592
Current liabilities	31,350	62,656	84,068	154,562	418,492
TOTAL EQUITY AND LIABILITIES	328,314	330,539	355,901	492,216	1,052,170

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 41st Annual General Meeting of the said Company to be held at 11.00 a.m. on Thursday 13th April, 2006 and at any adjournment thereof:

Signed this _____ day of _____ 2006.

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 41 wa kampuni hii, utakaofanyika saa tano asubuhi Alhamisi Aprili 13, 2006 ama siku nyingine ikiwa Mkutano huo utaahirishwa.

Hati hii imetiwa sahihi hivi leo tarche _____ mwezi wa _____ 2006.

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

