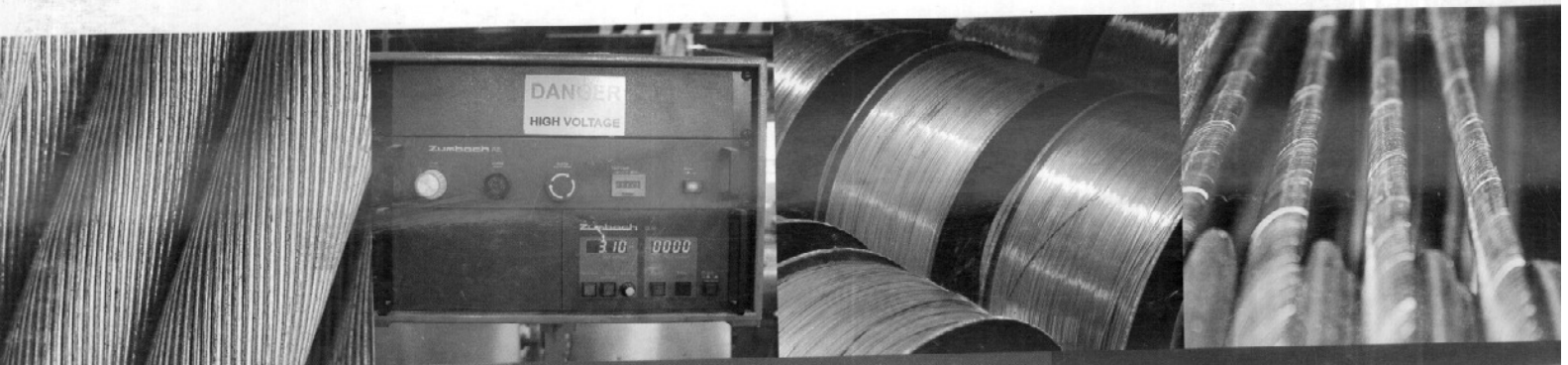




East African Cables

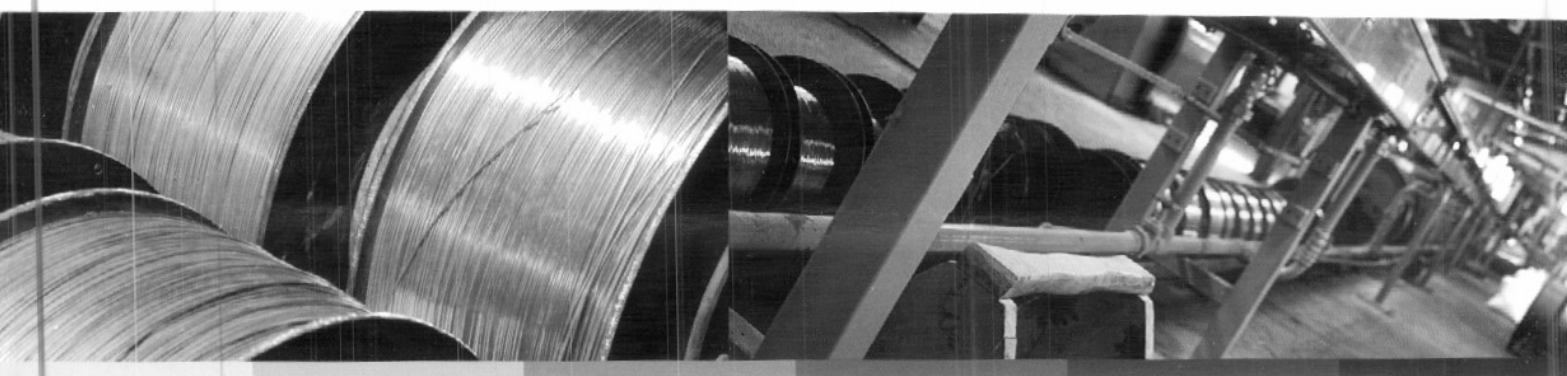
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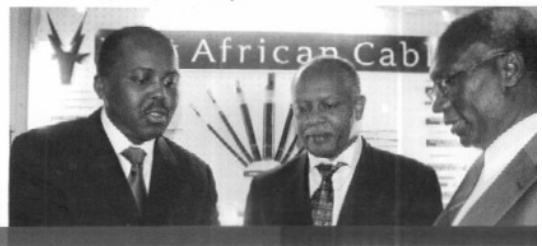
Annual Report and Accounts 2006

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Notice of the Annual General Meeting

Notice is hereby given that the forty second Annual General Meeting of the shareholders will be held at East African Cables new premises on Addis Abba road, off enterprise road, industrial area, Nairobi, on 26th April, 2007 at 11:00 a.m. for the following purposes:

1. To confirm the Minutes of the forty first Annual General Meeting held on 13th April, 2006.
2. To receive the Accounts for the year ended 31st December, 2006 and the Directors' and Auditors' Reports thereon.
3. To approve the Directors' remuneration as provided in the accounts for the period ended 31st December, 2006.
4. To declare a final dividend of 100% representing fifty cents per share.
5. To elect Directors in accordance with the Company's Articles of Association. P. T. Kanyago retire by rotation and being eligible offers himself for re-election.
6. To appoint 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

19th February, 2007

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 fixed time of the Meeting.

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Tangazo la Mkutano

Mnatangaziwa kwamba mkutano mkuu wa mwaka wa arobaini na mbili wa wenye hisa utafanyika katika kiwanda kipya cha East African Cables kilichopo Addis Ababa Road, eneo la viwandani, Nairobi, tarehe 26 Aprili 2007 kuanzia saa tano asubuhi, kujadili mambo yafuatayo:

1. Kuthibitisha kumbukumbu za mkutano mkuu wa arobaini na moja uliofanyika tarehe 13 Aprili, 2006.
2. Kupokea mahesabu ya kipindi cha matumizi ya fedha kilichoisha tarehe 31 Desemba 2006 na ripoti za wakurugenzi na wakaguzi wa mahesabu zinazofuatia.
3. Kuidhinisha ujira wa wakurugenzi kama ilivyopendekezwa katika mahesabu ya kipindi cha matumizi ya fedha kilichoisha tarehe 31 Desemba 2006.
4. Kutangaza gawio la asilimia mia moja [100%] inayowakilisha senti 50 kwa kila hisa .
5. Kuchagua wakurugenzi kulingana na kanuni za kampuni. P. T. Kanyago anafaa kustaafu kipindi hiki na kwa kuwa angali na azimio, amejitolea kuchaguliwa upya.
6. Kuteua wakaguzi wa mahesabu mwakani na kuwapa idhini wakurugenzi kuamua ujira wao.
7. Kushughulikia jambo lingine lolote linaloweza kushughulikiwa katika mkutano mkuu wa kila mwaka.

KWA AMRI YA HALMASHAURI
Virginia Ndunge
Katibu

P.O. Box 61120
00200 City Square
Nairobi

19 Februari, 2007

2007/0898

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 muda usiopungua masaa 48 kabla ya kufanyika mkutano.

Board of Directors



ZEPHANIAH G. MBUGUA (CHAIRMAN)



MUGO KIBATI



JAMES GACHUI



PETER KANYAGO



DAVINDER SIKAND



BRUNO THOMAS

Z. G. Mbugua, 57, 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.

Mr. Kibati, 37, is the Group Managing Director and Chief Executive Officer of East African Cables Limited.

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).

Mr. Gachui, 59, studied Chemical Engineering at the University of Surrey, Guildford, England, and graduated with a first class honors Bsc. degree in 1972.

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

Mr. Kanyago, 59, was educated at Nyeri High School, Strathmore College and Pacific States University.

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.

Mr. Sikand, 49, is the Managing Partner of Aureos East Africa Fund, a US\$40 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.

Mr. Bruno Thomas is the Senior Corporate Vice-President, Strategic Operations. Bruno Thomas was previously President of the Energy Cables Division, President of the board of Alcatel Kabel KG and Director of Industrial Strategy. In 1992 he was appointed Vice-President of Alcatel Cable, in charge of the France sector. He joined Alcatel in 1986 as General Director of Câbleries de Lens, with responsibility for the Benelux sector. He began his career at Usinor in 1968.

Management Team



COMMERCIAL



TECHNICAL



HUMAN RESOURCE



FINANCE



COMMERCIAL TEAM

Inset: Olga Arara

From the left: Shabbir Moosajee, James Okello, Alex Nderitu and Alfred Ombima

TECHNICAL TEAM

From the left: Simon Tanui, David Mwangi, Cosmas Langat, Joseph Busienei and John Kariuki

HUMAN RESOUCRE TEAM

Inset: Beatrice L. Kowitti

From the left: Emily Bett and Tuta Mionki

FINANCE TEAM

Inset: George Mwangi

From the left: Peter Wamulla, Charles Muhia and Emily Okoth



Report of the Directors

The directors have pleasure in submitting their report together with the audited financial statements for the year ended 31 December 2006, 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 as well as distribution of telecom, structured, fibre optic cables and accessories.

2. RESULTS

The results for the year are set out on page 33.

3. DIVIDENDS

The directors recommend the payment of a final dividend of KShs 0.50 per share. This together with the interim dividend of KShs 0.20 per share paid in September brings the total dividend for the year to KShs 0.70 (2005 – KShs 0.50) per share.

4. DIRECTORS

The directors who served since 1 January 2006 are set out on page 3.

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

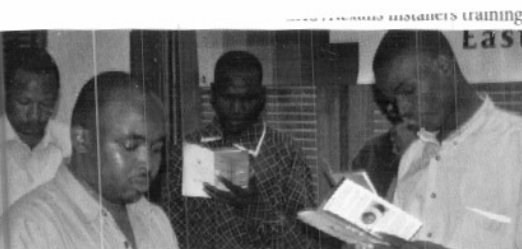
The financial statements were approved at a meeting of the directors held on 19 February 2007.

BY ORDER OF THE BOARD

Virginia Ndunge
Secretary

Date: 19th February, 2007





Taarifa ya Wakurugenzi

Wakurugenzi wanafuraha kutoa ripoti yao pamoja na taarifa za kifedha zilizokaguliwa za mwaka uliomalizikia tarehe 31 Desemba 2006 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 33.

3. Mgawo wa Faida

Wakurugenzi wanapendekeza gawio la mwisho la KShs. 0.50 kwa kila hisa. Hii ni juu ya gawio la kwanza la KShs. 0.20 lililolipwa mnamo mwezi Septemba. Jumla ya gawio inakuwa ni KShs. 0.70 (2005 - KShs. 0.50) kwa kila hisa.

4. Wakurugenzi

Wakurugenzi waliokuwa ofisini mwaka huu ni kama inavyoonyeshwa katika ukurasa wa tatu.

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 19 Februari, 2007.

KWA AMRI YA HALMASHAURI

Virginia Ndunge

Katibu

Tarehe: 19 Februari, 2007.

Corporate Governance



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

BOARD OF DIRECTORS

The board consists of the Chairman, Z G Mbugua, four non-executive directors and the Managing Director Mugo Kibati. The directors' biographies appear on page 3. 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 principles of good corporate culture that requires the directors and all employees to maintain the highest personal and ethical standards and to act in good faith and in the interest of the company. The company has developed and implemented a code of conduct that sets out guidelines and rules, which are based on good governance principles of:

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



Corporate Governance (continued)

EQUAL EMPLOYMENT OPPORTUNITIES AND COMMITMENT TO OUR PEOPLE

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

COMMITTEES OF THE BOARD

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

Audit Committee

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

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 East African Cables (Tz) Ltd was appointed to the committee in order to benefit from his expertise in the electrical business. The main responsibility of the committee is to chart the strategy of the company and to oversee implementation of strategic decisions of the board which include product and or geographical diversification, strategic partnerships and also 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.



Corporate Governance (continued)



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 regular investor briefings, 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 2006 is disclosed on note 18 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 18.

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.

INTERNAL AUDIT DEPARTMENT

In order to monitor the effectiveness of internal controls and minimize risks, the board has set up an internal audit department effective 2007.





Corporate Governance (continued)

Director's interests in the shares of the Company, the distribution of the Company shareholding and analysis of the ten major shareholders as at 31st December 2006 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	5,180	1,403,579	0.69
501 - 5,000	5,996	9,950,442	4.92
5,001 - 10,000	480	3,730,112	1.84
10,001 - 100,000	718	19,504,022	9.63
100,001 - 1,000,000	74	17,429,462	8.61
Above 1,000,000	6	150,482,383	74.31
Total	12,454	202,500,000	100.00

Analysis of ten major shareholders

No.Names(s)	No. of shares	% Shareholding
1. Cable Holdings (Kenya) Ltd	143,329,420	70.78
2. Ali Mohamed Adam	1,667,450	0.82
3. Gidjoy Investments Limited	1,597,620	0.78
4. Mushtaq Gulamhussein	1,456,080	0.71
5. Ali Mohamed Adam	1,409,800	0.69
6. Chandubhai Bhikhabhai Patel	1,022,013	0.50
7. Canon Assurance (Kenya) Limited	656,500	0.32
8. British American Insurance Company (Kenya) Limited	626,560	0.30
9. Rajen Somchand Shah	601,875	0.29
10. Clean Investment Limited a/c JMM	599,100	0.29
Total	152,966,418	75.48

Utawala wa Shirika



Utawala wa shirika ni namna ambavyo makampuni yanaongozwa, yanavyodhibitiwa na kuendeshwa kwa njia yenye uwazi. Halmashauri ya Wakurugenzi wa kampuni ya East African Cables Ltd inawajibika katika kuiongoza kampuni na pia inahusika katika uongozi kwa 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 wanne wasio watendaji na Mkurugenzi mkuu, Mugo Kibati. Wasifu wa wakurugenzi hawa unapatikana katika ukurasa wa tatu. Wakurugenzi wote wasio watendaji wanachukuliwa na halmashauri kuwa huru katika usimamizi na wana tajiriba mbalimbali, uzoefu na ustadi mwafaka wa kuongoza wenye kuifaa shughuli ya kampuni.

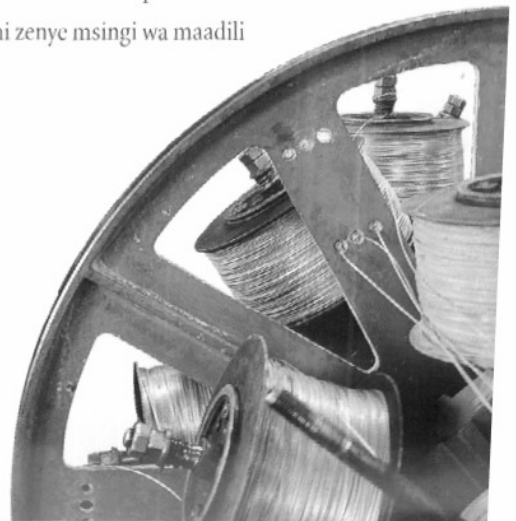
Halmashauri hii hukutana angalau mara nne kwa mwaka ikiwemo mikutano mingine iwapobidi. Wakurugenzi hupata ujumbe mwafaka na kwa wakati ufaao ili kudumisha udhibiti kamili dhidi ya maswala ya kimkakati, kifedha, kiutendakazi na utimilifu. Isipokuwa kwa kuelekeza na kuongoza katika sera za jumla, halmashauri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

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

MAADILI MEMA YA KIBIASHARA

Wakurugenzi huambatisha umuhimu mkubwa katika haja ya kuendesha biashara na utendakazi wa kampuni kwa tajiriba kubwa na kwa mujibu wa zoezi la utawala mzuri wa shirika kama ilivyokusudiwa na Mwongozo wa Halmashauri ya Masoko ya Fedha kwa makampuni yaliyoorodheshwa nchini Kenya yakiwemo maadili mengine ya kimataifa yanayohusu utawala bora. Kampuni hii pia inakubali maadili bora zaidi ya desturi nzuri za shirika zinazohitaji kuwa wakurugenzi na wafanyakazi wote wadumishe viwango vya juu vya uadilifu na matendo yao yawe ni yenye nia njema na yenye kunufaisha kampuni. Kampuni hii imeanzisha na kutekeleza kanuni ya maadili mema inayodhamiria miongozo na kanuni zenye msingi wa maadili mema ya:

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





Utawala wa Shirika

(inaendelea)

UTOAJI WA NAFASI SAWA ZA KAZI NA UWAJIBIKAJI KWA WATU WETU

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

KAMATI ZA HALMASHAURI

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

Kamati ya Ukaguzi wa Mahesabu

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

Kamati ya Wafanyakazi

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

Kamati ya Maarifa

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

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

Utawala wa Shirika (inaendelea)



MAWASILIANO NA WADAU

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

UJIRA NA MIKOPO YA WAKURUGENZI

Kiasi cha mshahara waliolipwa wakurugenzi kwa huduma walizotoa katika kipindi cha matumizi ya fedha kilichoisha mwaka 2006 kimefafanuliwa katika kijeledi cha 18 kwa taarifa za kifedha. Sio mwishoni mwa kipindi cha matumizi ya fedha au kati-ka kipindi chochote kile mwakani kulipotokea mpango wowote unaoihusu kampuni, ambapo wakurugenzi wanalijilimbikia faida kwa umiliki wa hisa za kampuni. Uendeshaji wa shughuli zote za kibiashara na wakurugenzi au pande husika unafanywa kwa uwazi. Shughuli kama hizo zimefafanuliwa katika kijeledi cha 18.

UDHIBITI WA MAMBO YA NDANI

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

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

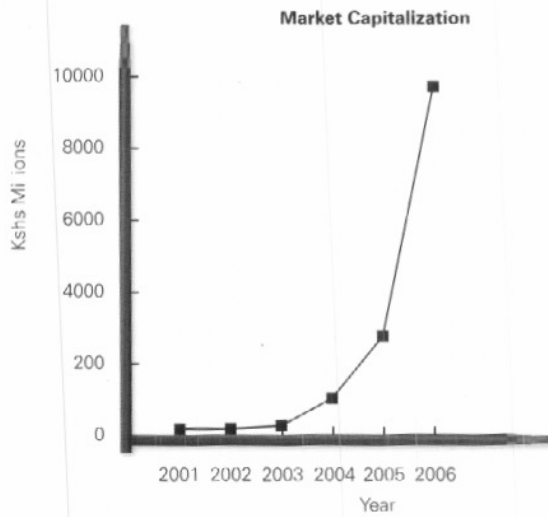
Mfumo wa uwajibikaji mpana wa wasimamizi upo ili kuweka vipimo vya kifedha na utendaji. Mikutano ya mara kwa mara ya wasimamizi wakuu hufanywa kuchunguza utendaji na kuafikiana kuhusu taratibu za kujiimarisha.

IDARA YA UKAGUZI WA MAHESABU YA NDANI

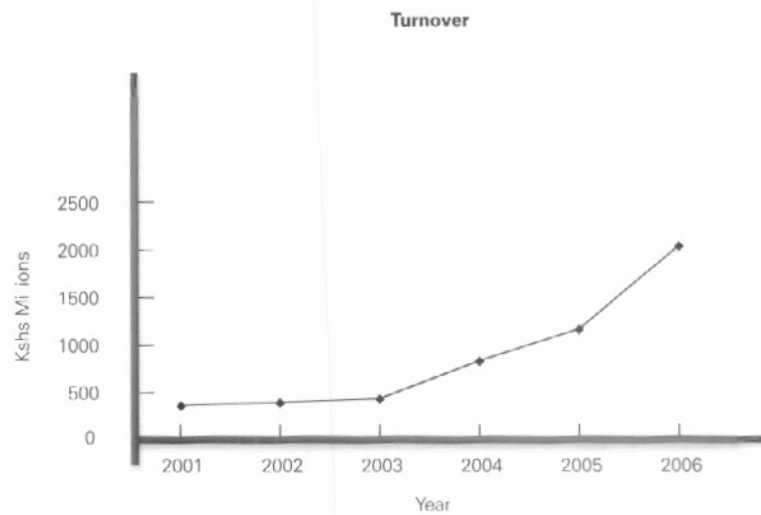
Ili kuchunguza utendaji bora wa udhibiti wa mambo ya ndani na kupunguza athari, Halmashauri hii imeazisha idara ya ukaguzi wa mahesabu ya ndani iliyoanza uwajibikaji mwaka huu (2007).



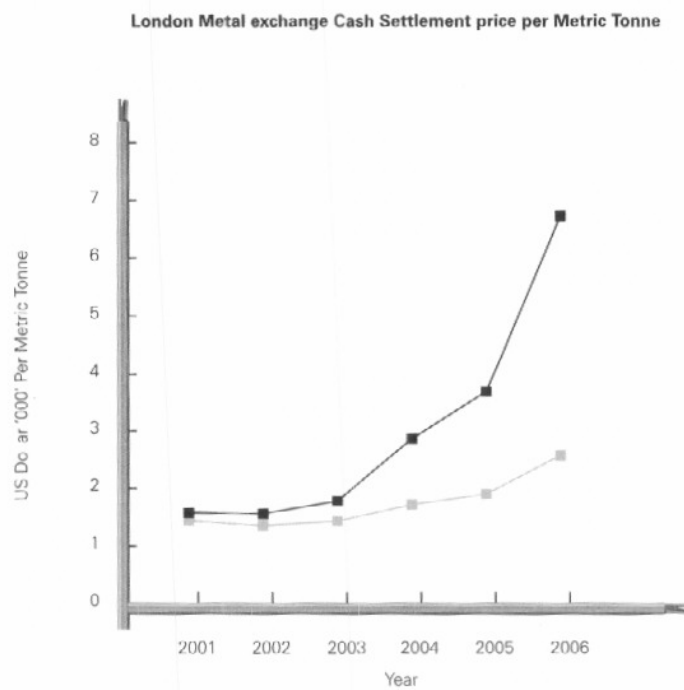
Comparative Results



Key: ■ Market capitalization

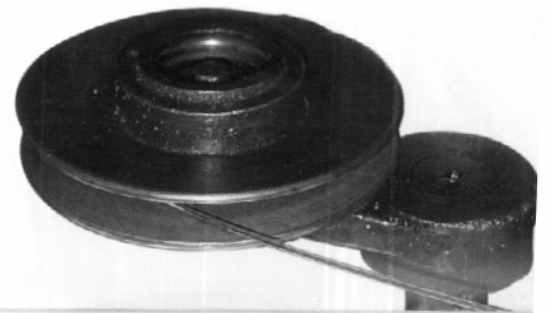
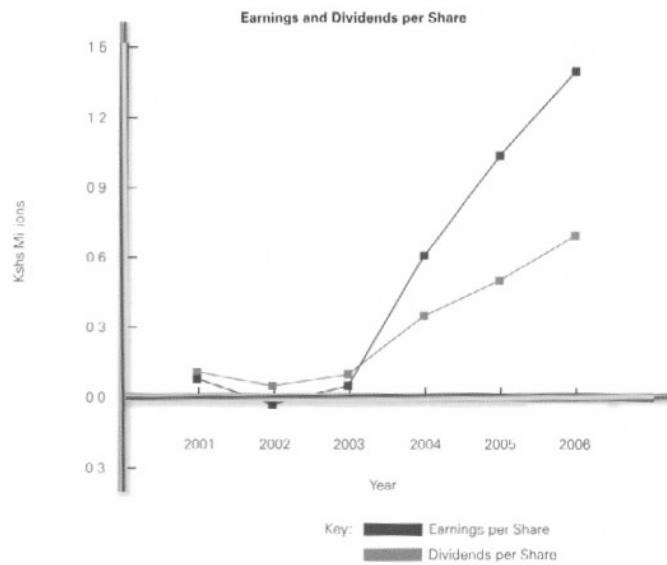
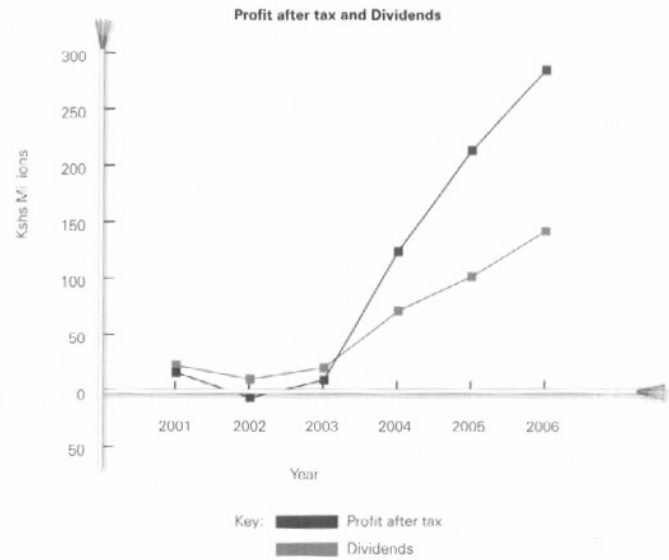
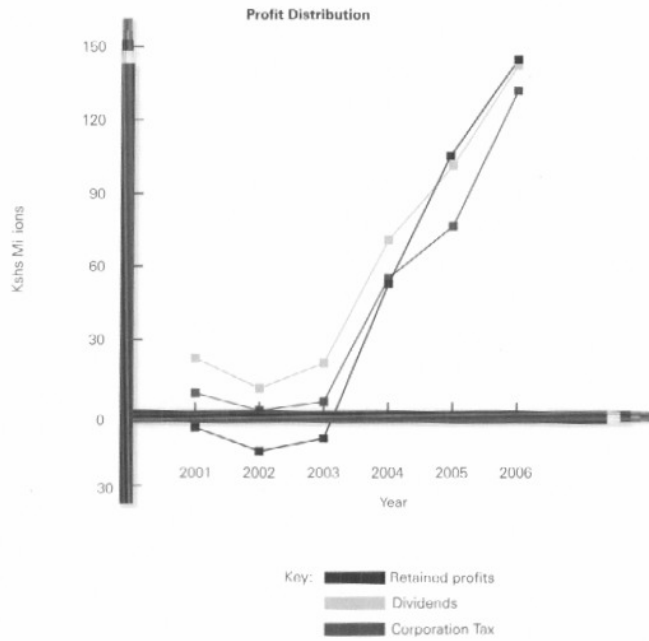


Key: ■ Turnover



Key: ■ Copper
■ Aluminium

Comparative Results





Statement of Directors' Responsibilities

The Kenyan Companies Act requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the group and company as at the end of the financial year and of the operating results of the group and company for that year. It also requires the Directors to ensure the company keeps proper accounting records which disclose with reasonable accuracy the financial position of the group. They are also responsible for designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. The directors are also responsible for safeguarding the assets of the group and company.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the group and company and of the group operating results. The Directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the company will not remain a going concern for at least the next twelve months from the date of this statement.

Z. G. Mbugua
(Chairman)

Mugo Kibati
(Managing Director)

Date: 19th February, 2007



Taarifa ya Majukumu ya Wakurugenzi

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

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

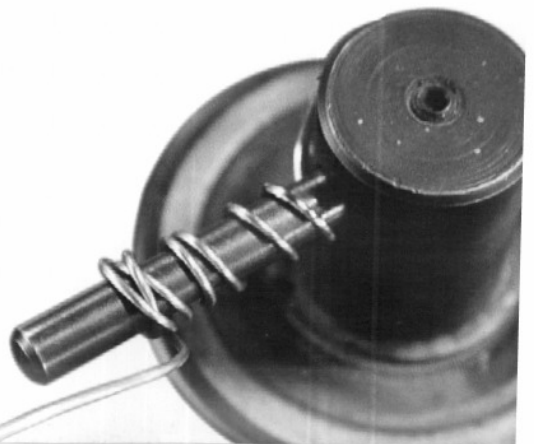
Wakurugenzi wanahisi kwamba hesabu zilizoandikwa zinaonyesha ukweli na usawa wa hali ya kifedha ya Kampuni na matokeo ya biashara yake. Pia wakurugenzi wanawajibika kuweka vitabu vinavyoweza kutegemewa ili kuandika hesabu ya kampuni na vile vile kuweka usimamizi mzuri wa fedha.

Hakuna dokezo lolote lililowafikia wakurugenzi kuonyesha kwamba kampuni haitaendelea na shughuli zake kwa kipindi cha miezi kumi na mbili ijayo kuanzia tarehe ya taarifa hii.

Z. G. Mbugua
(Chairman)

Mugo Kibati
(Managing Director)

Tarehe: 19 Februari, 2007.



Chairman's Statement

Forty years ago, just three years after Kenya achieved its independence; East African Cables was founded with the sole purpose of manufacturing cables to electrify a region poised to develop. We have indeed come a long way and in so doing left an indelible mark in Kenya's landmark buildings and history. Today East African Cables has spread its wings to the rest of the Eastern African region including Tanzania and Uganda.

I am delighted to release our annual reports and financial statements for the year ended 31st December 2006.

OVERVIEW OF THE BUSINESS ENVIRONMENT

Economic growth in 2006 remained robust with increased economic activity in the last quarter of 2006. Average annual inflation rates increased to 14.47% from 10.31% in 2005 while GDP growth remained relatively stable at 6.0% compared to 5.8% last year.

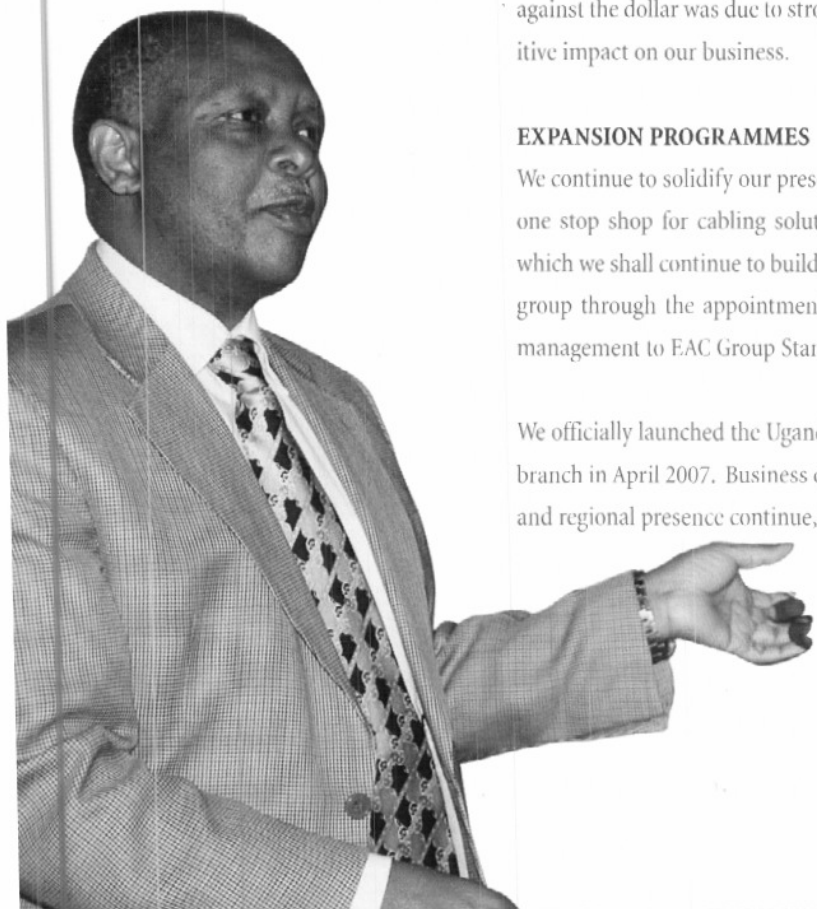
The 91 day T bill rate at 6.81% in 2006 marked a decrease over previous year's 8.44%. This resulted in a slightly lower cost of borrowing.

The Kenya shilling had mixed performance during 2006. It strengthened by 4.1% against the dollar but depreciated by 9.1% and 6.4% against the Sterling Pound and Euro respectively. This strengthening against the dollar was due to strong inflows from tourism and tea sector. The strong shilling had a positive impact on our business.

EXPANSION PROGRAMMES

We continue to solidify our presence in the market as well as entrench our vision of being the premier one stop shop for cabling solutions in the region by providing time-tested quality products, upon which we shall continue to build our success. EAC Tanzania began operations and integration into the group through the appointment of Managing Director – Muriithi Ndegwa and production process management to EAC Group Standards.

We officially launched the Uganda branch in September 2006 and are planning to launch the Rwanda branch in April 2007. Business development activities in terms of expanding our production facilities and regional presence continue, with plans to explore markets in the rest of the region.



Chairman's Statement

(Continued)



SHARE SPLIT

A 10 to 1 share split was approved by the shareholders at the Extraordinary General Meeting held on 1st September 2006. Par value of each share therefore dropped from 5/- to 50 cents per share and outstanding shares increased from 20,250,000 to 202,500,000 shares. The result is that our shares are now more affordable and the liquidity much higher.

YANA TRADING COMPANY

The company remained dormant during the financial year 2006.

STRATEGIC BUSINESS PLAN

We shall continue to invest resources in realizing our corporate goals in terms of development of EAC management and business culture, consolidation and growth of the domestic market, expansion of the business into the region, taking advantage of the energy sector reforms and increasing value for our shareholders.

FINANCIAL PERFORMANCE

I am pleased to report a year of continued growth for East African Cables and present to you the results of yet another successful trading year, in which our financial performance showed great improvement with pre-tax profit rising from KShs 294 million in 2005 to KShs 423 million in 2006

REPORTING STANDARDS

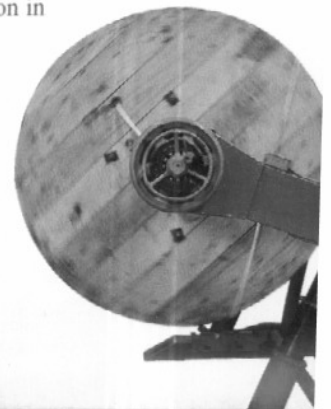
The company continues to adopt the presentation and disclosure requirements of the International Financial Reporting Standards (IFRS) as required by the Institute of Certified Public Accountants of Kenya (ICPAK). Changes and developments in the standards within the financial period have been complied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

DIVIDEND

Following another impressive performance, I am pleased to report that the Board of Directors is recommending to the Annual General Meeting a final dividend of KShs 0.50 per share. This is in addition to the interim dividend of KShs 0.20 per share paid in September 2006 which brings the total dividend for the year to KShs 0.70 per share.

Through this period, particularly, shareholder value for the EAC investor in the stock market has grown dramatically. Our objective is to provide investors with sustainable long term shareholder value.

Our revenue to government, through tax remittances, has increased from KShs 145 million in 2005 to KShs 210 million in 2006.





Chairman's Statement

(Continued)

FUTURE OUTLOOK

The Kenyan economy continues to exhibit accelerating economic growth, especially in sectors such as telecommunication, tourism, manufacturing, building and construction. Manufacturing output is anticipated to expand further in response to increasing demand for Kenyan products in the region.

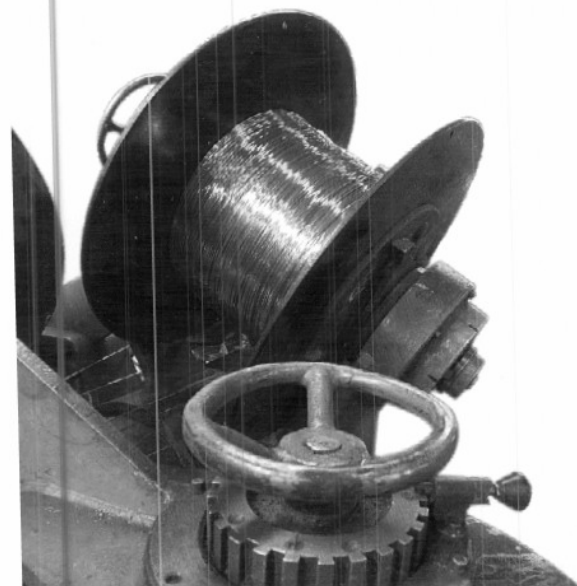
Government commitment to rural electrification by grid extension, under the newly formed Kenya Rural Electrification Authority, will continue to be a priority to meet the growing energy demand in the country. In the region, Tanzania and Uganda have similar electrification programmes and these projects provide a viable market sector for us as we strive to increase our market share in the region.

With the increased economic activities in the region, especially in building and construction, usage of electrical cables is expected to continue to grow. With our continued capacity expansion programme; the new plant is expected to be commissioned mid 2007, refurbishment of our existing plant, diversification of products and markets, technological innovation and strategic leadership and partnerships, we are assured of manufacturing and selling quality cabling products and solutions, as well as increasing shareholder value.

ACKNOWLEDGMENTS

Special thanks go to our customers, suppliers and business partners for their continued support over 40 years. To management and staff, for their continued delivery of outstanding results, and finally to my fellow directors for their support, guidance and leadership to the company.

Z.G. Mbugua.



Taafira ya Mwenyekiti



Miaka arobaini iliyopita, miaka mitatu tu baada ya Kenya kujinyakulia uhuru, kampuni ya East African Cables ilianzishwa kwa lengo kuu la kuzalisha nyaya ili kutia umeme eneo lililositasita kimaendeleo. Kwa hakika tumetoka mbali na kwa kufanya hivyo, tumeacha alama isiyofutika katika historia na ujenzi nchini Kenya. Hii leo kampuni ya East African Cables imeeneza matawi yake katika maeneo mengine ya Afrika Mashariki ikiwemo Tanzania Uganda na Rwanda.

Ni furaha yangu kutoa ripoti zetu na taarifa za kifedha za kipindi cha matumizi ya fedha cha mwaka kilichoisha Desemba 31, 2006.

ANGAZIO LA MAZINGIRA YA KIBIASHARA

Ukuaji wa uchumi katika mwaka wa 2006 ulibakia imara, ikiwa ni pamoja na ongezeko la shughuli za kiuchumi katika kipindi cha robo ya mwisho wa mwaka wa 2006.

Kwa kadiri, kiwango cha gharama ya maisha kilipanda hadi asilimia kumi na nne nukta nne saba (14.47%) kutoka asilimia kumi nukta tatu moja (10.31%) mwaka wa 2005 huku ukuaji wa jumla wa pato la nyumbani ukibakia thabiti katika asilimia sita nukta sufuri (6.0%) ikilinganishwa na asilimia tano nukta nane (5.8%) mwaka uliopita.

Kiwango cha hawala za serikali za siku 91 ambacho ni asilimia sita nukta nane moja (6.81%) katika mwaka wa 2006, kilidhihirisha upungufu dhidi ya asilimia nane nukta nne nne (8.44%) cha mwaka uliopita. Hii ilipelekea gharama za chini za ukopeshaji.

Shilingi ya Kenya ilikuwa na utendaji uliochanganyika mwaka wa 2006. Japo hivyo, iliimarika kwa asilimia nne nukta moja (4.1%) dhidi ya Dola, lakini thamani yake ikapungua kwa asilimia tisa nukta moja (9.1%) na sita nukta nne (6.4%) dhidi ya Pauni ya Uingereza na Yuro mtawalia. Imariko hili dhidi ya Dola lilitokana na kuimarika zaidi kwa sekta ya utalii na majani chai. Uthabiti wa shilingi hata hivyo ulikuwa na matokeo mema kwa biashara yetu.

MIPANGO YA UPANUZI

Tunaendelea kuimarisha uwepo wetu kwenye soko na vilevile kuyafanya madhubuti maono yetu ya kuwa duka la kwanza na la kipekee kwa suluhisho za nyaya katika eneo zima kwa kuzalisha bidhaa bora na zenye kudumu muda mrefu ambapo tutaendelea kujenga ufanisi wetu. Muriithi Ndegwa aliteuliwa kuwa Mkurugenzi Mkuu wa EAC Tanzania na akaanza kuliunganisha tawi hilo na viwango vya shirika la EAC.

Tulinzindua rasmi tawi la Uganda mwezi Septemba 2006 na tunapanga kuzindua rasmi tawi la Rwanda hapo Aprili 2007. Ustawi wa shughuli za kibiashara kwa kupanua nyenzo zetu za uzalishaji na uwepo katika eneo ungalipo, nayo ipo mipango kutalii masoko katika sehemu nyingine za eneo hili.



Taafira ya Mwenyekiti (inaendelea)

UGAO WA HISA

Ugao wa hisa wa kumi kwa moja (10:1) uliidhinishwa na wadau katika mkutano mkuu usio wa kawaida (EGM) uliofanyika tarehe mosi Septemba 2006. Thamani ya kila hisa hivyo ilipungua kutoka shilingi tano (5) hadi senti hamsini kwa kila hisa. Viwango vya hisa viliongezeka kutoka 20,250,000 hadi 202,500,000. Matokeo ni kuwa hisa zetu sasa zinaweza kumudika na zinapatikana kwa urahisi.

KAMPUNI SHIRIKI YA YANA

Kampuni hii haikutumika katika kipindi chote cha mwaka cha 2006.

MPANGO WA KIMKAKATI WA KIBIASHARA

Tutazidi kuwekeza rasilimali ili kufikia malengo yetu kama shirika katika misingi ya ustawi wa usimamizi wa EAC na desturi za biashara, kuimarisha na kukuza soko la nyumbani, kupanua biashara katika eneo, kujinufaisha kutokana na mabadiliko ya sekta ya nishati na kuwaongezea wadau wetu thamani ya hisa.

UTENDAJI WA KIFEDHA

Nina furaha kuripoti mwaka wa maendeleo ya ustawi kwa kampuni ya East African Cables na kuwasilisha kwenu matokeo ya mwaka mwingine tena wenye ufanisi, ambapo utendaji wetu kifedha uliimarika maradufu huku faida kabla ya ushuru ikiongezeka kutoka shilingi milioni 294 mwaka wa 2005 hadi shilingi milioni 423 mwaka wa 2006.

VIWANGO VYA KURIPOTI

Kampuni hii iliendelea kuzingatia azimio la mahitaji ya viwango vya kimataifa vya uripoti wa kifedha (IFRS) ya uwasilishaji na ufichuzi kama inavyohitajika na taasisi ya wahasibu halali wa umma Kenya, (ICPAK). Mabadiliko na ustawi katika viwango hivyo katika kipindi cha matumizi ya fedha cha mwaka yametokelezw.

GAWIO

Kufuatia mafanikio mengine ya kuvutia, nina furaha kutaarifu kwamba halmashauri ya wakurugenzi inapendekeza kwa mkutano mkuu wa mwaka riba ya senti hamsini kwa kila hisa. Hii ni nyongeza kwa gawio la muda la senti ishirini kwa kila hisa, ambalo lililipwa Septemba, 2006 hivyo kufikisha gawio la jumla la mwaka kuwa senti sabini kwa kila hisa.

Katika kipindi hiki, zaidi, thamani ya hisa za wadau waliowekeza na EAC katika soko la ubadilishanaji wa hisa limekuwa thabiti sambamba na lengo letu ambalo ni kuwapa wawekezaji thamani ya hisa wanayoweza kudumisha kwa muda mrefu.

Kupitia kwa malipo ya kodi ya shirika, ushuru wetu kwa serikali umcimarika kutoka shilingi milioni 145 mwaka wa 2005 hadi shilingi milioni 210 mwaka wa 2006.

Taafira ya Mwenyekiti (inaendelea)



MATARAJIO YA BAADAYE

Uchumi wa Kenya unaendelea kudhihirisha ukuaji unaozidi, hasa katika sekta za mawasiliano, utalii, uzalishaji na ujenzi. Bidhaa zinazozalishwa zinatazamiwa kupanuka zaidi kutokana na ongezeko la mahitaji ya bidhaa za Kenya katika eneo hili.

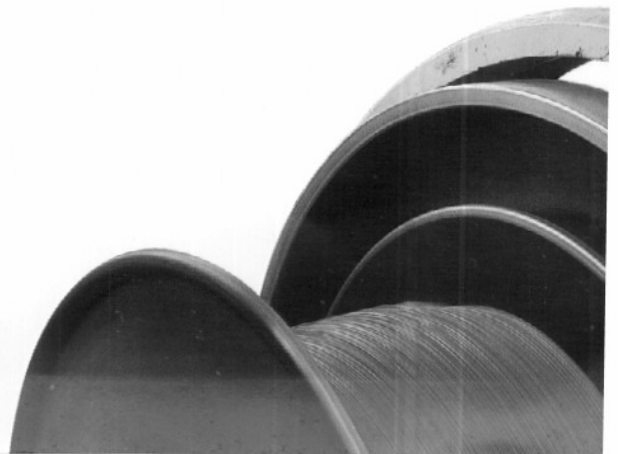
Uwajibikaji wa serikali kutia umeme katika sehemu za mashambani kwa upanuzi wa fito – meme, chini ya mfumo mpya wa halmashauri ya kutia umeme mashambani itaendelea kuwa kipa-umbele ili kutimiza matakwa ya uhitaji wa umeme nchini. Katika eneo hili, Tanzania na Uganda zina mikakati sambamba ya kutia umeme, nayo miradi hii inatupa nafasi nzuri ya mauzo kwa soko ambalo tayari lipo, huku tukijitahidi kuzidisha kiwango chetu cha uuzaji katika eneo hili.

Pamoja na shughuli za kiuchumi zilizoongezeka katika eneo hili hasa katika ujenzi, matumizi ya nyaya za stima yanatarajiwa yazidi kuimarika. Pamoja na mpango wetu wa mara kwa mara wa kupanua uzalishaji, ukarabati wa kiwanda kilichopo, kupanua bidhaa na masoko, uvumbuzi wa kiteknolojia na uongozi wa kimkakati na ubia, tunaahidi uzalishaji na utoaji wa bidhaa za umeme zenye ubora na zenye kuwapa wateja suluhisho, na vilevile kuongeza thamani ya hisa za wadau.

SHUKURANI

Shukurani za dhati zinawaendea wateja wetu, wagawaji wa bidhaa zetu na washiriki wetu wa kibiashara, daima, kwa kutunga mkono kwa zaidi ya miaka arobaini. Kadhalika, niwashukuru wasimamizi na wafanyakazi kwa kujitolea kwao kudemisha uzalishaji wa matokeo ya kipekee. Hatimaye, nawashukuru wakurugenzi wenzangu kwa michango yao katika uelekezi na uongozi bora wa kampuni.

Z.G. Mbugua.



Group Managing Director's Report

STRATEGIC INTENT

Our strategic intent remains to increase EAC shareholder value by increasing sales revenues and net profits, improving financial performance, strengthening markets, diversifying our products, continuously improving our production processes, development of human resource and to seamlessly integrate new regions into the group's operations.

HUMAN CAPITAL

From humble beginning in 1966, our workforce has grown through the years to 123 in January 2004 to 241 at a group level, in December 2006 and is still growing. We continue to enhance human resources through the engagement of key talents and skills, tailored and continuous training of staff, implementation of performance targets to boost productivity and internal control policy enhancement.

BUSINESS PERFORMANCE OVERVIEW

Sales and Financial Performance

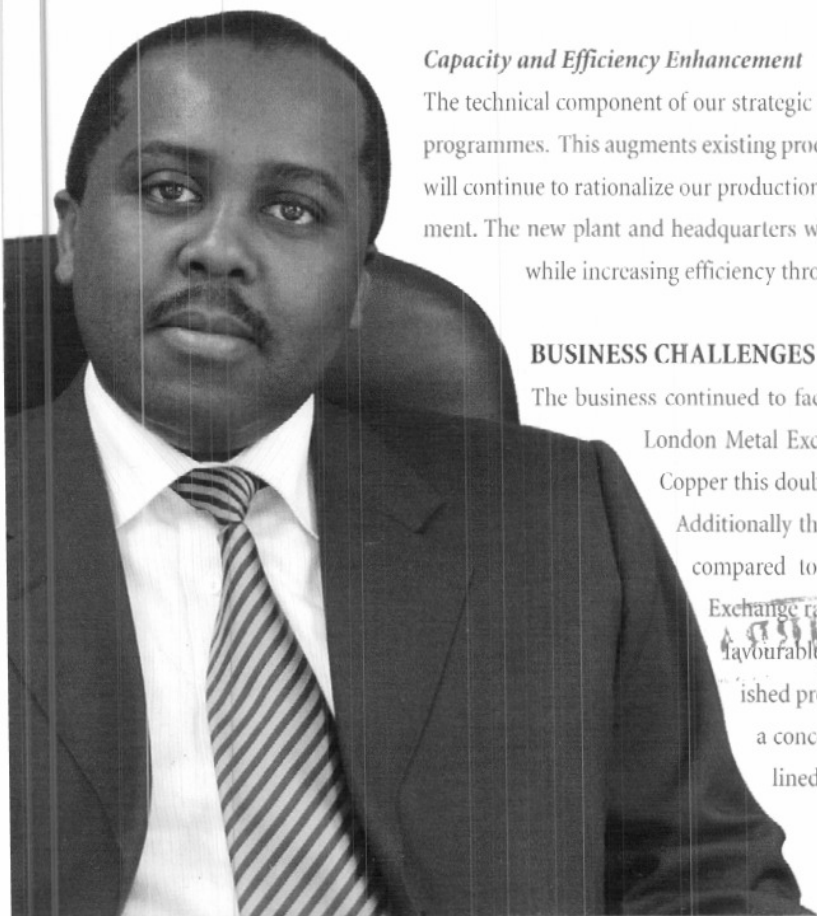
Our sales revenues and pre-tax profits grew from KShs 1.16 billion in 2005 to KShs 2.04 billion in 2006 and KShs 294 million to KShs 423 million respectively. This was mainly driven by the vibrant building and construction industry, coupled with our aggressive marketing campaigns through advertising, rebranding the company image/profile in the market, regional events (training and educational campaigns) and increased focus on customer needs and customer management.

Capacity and Efficiency Enhancement

The technical component of our strategic agreement with Nexans has helped us with our capacity and efficient programmes. This augments existing production lines and enhances quality control systems. Going forward we will continue to rationalize our production planning (stocks and inventory) together with new product development. The new plant and headquarters will give us additional capacity to take advantage of regional markets while increasing efficiency through modernization of equipment and lowering production costs.

BUSINESS CHALLENGES

The business continued to face challenges in sourcing of raw materials due to erratic changes in London Metal Exchange (LME) of Copper and Aluminium. With specific reference to Copper this doubled in 2006. We have mitigated this by forward purchase agreements. Additionally the costs of production in terms of electricity continue to remain high compared to our competitors' countries of origin (India, China and Egypt). Exchange rate fluctuations also continue to be a mixed blessing in terms of being favourable for importation of raw material but unfavourable for export of finished product. Prevalence of cheap, substandard cables in the region remains a concern and is partially managed through educational campaigns as outlined below.



Group Managing Director's Report

(Continued)



QUALITY MANAGEMENT/ISO STANDARDS

We have embarked on a broad campaign that will enable Kenyan consumers combat the latest wave of fake, substandard and counterfeit electrical cables in the market. The campaign we hope will also sensitize various organs of government on the need to join hands with the Kenya Bureau of Standards in ensuring that contractors adhere to the laid down building code and to act against those who flout the code.

ENVIRONMENTAL AUDIT

The company continues to comply with the requirements of the environmental legislation Environmental Management and Co-ordination Act (EMCA) 1999. I am happy to report that the company submitted year 2006 report to the National Environmental Management Authority (NEMA). The company will continue to engage NEMA to ensure a safe environment for all.

REGIONAL STRATEGIC INITIATIVES

Working with our Managing Director in Tanzania, Muriithi Ndegwa and the group management team, we have embarked upon initiatives to integrate the operational processes across the two factories. Going forward we will continue to enhance the synergies across the two factories and the third one coming up in Nairobi.

Regionally, Tanzania, Uganda, Rwanda, Burundi and Sudan, are growing economies with robust building and construction sectors. Utility companies such as KPLC (Kenya), TANESCO (Tanzania), UETCL (Uganda), ELECTROGAZ (Rwanda) have ambitious connection programmes and we are strategically placing ourselves in the region to take advantage in terms of the provision of aluminium cables and conductors and the potential house wiring market that will grow out of these expansion programmes.

ACKNOWLEDGMENTS

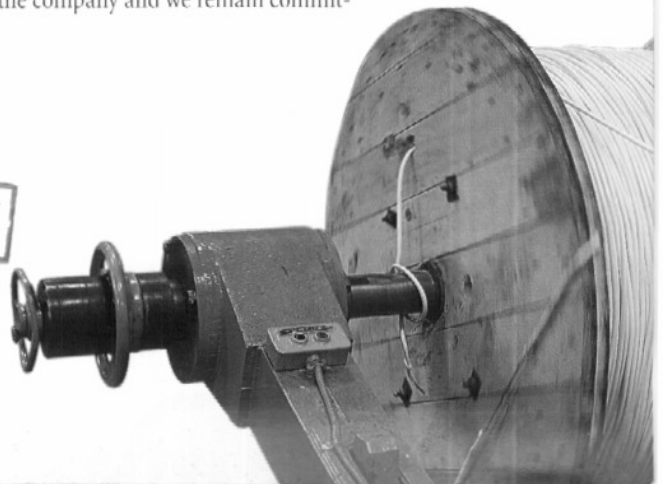
I would like to thank our customers, suppliers and partners, and my fellow staff members for their continued commitment.

I would personally like to thank Timothy Kile and Paul Mwangi, who retired in December 2006, after 39 and 37 years of service respectively, for their dedication from those early days to the present.

I wish to thank the Chairman and Board of Directors for their support and guidance to the company and we remain committed to the greater success of the company.

Mugo Kibati

CMA-LIBRARY





Taarifa Ya Mkurugenzi Mkuu Wa Shirika

MKAKATI

Lengo letu kuu ni kuendeleza EAC kwa kuongeza mapato ya mauzo na faida, kuimarisha utendaji wa kifedha, kudhibiti masoko, kupanua bidhaa zetu, kuimarisha hatua zetu za uzalishaji mara kwa mara, kustawisha utendajikazi na kuunganisha maeneo mapya katika utendaji wa shirika bila shuruti kwa dhamira ya kuongeza thamani kwa wadau na washika dau.

UTENDAJIKAZI

Tangu mwanzo wa chini mnamo mwaka wa 1966, kiwango cha wafanyakazi wetu kimekua hadi watu 123 hapo Januari 2004 na hadi watu 240 katika kiwango cha shirika kufikia Desemba 2006 na bado kinakua. Tunaendelea kudumisha utendakazi kupitia ushirikishi wa watu wenye vipawa na tajiriba maalum, kuwapa mafunzo ya mara kwa mara wafanyakazi, kutekeleza shabaha ya utendaji ili kuinua uzalishaji na udumishaji wa kanuni za udhibiti wa ndani.

MTAZAMO WA UTENDAJI WA BIASHARA

Utendaji Wa Mauzo Na Fedha

Mapato yetu ya mauzo na faida kabla ya kutozwa ushuru iliimarika kutoka shilingi bilioni 1.16 mwaka wa 2005 hadi shilingi bilioni 2.04 mwaka wa 2006 na shilingi milioni 294 hadi shilingi milioni 423 mtawalia. Hii ilitokana hasa na msisimko kati-ka sekta ya ujenzi pamoja na kampeni thabiti za uuzaji kupitia utangazaji wa bidhaa, kuipa kampuni sura/ wasifu mpya sokoni, matukio ya kimaeneo (kampeni za kimafunzo na kiufundi) na kuimarisha uzingatifu wa mahitaji ya wateja na udhibiti wao.

Uwezo na Uendelezaji Utendaji bora

Usaidizi wa kiufundi kutokana na makubaliano ya kimkakati na Nexans imetufaa pamoja na uwezo na mipango yetu ya utendaji bora. Hii imekuza viwanda vya uzalishaji vilivyopo na kuendeleza udhibiti wa ubora. Mbeleni tutaendelea kutazama mipango yetu ya uzalishaji kimantiki(mahitaji ya biashara na hesabu) pamoja na kukuza bidhaa mpya. Kiwanda hicho kipya kitatupa uwezo zaidi wa kujinufaisha kutoka kwa masoko ya eneo, huku tukiimarisha utendaji bora kupitia matumizi ya vifaa vya kisasa na kupunguza gharama za uzalishaji.

CHANGAMOTO ZA KIBIASHARA

Biashara iliendelea kukumbwa na changamoto katika kutafuta malighafi kutokana na mabadiliko yasiyotabirika katika soko la ubadilishanaji wa vyuma la London (LME), kwa shaba nyekundu na alumini. Kwa kurejelea shaba nyekundu, bei yake iliongezeka mara mbili mwaka wa 2006. Tumepunguza haya kwa kutanguliza makubaliano ya ununuzi. Zaidi, garama za uzalishaji kwa upande wa umeme ziliendelea kubakia za juu zikilinganishwa na mataifa asilia ya washindani wetu(India, Uchina na Misri). Kubadilika badilika kwa kiwango cha ubadilishanaji kuliendelea kutupa hali tofauti, kwa kutufaa katika uagizaji wa malighafi ila haikufaa katika usafirishaji wa bidhaa zilizotengenezwa kwayo. Kuenea kwa bidhaa duni na za bei rahisi za nyaya katika eneo hili bado kunatuhusu na tatizo hilo linadhhibitiwa kwa kiasi fulani kupitia kampeni za kielimu kama ilivyoangaziwa hapa nchini.

Taarifa Ya Mkurugenzi Mkuu Wa Shirika (inaendelea)



KUDHIBITI UBORA/ VIWANGO VYA ISO

Tumeanzisha kampeni pana itakayowawezesha wateja nchini Kenya kupambana na mfumo wa karibuni wa nyaya duni, ghushi na zisizotimiza kiwango kinachofaa sokoni. Kampeni hii tunatarajia itazihisisha sehemu mbalimbali za serikali kuhusu haja ya kuungana mikono na halmashauri ya ukadiriaji wa ubora wa bidhaa (KEBS) katika kuhakikisha waliotia saini mikataba wanazingatia kanuni zilizopo za ujenzi na kuchukua hatua dhidi ya wanaokiuka kanuni hizo na wakati huohuo ikichukua hatua mahususi kusitisha uagizaji wa bidhaa kama hizo. Hadi sasa tunacndelea kushirikisha KEBS na muungano wa wazalishaji nchini, KAM.

UKAGUZI WA KIMAZINGIRA

Kampuni hii inaendelea kutimiza matakwa ya sheria za kimazingira-Sheria kuhusu utaratibu na udhibiti wa mazingira (EMCA) ya mwaka wa 1999. Nina furaha kuripoti kuwa kampuni hii iliwasilisha ripoti yake ya mwaka wa 2006 kwa halmashuri ya kitaifa inayoshughulikia udhibiti wa mazingira {NEMA}. Kampuni hii itacndelea kushirikisha halmashauri hiyo (NEMA) kuhakikisha mazingira safi kwa wote.

UVUMBUZI WA KIMKAKATI WA KIENEO

Kwa kushirikiana pamoja na Mkurugenzi wetu Mkuu wa Tanzania, Muriithi Ndegwa na jopo la wasimamizi wa shirika, tumeanzisha njia za uvumbuzi ili kuleta pamoja hatua za uzalishaji katika viwanda hivyo viwili. Mbeleni tutaendelea kudemisha ushirika kati ya viwanda hivyo viwili na cha tatu kinachotazamiwa kujengwa jijini Nairobi.

Kieneo, Tanzania, Uganda, Rwanda, Burundi na Sudan ni nchi zinazostawi na zenye msisimko mkubwa katika sekta za ujenzi. Kampuni za huduma za umma kama vile KPLC (Kenya), TANESCO (Tanzania), UETCL (Uganda) na ELECTROGAZ (Rwanda) zina mipango madhubuti ya kuweka umeme nchini kwao, nasi tunaweka sawa mikakati katika eneo hili ili kupata fursa ya kutoa nyaya za alumini na vipitisha umeme na vilevile soko la kutia umeme manyumbani ambalo litaimarika kutokana na mipango hii ya upanuzi.

SHUKURANI

Ningependa kuwashukuru wateja wetu, wasambazaji wa bidhaa zetu na washirika, na wafanyakazi wenzangu kwa kujitolea kwao.

Ningependa binafsi kumshukuru Timothy Kile na Paul Mwangi, ambao walistaafu hapo Desemba 2006 baada ya miaka 39 na 37 ya huduma mtawalia, kwa kujitolea kwao tangu siku hizo za mwanzo mpaka leo.

Hatimaye, ningependa kumshukuru Mwenyekiti na Halmashauri ya wakurugenzi kwa mchago na uelekezi wao kwa kampuni, na kukuhakikishieni tena uwajibikaji wetu kuleta ufanisi mkubwa kwa kampuni.

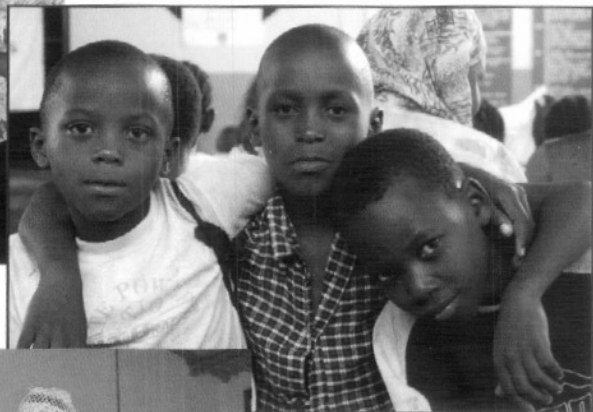
Mugo Kibati.

Corporate Social Responsibility Report

During the four decades of its existence, East African Cables has been a worthy corporate citizen of our beloved nation, diligently contributing to the treasury's coffers, creating employment for Kenyans and inviting ordinary Kenyans to invest in its success via the Nairobi Stock Exchange since 1973.

The company has continued to support sustainable community projects by financing various activities and charitable organizations. Most of the company's contribution is directed to deserving sectors in education, training/development, sport and social development. During the year the company offered support to Pendekezo Letu Girls Home in Thika, Huruma Children's Home and Harambee Stars.

East African Cables Ltd has recently joined the UN Global Compact Kenya network, a voluntary corporate citizenship initiative that helps promote Government/Private sector alliance. The Kenya Network of the Global Compact initiative is being implemented in partnership with United Nations Development Programme (UNDP). Under this compact, we as a company commit publicly to adhere to the four fundamental principles of Human Rights, Labour Rights, Environmental Sustainability and Anti-Corrupt Practices.



Ripoti Ya Uwajibikaji Wa Kijamii Wa Shirika

Katika miongo minne ya uwepo wake, kampuni ya East African Cables imekuwa mshirika wa thamani kwa taifa letu tukufu ikijitahidi kutoa mchango wake kwa hazina ya serikali, kubuni nafasi za kazi kwa Wakenya na kuwapa nafasi Wakenya wa kawaida kuwekeza katika mafanikio yake kupitia soko la hisa la Nairobi tangu 1973.

Kampuni hii imeendelea kuunga mkono miradi ya kijamii kwa kufadhili shughuli mbalimbali na mashirika yanayotoa misaada kwa jamii. Mchango mkubwa wa kampuni hii umeelekezwa kwenye sekta zenye uhitaji mkubwa za kielimu, ufundi/ustawi, michezo na ustawi wa kijamii. Mwaka huo, kampuni hii ilifadhili Pendekezo Letu Girls Home iliyoko Thika, Makao ya watoto yatima ya Huruma na Harambee Stars.

Shirika la East African Cables lilijiunga karibuni na mkataba wa Umoja wa Mataifa Ulimwenguni tawi la Kenya ambalo ni Shirika la kujitolea lililovumbuliwa na wanachama ambalo linasaidia kuendeleza muungano wa sekta za kiserikali na za kibinafsi. Tawi la Kenya la mkataba huo inatekelezwa kwa ubia na Mpango wa Ustawi wa Umoja wa Mataifa (UNDP). Chini ya mkataba huu, sisi kama kampuni tunajitolea wazi kufuata masharti manne makuu ya haki za kibinadamu, haki za wafanyakazi, udumishaji wa mazingira na kutoshiriki ufasadi.



Report of the Independent Auditors

We have audited the group financial statements of East African Cables Limited set out on pages 33 to 62 which comprise the balance sheets of the group and the company at 31 December 2006, and the group's income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

As stated on page 16, the Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

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

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

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

Report of the Independent Auditors

(Continued)

OPINION

In our opinion, the financial statements give a true and fair view of the financial position of the group and the company at 31 December 2006, and the group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Kenyan Companies Act.

REPORT ON OTHER LEGAL REQUIREMENTS

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

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

KPMG Kenya

Certified Public Accountants

P O Box 40612

00100 Nairobi GPO

Kenya

Date: 19 February 2007

Directors, Offices and Administration

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

Bruno Thomas (French)

Appointed on 13th July 2006

SECRETARY

Virginia Ndunge

P. O. Box 61120-00200, Nairobi

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

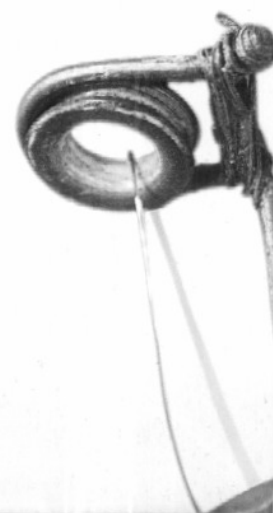
Commercial Bank of Africa Ltd

P. O. Box 30437 - 00100, Nairobi.

Consolidated Profit and Loss

	Notes	2006 KShs '000	2005 KShs '000
Revenue		2,040,533	1,162,041
Cost of sales		<u>(1,328,265)</u>	<u>(737,456)</u>
Gross profit		712,268	424,585
Other Income		4,592	3,178
Factory expenses		(83,989)	(38,471)
Administrative expenses		(117,547)	(73,102)
Distribution costs		(65,021)	(32,612)
Depreciation and amortisation	3	<u>(23,631)</u>	<u>(9,986)</u>
Profit from operations		426,672	273,592
Premium on acquisition of subsidiary	21(c)	-	19,301
Net finance income/ (cost)	4	<u>(3,860)</u>	<u>1,142</u>
Profit before tax	5	422,812	294,035
Income tax	6	<u>(138,177)</u>	<u>(81,096)</u>
Net profit for the year		284,635	212,939
Attributable to:			
Equity holders of parent:			
Company		282,393	188,796
Subsidiary (including premium on acquisition)		<u>1,144</u>	<u>21,771</u>
Group		283,537	210,567
Minority interest		<u>1,098</u>	<u>2,372</u>
Net profit for the year		284,635	212,939
Basic and dilutive earnings per share	7	KShs 1.40	KShs 1.04
Dividend per share (2005-restated)		KShs 0.70	KShs 0.50

The notes set out on pages 39 to 62 form an integral part of these financial statements.



Consolidated Balance sheet

	Notes	2006 KShs'000	2005 KShs'000
ASSETS			
Non current assets			
Property, plant and equipment	8(a)	476,755	239,602
Prepaid operating lease rentals	9	178,149	60,948
Intangible assets	10	7,022	6,165
		<u>661,926</u>	<u>306,715</u>
Current assets			
Inventories	12	643,732	332,221
Debtors and prepayment	13	538,164	353,745
Short term deposits	14	-	10,221
Cash and bank balances		63,835	49,268
		<u>1,245,731</u>	<u>745,455</u>
TOTAL ASSETS		<u>1,907,657</u>	<u>1,052,170</u>
EQUITY AND LIABILITIES			
Capital and reserves (Page 10)			
Issued capital	15	101,250	101,250
Share premium		545	545
Revaluation reserve		117,276	34,300
Revenue reserves		396,554	254,767
Proposed dividends		101,250	70,875
Exchange differences on translation of subsidiary		(22,648)	(4,095)
Total equity attributable to equity holders of the company		694,227	457,642
Minority interest		110,783	131,444
		<u>805,010</u>	<u>589,086</u>
Non-current liabilities			
Deferred tax liability	16(a)	10,829	15,532
Provision for staff gratuity	17	10,670	12,160
Shareholders loan	18(d)	65,399	16,900
Bank loan	19	246,413	-
		<u>333,311</u>	<u>44,592</u>
Current liabilities			
Bank overdraft	19	62,610	-
Creditors and accruals	20	271,677	368,819
Tax payable		48,953	11,518
Shareholders loan	18(d)	60,309	34,579
Bank loan	19	324,756	-
Dividends payable		1,031	3,576
		<u>769,336</u>	<u>418,492</u>
TOTAL EQUITY AND LIABILITIES		<u>1,907,657</u>	<u>1,052,170</u>

The financial statements on pages 33 to 62 were approved by the Board of Directors on 19 February 2007 and were signed on its behalf by:



Z. G. Mbugua (Chairman)



Mugo Kibati (Managing Director)

Company Balance sheet

	Notes	2006 KShs'000	2005 KShs'000
ASSETS			
Non current assets			
Property, plant and equipment	8(b)	315,995	97,237
Prepaid operating lease rentals	9	128,694	310
Intangible assets	10	7,022	6,165
Investment in subsidiary company	11	115,037	115,037
		<u>566,748</u>	<u>218,749</u>
Current assets			
Inventories	12	562,905	303,565
Debtors and prepayment	13	560,126	290,168
Short term deposits	14	-	10,221
Cash and bank balances		16,503	31,639
		<u>1,139,534</u>	<u>635,593</u>
TOTAL ASSETS		<u>1,706,282</u>	<u>854,342</u>
EQUITY AND LIABILITIES			
Capital and reserves (Page 11)			
Issued capital	15	101,250	101,250
Share premium		545	545
Revaluation reserve		73,039	34,300
Revenue reserves		373,372	232,728
Proposed dividends		101,250	70,875
		<u>649,456</u>	<u>439,698</u>
Non-current liabilities			
Deferred tax liability	16(b)	5,796	11,935
Provision for staff gratuity	17	6,863	7,176
Shareholders loan	18(d)	65,399	16,900
Bank loan	19	246,413	-
		<u>324,471</u>	<u>36,011</u>
Current liabilities			
Bank overdraft	19	62,610	-
Creditors and accruals	20	232,577	332,836
Tax payable		51,072	10,187
Shareholders loan	18(d)	60,309	34,579
Bank loan	19	324,756	-
Dividends payable		1,031	1,031
		<u>732,355</u>	<u>378,633</u>
TOTAL EQUITY AND LIABILITIES		<u>1,706,282</u>	<u>854,342</u>

The financial statements on pages 33 to 62 were approved by the Board of Directors on 19 February 2007 and were signed on its behalf by:



Z. G. Mbugua (Chairman)



Mugo Kibati (Managing Director)

Consolidated Cash Flow Statement

		2006	2005
	Note	KShs '000	KShs '000
Cash flows from operating activities	21(a)	<u>(244,280)</u>	<u>138,610</u>
INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		21	2,827
Interest received		385	1,746
Interest paid		(20,498)	(288)
Investment in subsidiary	21(c)	-	(97,967)
Purchase of property, plant and equipment and leasehold land		(323,475)	(31,985)
Purchase of software		<u>(1,895)</u>	<u>-</u>
Cash flows from investing activities		<u>(345,462)</u>	<u>(125,667)</u>
FINANCING ACTIVITIES			
Loan received		645,398	51,479
Dividends paid		<u>(113,920)</u>	<u>(65,821)</u>
Cash flows from financing activities		<u>531,478</u>	<u>(14,342)</u>
Net decrease in cash and cash equivalents	21(b)	<u>(58,264)</u>	<u>(1,399)</u>

The notes set out on pages 39 to 62 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 reserves KShs '000	Proposed dividends KShs '000	Exchange reserve KShs'000	Total equity Attributable to equity holders of company KShs'000	Minority interest KShs'000	Total equity KShs'000
Balance at 31 Dec 2004	101,250	545	34,936	144,814	35,438	59	317,042	-	317,042
Net profit for the year	-	-	-	210,567	-	-	210,567	2,372	212,939
Dividends - 2004 paid	-	-	-	-	(35,438)	-	(35,438)	-	(35,438)
- 2005 interim paid	-	-	-	(30,375)	-	-	(30,375)	-	(30,375)
- 2005 proposed	-	-	-	(70,875)	70,875	-	-	-	-
Exchange difference on translation of subsidiary	-	-	-	-	-	(4,154)	(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 31 Dec 2005	101,250	545	34,300	254,767	70,875	(4,095)	457,642	131,444	589,086
Net profit for the year	-	-	-	283,537	-	-	283,537	1,098	284,635
Dividends - 2005 paid	-	-	-	-	(70,875)	-	(70,875)	-	(70,875)
- 2006 interim paid	-	-	-	(40,500)	-	-	(40,500)	-	(40,500)
- 2006 proposed	-	-	-	(101,250)	101,250	-	-	-	-
Exchange difference on translation of subsidiary	-	-	-	-	-	(18,553)	(18,553)	(21,759)	(40,312)
On revaluation	-	-	82,976	-	-	-	82,976	-	82,976
Balance at 31 Dec 2006	101,250	545	117,276	396,554	101,250	(22,648)	694,227	110,783	805,010

The notes set out on pages 39 to 62 form an integral part of these financial statements.

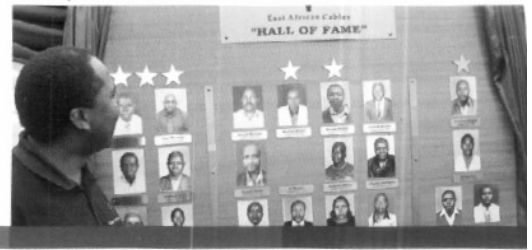
East African Cables Ltd

Company Statement of Changes in Equity

	Share capital KShs '000	Share premium KShs '000	Revaluation reserve KShs '000	Revenue reserve KShs '000	Proposed dividends KShs '000	Total KShs '000
Balance at 31 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 paid	-	-	-	(30,375)	-	(30,375)
- 2005 proposed	-	-	-	(70,875)	70,875	-
Excess depreciation transfer	-	-	(909)	909	-	-
Deferred tax on excess depreciation	-	-	273	(273)	-	-
Balance at 31 Dec 2005	101,250	545	34,300	232,728	70,875	439,698
Net profit for the year	-	-	-	282,394	-	282,394
Dividends - 2005 paid	-	-	-	-	(70,875)	(70,875)
- 2006 paid	-	-	-	(40,500)	-	(40,500)
- 2006 proposed	-	-	-	(101,250)	101,250	-
On revaluation	-	-	38,739	-	-	38,739
Balance at 31 Dec 2006	101,250	545	73,039	373,372	101,250	649,456

The notes set out on pages 39 to 62 form an integral part of these financial statements.

Notes to the 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 (which also includes a branch in Uganda) and its subsidiary, East African Cables (Tanzania) Company Limited in which the Group holds 51% of the voting rights and Yana Trading Company Limited in which the company holds 100% voting rights (refer to note 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 statements 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.



Notes to the 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 (KShs), which is the Company's functional and presentation currency.

(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%
• Leaschold 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.



Notes to the Financial Statements

(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) Inventories

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

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

(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.

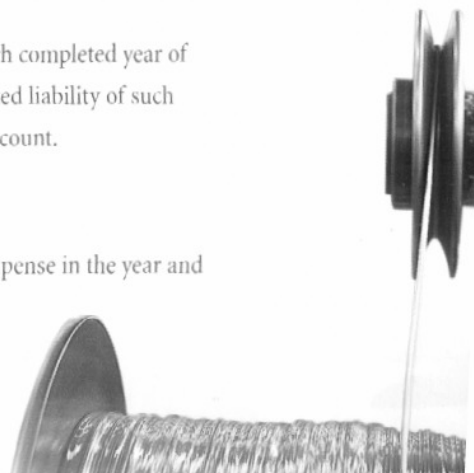
Contributions to the defined contribution plan are charged to the income statement as incurred.

(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.





Notes to the Financial Statements

(k) Taxation

Tax on the operating results for the year comprises both current and change in deferred tax. Current tax is provided on the results in the year as shown in the financial statements adjusted in accordance with tax legislation.

Deferred tax is provided using the balance sheet liability method on all temporary differences between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes.

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

(l) Cash and cash equivalents

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

(m) Related party transactions

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

(n) Dividends

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

(o) Financial instruments

A financial instrument is a contract that gives rise to both a financial asset of one enterprise and a financial liability of another enterprise. Financial instruments held by the group include term deposits and receivables arising from day to day sale of goods and services and cash and bank balances. Management determines the appropriate classification of its financial instruments at the time of purchase and re-evaluates its portfolio every balance sheet date to ensure that all financial instruments are appropriately classified.

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

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.



Notes to the Financial Statements

(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 profit and loss.

(ii) *Computer software*

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

(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.

(r) Segmental reporting

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



Notes to the Financial Statements

2. STAFF COSTS	2006	2005
	KShs '000	KShs '000
(a) Group		
Direct labour	32,405	24,405
Indirect factory salaries	22,173	16,150
Administration salaries and wages	38,188	21,578
Distribution salaries and wages	23,123	17,278
Pension contributions	5,434	3,463
	<u>121,323</u>	<u>82,874</u>

The average number of people engaged during the year was 241 (2005 - 186).

(b) Company		
Direct labour	27,976	23,632
Indirect factory salaries	21,520	16,150
Administration salaries and wages	28,372	20,336
Distribution salaries and wages	22,173	17,278
Pension contributions	4,636	3,437
	<u>104,677</u>	<u>80,833</u>

3. DEPRECIATION AND AMORTISATION	2006	2005
	KShs '000	KShs '000
Depreciation	20,117	9,979
Amortisation of long term lease prepayment and intangibles	3,514	7
	<u>23,631</u>	<u>9,986</u>

Notes to the Financial Statements

4. NET FINANCE INCOME

	2006 KShs '000	2005 KShs '000
Finance income		
Interest income	385	1,746
Gain on exchange	17,803	343
	<u>18,188</u>	<u>2,089</u>
Finance cost		
Interest paid	(20,498)	(288)
Bank charges	(1,550)	(659)
	<u>(22,048)</u>	<u>(947)</u>
Net finance (cost)/income	<u>(3,860)</u>	<u>1,142</u>

5. PROFIT BEFORE TAX

Profit before tax is arrived at after charging/(crediting):

Depreciation expense	20,117	9,979
Amortisation of long term lease prepayment	2,476	7
Interest expense	20,498	288
Directors emoluments: - Fees	2,717	1,411
- Other	19,964	11,507
Auditors remuneration - Group	2,556	1,243
Profit on disposal of property, plant & equipment	-	(1,875)
Interest income	<u>(385)</u>	<u>(1,746)</u>



Notes to the Financial Statements

6. INCOME TAX	2006 KShs '000	2005 KShs '000
Current tax expense	140,945	79,150
Previous year's under provision	1,415	-
Deferred tax (Note 16)	(4,183)	1,946
	<u>138,177</u>	<u>81,096</u>
The tax on the consolidated results differs from the theoretical amount using the basic tax rate as follows:		
Accounting profit	<u>422,812</u>	<u>294,035</u>
Tax at the applicable rate	126,844	88,211
Previous year's under provision	1,415	-
Non-deductible costs and non-taxable income	<u>9,918</u>	<u>(7,115)</u>
	<u>138,177</u>	<u>81,096</u>
 7. BASIC AND DILUTIVE EARNINGS PER SHARE	 2006	 2005 Restated
The calculation of basic and dilutive earnings per share is based on:		
Profit attributable to ordinary shareholders (KShs'000)	<u>283,537</u>	<u>210,567</u>
Number of ordinary shares outstanding during the year (2005 – Restated to take into account the share split)	<u>202,500,000</u>	<u>202,500,000</u>
Basic and dilutive earnings per share	<u>KShs 1.40</u>	<u>KShs 1.04</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 1 January 2006	14,331	154,336	174,523	27,295	15,638	16,405	402,528
Additions	-	-	2,572	1,851	4,767	184,285	193,475
Disposals	-	-	-	-	(209)	-	(209)
On revaluation	19	30,957	(857)	(991)	(224)	-	28,904
Exchange differences	(7,703)	(5,702)	(12,247)	(259)	(366)	-	(26,277)
At 31 December 2006	6,647	179,591	163,991	27,896	19,606	200,690	598,421
Comprising:							
Cost	-	-	78,531	24,006	10,415	200,690	313,642
Valuation	6,647	179,591	85,460	3,890	9,191	-	284,779
	6,647	179,591	163,991	27,896	19,606	200,690	598,421
Depreciation:							
At 1 January 2006	885	16,790	119,269	14,626	11,356	-	162,926
Charge for the year	1,964	2,335	8,493	4,587	2,738	-	20,117
Disposals	-	-	-	-	(188)	-	(188)
Exchange differences	(27)	(19)	(6,582)	(265)	(224)	-	(7,117)
On revaluation	-	(7,782)	(43,673)	(1,067)	(1,550)	-	(54,072)
At 31 December 2006	2,822	11,324	77,507	17,881	12,132	-	121,666
Net book value :							
At 31 December 2006	3,825	168,268	86,484	10,015	7,474	200,690	476,755
At 31 December 2005	13,446	137,546	55,254	12,669	4,282	16,405	239,602

Notes to the Financial Statements

8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) Company

Cost or valuation:

At 1 January 2006	14,331	44,043	78,664	25,479	13,090	15,227	190,834
Additions	-	-	2,573	1,851	3,408	184,285	192,117
Exchange differences	-	-	-	(23)	(2)	-	(25)
On revaluation	-	30,957	-	-	-	-	30,957
At 31 December 2006	14,331	75,000	81,237	27,307	16,496	199,512	413,883

Depreciation:

At 1 January 2006	885	6,901	64,022	13,029	8,760	-	93,597
Charge for the year	-	881	4,315	4,437	2,444	-	12,077
Exchange difference	-	-	-	(4)	-	-	(4)
On revaluation	-	(7,782)	-	-	-	-	(7,782)
At 31 December 2006	885	-	68,337	17,462	11,204	-	97,888

Net book value :

At 31 December 2006	13,446	75,000	12,900	9,845	5,292	199,512	315,995
At 31 December 2005	13,446	37,142	14,642	12,450	4,330	15,227	97,237

Revaluation

The buildings of the company were revalued during the year by Lloyd Masika Limited, a firm of professional valuers on the basis of open market value for existing use. The increase in net carrying value as a result of the revaluation was credited to a revaluation reserve account.

All the property, plant and equipment of the subsidiary, East African Cables (Tanzania) Limited (formerly Tanzania Daesung Cable Company), 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.

Property, plant and equipment under construction

During the year ended 31 December 2006, the company acquired land with the intention of constructing a new facility on the site and has commenced the construction of a new factory.



Notes to the Financial Statements

9. PREPAID OPERATING LEASE RENTALS	2006 KShs'000	2005 KShs'000
Group:		
Carrying value of leasehold land at 1 January	60,948	317
On acquisition of subsidiary	-	60,638
Additions during the year	130,000	-
Amortisation for the year	(2,476)	(7)
Exchange adjustment	(10,323)	-
Balance at 31 December	<u>178,149</u>	<u>60,948</u>
Company:		
Carrying value of leasehold land at 1 January	310	317
Additions during the year	130,000	-
Amortisation for the year	(1,616)	(7)
Balance at 31 December	<u>128,694</u>	<u>310</u>
10. INTANGIBLE ASSETS	2006 KShs'000	2005 KShs'000
Group and Company		
Purchase of software licenses	6,165	6,165
Additions during the year	1,895	-
Amortisation for the year	(1,038)	-
Net book value at 31 December 2006	<u>7,022</u>	<u>6,165</u>
11. INVESTMENT IN SUBSIDIARY COMPANIES		
East African Cables (Tanzania) Limited (formerly Tanzania Daesung Cable Company Limited)	<u>115,037</u>	<u>115,037</u>

Notes to the Financial Statements

11. INVESTMENT IN SUBSIDIARY COMPANIES (CONTINUED)

On 31 October 2005, the Company purchased 51% of the share capital of East African Cables (Tanzania) Limited (formerly Tanzania Daesung Cable Company Limited), a company incorporated in Tanzania. The effect of the acquisition is summarised under note 21(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 for the subsidiary, East African Cables (Tanzania) Limited (formerly Tanzania Daesung Cable Company Limited) are as follows:

	2006 KShs '000	2005 KShs '000
Revenue for the year ended 31 December	<u>288,935</u>	<u>326,779</u>
Profit after tax for the year ended 31 December	<u>2,242</u>	<u>50,439</u>

12. STOCKS

Group

Raw materials:

- Goods in transit	98,649	76,903
- Others	94,119	99,231

Finished goods

331,729	86,971
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Work in progress

100,182	54,116
---------	--------

Strategic spares and lubricants

18,405	14,850
--------	--------

Stationery and printing

<u>648</u>	<u>150</u>
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<u>643,732</u>	<u>332,221</u>
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Company

Raw materials:

- Goods in transit	73,238	76,903
- Others	82,188	89,062

Finished goods

313,401	80,349
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Work in progress

77,141	45,126
--------	--------

Strategic spares and lubricants

16,319	12,125
--------	--------

Stationery and printing

<u>618</u>	<u>-</u>
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<u>562,905</u>	<u>303,565</u>
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Notes to the Financial Statements

	2006 KShs'000	2005 KShs'000
13. DEBTORS AND PREPAYMENTS		
Group		
Trade debtors	437,032	306,112
Prepaid expenses	9,181	1,299
Sundry debtors	91,951	46,334
	<u>538,164</u>	<u>353,745</u>
Company		
Trade debtors	394,720	244,117
Prepaid expenses	2,257	330
Sundry debtors	91,094	45,721
Due from subsidiary	72,055	-
	<u>560,126</u>	<u>290,168</u>

14. SHORT TERM DEPOSITS

The weighted average effective interest rate earned on the short term deposits at the year was nil (2005 – 2.8%).

15. SHARE CAPITAL

Group and Company

Authorised, issued and fully paid:	← 2006 →		← 2005 →	
	Number of shares (Thousands)	KShs'000	Number of shares (Thousands)	KShs'000
Ordinary shares of KShs 5 each	20,250	101,250	20,250	101,250
Additional shares as a result of Share split of ten shares for every one held	182,250	-	-	-
Ordinary shares of KShs 0.50 (2005 – KShs 5) each	<u>202,500</u>	<u>101,250</u>	<u>20,250</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.

Notes to the Financial Statements

16. DEFERRED TAX LIABILITIES

(a) Group

Movements during the year are as follows:-

	Balance at 1/1/2006 KShs'000	Movement during the year KShs'000	Exchange difference KShs'000	Balance at 31/12/2006 KShs'000
Staff gratuity provision	(2,153)	94	-	(2,059)
Other provisions and accruals	(6,397)	(3,134)	-	(9,531)
Property, plant and equipment	17,980	(181)	(520)	17,279
Unrealised exchange gain	6,102	(962)	-	5,140
	15,532	(4,183)	(520)	10,829

(b) Company

Movements during the year are as follows:-

	Balance at 1/1/06 KShs '000	Movement during the year KShs '000	Balance at 31/12/06 KShs '000
Staff gratuity provision	(2,153)	94	(2,059)
Other provisions and accruals	(6,397)	(3,134)	(9,531)
Unrealised exchange gain	6,102	(962)	5,140
Property, plant and equipment	14,383	(2,137)	12,246
	11,935	(6,139)	5,796

17. RETIREMENT BENEFITS OBLIGATIONS

Group

	Balance at 1/1/2006 KShs'000	Movement KShs'000	Balance at 31/12/2006 KShs'000
Staff gratuity	12,160	(1,490)	10,670

Company

Staff gratuity	7,176	(313)	6,863
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Notes to the Financial Statements

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 4,635,645 (2005 – KShs 3,437,370) in contributions payable.

Unionisable staff are eligible to a gratuity upon retirement based on 23 days pay for each completed year of service at final salary. A provision is made in the financial statements for the estimated liability of such gratuity payable. At 31 December 2006, the provision carried in the financial statements amounted to KShs 6,863,471 (2005 – KShs 7,175,654).

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.

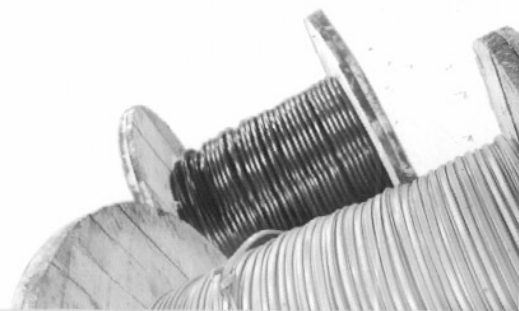
18. RELATED PARTY TRANSACTIONS

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:

	2006 KShs '000	2005 KShs '000
Directors (see note 5) - Fees	2,717	1,411
- Others	19,964	11,507
Executive officers	11,900	6,952
	<u>34,581</u>	<u>19,870</u>
(b) Amounts due from the directors		
Balances due from Managing Director	<u>734</u>	<u>292</u>
This relates to balance from managing director's expense account.		
(c) Purchases from related parties	<u>2,508</u>	<u>503</u>



Notes to the Financial Statements

18. RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Balances due from related parties

	2006 KShs '000	2005 KShs '000
Group and Company		
Cable Holdings Limited		
Non current liability	65,399	16,900
Current liability	<u>60,309</u>	<u>34,579</u>
	<u>125,708</u>	<u>51,479</u>

The loan is unsecured, denominated in US dollars and due for repayment in three years from the date of drawdown at an interest rate of 7% per annum.

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

19. BANK FACILITY

	2006 KShs '000	2005 KShs '000
Bank loan:		
Standard Chartered Bank Kenya Limited	<u>571,169</u>	<u>-</u>
Comprising:		
Non current liability	246,413	-
Current liability	<u>324,756</u>	<u>-</u>
	<u>571,169</u>	<u>-</u>

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

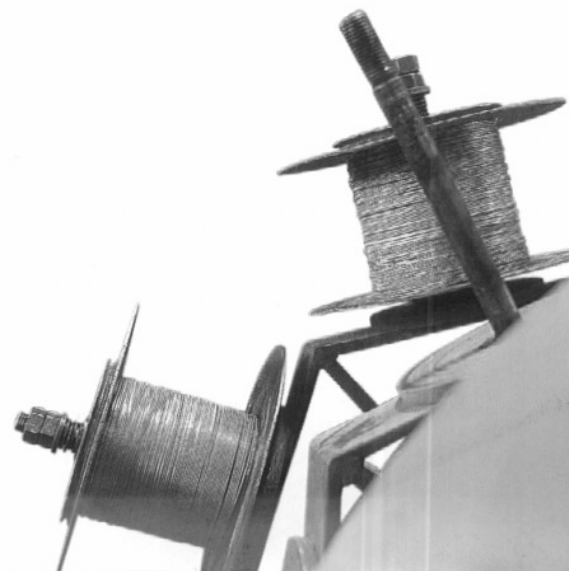
20. CREDITORS ACCRUALS

Group	2006 KShs '000	2005 KShs '000
Trade creditors	216,665	329,398
Other creditors and accrued expenses	<u>55,012</u>	<u>39,421</u>
	<u>271,677</u>	<u>368,819</u>
Company		
Trade creditors	179,094	301,273
Other creditors and accrued expenses	<u>53,483</u>	<u>31,563</u>
	<u>232,577</u>	<u>332,836</u>

Notes to the Financial Statements

21. NOTES TO THE CASH FLOW STATEMENT

	2006 KShs '000	2005 KShs '000
a) Reconciliation of net profit before tax to cash flow from operating activities		
Net profit before tax	422,812	294,035
Adjustments for:		
Depreciation	20,117	9,979
Amortisation of long term lease prepayment	2,476	7
Amortisation of intangible assets	1,038	-
Profit on disposal of property, plant and equipment	-	(1,875)
Interest income	(385)	(1,746)
Interest expense	20,498	288
Premium on acquisition	-	(19,301)
Foreign currency changes	(11,349)	(2,520)
Operating profit before working capital changes	455,207	278,867
Increase in stocks	(311,511)	(121,557)
Increase in debtors	(184,419)	(119,643)
(Decrease)/increase in creditors	(98,632)	219,585
Cash generated from operations	(139,355)	257,252
Income taxes paid	(104,925)	(118,642)
Cash inflow from operating activities	(244,280)	138,610



Notes to the Financial Statements

21. NOTES TO THE CASH FLOW STATEMENT (CONTINUED)

b) Movement in cash and cash equivalents

	2006 KShs '000	2005 KShs '000	Change in Year KShs '000
Bank overdraft	(62,610)	-	(62,610)
Cash and bank balances	63,835	49,268	14,567
Short term deposits	-	10,221	(10,221)
	<u>1,225</u>	<u>59,489</u>	<u>(58,264)</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			(19,301)
Consideration satisfied in cash			115,037
Cash acquired			<u>(17,070)</u>
Net cash outflow			<u>97,967</u>

Notes to the Financial Statements

22. 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 84,101,030 as at 31 December 2006 (2005 – KShs124,764,000).

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.



Notes to the Financial Statements

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.

24. SEGMENTAL REPORTING

	Kenya		Uganda		Tanzania		South Africa		Consolidated	
	2006 Shs'000	2005 Shs'000	2006 Shs'000	2005 Shs'000	2006 Shs'000	2005 Shs'000	2006 Shs'000	2005 Shs'000	2006 Shs'000	2005 Shs'000
External sales	1,761,831	1,099,278	31,458	-	288,935	62,763	-	-	2,082,224	1,162,041
Inter-segment sales	(41,691)	-	-	-	-	-	-	-	(41,691)	-
Total sales	1,720,140	1,099,278	31,458	-	288,935	62,763	-	-	2,040,533	1,162,041
Segment profit from operations	418,577	264,428	166	-	7,929	9,164	-	-	426,672	273,592
Premium on Acquisition of subsidiary company	-	19,301	-	-	-	-	-	-	-	19,301
Net finance income/(costs)	(6,019)	886	1,482	-	677	256	-	-	(3,860)	1,142
Income tax expense	(131,283)	(76,518)	(530)	-	(6,364)	(4,578)	-	-	(138,177)	(81,096)
Segment results	281,275	208,097	1,118	-	2,242	4,842	-	-	284,635	212,939
Attributable to:										
Equity holders of parent										
- Company	281,275	208,097	1,118	-	-	-	-	-	282,393	208,097
- Subsidiary	-	-	-	-	1,144	2,470	-	-	1,144	2,470
	281,275	208,097	1,118	-	1,144	2,470	-	-	283,537	210,567
Minority interest	-	-	-	-	1,098	2,372	-	-	1,098	2,372
Net profit for the year	281,275	208,097	1,118	-	2,242	4,842	-	-	284,635	212,939
Other Information:										
Segment assets	1,576,820	854,342	61,052	-	269,785	197,332	-	496	1,907,657	1,052,170
Segment liabilities	917,159	414,644	59,948	-	125,540	48,271	-	169	1,102,647	463,084
Capital expenditure	320,079	31,985	2,037	-	1,359	-	-	-	323,475	31,985
Depreciation expense	12,077	9,913	-	-	8,040	66	-	-	20,117	9,979
Amortization of Operating Leases	1,616	7	-	-	860	-	-	-	2,476	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 company also set up a branch in Uganda in 2006. The profit and loss above reflects the operations from date of acquisition to respective year ends.

Notes to the Financial Statements

25. 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	-	538,164	-	538,164
Cash and bank balances	63,835	-	-	63,835
Bank overdraft	(62,610)	-	-	(62,610)
Creditors	-	(271,677)	-	(271,677)
Taxation	-	-	(48,953)	(48,953)
Loans and advances	-	-	(385,065)	(385,065)
Net liquidity gap at 31 Dec 2006	1,225	266,487	(434,018)	(166,306)
At 31 December 2005				
Total assets	49,268	363,966	-	413,234
Total liabilities	-	(368,819)	(46,097)	(414,916)
Net liquidity gap at 31 Dec 2005	49,268	(4,853)	(46,097)	(1,682)

Notes to the Financial Statements

25. 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 effective interest rate	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 2006					
Debtors	-	-	-	538,164	538,164
Cash and bank balances	-	-	-	63,835	63,835
Creditors	-	-	-	(271,677)	(271,677)
Bank overdraft	11%	(62,610)	-	-	(62,610)
Taxation	-	-	-	(48,953)	(48,953)
Loans and advances	8%	-	(385,065)	-	(385,065)
On balance sheet interest sensitivity gap		(62,610)	(385,065)	281,369	(166,306)
At 31 December 2005					
Total assets		10,221	-	403,013	413,234
Total liabilities		-	(34,579)	(380,337)	(414,916)
On balance sheet interest sensitivity gap		10,221	(34,579)	22,676	(1,682)



Notes to the Financial Statements

25. FINANCIAL INSTRUMENTS (CONTINUED)

Foreign currency risk

The table below summarises the company's exposure to foreign currency risks:

	2006	2005
	KShs '000	KShs '000
	USD	USD
Monetary assets		
Cash and bank balances	38,957	31,324
Debtors	88,037	126,320
Monetary liabilities		
Shareholder's loan	(125,708)	(51,479)
Bank overdraft	21,837	-
Bank loan	(302,528)	-
Creditors	(21,837)	(306,800)
Net open position	(301,242)	(200,635)

26. CAPITAL COMMITMENTS

	2006	2005
	KShs '000	KShs '000
Authorised and contracted for	264,177	141,488

27. ULTIMATE HOLDING COMPANY

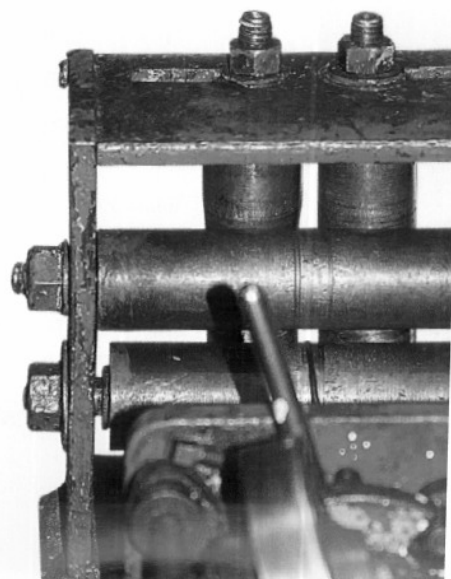
The ultimate holding company is Transcentury Limited, a company incorporated in Kenya

28. INCORPORATION

The company is incorporated in Kenya under the Companies Act.

Company Profit and Loss Account

	2006 KShs '000	2005 KShs '000
Revenue	1,751,735	1,099,278
Cost of sales	<u>(1,114,707)</u>	<u>(689,756)</u>
Gross profit	637,028	409,522
Other Income	9,586	3,292
Factory expenses	(70,048)	(38,471)
Administrative expenses	(79,843)	(67,923)
Distribution costs	(63,248)	(32,087)
Other operating expenses	<u>(14,731)</u>	<u>(9,905)</u>
Profit from operations	418,744	264,428
Net finance (cost)/income	<u>(4,537)</u>	<u>886</u>
Profit before tax	414,207	265,314
Income tax	<u>(131,813)</u>	<u>(76,518)</u>
Net profit for the year	<u>282,394</u>	<u>188,796</u>



Five Year Financial Record

PROFIT AND LOSS SUMMARY

	2002	2003	2004	2005	2006
	Restated	Consolidated	Consolidated	Consolidated	Consolidated
	KShs' 000	KShs' 000	KShs' 000	KShs' 000	KShs' 000
Sales	388,008	428,430	825,316	1,162,041	2,040,533
Profit/(loss) before tax	(4,954)	14,022	178,815	294,035	422,812
Tax	(992)	(4,657)	(55,154)	(81,096)	(138,177)
Profit/(loss) after tax	(5,946)	9,365	123,661	212,939	284,635
Minority interest	-	-	-	(2,372)	(1,098)
Profit/(loss) attributable to parent company shareholders	(5,946)	9,365	123,661	210,567	283,537
Dividends	(10,125)	(20,250)	(70,875)	(101,250)	(141,750)
Retained profit/(loss)	(16,071)	(10,885)	52,786	109,317	141,787
Earnings/(loss) per share (KShs)-Restated	(0.03)	0.05	0.61	1.04	1.40
Dividend per share (KShs) - Restated	0.05	0.10	0.35	0.50	0.70

BALANCE SHEET

Assets

Non-current assets	90,975	83,119	81,633	306,715	661,926
Current assets	239,564	272,782	410,583	745,455	1,245,731

TOTAL ASSETS

330,539	355,901	492,216	1,052,170	1,907,657
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Equity and liabilities

Share capital	101,250	101,250	101,250	101,250	101,250
Reserves	134,642	127,509	180,354	289,612	514,375
Proposed dividends	10,125	20,250	35,438	70,875	101,250
Exchange differences	-	-	-	(4,095)	(22,648)
Minority interest	-	-	-	131,444	110,783

Total equity	246,017	249,009	317,042	589,086	805,010
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Non-current liabilities	21,866	22,824	20,612	44,592	333,311
Current liabilities	62,656	84,068	154,562	418,492	769,336

TOTAL EQUITY AND LIABILITIES

330,539	355,901	492,216	1,052,170	1,907,657
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