



East African Cables

Annual Report and Financial Statements 2008



**Data &
Telecom Cables**

Structured
cabling systems
& telecommunication
cables.

HD

1695
K46E278

2008

C.2



Our Vision

To be the leading and preferred provider of cabling solutions.

Our Mission

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

Our Core Values

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

9695
KABE278
2008
C12

Notice of the Annual General Meeting

Notice is hereby given that the forty fourth Annual General Meeting of the shareholders will be held at East African Cables premises on Addis Ababa road, off enterprise road, industrial area, Nairobi, on 23rd April, 2009 at 11.00am for the following purposes.

1. To confirm the minutes of the forty third Annual General Meeting held on 24th April, 2008.
2. To receive the Accounts for the year ended 31st December, 2008 and the Directors' and Auditors' Reports thereon.
3. To approve the Directors' remuneration as provided in the accounts for the period ended 31st December, 2008.
4. To declare a first and final dividend of 200% representing one shilling per share.
5. To elect Directors in accordance with the Company's Articles of Association. J.M. Gachui and Bruno Thomas retire by rotation and being eligible offer themselves for re-election at the forth coming AGM.
6. To appoint KPMG Kenya as auditors for the ensuing year and to authorize the Directors to fix their remuneration.
7. To transact any other business which may be properly transacted at an Annual General Meeting.

BY ORDER OF THE BOARD

Virginia Ndunge
Secretary

P.O Box 61120
00200 City Square
Nairobi
10th February, 2009

Note:

A member entitled to attend and vote is entitled to appoint a Proxy to attend and vote in his stead. Such Proxy need not be a member of the company. To be valid, Proxy forms must be deposited at the Registered Office of the Company not less than 48 hours before the appointed time of the meeting.



House Wiring Cables

2609/1688
"Used in domestic or
Industrial lighting"

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CMA – Ke Library



AR1668

Tangazo la Mkutano

Mnatangaziwa kwamba mkutano mkuu wa arobaini na nne wa mwaka, wa wenye hisa utafanyika katika kiwanda cha East African Cables kilichopo Addis Ababa road, eneo la viwandani, Nairobi, tarehe 23 Aprili 2009 kuanzia saa tano asubuhi, kujadili mambo yafuatayo:

1. Kuthibitisha kumbukumbu za mkutano mkuu wa arobaini na tatu uliofanyika tarehe 24 Aprili, 2008.
2. Kupokea mahesabu ya kipindi cha matumizi ya fedha kilichoisha tarehe 31 Desemba 2008 na ripoti ya 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 2008.
4. Kutangaza gawio la asilimia mia mbili (200%) inayowakilisha Shilingi moja kwa kila hisa.
5. Kuchagua wakurugenzi kulingana na kanuni za kampuni. J.M. Gachui na Bruno Thomas wanafaa kustaafu kipindi hiki na kwa kuwa wangali na azimio, wamejitolea kuchaguliwa upya katika mkutano mkuu wa mwaka.
6. Kuteua KPMG Kenya kuwa 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

Virgina Ndunge
Katibu

P.O. Box 61120
00200 City Square
Nairobi.
10 Februari, 2009

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.

Copper & Aluminium Conductors

Medium & High Voltage
Power Cables

Conductors for
transmission &
distribution, Power
cables for medium to
high voltage industrial
requirements in various
voltage ratings.

Board of Directors



1
Mr. Peter Kanyago (61)

He was educated at Nyeri High School, Strathmore College and Pacific States University. He has a wide range of experience in business, he is currently the Chairman of East African Courier Limited (FedEx), East African Elevator Co. Limited (OTIS), Regional Reach Ltd (Kameme 101.1 FM and K24 TV) and Ecobank Kenya Ltd. He is also a member of the board of several other companies including Corporate Insurance, Kenya Tea Development Agency (KTDA) and a number of tea factories.

2
Mr. James Gachui (61)

Mr. Gachui, studied chemical Engineering at the University of Surrey, Guildford, England, and graduated with a first class honours Bsc. Degree in 1972.

He has held various positions in Total Kenya from 1978 to 1993. He launched Galana Petroleum, a petroleum trading business he co-founded with a former colleague. He retired from the business in 2000.

He is the Chairman of Trans-Century Ltd., Wananchi On Line Ltd. and Jimana Ltd. He is also Director of: Rift Valley Railways (Pty) Ltd., Chase Bank Kenya Ltd, Kewberg Cables and Braids, and Metal Fabricators of Zambia PLC.

3
Mr. George Mwangi (35)

He is a Certified Public Accountant and a member of the ICPAK. He is also a Certified Public Secretary and holds a bachelor's degree in International Business Administration. He has substantial experience in the industry having worked with the Company for over 10 years at senior levels.

4
Mr. Zephaniah .G. Mbugua - Chairman (59)

He is a Bsc.graduate of Makerere University. He is the CEO of Abcon Group of companies whose principal business is supply of Industrial Raw materials. He holds Directorship in several other companies. He was appointed a Director and Chairman of the Board in March 2004.

5
Mr. Davinder Sikand (51)

He is the Managing Partner of Aureos East Africa Fund, a US\$ 40 million fund since its inception in 1996. Davinder has 16 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 PriceWaterhouse Coopers. He holds a Masters Degree in Kellogg School of Business, North Western University, USA.

6
Mr. Anthony Wainaina (44)

He is the CEO of Trans-Century Limited and has extensive experience in corporate and project finance, management consultancy and investment banking. His previous working experience includes Pricewaterhouse Coopers as a management consultant, Citibank Kenya as a Resident Vice President, Regional Corporate Finance and ICDCI as Chief Executive Officer. He sits in several other boards including Rift Valley Railways (Pty), Avery East Africa, Kewberg Cables & Braids, Tanelec Ltd among others.

7
Mr. Bruno Thomas

Mr. Thomas now retired from the Nexans Group, was Executive Vice President of the Rest of the World Area. He was also Senior Corporate Vice President, Strategic Operations in Nexans. He was previously President of the Energy Cables Division, President of the board of Alcatel Kabel KG and Director of Industrial strategy. In 1992 he was appointed Vice-President of Alcatel cable, in charge of the France sector. He joined Alcatel in 1986 as General Director of Cableries de Lens, with responsibility for the Benelux sector. He began his career at Usinor in 1968.

Management Team



George Mwangi
Chief Executive Officer



Muriithi Ndegwa
Managing Director EAC (Tz)



Gordon Anampiu
Plant Manager



Joseph Kinyua
Finance Manager



Timothy Ndegwa
Commercial Manager



Rose Kariuki
HR & Admin. Manager



David Mwangi
Technical Manager



Tom Oyugi
Business Development Manager

Report of the Directors

The directors have pleasure in submitting their report together with the audited financial statements for the year ended 31st December 2008, 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 24.

3. Dividends

The directors recommend the payment of a first and final dividend of Kshs. 1.00 (2007 -Kshs.0.90) per share.

4. Directors

The directors who served since 1 January 2008 are set out on page 4 and 5.

5. Auditors

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

6. Approval of financial statements

The financial statements were approved at a meeting of the directors held on 10th February 2009.

BY ORDER OF THE BOARD

Virginia Ndunge
Secretary

Date: 10th February 2009

Ripoti ya Wakurugenzi

Wakurugenzi wana furaha kutoa ripoti yao pamoja na taarifa za kifedha zilizokaguliwa za mwaka uliomalizikia tarehe 31 Desemba 2008 ambazo zinaonyesha hali ya mambo ya kampuni ilivyo.

1. Shughuli

Shughuli kuu ya kampuni ni kuzalisha na kuuza nyaya za stima na vipitisha-meme pamoja na kusambaza nyuzi-nyaya za simu na viambata vyake.

2. Matokeo

Matokeo ya mwaka yanaonyeshwa katika ukurasa wa 24.

3. Gawio

Wakurugenzi wanapendekeza gawio la kwanza na la mwisho la Kshs 1.00 (2007-Kshs 0.90) kwa kila hisa.

4. Wakurugenzi

Wakurugenzi waliohudumu tangu tarehe 1 Januari 2008 wamerejelewa katika ukurasa wa 4 na 5.

5. Wakaguzi

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

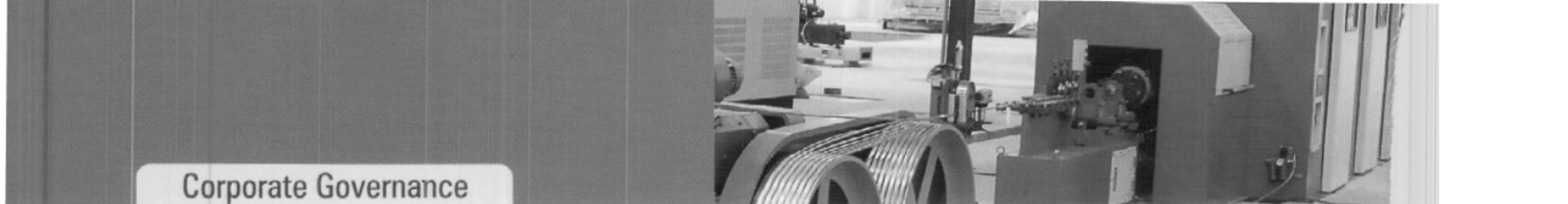
6. Kuidhinishwa kwa Hesabu

Hesabu ziliidhinishwa katika Mkutano wa Wakurugenzi uliofanyika tarehe 10 Februari, 2009.

KWA AMRI YA HALMASHAURI

Virginia Ndunge
Katibu

Tarehe: 10 Februari, 2009



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

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

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

BUSINESS ETHICS

The directors attach great importance to the need to conduct the business and operations of the company with integrity and in accordance with good corporate governance practice as set out in the Capital Markets Authority Guidelines for listed companies in Kenya and any other internationally developed principles on good governance. The company adopts the best principles of good corporate culture that requires the

directors and all employees to maintain the highest personal and ethical standards and to act in good faith and in the interest of the company. The company has developed and implemented a code of conduct that sets out guidelines and rules, which are based on good governance principles of:

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

EQUAL EMPLOYMENT OPPORTUNITIES AND COMMITMENT TO OUR PEOPLE

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

COMMITTEES OF THE BOARD

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

Audit Committee

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

The committee met four times in the year.

Staff Committee

The committee meets quarterly or as required. Its membership

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

Strategy Committee

The committee meets quarterly or as required. Its membership is composed of James Gachui, Z. G. Mbugua, Tony Wainaina and George Njoroge. James Gachui, Z. G. Mbugua and Tony Wainaina are non-executive directors of the company while George Njoroge, a non-executive director of East African Cables (Tz) Ltd was appointed to the committee in order to benefit from his expertise in the electrical business. The main responsibility of the committee is to chart the strategy of the company and to oversee implementation of strategic decisions of the board which include product and or geographical diversification, strategic partnerships and also review proposals involving capital expenditure. The committee met four times in the year.

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

COMMUNICATION WITH SHAREHOLDERS

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

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

DIRECTORS' EMOLUMENTS AND LOANS

The aggregate amount of emoluments paid to the directors for services rendered during the financial year ended 2008 is

disclosed on note 17 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 17.

RISK MANAGEMENT AND CONTROLS

The board recognizes that managing risk to ensure optimal mix between risk and return is an integral part of achieving corporate goals. The board has put in place processes for identifying, assessing, managing and monitoring risks to ensure that the risk of failure to achieve business objectives is mitigated. The company has defined procedures and financial controls to ensure the reporting of complete and accurate accounting information. These cover systems for obtaining authority for major transactions and for ensuring compliance with the laws and regulations that have significant financial implications. Procedures are also in place to ensure that assets are subject to proper physical controls and that the organization remains structured to ensure appropriate segregation of duties.

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

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



SHARE REGISTER DETAILS

Directors' interests in the shares of the company, the distribution of the Company shareholding and analysis of the ten major shareholders as at 31st December 2008 were as follows:

Directors' interest

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

Distribution of Shareholding

Shares range	No. of Shareholders	No. of Shares held	%shareholding
1 - 500	7,888	2,060,104	1.02
501 - 5,000	7,684	12,773,539	6.31
5,001 - 10,000	580	4,474,711	2.21
10,001 - 100,000	677	18,029,850	8.90
100,001 - 1,000,000	82	19,361,556	9.56
Above 1,000,000	7	145,800,240	72.00
Total	16,918	202,500,000	100.00

Major Shareholders

No. Name(s)	No. of shares	% shareholding
1. Cable Holdings (Kenya) Ltd	136,329,420	67.33
2. Stanbic Nominees Kenya Ltd-A/c NR13631	3,966,500	1.96
3. Ali Mohamed Adam	1,667,450	0.82
4. Ali Mohamed Adam	1,409,800	0.70
5. The Jubilee Insurance Co. (K) Ltd	1,291,500	0.64
6. Chandubhai Bhikabhai Patel	1,135,570	0.56
7. CFC Life Assurance Ltd - Pension Fund	900,000	0.44
8. Stanbic Nominnee Kenya Ltd - A/c R48703	800,000	0.40
9. British America Insurance Co. (K) Ltd	676,260	0.33
10. Travis (EA) Ltd	569,520	0.28
11. Others	53,753,980	26.54
Total	202,500,000	100.00

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 kuongoza 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 watano wasio watendaji na mkurugenzi mkuu, George Mwangi. Wasifu wa wakurugenzi hawa unapatikana katika ukurasa wa 4 na 5. 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 masuala ya kimkakati, kifedha, kiutendakazi na utimilifu. Isipokuwa kwa kuelekeza na kuongoza katika sera za jumla, halmashauri hii imebainisha 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 Sheria za kampuni vinavyohitaji kuwa thuluthi moja ya wakurugenzi waliowahi kuhudumu kwa muda mrefu (tangu uchaguzi wao uliopita) wastaafu 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

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 mwaka ya kampuni, kuchunguza taratibu za ununuzi na kukata bima upya. Kamati hii inaongozwa na mkataba kutoka kwa halmashauri, ambao unadokeza mamlaka yake. Kamati hii ilikutana mara nne mwaka huu.

Utawala wa shirika (kuendelea)

Kamati ya wafanyakazi

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

Kamati ya maarifa

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

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

MAWASILIANO NA WADAU

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

UJIRA NA MIKOPO YA WAKURUGENZI

Kiasi cha mshahara waliolipwa wakurugenzi kwa huduma walizotoa katika kipindi cha matumizi ya fedha kilichoisha mwaka 2008 kimefafanuliwa katika kijejezi cha 17 kwa taarifa za kifedha. Sio mwishoni mwa kipindi cha matumizi ya fedha au katika 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 kijejezi cha 17.

UDHIBITI NA UZUIZI WA HATARI

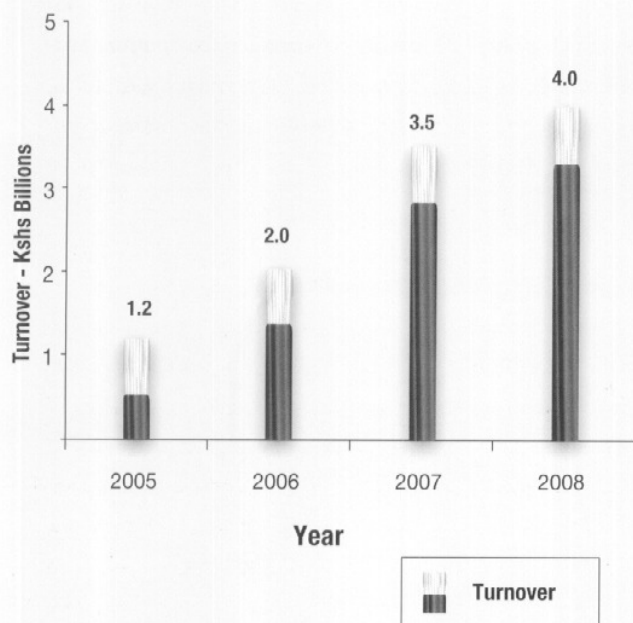
Halmashauri hii inatambua kuwa kudhibiti tahadhari ili kuhakikisha mchanganyiko wa hali ya juu wa tahadhari na mapato ni njia mojawapo muhimu ya kufikia malengo ya shirika. Halmashauri hii imeweka hatua za kutambua, kutathmini, kudhibiti na kuchunguza tahadhari ili kuhakikisha kwamba hatari za kukosa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

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

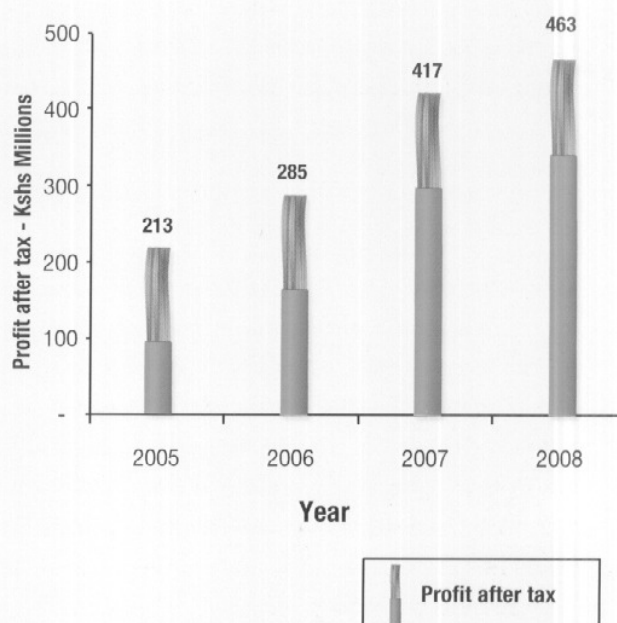
Katika kukagua uwezo wa taratibu za udhibiti wa mambo ya ndani, halmashauri ya wakurugenzi hutilia maanani matokeo ya kazi zilizotekelezwa katika kukagua mahesabu na kuchunguza shughuli za kampuni. Mfumo wa uwajibikaji mpana wa wasimamizi upo ili kuweka vipimo vya kifedha na utendaji. Mikutano ya mara kwa mara ya wasimamizi wakuu hufanywa kuchunguza utendaji na kuafikiana kuhusu taratibu za kujiimarisha.

Comparative Results

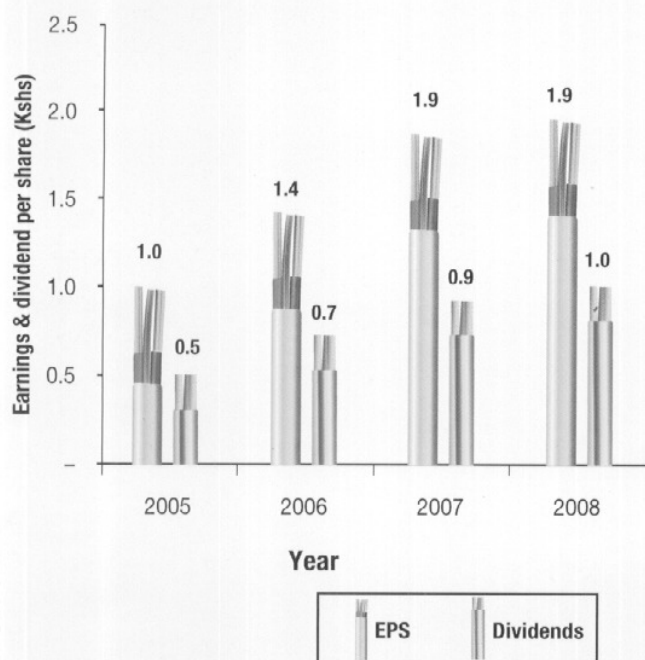
Sales Trend



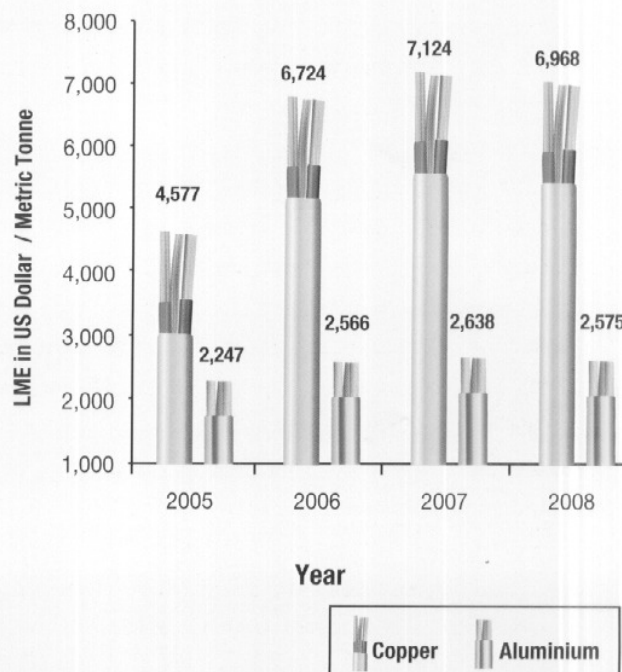
Profit after tax



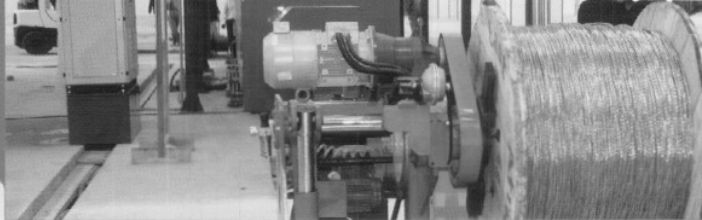
Earnings & Dividends



London Metal Exchange Cash Settlement price per Metric Tonne



Statement of Directors' Responsibilities



The Directors are responsible for the preparation and presentation of the financial statements of East African Cables Limited set out on pages 24 to 54 which comprise the balance sheets of the group and the company at 31 December 2008, 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.

The Directors responsibility includes: determining that the basis of accounting described in Note 2 is an acceptable basis for preparing and presenting the financial statements in the circumstances; designing, implementing and maintaining internal control relevant to the preparation and presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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

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

The Directors further accept responsibility for the maintenance of accounting records which may be relied upon in the

preparation of financial statements, as well as adequate systems of internal financial control.

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

Approval of the financial statements

The financial statements, as indicated above, were approved by the Board of Directors on 10 February 2009 and were signed on its behalf by:

Z.G. Mbugua
(Director)

George Mwangi
(Director)

Taarifa ya Majukumu ya Wakurugenzi

Wakurugenzi wana jukumu la kuandaa na kuwasilisha taarifa za kifedha za East African Cables zilizotajwa katika kurasa za 24 na 54 ambazo zinahusisha taarifa za matokeo ya kifedha za shirika na kampuni kufikia tarehe 31 Desemba 2008, na taarifa za mapato ya shirika, taarifa kuhusu mapato na matumizi ya fedha za mwaka huo uliomalizika pamoja na ufupisho wa sera muhimu za uhasibu na taarifa nyingine zilizoolezewa.

Majukumu ya wakurugenzi ni pamoja na: kuamua kuwa kanuni za uhasibu zilizoolezewa katika kijeledi 2 ni zenye kukubalika katika kuandaa na kuwasilisha taarifa za kifedha katika hali hizo; kutengeneza, kutekeleza na kudumisha udhibiti wa mambo ya ndani unaofaa katika kuandaa na kuwasilisha taarifa hizi za kifedha zilizo bainifu, kuchagua na kutumia sera zinazofaa za uhasibu pamoja na kufanya ukadiraji unaofaa wa hesabu katika hali hizo.

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

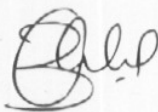
Wakurugenzi wanakubali jukumu la taarifa za kifedha za kila mwaka ambazo zimeandaliwa kutumia sera zinazofaa za uhasibu pamoja na hukumu bora na yenye kufaa pamoja na ukadiraji, ambao unakubalika na Viwango vya Kimataifa vya Uripoti wa Kifedha na inavyohitajika na sheria za makampuni ya Kenya. Maoni ya Wakurugenzi ni kuwa taarifa hizi za kifedha zinatoa mtazamo huru na wa haki kuhusiana na hali ya shirika ya kifedha na ya matokeo kwa huduma za shirika.

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

Wakurugenzi wamofanya tathmini ya shirika na uwezo wa kampuni kuendelea kama yenye umuhimu wa kuwajibika na hawana budi kuamini kuwa shirika na kampuni kwa jumla halitakosa kujimudu kwa takriban miezi kumi na miwili ijayo tangu kutolewa kwa taarifa hii.

Kuidhinishwa kwa taarifa za kifedha

Taarifa za kifedha, kama ilivyoolezewa hapo juu, ziliidhinishwa na halmashauri ya wakurugenzi tarehe 10, Februari 2009 na kutiwa sahihi kwa niaba yake na:



Z. G. Mbugua
(Mkurugenzi)



George Mwangi
(Mkurugenzi)

Chairman's Statement

INTRODUCTION

East African Cables limited attained the age of 43 years. I am happy to report another successful year to the shareholders. I am also happy to announce that mid last year the Nairobi Stock Exchange included EAC in the NSE 20 share index industrials constituent counter.

On the NSE, the 20 share index measures the average performance of 20 largest market capitalized stocks drawn from different sectors including agricultural, financials, commercial, industrial and the alternative investment market segment.

With such good news coupled with a profitable operating period, it gives me pleasure to present to you the Annual Report and Audited Financial Statements for the year ended 31st December 2008

OVERVIEW OF THE BUSINESS ENVIRONMENT

Economic growth rate

The year started with a slow pace. The economy performed below its potential as a result of both internal and external challenges experienced in the country such as the post election violence, increase in crude oil prices and drought which resulted in high food prices. The GDP growth rate is estimated at 2.2% down from the 7% recorded in 2007.

Inflation, interests and exchange rates

The 12-month overall inflation increased from 9.7% in December 2007 to 26.2% in December 2008 mainly due to the effects of post election violence, increase in international crude oil prices and food prices. Underlying annual average inflation increased from 5.18% in 2007 to 7.63% in 2008.

Short term interest rates also went up from 7% to 8.4% and 7.9% to 9.1% for the bench mark 91day and 182 day Treasury Bills respectively. This resulted in increased cost of borrowing.

The Kenya shilling also depreciated against all major currencies falling from 64.92 to 78.26 against the US Dollar. This had a negative impact on our business.

Global financial crisis

As you may be aware, the global financial crisis has severely affected the developed markets and its impact is expected to hit the African continent within this financial year. This is expected to have a negative impact on the business environment.

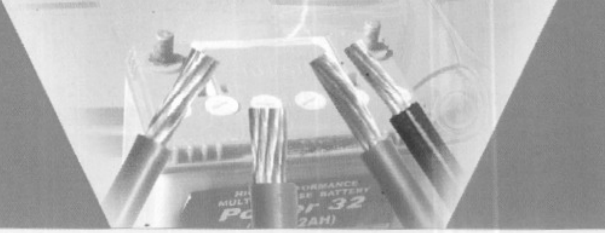
BOARD CHANGES

During the year, changes at the executive level took place in our company. Mr. Mugo Kibati, Managing Director, resigned in May and was replaced by Mr. George C. Mwangi on December 9th, 2008. I take this opportunity to thank Mr. Kibati for his efforts in steering the company and wish him success in his future endeavours. I wish to welcome on board Mr. Mwangi with full confidence that he will continue to steer the company and maintain the leadership position both locally and in the region.

FINANCIAL PERFORMANCE

Despite all the above factors, I am pleased to present to you the results of yet another successful trading





year, in which we managed to post a 13.5% and 12% growth in turnover and profit before tax respectively. Our turnover increased to Kshs 3.9billion up from Kshs 3.5 billion the previous year while our profit before tax increased to Kshs 670million up from Kshs 597million. Earnings per share increased from Kshs 1.85 to Kshs 1.94 in 2008.

The performance was driven by growth in regional markets. The group also restructured and rationalized its operations during the year resulting in cost reduction; this also contributed to the increase in profits.

REGIONAL EXPANSION

The financial year was marked with progressive execution of our regional expansion programme. As in the previous year, we managed to carry on with both the geographical presence and product portfolio expansion. We are currently operating in the five East Africa countries, viz Kenya, Uganda, Tanzania, Rwanda, and Burundi. We have continued to grow our export portfolio which accounted for 57% of our turnover in 2008 compared to 31% the previous year. Continued expansion of the business into the region will continue to be driven by growth in energy, infrastructure and the construction industry.

This financial year, we have announced further expansion plans geared at establishing a solid market presence in more than 13 African countries by the year 2012. In order to boost our capacity to serve a wider market, we shall commission a new copper cables production line and plan to undertake a major factory upgrade later in the year within our manufacturing facilities in Nairobi and Dar es Salaam.

Our partnership with Nexans and other strategic partners will also serve to boost our income through sales generated from a range of premium products such as data, telecom cables and accessories which we do not manufacture. Such income is likely to further grow with the landing of fibre optic cable systems creating demand for terrestrial networks.

REPORTING STANDARDS

The company continues to adopt the presentation and disclosure requirements of the International Financial Reporting Standards (IFRS) as required by the Institute of Certified Public Accountants of Kenya (ICPAK). Changes and

developments in the standards within the financial period under review have been complied with.

DIVIDEND

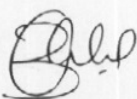
Following this performance, I am pleased to report that the Board of Directors is recommending to the Annual General Meeting a first and final dividend of Kshs 1.00 up from Kshs 0.90 per share distributed the previous year.

FUTURE OUTLOOK

The prevailing global economic conditions, draught and the weak GDP growth projection are not good signs for the country and the region in general. Already, the strengthening of US Dollar against other currencies has seen the Kenya shilling depreciate further to 80.77 in March 2009. Foreign Debt Servicing will also be more expensive while remittances from the Diaspora which have been contributing to growth in the building and construction sector are likely to remain low. While it's difficult to predict with precision what the next trading year will look like, we are optimistic that with our regional expansion drive coupled with focus on efficiency within all our processes, we are poised for growth. I have no doubt that the Company will continue to build long-term sustainable business in this region.

APPRECIATION

Positive results posted this financial year have seen East African Cables achieve growth and greater financial strength, while simultaneously rewarding our stakeholders. Our success has been made possible through cooperation between our staff, the management team and the Board of Directors. On behalf of the shareholders and myself, I thank them all for their effort and dedication.



Z G Mbugua
Chairman
Board of Directors

Taarifa ya Mwenyekiti

UTANGULIZI

Kampuni ya East African Cables imeadhimisha mwaka wake wa 43 sasa. Kwa sababu hii, nina furaha kuripoti mwaka mwingine wenye fanaka kwa wadau wa kampuni hii. Nina furaha vilevile kutangaza kwamba kampuni ya East African Cables ilijumuishwa miongoni mwa makampuni 20 bora katika sekta ya viwanda katika soko la ubadilishanaji wa hisa la Nairobi katikati ya mwaka uliopita.

Kwa upande wa ubadilishanaji wa hisa, thamani ya hisa katika soko la hisa la Nairobi huwa kipimo cha wastani cha utendaji wa makampuni 20 makubwa zaidi yaliyoorodheshwa katika soko hilo kutoka sekta za kilimo, fedha, biashara, viwanda na soko mbadala la uwekezaji.

Kwa habari hiyo njema pamoja na kipindi cha biashara kilichoshuhudia ukuaji wa faida, nina furaha kuwasilisha kwenu ripoti ya kila mwaka pamoja na taarifa za kifedha zilizokaguliwa za kipindi cha matumizi ya pesa kilichoisha tarehe 31 Desemba 2008.

ANGAZIO LA MAZINGIRA YA KIBIASHARA

Kiwango cha ukuaji wa uchumi

Shughuli za mwaka huu zilianza kwa upeo wa chini. Utendaji wa uchumi ulikuwa wa chini, kinyume na ulivyotarajiwa, kutokana na changamoto zilizoshuhudiwa ndani na nje ya nchi kama vile ghasia za baada ya uchaguzi, ongezeko la bei ya mafuta ambayo hayajasafishwa pamoja na ukame ambao ulipelekea kupanda kwa bei ya vyakula. Hata hivyo, ukuaji wa pato la jumla la nyumbani unakadiriwa kupungua kwa asilimia mbili nukta mbili (2.2%) kutoka asilimia saba (7%) uliushuhudiwa mwaka wa 2007.

Mfumko, faida na viwango vya ubadilishanaji

Mfumko wa jumla wa miezi 12 ulipanda kutoka asilimia tisa nukta saba (9.7%) mwezi Desemba mwaka 2007 hadi asilimia ishirini na sita nukta mbili (26.2%) mwezi Desemba mwaka wa 2008 kutokana na athari za ghasia za baada ya uchaguzi, ongezeko la bei ya mafuta ambayo hayajasafishwa katika masoko ya kimataifa na kupanda kwa bei ya vyakula. Kimsingi, kiwango cha mfumko katika mwaka huu kiliongezeka kutoka asilimia tano nukta moja nane (5.18%) mwaka wa 2007 hadi asilimia saba nukta sita tatu (7.63%) mwaka wa 2008.

Viwango vya faida vya muda mfupi vilevile vilimarika kutoka asilimia saba (7%) hadi nane nukta nne (8.4%) na kutoka asilimia saba nukta tisa (7.9%) hadi asilimia tisa nukta moja (9.1%) katika hawala za serikali za siku 91 na siku 182 mtawalia. Hili ilipelekea kuimarika kwa kiwango cha ukopeshaji.

Thamani ya shilingi ya Kenya dhidi ya sarafu nyingine za kigeni pia ilishuka kutoka shilingi 64 na senti 92 hadi shilingi 78 na senti 26 dhidi ya dola ya Marekani. Kushuka kwa thamani hii kulikuwa na madhara kwa biashara yetu.

Poromoko la uchumi wa dunia

Kama ambavyo hueda ikawa unaelewa, poromoko la uchumi wa dunia liliathiri vibaya masoko ya mataifa yanayostawi katika mwaka wa 2008, na madhara yake yanatarajiwa kuonekana katika masoko ya bara Afrika katika kipindi hiki cha matumizi ya pesa. Poromoko hilo la uchumi wa dunia linatarajiwa kuwa na madhara kwa biashara yetu.

MABADILIKO KWENYE BODI

Katika mwaka huu, mabadiliko ya wakurugenzi yalifanyika katika kampuni yetu. Hii ni kufuatia kujiuzulu kwa Bwana Mugo Kibati mnamo mwezi Mei mwaka wa 2008 na nafasi yake kuchukuliwa na Bwana George C. Mwangi mnamo tarehe 9 Desemba mwaka huo wa 2008. Kwa mantiki hii nachukua fursa hii kumshukuru Bwana Kibati kwa juhudi zake za kuiongoza kampuni ya East African Cables na kumtakia mema yote katika mustakabali wake. Ngingependa pia kumkaribisha kwa moyo mkunjufu Bwana Mwangi kwenye bodi hii nikiwa na uhakika wote kwamba ataendelea kuiongoza kampuni hii pamoja na kudumisha nafasi ya East African Cables kama kampuni bora sio tu humu nchini bali katika eneo la Afrika kwa jumla.

UTENDAJI WA KIFEDHA

Licha ya kuwepo haya yote, nina furaha kuwasilisha kwenu matokeo ya mwaka mwingine tena uliokuwa wenye ufanisi, na ambao tuliweza kupata ukuaji wa asilimia kumi na tatu nukta tano (13.5%) ya ubadilishanaji na asilimia kumi na mbili (12%) ya faida kabla ya kutozwa ushuru. Pato letu liliongezeka hadi shilingi bilioni 3.9 kutoka shilingi bilioni 3.5 mwaka uliopita huku faida yetu kabla ya kutozwa ushuru ikiimarika kutoka shilingi milioni 597 mwaka uliopita na kufika shilingi milioni 670. Kwa sababu hii, riba kwa kila hisa imeongezeka hadi shilingi moja na senti tisa nne (Ksh. 1.94) kutoka shilingi moja na senti nane tano (Ksh. 1.85) mwaka uliopita. Ukuaji huu ulitokana na ukuaji katika masoko ya eneo hili. Pamoja na hayo, kampuni ya East African Cables ilifanya mabadiliko na kupunguza operesheni zake katika mwaka huo na kupelekea kupungua kwa gharama ya kuendesha biashara pamoja na ongezeko la faida.

UPANUZI WA KIENEO

Kipindi kilichopita cha matumizi ya pesa kilishuhudia utekelezaji wa mipango yetu ya upanuzi katika eneo hili. Kama ilivyokuwa mwaka uliopita, tuliweza kuendeleza uwepo wetu kieneo pamoja na upanuzi wa aina za bidhaa zetu. Kwa sasa tunaendesha biashara yetu katika mataifa matano ya Afrika Mashariki ambayo ni Kenya, Uganda, Tanzania, Rwanda na Burundi. Tumeendelea pia kuimarisha uuzaji wa aina kadha za bidhaa zetu nje ya eneo hili. Uuzaji huu umechangia asilimia hamsini na saba (57%) ya ubadilishanaji wetu katika mwaka wa 2008, ikilinganishwa na asilimia thalathini na moja (31%) ya mwaka uliotangulia. Upanuzi zaidi wa kibiashara katika eneo hili utakadiriwa na ukuaji katika sekta ya kawi, miundombinu na ile ya ujenzi.

Vilevile, katika kipindi hiki cha matumizi ya pesa, tumetangaza mipango zaidi ya upanuzi inayokusudiwa kudhibiti uwepo wetu katika zaidi ya masoko 13 ya mataifa ya Kiafrika kufikia mwaka wa 2012. Na ili kuimarisha uwezo wetu wa kuhudumlia soko kubwa zaidi, tutazindua kiwanda kipya cha kuzalisha shaba nyekundu pamoja na kukarabati pakubwa viwanda vyetu vikuu katika miji ya Nairobi na Dar es Salaam baadaye mwaka huu.

Ubila wetu na kampuni ya Nexans pamoja na washirika wengine wa kimkakati vilevile utazidisha mapato yetu kupitia mauzo ya bidhaa zetu mbalimbali na za hali ya juu kama vile nyaya za simu, zile za data pamoja na viambata vyao ambavyo hatuzalishi sisi. Pato kama hilo linaweza kuimarika zaidi kufuatia kuwekwa kwa mfumo wa nyuzinyaya za mawasiliano baharini, ambao bila shaka utazidisha mahitaji ya mtandao.

VIWANGO VYA KURIPOTI

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

RIBA

Kufuatia utendaji huu, nina furaha kuripoti kwamba bodi ya wakurugenzi inapendekeza kwa mkutano mkuu wa mwaka riba ya kwanza na ya mwisho ya shilingi moja (Ksh. 1.00) kwa kila hisa kutoka kwa ile ya senti tisini (Ksh. 0.90) iliyolipwa mwaka uliopita.

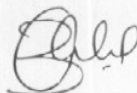
MATARAJIO YA BAADAYE

Mzozo wa sasa wa uchumi wa dunia, ukame na ukuaji duni wa pato la jumla la nyumbani si dalili ya kondo mzuri kwa nchi hii na eneo lote kwa jumla. Tayari, kuimarika kwa Dola ya Marekani dhidi ya sarafu nyingine za kigeni kumepelekea thamani ya shilingi ya Kenya kushuka zaidi hadi 80.77 dhidi ya dola mnamo mwezi Machi mwaka wa 2009. Ulipaji wa deni la kimataifa vilevile unatarajiwa kuwa ghali zaidi, huku pesa kutoka nchi za kigeni ambazo zimekuwa zikichangia ukuaji katika sekta ya ujenzi zikitazamiwa kupungua.

Ingawa ni vigumu kutabiri uhalisi wa jinsi kipindi kijacho cha matumizi ya pesa kitakuwa, tunatumai kwamba mpango wetu wa upanuzi wa kieneo pamoja na mtazamo wetu katika kuimarisha ustadi katika hatua zetu zote, tunatazamia kukua zaidi. Sina shaka kwamba kampuni hii itazidi kudhibiti biashara za kudumu katika eneo hili.

SHUKURANI

Matokeo bora yaliyopatikana mwaka huu yameifanya kampuni ya East African Cables kufikia ustawi na uthabiti wa kifedha, na wakati huo huo kuwatuza wadau wetu. Mafanikio yetu yamewezeshwa kupitia ushirikiano miongoni mwa wafanyakazi wetu, jopo la mameneja na bodi ya wakurugenzi. Kwa niaba basi ya wadau wote na kwa niaba yangu binafsi, nawapa wote shukurani kwa juhudi zao pamoja na kujitolea kwao kwa ustawi wa kampuni hii.



Z G Mbugua

Mwenyekiti

Bodi ya Wakurugenzi

Being the leading cables and conductors' manufacturer in the sub Sahara region means that we continue to deliver exceptional quality products to the market and an attractive return to the shareholders. However, that's just the basic obligation that the company needs to meet. As a 21st century company, we are also clear in our corporate strategies that we need to be accountable to all our stakeholders. For this reason, we attach special interest to ensuring that our processes, systems and operations remain ethical and sustainable by remaining a socially responsible corporate citizen.

In everything we do, touch or engage, we strive to ensure that we maintain exceptional ethical standards and take steps to ensure that we mitigate potential adverse effects from our commercial or environmental aspects of operations. We also take pride in sharing in the society's general concerns by facilitating positive social development amongst the regions in which we operate and derive our income.

In the past year, we have maintained sound practices as regards corporate integrity, ethics, governance and environmental sustainability.

Progressively, we continue to adopt a number of policies to guide our CSR strategy. On social investment, we have assisted various community based organizations to facilitate rehabilitation. Over the past year, we have maintained our association with the Mombasa based Wema Childrens Centre which we have been supporting for the last three years now among other social support initiatives.

We have also been actively involved in strategic training programmes for scores of urban and rural based electrical technicians in the region. We have taken it upon ourselves to raise awareness levels on the negative use of sub standard cables. Thousands of fundis have received refresher courses on wiring procedures, selection of proper cables and identification of sub standard cables.

For the benefit of our staff, we have in the past year rolled out a series of health awareness campaigns for both staff and their families in topics such as HIV/Aids and Breast Cancer awareness.

In partnership with Bloodlink Foundation, we have also remained an active blood donor thanks to our passion to save lives!

Kwa kuwa kampuni inayoongoza katika uzalishaji wa nyaya na vipitisha-meme katika eneo la jangwa la sahara, hii ina maana kwamba tunazidi kutoa bidhaa zenye ubora wa kipekee zikilinganishwa na bidhaa nyingine sokoni pamoja na kuwapa faida ya kuridhisha kwa wadau wetu. Hata hivyo, hilo ni jukumu la kimsingi ambalo kampuni hii inafaa kutimiza. Kama kampuni ya karne ya 21, tumeiweka wazi mikakati yetu ya ushirika ambayo inahitaji kwamba tuwe wenye kuwajibika kwa wadau wetu wote. Kwa sababu hii, tumeweka nia kuu katika kuhakikisha kwamba taratibu zetu, mifumo pamoja na operesheni zinabakia adilifu na zenye kudumishwa kwa kusalia mwananchi mwenye kuwajibika kijamii.

Katika kila tunachokifanya, kila tunachokigusa ama kujishirikisha nacho, tunajitahidi kuhakikisha kwamba tunadumisha viwango vya kipekee vya maadili pamoja na kuchukua hatua kuhakikisha kwamba tunapunguza madhara makuu kutoka kwa vipengele vya operesheni zetu za kibiashara na vile vya kiuchumi. Tunajivunia vilevile kuwa washirika katika maswala ya jumla yanayoihusu jamii kwa kuwezesha ustawi wa jamii katika maeneo tunayoendesha biashara mbali na kupata mapato yetu.

Mwaka uliopita tulidumisha desturi madhubuti zinazohusiana na uwazi, maadili mema, utawala katika shirika pamoja na uadumishaji wa kimazingira.

Kimaendeleo, tunazidi kuridhi sera kadha ili kutupa mwongozo katika mikakati yetu ya uwajibikaji kwa jamii. Kwa upande wa uwekezaji wa kijamii, tumeyasaidia mashirika mbalimbali ya kijamii kutekeleza marekebisha ya tabia. Katika mwaka uliopita, tulidumisha ushirika wetu na kituo cha watoto cha Wema kilichoko mjini Mombasa, ambacho tumekuwa tukifadhili kwa kipindi cha miaka mitatu sasa, sawa na mipango mingine ya ufadhili wa kijamii.

Vilevile, tumeshiriki kikamilifu katika mipango ya kutoa mafunzo ya kimkakati kwa mafundi wa stima mijini na mashambani katika eneo hili. Tumechukulia pia kuwa jukumu letu kuimarisha kiwango cha hamasisho dhidi ya matumizi ya nyaya duni. Kupitia mpango huu, maelfu ya mafundi wamepata mafunzo mapya katika hatua za kuunganisha nyaya majumbani, uteuzi wa nyaya bora na zenye kufaa na jinsi ya kutambua zile nyaya duni.

Kwa manufaa ya wafanyakazi wetu, hapo mwaka uliopita tulianzisha mfululizo wa kampeni za kutoa hamasisho kuhusu afya kwa wafanyakazi wetu na familia zao kuhusu magonjwa kama vile Ukimwi na saratani ya matiti.

Kupitia ubia wetu na wakfu wa Bloodlink, tumesalia pia kuwa watoaji imara wa damu kutokana na moyo wa wafanyakazi wetu katika kuokoa maisha.

Report of the Independent Auditors

We have audited the group financial statements of East African Cables Limited set out on pages 24 to 54 which comprise the balance sheets of the group and the company at 31st December 2008, 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 14, the directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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.

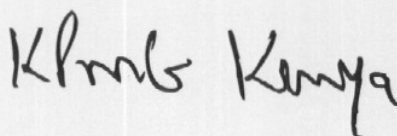
Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the group and the company at 31st December 2008, and the group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Kenyan Companies Act.

Report on other legal requirements

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

- (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
- (ii) In our opinion, proper books of account have been kept by the company, so far as appears from our examination of those books; and
- (iii) The 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: 10 February 2009

Directors, Offices and Administration

DIRECTORS

Zephania Mbugua

George Mwangi

Mugo Kibati

James Gachui

Peter Kanyago

Davinder Sikand

Bruno Thomas*

Antony Wainaina

Chairman

Managing Director – Appointed 9 December 2008

Managing Director – Resigned 16 May 2008

Alternated by Peter Njoka – Appointed 12 February 2008

REGISTERED OFFICE & PRINCIPAL

PLACE OF BUSINESS

East African Cables Limited

Industrial Area, Addis Ababa Road

P.O. Box 18243

00500 Nairobi

SUBSIDIARY OFFICE

East African Cables (Tanzania) Limited

Plot 31 Nyerere Road

P.O. Box 508,

Dar-es Salaam, Tanzania

BRANCH OFFICE

East African Cables (Uganda) Limited

6th Street Plot 85, Industrial Area

P.O. Box 32111

Kampala, Uganda

00200 Nairobi

SECRETARY

Virginia Ndunge

P.O. Box 61120

00200 Nairobi

ADVOCATES

Kaplan & Stratton Advocates

9th Floor, Williamson House

4th Ngong Avenue

P.O. Box 40111

00100 Nairobi GPO

AUDITORS

KPMG Kenya

16th Floor, Lonhro House

Standard Street

P.O. Box 40612

00100 Nairobi GPO

BANKERS

Standard Chartered Bank Kenya Limited

Kenyatta Avenue Branch

P.O. Box 40310

00100 Nairobi

Commercial Bank of Africa

P.O. Box 30437

00100 Nairobi

Citibank NA

Upper Hill Branch

P.O. Box 30711

00100 Nairobi

REGISTRAR

Custody & Registrar Services

6th Floor, Bruce House

Standard Street

P.O. Box 8484

00100 Nairobi GPO



Consolidated Income Statement

For the year ended 31 December 2008

	Notes	2008 KShs'000	2007 KShs'000
Revenue		3,929,312	3,462,139
Cost of sales		(2,581,613)	(2,334,991)
Gross profit		1,347,699	1,127,148
Other income		11,025	8,858
Factory expenses		(159,539)	(132,995)
Administrative expenses		(231,473)	(179,289)
Distribution costs		(128,973)	(127,066)
Depreciation and amortisation	4	(61,632)	(36,680)
Profit from operating activities		777,107	659,976
Finance income	5	34,979	5,531
Finance expenses	5	(142,159)	(68,021)
Net finance expenses	5	(107,180)	(62,490)
Profit before income tax	6	669,927	597,486
Income tax expense	7	(207,167)	(180,361)
Profit for the year		462,760	417,125
Attributable to:			
Equity holders of parent company:			
- Company		340,500	329,221
- Subsidiary		51,742	44,807
		392,242	374,028
Minority interest		70,518	43,097
Profit for the year		462,760	417,125
Basic and dilutive earnings per share	8	KShs 1.94	KShs 1.85
Dividend per share		KShs 1.00	KShs 0.90

The notes set out on pages 30 to 54 form an integral part of these financial statements.



year, in which we managed to post a 13.5% and 12% growth in turnover and profit before tax respectively. Our turnover increased to Kshs 3.9billion up from Kshs 3.5 billion the previous year while our profit before tax increased to Kshs 670million up from Kshs 597million. Earnings per share increased from Kshs 1.85 to Kshs 1.94 in 2008.

The performance was driven by growth in regional markets. The group also restructured and rationalized its operations during the year resulting in cost reduction; this also contributed to the increase in profits.

REGIONAL EXPANSION

The financial year was marked with progressive execution of our regional expansion programme. As in the previous year, we managed to carry on with both the geographical presence and product portfolio expansion. We are currently operating in the five East Africa countries, viz Kenya, Uganda, Tanzania, Rwanda, and Burundi. We have continued to grow our export portfolio which accounted for 57% of our turnover in 2008 compared to 31% the previous year. Continued expansion of the business into the region will continue to be driven by growth in energy, infrastructure and the construction industry.

This financial year, we have announced further expansion plans geared at establishing a solid market presence in more than 13 African countries by the year 2012. In order to boost our capacity to serve a wider market, we shall commission a new copper cables production line and plan to undertake a major factory upgrade later in the year within our manufacturing facilities in Nairobi and Dar es Salaam.

Our partnership with Nexans and other strategic partners will also serve to boost our income through sales generated from a range of premium products such as data, telecom cables and accessories which we do not manufacture. Such income is likely to further grow with the landing of fibre optic cable systems creating demand for terrestrial networks.

REPORTING STANDARDS

The company continues to adopt the presentation and disclosure requirements of the International Financial Reporting Standards (IFRS) as required by the Institute of Certified Public Accountants of Kenya (ICPAK). Changes and

developments in the standards within the financial period under review have been complied with.

DIVIDEND

Following this performance, I am pleased to report that the Board of Directors is recommending to the Annual General Meeting a first and final dividend of Kshs 1.00 up from Kshs 0.90 per share distributed the previous year.

FUTURE OUTLOOK

The prevailing global economic conditions, draught and the weak GDP growth projection are not good signs for the country and the region in general. Already, the strengthening of US Dollar against other currencies has seen the Kenya shilling depreciate further to 80.77 in March 2009. Foreign Debt Servicing will also be more expensive while remittances from the Diaspora which have been contributing to growth in the building and construction sector are likely to remain low. While it's difficult to predict with precision what the next trading year will look like, we are optimistic that with our regional expansion drive coupled with focus on efficiency within all our processes, we are poised for growth. I have no doubt that the Company will continue to build long-term sustainable business in this region.

APPRECIATION

Positive results posted this financial year have seen East African Cables achieve growth and greater financial strength, while simultaneously rewarding our stakeholders. Our success has been made possible through cooperation between our staff, the management team and the Board of Directors. On behalf of the shareholders and myself, I thank them all for their effort and dedication.

Z G Mbugua
Chairman
Board of Directors

UTANGULIZI

Kampuni ya East African Cables imeadhimisha mwaka wake wa 43 sasa. Kwa sababu hii, nina furaha kuripoti mwaka mwingine wenye fanaka kwa wadau wa kampuni hii. Nina furaha vilevile kutangaza kwamba kampuni ya East African Cables ilijumuishwa miongoni mwa makampuni 20 bora katika sekta ya viwanda katika soko la ubadilishanaji wa hisa la Nairobi katikati ya mwaka uliopita.

Kwa upande wa ubadilishanaji wa hisa, thamani ya hisa katika soko la hisa la Nairobi huwa kipimo cha wastani cha utendaji wa makampuni 20 makubwa zaidi yaliyoorodheshwa katika soko hilo kutoka sekta za kilimo, fedha, biashara, viwanda na soko mbadala la uwekezaji.

Kwa habari hiyo njema pamoja na kipindi cha biashara kilichoshuhudia ukuaji wa faida, nina furaha kuwasilisha kwenu ripoti ya kila mwaka pamoja na taarifa za kifedha zilizokaguliwa za kipindi cha matumizi ya pesa kilichoisha tarehe 31 Desemba 2008.

ANGAZIO LA MAZINGIRA YA KIBIASHARA

Kiwango cha ukuaji wa uchumi

Shughuli za mwaka huu zilianza kwa upeo wa chini. Utendaji wa uchumi ulikuwa wa chini, kinyume na ulivyotarajiwa, kutokana na changamoto zilizoshuhudiwa ndani na nje ya nchi kama vile ghasia za baada ya uchaguzi, ongezeko la bei ya mafuta ambayo hayajasafishwa pamoja na ukame ambao ulipelekea kupanda kwa bei ya vyakula. Hata hivyo, ukuaji wa pato la jumla la nyumbani unakadiriwa kupungua kwa asilimia mbili nukta mbili (2.2%) kutoka asilimia saba (7%) ulioshuhudiwa mwaka wa 2007.

Mfumko, faida na viwango vya ubadilishanaji

Mfumko wa jumla wa miezi 12 ulipanda kutoka asilimia tisa nukta saba (9.7%) mwezi Desemba mwaka 2007 hadi asilimia ishirini na sita nukta mbili (26.2%) mwezi Desemba mwaka wa 2008 kutokana na athari za ghasia za baada ya uchaguzi, ongezeko la bei ya mafuta ambayo hayajasafishwa katika masoko ya kimataifa na kupanda kwa bei ya vyakula. Kimsingi, kiwango cha mfumko katika mwaka huu kiliongezeka kutoka asilimia tano nukta moja nane (5.18%) mwaka wa 2007 hadi asilimia saba nukta sita tatu (7.63) mwaka wa 2008.

Viwango vya faida vya muda mfupi vilevile vilimarika kutoka asilimia saba (7%) hadi nane nukta nne (8.4%) na kutoka asilimia saba nukta tisa (7.9%) hadi asilimia tisa nukta moja (9.1%) katika hawala za serikali za siku 91 na siku 182 mtawalia. Hii ilipelekea kuimarika kwa kiwango cha ukopeshaji.

Thamani ya shilingi ya Kenya dhidi ya sarafu nyingine za kigeni pia ilishuka kutoka shilingi 64 na senti 92 hadi shilingi 78 na senti 26 dhidi ya dola ya Marekani. Kushuka kwa thamani hii kulikuwa na madhara kwa biashara yetu.

Poromoko la uchumi wa dunia

Kama ambavyo huenda ikawa unaelewa, poromoko la uchumi wa dunia liliathiri vibaya masoko ya mataifa yanayostawi katika mwaka wa 2008, na madhara yake yanatarajiwa kuonekana katika masoko ya bara Afrika katika kipindi hiki cha matumizi ya pesa. Poromoko hilo la uchumi wa dunia linatarajiwa kuwa na madhara kwa biashara yetu.

MABADILIKO KWENYE BODI

Katika mwaka huu, mabadiliko ya wakurugenzi yalifanyika katika kampuni yetu. Hii ni kufuatia kujuzulu kwa Bwana Mugo Kibati mnamo mwezi Mei mwaka wa 2008 na nafasi yake kuchukuliwa na Bwana George C. Mwangi mnamo tarehe 9 Desemba mwaka huo wa 2008. Kwa mantiki hii nachukua fursa hii kumshukuru Bwana Kibati kwa juhudi zake za kuiongoza kampuni ya East African Cables na kumtakia mema yote katika mustakabali wake. Ningependa pia kumkaribisha kwa moyo mkunjufu Bwana Mwangi kwenye bodi hii nikiwa na uhakika wote kwamba ataendelea kuiongoza kampuni hii pamoja na kudumisha nafasi ya East African Cables kama kampuni bora sio tu humu nchini bali katika eneo la Afrika kwa jumla.

UTENDAJI WA KIFEDHA

Licha ya kuwepo haya yote, nina furaha kuwasilisha kwenu matokeo ya mwaka mwingine tena uliokuwa wenye ufanisi, na ambao tuliweza kupata ukuaji wa asilimia kumi na tatu nukta tano (13.5%) ya ubadilishanaji na asilimia kumi na mbili (12%) ya faida kabla ya kutozwa ushuru. Pato letu liliongezeka hadi shilingi bilioni 3.9 kutoka shilingi bilioni 3.5 mwaka uliopita huku faida yetu kabla ya kutozwa ushuru ikimarika kutoka shilingi milioni 597 mwaka uliopita na kufika shilingi milioni 670. Kwa sababu hii, riba kwa kila hisa imeongezeka hadi shilingi moja na senti tisa nne (Ksh. 1.94) kutoka shilingi moja na senti nane tano (Ksh. 1.85) mwaka uliopita. Ukuaji huu ulitokana na ukuaji katika masoko ya eneo hili. Pamoja na hayo, kampuni ya East African Cables ilifanya mabadiliko na kupunguza operesheni zake katika mwaka huo na kupelekea kupungua kwa gharama ya kuendesha biashara pamoja na ongezeko la faida.

UPANUZI WA KIENEO

Kipindi kilichopita cha matumizi ya pesa kilishuhudia utekelezaji wa mipango yetu ya upanuzi katika eneo hili. Kama ilivyokuwa mwaka uliopita, tuliweza kuendeleza uwepo wetu kieneo pamoja na upanuzi wa aina za bidhaa zetu. Kwa sasa tunaendesha biashara yetu katika mataifa matano ya Afrika Mashariki ambayo ni Kenya, Uganda, Tanzania, Rwanda na Burundi. Tumeendelea pia kuimarisha uuzaji wa aina kadha za bidhaa zetu nje ya eneo hili. Uuzaji huu umechangia asilimia hamsini na saba (57%) ya ubadilishanaji wetu katika mwaka wa 2008, ikilinganishwa na asilimia thalathini na moja (31%) ya mwaka uliotangulia. Upanuzi zaidi wa kibiashara katika eneo hili utakadiriwa na ukuaji katika sekta ya kawi, miundombinu na ile ya ujenzi.

Vilevile, katika kipindi hiki cha matumizi ya pesa, tumetangaza mipango zaidi ya upanuzi inayokusudiwa kudhibiti uwepo wetu katika zaidi ya masoko 13 ya mataifa ya Kiafrika kufikia mwaka wa 2012. Na ili kuimarisha uwezo wetu wa kuhudumia soko kubwa zaidi, tutazindua kiwanda kipya cha kuzalisha shaba nyekundu pamoja na kukarabati pakubwa viwanda vyetu vikuu katika miji ya Nairobi na Dar es Salaam baadaye mwaka huu.

Ubila wetu na kampuni ya Nexans pamoja na washirika wengine wa kimkakati vilevile utazidisha mapato yetu kupitia mauzo ya bidhaa zetu mbalimbali na za hali ya juu kama vile nyaya za simu, zile za data pamoja na viambata vyao ambavyo hatuzalishi sisi. Pato kama hilo linaweza kuimarika zaidi kufuatia kuwekwa kwa mfumo wa nyuzinyaya za mawasiliano baharini, ambao bila shaka utazidisha mahitaji ya mtandao.

VIWANGO VYA KURIPOTI

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

RIBA

Kufuatia utendaji huu, nina furaha kuripoti kwamba bodi ya wakurugenzi inapendekeza kwa mkutano mkuu wa mwaka riba ya kwanza na ya mwisho ya shilingi moja (Ksh. 1.00) kwa kila hisa kutoka kwa ile ya senti tisini (Ksh. 0.90) iliyolipwa mwaka uliopita.

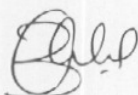
MATARAJIO YA BAADAYE

Mzozo wa sasa wa uchumi wa dunia, ukame na ukuaji duni wa pato la jumla la nyumbani si dalili ya kondo mzuri kwa nchi hii na eneo lote kwa jumla. Tayari, kuimarika kwa Dola ya Marekani dhidi ya sarafu nyingine za kigeni kumepolekea thamani ya shilingi ya Kenya kushuka zaidi hadi 80.77 dhidi ya dola mnamo mwezi Machi mwaka wa 2009. Ulipaji wa deni la kimataifa vilevile unatarajiwa kuwa ghali zaidi, huku pesa kutoka nchi za kigeni ambazo zimekuwa zikichangia ukuaji katika sekta ya ujenzi zikitazamiwa kupungua.

Ingawa ni vigumu kutabiri uhalisi wa jinsi kipindi kijacho cha matumizi ya pesa kitakuwa, tunatumai kwamba mpango wetu wa upanuzi wa kieneo pamoja na mtazamo wetu katika kuimarisha ustadi katika hatua zetu zote, tunatazamia kukua zaidi. Sina shaka kwamba kampuni hii itazidi kudhibiti biashara za kudumu katika eneo hili.

SHUKURANI

Matokeo bora yaliyopatikana mwaka huu yameifanya kampuni ya East African Cables kufikia ustawi na uthabiti wa kifedha, na wakati huo huo kuwatuza wadau wetu. Mafanikio yetu yamewezeshwa kupitia ushirikiano miongoni mwa wafanyakazi wetu, jopo la mameneja na bodi ya wakurugenzi. Kwa niaba basi ya wadau wote na kwa niaba yangu binafsi, nawapa wote shukurani kwa juhudi zao pamoja na kujitolea kwao kwa ustawi wa kampuni hii.



Z G Mbugua

Mwenyekiti

Bodi ya Wakurugenzi

Being the leading cables and conductors' manufacturer in the sub Sahara region means that we continue to deliver exceptional quality products to the market and an attractive return to the shareholders. However, that's just the basic obligation that the company needs to meet. As a 21st century company, we are also clear in our corporate strategies that we need to be accountable to all our stakeholders. For this reason, we attach special interest to ensuring that our processes, systems and operations remain ethical and sustainable by remaining a socially responsible corporate citizen.

In everything we do, touch or engage, we strive to ensure that we maintain exceptional ethical standards and take steps to ensure that we mitigate potential adverse effects from our commercial or environmental aspects of operations. We also take pride in sharing in the society's general concerns by facilitating positive social development amongst the regions in which we operate and derive our income.

In the past year, we have maintained sound practices as regards corporate integrity, ethics, governance and environmental sustainability.

Progressively, we continue to adopt a number of policies to guide our CSR strategy. On social investment, we have assisted various community based organizations to facilitate rehabilitation. Over the past year, we have maintained our association with the Mombasa based Wema Childrens Centre which we have been supporting for the last three years now among other social support initiatives.

We have also been actively involved in strategic training programmes for scores of urban and rural based electrical technicians in the region. We have taken it upon ourselves to raise awareness levels on the negative use of sub standard cables. Thousands of fundis have received refresher courses on wiring procedures, selection of proper cables and identification of sub standard cables.

For the benefit of our staff, we have in the past year rolled out a series of health awareness campaigns for both staff and their families in topics such as HIV/Aids and Breast Cancer awareness.

In partnership with Bloodlink Foundation, we have also remained an active blood donor thanks to our passion to save lives!

Kwa kuwa kampuni inayoongoza katika uzalishaji wa nyaya na vipitisha-meme katika eneo la jangwa la sahara, hii ina maana kwamba tunazidi kutoa bidhaa zenye ubora wa kipekee zikilinganishwa na bidhaa nyingine sokoni pamoja na kuwapa faida ya kuridhisha kwa wadau wetu. Hata hivyo, hilo ni jukumu la kimsingi ambalo kampuni hii inafaa kutimiza. Kama kampuni ya karne ya 21, tumeweka wazi mikakati yetu ya ushirika ambayo inahitaji kwamba tuwe wenye kuwajibika kwa wadau wetu wote. Kwa sababu hii, tumeweka nia kuu katika kuhakikisha kwamba taratibu zetu, mifumo pamoja na operesheni zinabakia adilifu na zenye kudumishwa kwa kusalia mwananchi mwenye kuwajibika kijamii.

Katika kila tunachokifanya, kila tunachokigusa ama kujishirikisha nacho, tunajitahidi kuhakikisha kwamba tunadumisha viwango vya kipekee vya maadili pamoja na kuchukua hatua kuhakikisha kwamba tunapunguza madhara makuu kutoka kwa vipengele vya operesheni zetu za kibiashara na vile vya kiuchumi. Tunajivunia vilevile kuwa washirika katika maswala ya jumla yanayoihusu jamii kwa kuwezesha ustawi wa jamii katika maeneo tunayoendesha biashara mbali na kupata mapato yetu.

Mwaka uliopita tulidumisha desturi madhubuti zinazohusiana na uwazi, maadili mema, utawala katika shirika pamoja na udumishaji wa kimazingira.

Kimaendeleo, tunazidi kuridhi sera kadha ili kutupa mwongozo katika mikakati yetu ya uwajibikaji kwa jamii. Kwa upande wa uwekezaji wa kijamii, tumeyasaidia mashirika mbalimbali ya kijamii kutekeleza marekebisho ya tabia. Katika mwaka uliopita, tulidumisha ushirika wetu na kituo cha watoto cha Wema kilichoko mjini Mombasa, ambacho tumekuwa tukifadhili kwa kipindi cha miaka mitatu sasa, sawa na mipango mingine ya ufadhili wa kijamii.

Vilevile, tumeshiriki kikamilifu katika mipango ya kutoa mafunzo ya kimkakati kwa mafundi wa stima mijini na mashambani katika eneo hili. Tumechukulia pia kuwa jukumu letu kuimarisha kiwango cha hamasisho dhidi ya matumizi ya nyaya duni. Kupitia mpango huu, maelfu ya mafundi wamepata mafunzo mapya katika hatua za kuunganisha nyaya majumbani, uteuzi wa nyaya bora na zenye kufaa na jinsi ya kutambua zile nyaya duni.

Kwa manufaa ya wafanyakazi wetu, hapo mwaka uliopita tulianzisha mfululizo wa kampeni za kutoa hamasisho kuhusu afya kwa wafanyakazi wetu na familia zao kuhusu magonjwa kama vile Ukimwi na saratani ya matiti.

Kupitia ubia wetu na wakfu wa Bloodlink, tumesalia pia kuwa watoaji imara wa damu kutokana na moyo wa wafanyakazi wetu katika kuokoa maisha.

Report of the Independent Auditors

We have audited the group financial statements of East African Cables Limited set out on pages 24 to 54 which comprise the balance sheets of the group and the company at 31st December 2008, 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 14, the directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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.

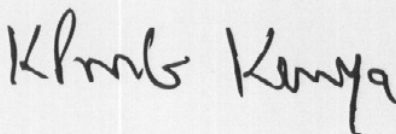
Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the group and the company at 31st December 2008, and the group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Kenyan Companies Act.

Report on other legal requirements

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

- (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
- (ii) In our opinion, proper books of account have been kept by the company, so far as appears from our examination of those books; and
- (iii) The 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: 10 February 2009

Directors, Offices and Administration

DIRECTORS

Zephania Mbugua

George Mwangi

Mugo Kibati

James Gachui

Peter Kanyago

Davinder Sikand

Bruno Thomas*

Antony Wainaina

Chairman

Managing Director – Appointed 9 December 2008

Managing Director – Resigned 16 May 2008

Alternated by Peter Njoka – Appointed 12 February 2008

REGISTERED OFFICE & PRINCIPAL

PLACE OF BUSINESS

East African Cables Limited

Industrial Area, Addis Ababa Road

P.O. Box 18243

00500 Nairobi

SUBSIDIARY OFFICE

East African Cables (Tanzania) Limited

Plot 31 Nyerere Road

P.O. Box 508,

Dar-es Salaam, Tanzania

BRANCH OFFICE

East African Cables (Uganda) Limited

6th Street Plot 85, Industrial Area

P.O. Box 32111

Kampala, Uganda

00200 Nairobi

SECRETARY

Virginia Ndunge

P.O. Box 61120

00200 Nairobi

ADVOCATES

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P.O. Box 40111

00100 Nairobi GPO

AUDITORS

KPMG Kenya

16th Floor, Lonhro House

Standard Street

P.O. Box 40612

00100 Nairobi GPO

BANKERS

Standard Chartered Bank Kenya Limited

Kenyatta Avenue Branch

P.O. Box 40310

00100 Nairobi

Commercial Bank of Africa

P.O. Box 30437

00100 Nairobi

Citibank NA

Upper Hill Branch

P.O. Box 30711

00100 Nairobi

REGISTRAR

Custody & Registrar Services

6th Floor, Bruce House

Standard Street

P.O. Box 8484

00100 Nairobi GPO



Consolidated Income Statement

For the year ended 31 December 2008

	Notes	2008 KShs'000	2007 KShs'000
Revenue		3,929,312	3,462,139
Cost of sales		(2,581,613)	(2,334,991)
Gross profit		1,347,699	1,127,148
Other income		11,025	8,858
Factory expenses		(159,539)	(132,995)
Administrative expenses		(231,473)	(179,289)
Distribution costs		(128,973)	(127,066)
Depreciation and amortisation	4	(61,632)	(36,680)
Profit from operating activities		777,107	659,976
Finance income	5	34,979	5,531
Finance expenses	5	(142,159)	(68,021)
Net finance expenses	5	(107,180)	(62,490)
Profit before income tax	6	669,927	597,486
Income tax expense	7	(207,167)	(180,361)
Profit for the year		462,760	417,125
Attributable to:			
Equity holders of parent company:			
- Company		340,500	329,221
- Subsidiary		51,742	44,807
		392,242	374,028
Minority interest		70,518	43,097
Profit for the year		462,760	417,125
Basic and dilutive earnings per share	8	KShs 1.94	KShs 1.85
Dividend per share		KShs 1.00	KShs 0.90

The notes set out on pages 30 to 54 form an integral part of these financial statements.

Notes to the Financial Statements

For the year ended 31 December 2008

(ii) **Non financial assets**

The carrying amounts of the Group's non-financial assets, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in income statement. Impairment losses recognised in respect of cash-generating units reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(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 receivables**

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

(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. The company has no further obligation once the contribution have been paid.

(ii) **Staff gratuity**

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

Unionisable employees of East African Cables (Tanzania) Company Limited are eligible to a gratuity upon retirement based on two months salaries for each complete year of service at current salary; the employee's age must also exceed 49 years at the time of retirement. A provision is made in the financial statements for estimated liability of such gratuity payable. Gratuity is computed at current salary. Movements in the provision are accounted for in the income statement.

(iii) **Leave accrual**

The monetary value of the unutilised leave by staff as at year end is carried in the accruals as a payable and the movement in the year is debited/credited to the income statement.

Notes to the Financial Statements

For the year ended 31 December 2008

(iv) **Termination benefits**

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

(k) **Taxation**

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

Current tax is provided on the results in the year as shown in the financial statements adjusted in accordance with tax legislation.

Deferred tax is provided using the 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 shown as a separate component of equity until declared.

(o) **Financial instruments**

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

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

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

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

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

(p) **Intangible assets**

(i) **Goodwill/premium on acquisition**

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2008

(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 cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(s) Finance income and expenses

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

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

(t) Segmental reporting

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

(u) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

(v) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2008, and have not been applied in preparing these financial statements:

- IFRS 8 Operating Segments introduces the "management approach" to segment reporting. IFRS 8, which becomes mandatory for the Group's 2009 consolidated financial statements, will require a change in the presentation and disclosure of segment information based on the internal reports regularly reviewed by the Group's Managing Director in order to assess each segment's performance and to allocate resources to them. Currently, the Group presents segment information in respect of geographical segments. Under the management approach, the Group will present segment information in respect of copper, aluminium and data cables.
- Revised IAS 23 Borrowing Costs removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised IAS 23 will become mandatory for the Company's 2009 financial statements and will constitute a change in accounting policy for the Company. In accordance with the transitional provisions the Company will apply the revised IAS 23 to qualifying assets for which capitalisation of borrowing costs commences on or after the effective date.
- IFRIC 13 Customer Loyalty Programmes addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programmes for their customers. It relates to customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. IFRIC 13, which becomes mandatory for the Company's 2009 financial statements, is not expected to have any impact on the consolidated financial statements because the company does not have any customer loyalty programmes.

Notes to the Financial Statements

For the year ended 31 December 2008

- Revised IAS 1 Presentation of Financial Statements (2007) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income. Revised IAS 1, which becomes mandatory for the Group's 2009 consolidated financial statements, is expected to have a significant impact on the presentation of the consolidated financial statements. The Group plans to provide total comprehensive income in a single statement of comprehensive income for its 2009 consolidated financial statements.
- Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation requires puttable instruments, and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met. The amendments, which become mandatory for the Group's 2009 consolidated financial statements, with retrospective application required, are not expected to have any impact on the consolidated financial statements.
- Revised IFRS 3 Business Combinations (2008) incorporates the following changes that are likely to be relevant to the Group's operations:

The definition of a business has been broadened, which is likely to result in more acquisitions being treated as business combinations.

Contingent consideration will be measured at fair value, with subsequent changes therein recognised in income statement.

Transaction costs, other than share and debt issue costs, will be expensed as incurred.

Any pre-existing interest in the acquiree will be measured at fair value with the gain or loss recognised in income statement.

Any non-controlling (minority) interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis. Revised IFRS 3, which becomes mandatory for the Group's 2010 consolidated financial statements, will be applied prospectively and therefore there will be no impact on prior periods in the Group's 2010 consolidated financial statements.

- Amended IAS 27 Consolidated and Separate Financial Statements (2008) requires accounting for changes in ownership interests by the Group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the Group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in income statement. The amendments to IAS 27, which become mandatory for the Group's 2010 consolidated financial statements, are not expected to have a significant impact on the consolidated financial statements.
- Amendment to IFRS 2 Share-based Payment – Vesting Conditions and Cancellations clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The amendments to IFRS 2 will become mandatory for the Group's 2009 consolidated financial statements, with retrospective application. The Group has no potential effect of the amendment as it does not have share-based payment arrangements.

Notes to the Financial Statements

For the year ended 31 December 2008

3. STAFF COSTS

(a) Group

	2008 KShs '000	2007 KShs '000
Direct labour	52,656	47,339
Indirect factory salaries	41,137	38,454
Administration salaries and wages	51,875	50,751
Distribution salaries and wages	30,398	40,999
Re-organisation costs	12,676	-
Pension contributions	9,587	7,956
	198,329	185,499

The average number of people engaged during the year was 265 (2007 – 322).

(b) Company

Direct labour	37,358	38,964
Indirect factory salaries	30,440	33,970
Administration salaries and wages	33,602	40,410
Distribution salaries and wages	24,241	35,893
Re-organisation costs	12,676	-
Pension contributions	4,762	5,427
	143,079	154,664

4. DEPRECIATION AND AMORTISATION

Depreciation	52,286	28,519
Amortisation of operating lease rentals	4,680	5,494
Amortisation of intangible assets	4,666	2,667
	61,632	36,680

5. NET FINANCE COST

Finance income

Interest income	2	18
Gain on exchange	34,977	5,513
	34,979	5,531

Finance cost

Interest paid	(80,966)	(62,928)
Bank charges	(1,593)	(1,895)
Loss on exchange	(59,600)	(3,198)
	(142,159)	(68,021)

Net finance cost

	(107,180)	(62,490)
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Notes to the Financial Statements

For the year ended 31 December 2008

	2008 KShs '000	2007 KShs '000
6. PROFIT BEFORE TAX		
Profit before tax is arrived at after charging/(crediting):		
Depreciation expense	52,286	28,519
Amortisation of operating lease rentals	4,680	5,494
Amortisation of intangible assets	4,666	2,667
Interest expense	82,579	62,928
Directors emoluments: - Fees	6,958	5,439
- Other	5,037	487
Auditors remuneration - Group	4,082	3,226
Re-organisation costs	12,676	-
Write off/(profit) on disposal of property, plant & equipment	3,161	(282)
Interest income	2	(18)
7. INCOME TAX		
Current tax expense	254,062	72,614
Previous year's under provision	7,421	3,145
	261,483	75,759
Deferred tax (credit) / expense (Note 19)	(54,316)	104,602
	207,167	180,361
The tax on the consolidated results differs from the theoretical amount using the basic tax rate as follows:		
Profit before income tax	669,927	597,486
Tax calculated at the statutory income tax rate of 30%	200,978	179,246
Previous year's under provision	7,421	3,145
Non-deductible costs and non-taxable income	(1,232)	(2,030)
	207,167	180,361
8. BASIC AND DILUTIVE EARNINGS PER SHARE		
The calculation of basic and dilutive earnings per share is based on:		
Profit attributable to ordinary shareholders (KShs'000)	392,242	374,028
Number of ordinary shares outstanding during the year	202,500,000	202,500,000
Basic and dilutive earnings per share	Kshs 1.94	Kshs 1.85

Notes to the Financial Statements

For the year ended 31 December 2008

9. PROPERTY, PLANT AND EQUIPMENT

a) Group	Freehold land and buildings KShs'000	Leasehold buildings KShs'000	Plant and machinery KShs'000	Motor vehicles KShs'000	Furniture, fittings & equipment KShs'000	Construction work in progress KShs'000	Total KShs'000
2008:							
Cost or valuation:							
At 1 January 2008	14,331	488,494	312,550	35,380	28,855	52,997	932,607
Additions	-	25,192	44,058	14,299	10,805	49,109	143,462
Transfers	-	-	824	-	5	(829)	-
Write offs	-	(2,932)	(8,419)	(1,248)	(6,144)	-	(18,743)
Exchange differences	-	2,058	2,018	292	220	-	4,588
At 31 December 2008	14,331	512,812	351,031	48,722	33,741	101,277	1,061,914
Comprising:							
Cost	7,684	333,221	265,571	44,832	24,550	101,277	777,135
Valuation	6,647	179,591	85,460	3,890	9,191	-	284,779
	14,331	512,812	351,031	48,722	33,741	101,277	1,061,914
Depreciation:							
At 1 January 2008	1,146	8,820	87,381	22,430	15,516	-	135,293
Charge for the year	130	11,491	30,550	6,034	4,081	-	52,286
Write offs	-	-	(8,350)	(1,248)	(5,984)	-	(15,582)
Exchange differences	-	297	403	190	96	-	986
	1,276	20,608	109,984	27,406	13,709	-	172,983
Net book value:							
At 31 December 2008	13,055	492,204	241,047	21,316	20,032	101,277	888,931
2007:							
Cost or valuation:							
At 1 January 2007	6,647	179,591	163,991	27,896	19,606	200,690	598,421
Additions	-	-	28,411	10,511	8,789	290,047	337,758
Transfers	-	321,966	114,595	-	-	(436,561)	-
Disposals	-	-	-	(3,086)	(745)	-	(3,831)
Exchange differences	7,684	(13,063)	5,553	59	1,205	(1,179)	259
At 31 December 2007	14,331	488,494	312,550	35,380	28,855	52,997	932,607
Comprising:							
Cost	7,684	308,903	227,090	31,490	19,663	52,998	647,828
Valuation	6,647	179,591	85,460	3,890	9,191	-	284,779
	14,331	488,494	312,550	35,380	28,854	52,998	932,607
Depreciation:							
At 1 January 2007	2,822	11,324	77,507	17,881	12,132	-	121,666
Charge for the year	131	5,160	12,948	6,037	4,243	-	28,519
Disposals	-	-	-	(1,231)	(103)	-	(1,334)
Exchange differences	(1,807)	(7,664)	(3,074)	(257)	(756)	-	(13,558)
At 31 December 2007	1,146	8,820	87,381	22,430	15,516	-	135,293
Net book value:							
At 31 December 2007	13,185	479,674	225,169	12,950	13,339	52,997	797,314

Notes to the Financial Statements

For the year ended 31 December 2008

9. PROPERTY, PLANT AND EQUIPMENT (Continued)

b) Company	Freehold land and buildings KShs'000	Leasehold buildings KShs'000	Plant and machinery KShs'000	Motor vehicles KShs'000	Furniture, fittings & equipment KShs'000	Construction work in progress KShs'000	Total KShs'000
2008:							
Cost or valuation:							
At 1 January 2008	14,331	396,966	222,790	26,067	19,536	52,997	732,687
Additions	-	25,192	14,036	3,620	3,276	49,109	95,233
Transfers	-	-	824	-	5	(829)	-
Write offs	-	(2,932)	(8,419)	(1,248)	(6,144)	-	(18,743)
Exchange differences	-	-	-	83	11	-	94
At 31 December 2008	14,331	419,226	229,231	28,522	16,684	101,277	809,271
Depreciation:							
At 1 January 2008	1,146	1,500	76,931	20,681	14,063	-	114,321
Charge for the year	131	7,881	25,720	3,073	2,444	-	39,249
Write offs	-	-	(8,350)	(1,248)	(5,984)	-	(15,582)
Exchange difference	(1)	-	(1)	42	4	-	44
At 31 December 2008	1,276	9,381	94,300	22,548	10,527	-	138,032
Net book value:							
At 31 December 2008	13,055	409,845	134,931	5,974	6,157	101,277	671,239
2007:							
Cost or valuation:							
At 1 January 2007	14,331	75,000	81,237	27,307	16,496	199,512	413,883
Additions	-	-	26,958	-	2,967	290,046	319,971
Transfers	-	321,966	114,595	-	-	(436,561)	-
Disposals	-	-	-	(1,248)	-	-	(1,248)
Exchange differences	-	-	-	8	73	-	81
At 31 December 2007	14,331	396,966	222,790	26,067	19,536	52,997	732,687
Depreciation:							
At 1 January 2007	885	-	68,337	17,462	11,204	-	97,888
Charge for the year	261	1,500	8,594	4,257	2,989	-	17,601
Disposal	-	-	-	(1,040)	-	-	(1,040)
Exchange difference	-	-	-	2	(130)	-	(128)
At 31 December 2007	1,146	1,500	76,931	20,681	14,063	-	114,321
Net book value:							
At 31 December 2007	13,185	395,466	145,859	5,386	5,473	52,997	618,366

Notes to the Financial Statements

For the year ended 31 December 2008

9. PROPERTY, PLANT AND EQUIPMENT (Continued)

Revaluation

The buildings of the company were revalued in 2006 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, were revalued in January 2006 by Gimco Limited, a firm of professional valuers on the basis of open market value for existing use and were used to determine fair value of these assets at the date of acquisition of the subsidiary.

Security

At 31 December 2008, properties with a carrying amount of KShs 870 million are subject to a registered debenture to secure a bank facility.

10. PREPAID OPERATING LEASE RENTALS

Group:

Carrying value of leasehold land at 1 January
Amortisation for the year
Exchange adjustment

Balance at 31 December

Company:

Carrying value of leasehold land at 1 January
Amortisation for the year

Balance at 31 December

2008	2007
KShs'000	KShs'000

177,815	178,149
(4,680)	(5,494)
1,227	5,160

174,362	177,815
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124,923	128,694
(3,772)	(3,771)

121,151	124,923
----------------	----------------

11. INTANGIBLE ASSETS

Computer software:

Group:

At 1 January
Additions during the year
Amortisation for the year
Exchange adjustment

Net book value at 31 December

Company:

At 1 January
Additions during the year
Amortisation for the year

Net book value at 31 December

6,223	7,022
5,604	1,868
(4,666)	(2,667)
(259)	-

6,902	6,223
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6,223	7,022
2,942	1,868
(2,659)	(2,667)

6,506	6,223
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Notes to the Financial Statements

For the year ended 31 December 2008

12. INVESTMENT IN SUBSIDIARY COMPANY

East African Cables (Tanzania) Limited

115,037

115,037

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

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

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

	2008 KShs '000	2007 KShs '000
Revenue for the year ended 31 December	1,859,278	1,088,362
Profit after tax for the year ended 31 December	147,080	87,953

13. INVENTORIES

Group

Raw materials	235,662	469,971
Finished goods	317,988	313,668
Work in progress	93,387	222,243
Strategic spares and lubricants	37,106	29,627
Stationery and printing	2,123	1,981
	686,266	1,037,490

Company

Raw materials	118,657	268,486
Finished goods	213,146	283,025
Work in progress	47,922	160,047
Strategic spares and lubricants	24,488	26,339
Stationery and printing	1,537	1,505
	405,750	739,402

14. TRADE AND OTHER RECEIVABLES

Group

Trade receivables	931,137	1,125,182
Prepaid expenses	14,752	5,432
Other receivables	175,493	48,682
	1,121,382	1,179,296

Company

Trade receivables	344,386	734,518
Prepaid expenses	9,955	754
Other receivables	243,077	62,713
Due from subsidiary	440,217	114,848
	1,037,635	912,833

Notes to the Financial Statements

For the year ended 31 December 2008

15. CAPITAL AND RESERVES

(a) Share capital

Group and Company:

Authorised, issued and fully paid:

	2008 Number of shares (Thousands)	KShs'000	2007 Number of shares (Thousands)	KShs'000
Ordinary shares of KShs 0.50 each (2007 – KShs 5 each)	202,500	101,250	202,500	101,250

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

(b) Revaluation reserve

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

(c) Exchange reserve

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

(d) Proposed dividends

The directors have proposed the payment of an interim and final dividend of KShs 1.00 per share in respect of the year ended 31 December 2008 (2007 – KShs 0.90). The dividend will be paid less withholding tax where applicable.

16. BANK FACILITY

(a) Group

	2008 KShs'000	2007 KShs'000
Bank loan:		
Standard Chartered Bank Kenya Limited	980,284	993,755
Standard Chartered Bank Tanzania Limited	49,438	221,896
	1,029,722	1,215,651
Comprising:		
Non current liability	368,246	476,485
Current liability	661,476	739,166
	1,029,722	1,215,651

(b) Company

Bank loan:		
Standard Chartered Bank Kenya Limited	980,284	993,755
Comprising:		
Non current liability	368,246	476,485
Current liability	612,038	517,270
	980,284	993,755

Notes to the Financial Statements

For the year ended 31 December 2008

19. DEFERRED TAX LIABILITIES (Continued)

b) Company

Movements during the year are as follows:
2008:

	Balance at 1/1/2008 KShs'000	Recognised through income statement KShs'000	Balance at 31/12/2008 KShs'000
Staff gratuity provision	(1,856)	82	(1,774)
Other provisions and accruals	(15,138)	(3,613)	(18,751)
Unrealised exchange gain	3,706	(13,788)	(8,791)
Property, plant and equipment	130,587	(12,497)	116,799
	117,299	29,816	87,483

2007:

Staff gratuity provision	(2,059)	203	(1,856)
Other provisions and accruals	(9,531)	(5,607)	(15,138)
Unrealised exchange gain	5,140	(1,434)	3,706
Property, plant and equipment	12,246	118,341	130,587
	5,796	111,503	117,299

20. TRADE AND OTHER PAYABLES

Group

	2008 KShs'000	2007 KShs'000
Trade payables	233,784	341,148
Other payables and accrued expenses	114,765	83,920
	348,549	425,068

Company

Trade payables	124,751	211,517
Other payables and accrued expenses	30,943	63,919
	155,694	275,436

Notes to the Financial Statements

For the year ended 31 December 2008

9. PROPERTY, PLANT AND EQUIPMENT (Continued)

Revaluation

The buildings of the company were revalued in 2006 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, were revalued in January 2006 by Gimco Limited, a firm of professional valuers on the basis of open market value for existing use and were used to determine fair value of these assets at the date of acquisition of the subsidiary.

Security

At 31 December 2008, properties with a carrying amount of KShs 870 million are subject to a registered debenture to secure a bank facility.

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174,362	177,815
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Computer software:

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5,604	1,868
(4,666)	(2,667)
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6,902	6,223
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Notes to the Financial Statements

For the year ended 31 December 2008

12. INVESTMENT IN SUBSIDIARY COMPANY

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Work in progress	47,922	160,047
Strategic spares and lubricants	24,488	26,339
Stationery and printing	1,537	1,505
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14. TRADE AND OTHER RECEIVABLES

Group

Trade receivables	931,137	1,125,182
Prepaid expenses	14,752	5,432
Other receivables	175,493	48,682
	1,121,382	1,179,296

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Trade receivables	344,386	734,518
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Other receivables	243,077	62,713
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	1,037,635	912,833

Notes to the Financial Statements

For the year ended 31 December 2008

15. CAPITAL AND RESERVES

(a) Share capital

Group and Company:

Authorised, issued and fully paid:

	2008 Number of shares (Thousands)	KShs'000	2007 Number of shares (Thousands)	KShs'000
Ordinary shares of KShs 0.50 each (2007 – KShs 5 each)	202,500	101,250	202,500	101,250

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

(b) Revaluation reserve

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

(c) Exchange reserve

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

(d) Proposed dividends

The directors have proposed the payment of an interim and final dividend of KShs 1.00 per share in respect of the year ended 31 December 2008 (2007 – KShs 0.90). The dividend will be paid less withholding tax where applicable.

16. BANK FACILITY

(a) Group

	2008 KShs'000	2007 KShs'000
Bank loan:		
Standard Chartered Bank Kenya Limited	980,284	993,755
Standard Chartered Bank Tanzania Limited	49,438	221,896
	1,029,722	1,215,651
Comprising:		
Non current liability	368,246	476,485
Current liability	661,476	739,166
	1,029,722	1,215,651

(b) Company

Bank loan:		
Standard Chartered Bank Kenya Limited	980,284	993
Comprising:		
Non current liability	368,246	47
Current liability	612,038	5
	980,284	

Notes to the Financial Statements

For the year ended 31 December 2008

16. BANK FACILITY (Continued)

(b) Company (continued)

Kenya:

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

Tanzania:

The subsidiary, East African Cables (Tanzania) Limited, has a bank overdraft for working capital management and a short term post-import financing loan. The facility is charged against the leasehold land and moveable assets of the subsidiary.

17. RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties:

(a) Directors and executives officers

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

	2008 KShs'000	2007 KShs'000
Directors (Note 6) – Fees	6,958	5,439
– Others	5,037	487
Executive officers	6,446	11,592
	18,441	17,518

(b) Amounts due from the directors

Balances due from Managing Director	-	26
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This relates to balance from managing director's expense account.

(c) Purchases from related parties

	1,458	19,160
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(d) Shareholders loans

Group and Company

Cable Holdings Limited:

Non current liability	-	22,561
Current liability	13,600	59,497
	13,600	82,058

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.

Notes to the Financial Statements

For the year ended 31 December 2008

18. RETIREMENT BENEFITS OBLIGATIONS

a) Group	Balance at 1/1/2008 KShs'000	Movement KShs'000	Balance at 31/12/2008 KShs'000
Staff gratuity	10,646	1,159	11,805
b) Company			
Staff gratuity	6,156	243	5,913

The Company operates a defined contribution retirement benefits scheme for its non-unionisable employees. The scheme is administered independently by Eagle Africa Insurance Brokers Limited and is funded by contributions from both the company and the employees. The scheme's funds are managed by Old Mutual Asset Managers (Kenya) Limited. During the year, the company expensed KShs 4,762,108 (2007 – KShs 5,426,880) in contributions payable.

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

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

19. DEFERRED TAX LIABILITIES

a) Group

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

	Balance at 1/1/2008 KShs'000	Recognised through income statement KShs'000	Recognised in equity KShs'000	Exchange difference KShs'000	Balance at 31/12/2008 KShs'000
2008:					
Staff gratuity provision	(1,856)	(1,623)	-	-	(3,479)
Other provisions and accruals	(15,138)	(3,614)	-	-	(18,751)
Property, plant and equipment	175,517	(36,582)	-	114	139,048
Unrealised exchange gain	3,706	(12,497)	-	-	(8,791)
	162,229	(54,316)	-	114	108,027
2007:					
Staff gratuity provision	(2,059)	203	-	-	(1,856)
Other provisions and accruals	(9,531)	(5,607)	-	-	(15,138)
Property, plant and equipment	17,279	111,440	43,782	3,016	175,517
Unrealised exchange gain	5,140	(1,434)	-	-	3,706
	10,829	104,602	43,782	3,016	162,229

Notes to the Financial Statements

For the year ended 31 December 2008

19. DEFERRED TAX LIABILITIES (Continued)

b) Company

Movements during the year are as follows:

2008:

	Balance at 1/1/2008 KShs'000	Recognised through income statement KShs'000	Balance at 31/12/2008 KShs'000
Staff gratuity provision	(1,856)	82	(1,774)
Other provisions and accruals	(15,138)	(3,613)	(18,751)
Unrealised exchange gain	3,706	(13,788)	(8,791)
Property, plant and equipment	130,587	(12,497)	116,799
	117,299	29,816	87,483

2007:

Staff gratuity provision	(2,059)	203	(1,856)
Other provisions and accruals	(9,531)	(5,607)	(15,138)
Unrealised exchange gain	5,140	(1,434)	3,706
Property, plant and equipment	12,246	118,341	130,587
	5,796	111,503	117,299

20. TRADE AND OTHER PAYABLES

Group

	2008 KShs'000	2007 KShs'000
Trade payables	233,784	341,148
Other payables and accrued expenses	114,765	83,920
	348,549	425,068

Company

Trade payables	124,751	211,517
Other payables and accrued expenses	30,943	63,919
	155,694	275,436

Notes to the Financial Statements

For the year ended 31 December 2008

21. NOTES TO THE CASH FLOW STATEMENT

	2008	2007	
(a) Reconciliation of net profit before tax to cash flow from operating activities	KShs'000	KShs'000	
Profit before tax	669,927	597,485	
Adjustments for:			
Depreciation	52,286	28,519	
Amortisation of long term lease	4,680	2,667	
Amortisation of intangible assets	4,666	5,494	
Profit on disposal of property, plant and equipment	-	(282)	
Property, plant and equipment write off	3,161	-	
Interest income	(2)	(18)	
Interest expense	82,579	80,764	
Foreign currency changes	5,329	9,765	
Operating profit before working capital changes	822,626	724,394	
Decrease/(increase) in inventories	351,224	(393,758)	
Decrease/(increase) in trade and other receivables	57,914	(641,132)	
Increase/(decrease) in provision for staff gratuity	1,159	(24)	
(Decrease)/increase in trade and other payables	(76,519)	153,392	
Cash generated from operations	1,156,404	(157,128)	
Income taxes paid	(163,652)	(63,391)	
Cash inflow from operating activities	992,752	(220,519)	
(b) Movement in cash and cash equivalents			
	2008	2007	Change in year
	KShs'000	KShs'000	KShs'000
Bank overdraft	(4,277)	(148,758)	144,481
Cash and bank balances	165,750	11,561	154,189
	161,473	(137,197)	298,670

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 48,330,000 as at 31 December 2008 (2007 – KShs 105,729,336).

Notes to the Financial Statements

For the year ended 31 December 2008

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Overview

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

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

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

The board of directors has overall responsibility for the establishment and oversight the Group's risk management framework. The finance department identifies, evaluates and hedges financial risks. The Board provides written principles for overall risk management, as well as written policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and investing excess liquidity.

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

(a) Credit risk

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

Trade and other receivables

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

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

The Company has a stringent debt provisioning policy that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main component of this allowance specific loss component that relates to individually significant exposures.

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

Notes to the Financial Statements

For the year ended 31 December 2008

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(a) Credit risk (continued)

The carrying amount of financial assets represents the maximum exposure to credit risk. The maximum exposure to credit risk at the reporting date was:

	2008 KShs'000	Carrying amount 2007 KShs'000
Trade receivables	931,137	1,125,182
Other receivables and prepayments	190,245	54,114
Cash and cash equivalents	161,473	(137,197)
	1,282,855	1,042,099

Guarantees

The Group obtains financial guarantees in the ordinary course of business for the supply of goods from certain suppliers. At 31 December 2008, the guarantees outstanding were KShs 48.3 million (2007 - KShs 105.8 million).

Investments

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

Impairment losses

The aging of trade receivables at the reporting date was:

	Gross 2008 KShs'000	Provision for impairment 2008 KShs'000	Net 2008 KShs'000	Gross 2007 KShs'000	Provision for impairment 2007 KShs'000	Net 2007 KShs'000
Not past due	391,581	-	391,581	324,530	-	324,530
Past due 0-90 days	358,833	-	358,833	570,494	-	570,494
Past due 90-365 days	125,121	-	125,121	179,158	-	179,158
More than one year	81,258	(25,656)	55,602	63,079	(12,079)	51,000
	956,793	(25,656)	931,137	1,137,261	(12,079)	1,125,182

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

	2008 KShs'000	2007 KShs'000
Balance at 1 January	12,079	10,798
Impairment loss recognised	13,666	2,758
Impairment loss reversed	(89)	(1,477)
Balance at 31 December	25,656	12,079

Notes to the Financial Statements

For the year ended 31 December 2008

23.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Liquidity risk

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

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

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

31 December 2008:	Due within 3 months KShs'000	Due between 3-12 months KShs'000	Due between 1-5 years KShs'000	Due after 5 years KShs'000	Total KShs'000
Financial assets and liabilities					
Cash and bank balances	165,750	-	-	-	165,750
Bank overdraft	(4,277)	-	-	-	(4,277)
Receivables	1,121,382	-	-	-	1,121,382
Loans and borrowings	(404,817)	(256,659)	(368,246)	-	(1,029,722)
Payables and accruals	(348,549)	-	-	-	(348,549)
At 31 December 2008	529,489	(266,659)	(368,246)	-	(95,416)
31 December 2007:					
Financial assets and liabilities					
Cash and bank balances	11,561	-	-	-	11,561
Bank overdraft	(148,758)	-	-	-	(148,758)
Receivables	-	1,179,296	-	-	1,179,296
Loans and borrowings	-	(272,757)	(466,409)	-	(739,166)
Payables and Accruals	-	(425,068)	-	-	(425,068)
Due to related company	(68,259,615)	-	-	-	68,259,615
At 31 December 2007	(68,396,812)	481,471	(466,409)	-	(68,381,750)

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

- KShs 70 million overdraft facility that is secured. Interest would be payable at the rate of 14%; and
- KShs 900 million letter of credit.

(c) Market risk

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

Notes to the Financial Statements

For the year ended 31 December 2008

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Market risk (continued)

Interest rate risk

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

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

At 31 December 2008	Average effective interest rate	Due within 3 months KShs '000	Due between 3 and 12 months KShs '000	Due between 1 and 5 years KShs '000	Non interest bearing KShs '000	Total KShs '000
Trade and other receivables	-	1,121,382	-	-	-	1,121,382
Cash and bank balances	-	165,750	-	-	-	165,750
Trade and other payables	-	(348,549)	-	-	-	(348,549)
Tax payable	-	-	(159,093)	-	-	(159,093)
Bank overdraft	14%	(4,277)	-	-	-	(4,277)
Loans and borrowings	10.5%	(404,817)	(256,659)	(368,246)	-	(1,029,722)
Share holder loan	7%	(13,600)	-	-	-	(13,600)
On balance sheet interest sensitivity gap		515,889	(415,752)	(368,246)	-	(268,109)
At 31 December 2007						
Total assets		1,190,857	-	-	-	1,190,857
Total liabilities		(846,583)	(587,168)	-	-	(1,433,751)
On balance sheet interest sensitivity gap		(344,274)	(587,168)	-	-	(242,894)

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.

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

Notes to the Financial Statements

For the year ended 31 December 2008

23.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Market risk (continued)

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

	2008 KShs'000	2007 KShs'000
Monetary assets		
Cash and cash equivalents	52,197	487
Trade receivables	294,927	294,851
Monetary liabilities		
Shareholder loans	(13,600)	(80,146)
Bank overdraft	(4,277)	(67,030)
Bank loan	(555,119)	(517,270)
Trade payables	(463,867)	(174,509)
Net exposure	(689,739)	(543,617)

The following significant exchange rates applied during the year:

	Closing rate		Average rate	
	2008 KShs	2007 KShs	2008 KShs	2007 KShs
USD	78.26	64.92	68.00	63.50

Sensitivity analysis

A 10 percent strengthening of the Kenya shilling against the following currencies would have increased profit or loss by amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2007:

	Profit or loss KShs'000
At 31 December 2008:	
USD	68,974
At 31 December 2007:	
USD	54,362

(d) Capital management

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

Note to Financial Statements

For the year ended 31 December 2008

24. SEGMENTAL REPORTING

	Kenya		Uganda		Tanzania		Consolidated	
	2008 KShs '000	2007 KShs '000	2008 KShs '000	2007 KShs '000	2008 KShs '000	2007 KShs '000	2008 KShs '000	2007 KShs '000
External sales	2,439,716	2,634,871	299,035	97,768	1,859,278	1,088,362	4,598,027	3,821,001
Inter-segment sales	(649,831)	(241,908)	-	-	(18,884)	(116,954)	(668,715)	(358,862)
Total sales	1,789,885	2,392,963	299,035	97,768	1,840,394	971,408	3,929,312	3,462,139
Segment profit from operations	533,624	509,326	26,868	4,946	230,875	145,704	777,107	659,976
Net finance income/(costs)	(88,117)	(40,181)	(7,958)	(1,452)	(23,105)	(20,858)	(107,180)	(62,490)
Income tax expense	(140,860)	(142,332)	(5,617)	(1,086)	(60,690)	(36,942)	(207,167)	(180,361)
Profit for the year	304,647	326,813	13,293	2,408	147,080	87,904	462,760	417,125
Attributable to:								
Equity holders of parent								
- Company	304,647	326,813	13,292	2,408	23,269	-	340,500	329,221
- Subsidiary	-	-	-	-	51,742	44,807	51,742	44,807
	304,647	326,813	13,292	2,408	75,011	44,807	392,242	374,028
Minority interest	-	-	-	-	72,069	43,097	70,518	43,097
Profit for the year	304,647	326,813	13,292	2,408	147,080	87,904	462,760	417,125
Other information:								
Segment assets	1,802,093	2,113,540	121,506	91,773	1,119,994	1,004,036	3,043,593	3,209,699
Segment liabilities	844,369	1,304,727	104,933	88,340	727,452	714,287	1,676,754	2,107,354
Capital expenditure	97,499	319,972	797	-	50,771	17,786	143,462	337,758
Depreciation expense	38,629	17,059	626	542	13,031	10,918	52,286	28,519
Amortisation of operating leases	3,772	4,632	-	-	908	862	4,680	5,494
Amortisation of intangible assets	2,659	2,659	134	8	1,873	-	4,666	2,667

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period. Segment revenue is based on the geographical location of both customers and assets. The Tanzanian operation was acquired on 27 October 2005 and the company also set up a branch in Uganda in June 2006.

Notes to the Financial Statements

For the year ended 31 December 2008

25. CAPITAL COMMITMENTS

	2008 KShs '000	2007 KShs '000
Authorised and contracted for	55,842	40,427

26. ULTIMATE HOLDING COMPANY

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

Notes

**COMPANY INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008**

	2008 KShs'000	2007 KShs'000
Revenue	2,517,228	2,636,843
Cost of sales	(1,682,814)	(1,796,580)
Gross profit	834,414	840,263
Other income	115,390	46,354
Factory expenses	(107,942)	(103,937)
Administrative expenses	(152,221)	(135,807)
Distribution costs	(60,909)	(108,532)
Depreciation and amortisation	(45,680)	(24,039)
Profit from operations	583,052	514,302
Finance income	34,977	5,528
Finance cost	(131,052)	(47,191)
Net finance cost	(96,075)	(41,663)
Profit before tax	486,977	472,639
Income tax	(146,477)	(143,418)
Profit for the year	340,500	329,221

**COMPANY INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008**

	2008 KShs'000	2007 KShs'000
Revenue	2,517,228	2,636,843
Cost of sales	(1,682,814)	(1,796,580)
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Profit for the year	340,500	329,221

East African Cables Limited

FIVE YEAR FINANCIAL RECORD

INCOME STATEMENT SUMMARY

	2004	2005	2006	2007	2008
	Consolidated KShs'000	Consolidated KShs'000	Consolidated KShs'000	Consolidated KShs'000	Consolidated KShs'000
Sales	825,316	1,162,041	2,040,533	3,462,139	3,929,312
Profit before tax	178,815	294,035	422,812	597,486	669,927
Tax	(55,154)	(81,096)	(138,177)	(180,361)	(207,167)
Profit after tax	123,661	212,939	284,635	417,125	462,760
Minority interest	-	(2,372)	(1,098)	(43,097)	(70,518)
Profit attributable to parent Company shareholders	123,661	210,567	283,537	374,028	392,242
Dividends	(70,875)	(101,250)	(141,750)	(182,250)	(202,500)
Retained profit	52,786	109,317	141,787	191,778	189,742
Earnings per share (KShs)	0.61	1.04	1.40	1.85	1.94
Dividend per share (KShs)	0.35	0.50	0.70	0.90	1.00

BALANCE SHEET

Non-current assets	81,633	306,715	661,926	981,352	1,070,195
Current assets	410,583	745,455	1,245,731	2,228,347	1,973,398
TOTAL ASSETS	492,216	1,052,170	1,907,657	3,209,699	3,043,593
Equity and liabilities					
Share capital	101,250	101,250	101,250	101,250	101,250
Reserves	180,354	289,612	514,375	661,628	851,370
Proposed dividends	35,438	70,875	101,250	182,250	202,500
Exchange differences	-	(4,095)	(22,648)	(10,677)	(6,700)
Minority interest	-	131,444	110,783	167,894	218,419
Total equity	317,042	589,086	805,010	1,102,345	1,366,839
Non-current liabilities	20,612	44,592	333,311	671,922	488,078
Current liabilities	154,562	418,492	769,336	1,435,432	1,188,676
TOTAL EQUITY AND LIABILITIES	492,216	1,052,170	1,907,657	3,209,699	3,043,593

Notes

Proxy Form

I/We _____

of _____

Being a member (s) of East African Cables Ltd, hereby appoint _____

of _____

or failing him/her _____

of _____

To vote for me/us/on my/our behalf at the 44th Annual General Meeting of the said company to be held at 11:00 a.m on Thursday 23 April 2009 and at any adjournment thereof:

Signed this _____ day of _____ 2009

Signature (s) _____

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

Hati ya Uwakilishi

Mimi/Sisi _____

wa _____

Nikiwa/tukiwa/mwanachama/wanachama wa Kampuni hii ya East African Cables Ltd., namchagua/
tunamchagua _____

wa _____

au akikosa yeye/wakikosa wao _____

Kupiga kura kwa niaba yangu/yetu katika Mkutano Mkuu wa mwaka wa 44 wa kampuni hii, utakaofanyika saa tano asubuhi Alhamisi Aprili 23 2009 ama siku nyingine ikiwa Mkutano huo utaahirishwa.

Hati hii imetiwa sahihi hivi leo tarehe _____ mwezi wa _____ 2009

Sahihi _____

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

First Fold

Kunja hapa kwanza

Stamp

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

Second Fold

Halafu kunja hapa