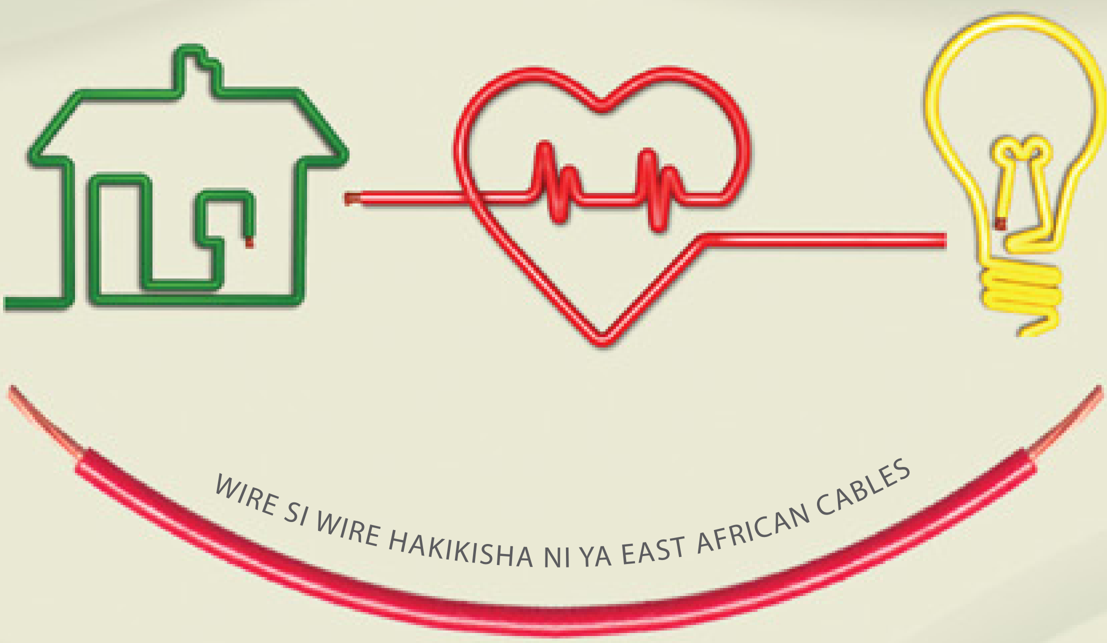
East African Cables

Connecting lives

2010 ANNUAL REPORT & ACCOUNTS



Our Vision

To be the leading and preferred provider of cabling solutions.

Our Mission

To be a dynamic company committed to exceeding customer expectation 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 acting with respect, integrity
   Fairness and care in our dealings with all our partners.
3. Pride in what we do and continuously pursuing maximum productivity in a safe environment.
4. Getting it right the first time and consistently pursuing excellence
5. Freedom with responsibility and accountability in all we do.

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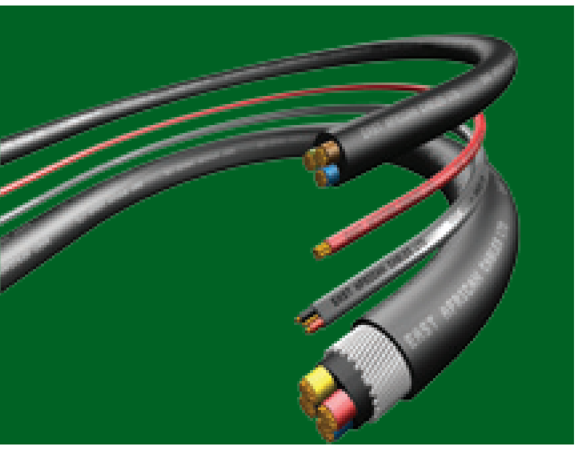


Notice of the Annual General Meeting

Notice is hereby given that the forty sixth 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 Thursday 28th April, 2011 at 11.00am for the following purposes.

1. To receive and if approved, adopt the Group's audited financial statements for the year ended 31st December, 2010 together with the Chairman's, Directors' and Auditors' reports thereon.
2. To approve the Directors' remuneration as provided in the accounts for the period ended 31st December, 2010.
3. To approve the payment of a first and final dividend of 200% representing Kshs. 1.00 per ordinary share.
4. To elect Directors in accordance with the Company's Articles of Association. Mr. Z.G. Mbugua and Mr. Bruno Thomas retire by rotation and being eligible offer themselves for re-election at the forth coming Annual General Meeting.
5. To appoint the auditors for the ensuing year and to authorize the Directors to fix their remuneration.

6. SPECIAL BUSINESS

a) To increase the Authorised Share Capital of the Company by passing the following resolution which will be proposed as an **ORDINARY RESOLUTION:**

THAT the Company's Authorized Share Capital be increased from Shillings one hundred and one million two hundred fifty thousand (KES 101,250,000) divided into two hundred and two million five hundred thousand (202,500,000) ordinary shares of fifty Cents (KES 0.50) each to Shillings one hundred and twenty six million five hundred and sixty two thousand five hundred shillings (KES 126,562,500) by the creation of fifty million six hundred twenty five thousand (50,625,000) new ordinary shares of fifty Cents (KES 0.50) each, bringing the total number of ordinary shares to two hundred and fifty three million one hundred and twenty five thousand (253,125,000) and that the new shares rank pari passu in all respects with the existing shares of the Company.

b) To reflect the alteration of the share capital of the company in the memorandum of association of the company by passing the following resolution which will be proposed as a **SPECIAL RESOLUTION:**

THAT clause 5 of the Memorandum of Association be amended so as to insert the following new clause 5 in substitution for and to the exclusion of the existing clause 5 with immediate effect:

"The Authorised Share capital of the Company is one hundred and twenty six million five hundred and sixty two thousand five hundred shillings (KES 126,562,500) divided into two hundred fifty three million one hundred and twenty five thousand (253,125,000) ordinary shares of fifty Cents (KES 0.50) each"

c) To pass the following resolution as an **ORDINARY RESOLUTION (BONUS SHARE ISSUE):**

To capitalize the sum of Shillings twenty five million three hundred and twelve thousand five hundred (KES 25,312,500) being part of the amount standing in the Revenue Reserves Account and such sum be made available for distribution amongst the shareholders of the issued shares of fifty cents (KES 0.50) each in the capital of the Company in the proportion of one (1) bonus share for every four (4) ordinary shares held, on condition that the sum shall not be paid in cash but shall be applied in paying up in full 50,625,000 ordinary shares of fifty cents (KES 0.50) each in the capital of the Company at present unissued, to be allotted and issued as fully paid at par to and amongst such members in the proportion of one (1) new ordinary share of KES 0.50 for every four (4) ordinary shares held.

d) To pass the following resolution as a **SPECIAL RESOLUTION:**

That Article 138 be deleted in its entirety and replaced with the following new regulation:

"Any dividend, interest or other sum payable in cash to the holder of shares may be paid:

i) by cheque or warrant sent through the post and addressed to such holder at his registered address or, in the case of joint holders, addressed to the holder whose name stands first on the Register in respect of the shares, at his or their risk, or

ii) by direct bank transfer or other automated electronic system of funds transfer, or

iii) by a mobile telephone money transfer system.

In the case of transfer under Article138 (ii) or (iii) the funds shall be transmitted to the bank account or mobile telephone number or account information provided by the member (or joint holders) to the Company. Payment of the cheque or warrant or confirmation of payment made by a transmitting entity to the transferee of an electronic transfer shall in each case be a good discharge to the Company."

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
8th February, 2011

Note:

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

Tangazo la Mkutano Mkuu wa Mwaka

Tunatangazia kila mshikadau kwamba mkutano mkuu wa kila mwaka, wa arobaini na sita, utafanyika tarehe 28 mwezi Aprili mwaka wa 2011 kuanzia saa 11:00 (saa tano) asubuhi katika majengo ya kampuni ya East African Cables iliyoko katika barabara ya Addis Ababa, kutoka barabara ya Enterprise, eneo la viwandani jijini Nairobi kwa shughuli zifuatazo:

1. Kupokea, na kama itaidhinishwa, kutumia taarifa zilizokaguliwa za matumizi ya pesa za kampuni kwa kipindi cha matumizi ya pesa kilichokamilika tarehe 31 Desemba, 2010, pamoja na taarifa za mwenyekiti, mkurugenzi, na zile za wakaguzi wa mahesabu.
2. Kuidhinisha ujira wa wakurugenzi kama ilivyoainishwa kwenye taarifa za kifedha za kipindi cha matumizi ya pesa kilichokamilika tarehe 31 Desemba, 2010.
3. Kuidhinisha malipo ya riba ya kwanza na ya mwisho ya asilimia 200 ambayo ni sawa na shilingi 1.00 kwa kila hisa ya kawaida.
4. Kuwachagua Wakurugenzi kwa mujibu wa vifungu vya Sheria za Kampuni hii. Bwana Z. G. Mbugua na Bwana Bruno Thomas wanastahili kustaafu kwa mzunguko na kwa kuwa bado wana nia ya kuendelea na usimamizi, wamejitolea kuchaguliwa upya katika mkutano, ujao, mkuu wa mwaka.
5. Kuteua wakaguzi wa mahesabu wa mwaka unaofuata na kuwapa mamlaka wakurugenzi kuidhinisha ujira wao.

6. SHUGHULI MUHIMU

a) Kuongeza mtaji wa hisa za kampuni ulioidhinishwa kwa kupitisha maafikiano yafuatayo ambayo yatapendekezwa kama mwafaka wa kawaida:
KWAMBA mtaji wa hisa za kampuni ulioidhinishwa uzidishwe kutoka riba ya shilingi milioni mia moja na moja na alfu mia mbili hamsini (Ksh 101,250,000) hadi riba ya shilingi milioni mia mbili na mbili na laki tano (202,500,000) hisa za kawaida za senti hamsini (Ksh 0.50) kwa kila hisa hadi shilingi milioni mia moja ishirini na sita, alfu mia tano sitini na mbili na mia tano (Ksh 126,562,500) kwa kutenga hisa mpya za kawaida milioni hamsini, alfu mia sita ishirini na tano (50,625,000) ambazo ni za senti hamsini kwa kila mojawapo (Ksh 0.50), na kufikisha jumla ya hisa za kawaida kuwa milioni mia mbili hamsini na tatu, alfu mia moja ishirini na tano (253,125,000) na kwamba hisa hizo mpya ziwekwe katika ngazi ya pari passu katika kila hali pamoja na hisa za kampuni zilizoko kwa sasa.

b) Kuangazia mabadiliko katika mtaji wa hisa za kampuni katika mkataba wa ushirika ya kampuni kwa kuidhinisha masuala yafuatayo ambayo yatapendekezwa kama **MUAFAKA MAALUMU:**

KWAMBA kifungu cha tano (5) cha Mkataba wa Ushirika ufanyiwe marekebisho ili kuingiza kifungu hiki kipya (cha tano) kama kibadala cha kifungu cha tano kilichoko kwa sasa ambacho kitaondolewa ili hiki kipya kuanza kutekelezwa mara moja:
"Mtaji wa hisa zilizoidhinishwa za kampuni ni milioni mia moja ishirini na sita, alfu mia tano sitini na mbili na mia tano (Ksh 126,562,500) ambazo zitagawanywa kuwa hisa za kawaida milioni mia mbili hamsini na tatu, alfu mia moja ishirini na tano (253,125,000) ambazo ni hisa za senti hamsini (Ksh 0.50) kwa kila hisa"

c) Kupitisha muafaka ufuatao kama **MUAFAKA WA KAWAIDA (TOLEO LA HISA ZA ZIADA):**
Kuhamisha kutoka kwa mapato yaliyo fadhiwa kiasi cha shilingi milioni ishirini na tano, alfu mia tatu kumi na mbili na mia tano (Ksh 25,312,500.00) ambacho ni sehemu ya pesa zilizoko katika akaunti ya hifadhi za mapato na kwamba kiasi hicho kiweze kupatikana kwa urahisi ili kugawanywa miongoni mwa washikadau wa hisa hizo zilizotolewa za senti hamsini (Ksh 0.50) kwa kila hisa katika mtaji wa kampuni katika pendekezo la hisa moja (1) la ziada kwa kila hisa nne (4) za kawaida zinazomilikiwa, lakini kwa sharti kwamba kiasi hicho hakitalipwa kwa pesa taslimu lakini pendekezo hilo litatumika katika kulipia hisa zote 50,625,000 za kawaida za senti hamsini (Ksh 0.50) kwa kila hisa katika mtaji wa kampuni ambao haujatolewa kwa sasa, na ambao utatengwa na kutolewa kama malipo ya jumla kwa usawa miongoni mwa washikadau kama hao katika pendekezo la hisa moja (1) mpya ya kawaida ya senti hamsini (Ksh 0.50) kwa kila hisa nne (4) za kawaida zinazomilikiwa.

d) Kupendekeza, na kama itabainika kuwa muafaka, kuidhinisha mapendekezo yafuatayo:
Kwamba kifungu cha 138 kifutwe kabisa na kubadilishwa na kanuni ifuatayo:
"Riba, faida ama kiasi chochote cha pesa taslimu kinacholipwa mwanahisa kwa pesa taslimu kinaweza kulipwa:

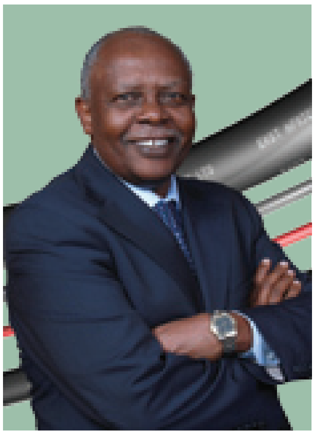
i) kwa hundi au hati iliyotumwa kupitia posta na kuandikiwa mwanahisa kupitia anwani yake iliyosajiliwa, iwapo wanahisa wameshirikiana, iandikiwe mwanahisa ambaye jina lake ndilo la kwanza katika sajili kwa mujibu wa hisa, kwa shauri lao, au
ii) kupitia benki kwa njia ya moja kwa moja ama kupitia njia nyingine za kielektroniki za kutuma pesa, au
iii) kwa njia za kutuma pesa kupitia huduma za simu za mkononi.
Katika hali ya kutuma pesa chini ya kifungu cha 138 (i) au (ii) pesa hizo zitatumwa katika akaunti ya benki au katika nambari ya simu ya mkononi ama taarifa kuhusu akaunti ikatolewa na mwanahisa (au wenyehisa) kwa kampuni. Malipo ya hundi au waranti au kuthibitishwa kwa malipo yaliyolipwa mtumiwa kwa njia ya huduma za kutuma pesa kielektroniki, katika kila hali, itakuwa njia mwafaka kwa kampuni."

7. Kushughulikia jambo lingine lolote linaloweza kushughulika katika Mkutani Mkuu wa kila Mwaka

KWA AMRI YA HALMASHAURI
Virginia Ndunge
Katibu
P.O Box 61120
00200 City Square
Nairobi
8th Februari, 2011

Kumbuka:
Mshikadau mwenye haki ya kuhudhuria mkutano na kupiga kura anaweza kuteua mwakilishi wake kuhudhuria na kupiga kura kwa niaba yake, na kwamba mwakilishi huyo si lazima awe mshikadau katika kampuni. Ili waweze kuhalalishwa, fomu za uwakilishi ni sharti ziwasilishwe katika afisi za kampuni ambazo zimeidhinishwa katika kipindi kisichopungua saa 48 kabla ya muda maalumu uliotengewa kuanza kwa mkutano.

Board of Directors



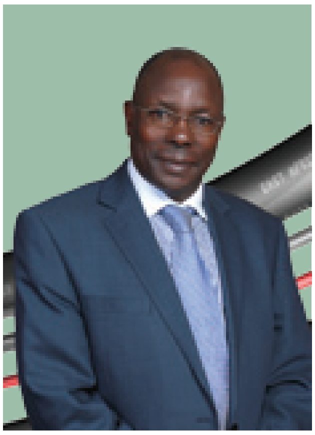
Zephaniah Mbugua (Chairman)

Zephania Mbugua is a graduate of Makerere University where he attained his Bsc. He is currently the CEO of Abcon Group of Companies whose principal business is supply of industrial raw materials. He holds directorships in several other companies. He was appointed a Director of the Board in March 2004.

George Mwangi (CEO)

George Mwangi is a Certified Public Accountant and a member of the ICPAK. He is also a Certified Public Secretary and holds a bachelor's degree in International Business Administration.

He has substantial experience in the industry, having worked with the Company for over 11 years at senior levels



Peter Kanyago

Peter Kanyago was educated at Nyeri High School, Strathmore College and Pacific States University. He has a wide range of experience in business and is currently the chairman of Ecobank Kenya Ltd, East African Courier Limited and East African Elevator Co. Limited (OTIS). He is also a board member in a number of companies including Corporate Insurance, Kenya Tea Development Agency (KTDA) and a number of tea factories.

Board of Directors continued

Bruno Thomas

Consultant, Bruno Thomas, formerly of the Nexans Group, has a wealth of experience in the energy sector having been, the executive vice president of Nexans Group for the rest of World Area. In addition he was previously President of the Energy Cables Division, President of the board of Alcatel Kabel KG and Director of Industrial strategy

Davinder Sikand

Davinder Sikand is the Managing Partner at Aureos East Africa Fund, a US$40 Million fund since its inception in 1996. He previously managed the Acacia Fund, a US$20 Million fund for SME's in Kenya. Davinder has 24 years experience in private equity and investment banking, gained in the United States, Europe and East Africa, having worked at various leading firms including Drexel Burnham Lambert, Financial Security Assurance and Pricewaterhousecoopers. He holds an MBA from Kellog School of Business, Northwestern University, USA.

Gachao Kiuna

Gachao Kiuna joined the Trans-Century group from Mckinsey & Company in Johannesburg, where he was involved in advising corporate clients in emerging markets on corporate finance, strategy, operational excellence and organizational effectiveness. At Mckinsey he focused on economic development (e.g country strategy) and electric power (particularly generation). He was also the principle consultant that led the Mckinsey assignment to develop the Vision 2030 project for the Government of Kenya. Gachao holds a PHD from the University of Cambridge, Corpus Christi College in the UK and also holds a first Class Honors BSc degree from Imperial College, London in Biochemistry.

Virginia Ndunge

Virginia Ndunge is a Certified Public Secretary and a member of the ICPSK. She holds a Bcom. Degree in Finance and Dip. In Project Management.

She has substantial experience in Company Secretarial having worked with Emu Registrars, Certified Public Secretaries (where she is the proprietor) for over 12 years.

Management team

George Mwangi
CEO East African Cables

Gordon Anampiu
Managing Director EAC (TZ)

Muema Mbai
Commercial Manager

Wilson Muthaura
Human Resource Manager

Joseph Kinyua
Finance Manager

David Mwangi
Technical Manager

Tom Oyugi
Business Development Manager

Report of the directors

The The directors have pleasure in submitting their report together with the audited financial statements for the year ended 31 December 2010, which disclose the state of affairs of the company and the group.

1. Activities

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

2. Group results

	KShs'000
Profit before taxation	258,645
Income tax expense	(74,795)
Profit for the year	**183,850**

The detailed 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 per share. (2009 – KShs 1.00).

4. Directors

The directors who served since 1 January 2010 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 8 February 2011.

BY ORDER OF THE BOARD
Virginia Ndunge
Secretary

Date: 8 February 2011

Repoti ya Wakurugenzi

Wakurugenzi wana furaha kuwasilisha ripoti yao pamoja na taarifa za ukaguzi wa mahesabu za kipindi cha matumizi ya pesa kilichoisha tarehe 31 Desemba 2010, ambayo inaangazia hali ya mambo katika kampuni na shirika kwa jumla.

1. Shughuli

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

2. Matokeo

	KShs'000
Faida kabla ya ushuru	285,645
Matumizi ya pato la ushuru	(74,795)
Faida ya mwaka	**183,850**

Matokeo ya mwaka yameonyeshwa katika ukurasa wa 24.

3. Gawio

Wakurugenzi wanapendekeza malipo ya gawio la mwisho la KShs 1.00 kwa kila hisa. (2009 – KShs 1.00).

4. Wakurugenzi

Wakurugenzi waliohudumu tangu tarehe moja mwezi Januari mwaka wa 2010 wameorodheshwa katika ukurasa wa 4 na 5.

5. Wakaguzi wa Mahesabu

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

6. Kuidhinishwa kwa taarifa za kifedha

Taarifa za kifedha ziliidhinishwa katika mkutano wa wakurugenzi uliofanyika tarehe 8 Februari 2011.

KWA AMRI YA HALMASHAURI
Virginia Ndunge
Katibu

Tarehe: 08 Februari 2011

Corporate Governance

The board of East African Cables Limited recognizes the importance of corporate governance and as such it carries out its mandate with honesty, openness and integrity and is committed to applying and enforcing relevant corporate governance principles, policies and practices within the Group. The board is committed to the principles of accountability, compliance with the law and to the provision of relevant and meaningful reporting to all stakeholders.

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 on a quarterly basis as scheduled during the year, with additional meetings when necessary. 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.

COMMITTEES OF THE BOARD

The following standing committees assist the Board in the discharge of its duties. These committees meet regulary 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 five times in the year.

Staff Committee

The committee meets quarterly or as required. Its membership is composed of Peter Kanyago and Z.G. Mbugua 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 thrice in the year.

Strategy Committee

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

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

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

COMMUNICATION WITH SHAREHOLDERS

The company is committed to ensuring that shareholders and the financial markets are provided with full and timely information about its performance. In the year, the company accomplished this objective through investor briefing held on 09th Febraury 2011, 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' LOANS

There were no loans made to the directors at any time during the year by virtue of their position in the Group.

DIRECTORS' REMUNERATION

The aggregate amount of emoluments paid to the directors for services rendered during the financial year ended 2010 is disclosed on note 25 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 25.

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.

EMPLOYMENT EQUITY

The Group is committed to the creation of an organization that supports equality of all employees and is committed to elimination of any form of discrimination in the work place. Our practice is to comply with all laws prohibiting discrimination.

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

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 2010 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	7,274	1,878,463	0.93
501 - 5,000	6,861	11,473,311	5.67
5,001 – 10,000	541	4,111,367	2.03
10,001 – 100,000	676	17,996,472	8.89
100,001 – 1,000,000	79	18,996,147	9.38
Above 1,000,000	8	148,044,240	73.10
Total	**15,439**	**202,500,000**	**100.00**

MAJOR SHAREHOLDERS

No. Name(s)	No. of shares	% shareholding
1. Cable Holdings (Kenya) Ltd	136,329,420	67.33
2. Stanbic Nominees Kenya Ltd-A/c NR13631	3,860,700	1.91
3. Zed Holdings	2,173,000	1.07
4. The Jubilee Insurance Co. (K) Ltd	1,821,800	0.90
5. Ali Mohamed Adam	1,667,450	0.82
6. Chandubhai Bhikabhai Patel	1,135,570	0.56
7. CFC Life Assurance Ltd – Pension Fund	1,056,300	0.52
8. Stanbic Nominiees Kenya Ltd – A/c R48703	800,000	0.40
9. Cannon Assurance (K) Ltd.	609,700	0.30
10. Travis (EA) Ltd	569,520	0.28
11. Others	52,476,540	25.91
Total	**202,500,000**	**100.00**

Utawala wa Shirika

Halmashauri ya kampuni ya East African Cables Limited inatambua umuhimu wa utawala wa shirika, kwa hivyo kuendeleza shughuli zake kwa uaminifu, uwazi na utaalamu pamoja na kuwa imejitolea kutumia na kutekeleza kanuni, sera na maadili mwafaka ya utawala wa shirika katika kampuni. Halmashauri hii imejitolea kutimiza kanuni za uwajibikaji, kutimiza sheria pamoja na kifungu cha kutoa ripoti zenye maana na zenye umuhimu kwa washikadau wake.

HALMASHAURI YA WAKURUGENZI

Halmashauri hii inajumuisha Mwenyekiti Z.G Mbugua, wakurugenzi watano wasio watendaji na Mkurugenzi Mkuu, Bwana George Mwangi. Wasifu wa wakurugenzi hawa unapatikana katika ukurasa wa 4 na 5. Wakurugenzi wote wasio watendaji hawaingiliwi kati na halmashauri hii katika usimamizi wao mbali na kuwa wana maarifa nyingi, tajiriba pana, na ushindani ambao ni mwafaka katika uongozi bora wenye kuifaa shughuli ya kampuni.

Halmashauri hii hukutana angalau mara nne kwa mwaka, ikiwemo mikutano mingine inapobidi. Wakurugenzi hupata habari mwafaka na kwa wakati ufaao ili kudumisha udhibiti kamili wa masuala ya kimkakati, kifedha, kiutendakazi na utimilifu. Isipokuwa kwa kuelekeza na kuongoza katika sera za jumla, halmashauri hii imemgawia mamlaka ya kuendesha shughuli za kila siku za kampuni Mkurugenzi Mkuu. Halmashauri hii hata hivyo inabakia na jukumu la kuanzisha na kudumisha udhibiti wa ndani wa kampuni katika masuala ya kifedha, utendaji kazi na ikibali. Wakurugenzi wetu wote vilevile wamehudhuria kozi mbalimbali za utawala wa shirika zilizoandaliwa na taasisi zenye kutambulika.

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

KAMATI ZA HALMASHAURI

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Kamati ya ukaguzi wa mahesabu

Halmashauri hii imebuni 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 kipindi fulani cha nusu ya mwaka na taarifa za kifedha za kila mwaka; kutimiza viwango vya uhasibu, ushirikiano na mahasibu wengine wa nje ya shirika, kuwalipa mahasibu wasiokuwa wa kampuni na kudumisha uangalizi wa mfumo wa udhibiti wa mambo ya ndani. Majukumu mengine ni kupokea na kuzingatia bajeti ya mwaka ya kampuni, kuchunguza upya taratibu za ununuzi na kutoa mapendekezo ya kukata bima upya. Kamati hii inaongozwa na mkataba kutoka kwa halmashauri, ambao unadokeza wajibu wake. Kamati hii ilikutana mara tano mwaka huu.

Kamati ya wafanyakazi

Kamati hii hukutana kila baada ya miezi mitatu ama inapohitajika. Uanachama wake unajumuisha Peter Kanyago na Z.G. Mbugua ambao ni wakurugenzi wasio watendaji. Kamati hii inawajibika kuchunguza na kutathmini utendajikazi wa wasimamizi, kuchunguza upya sera zote za utendajikazi na kuamua kuhusu ujira wa wasimamizi wakuu. Kamati hii ilikutana mara tatu mwaka huu.

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

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 ilitimiza lengo hili kupitia ujulishaji wa wawekezaji uliofanyika tarehe 9 Februari mwaka wa 2011, ugawaji wa ripoti ya kampuni ya kila mwaka na kutolewa kwa taarifa za matokeo yake ya kifedha kila robo-mwaka na mwisho wa

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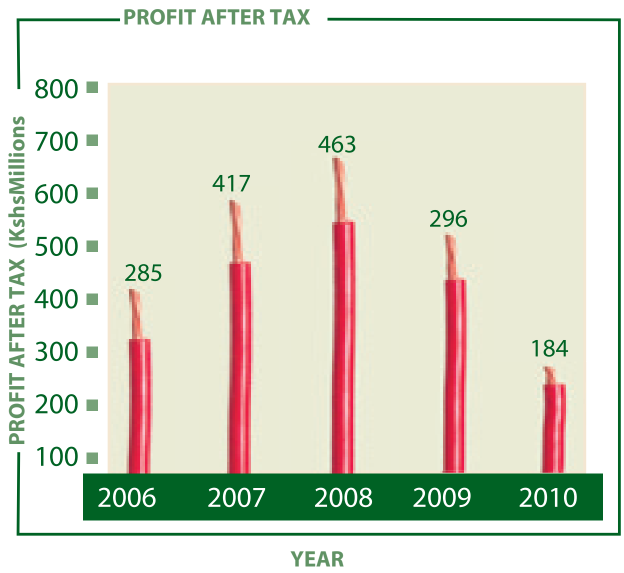
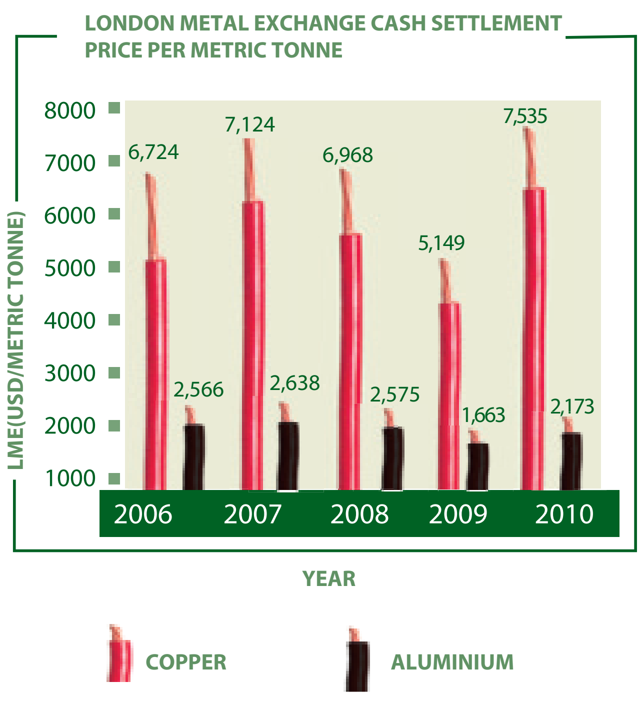
Comparative Results





Statement of Directors' Responsibilities

The Directors are responsible for the preparation and presentation of the company and consolidated financial statements of East African Cables Limited and its subsidiary set out on pages 24 to 58 which comprise the statements of financial positions of the group and of the company as at 31 December 2010, and the group's statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

The Directors' responsibilities include: determining that the basis of accounting described in Note 2 is an acceptable basis for preparing and presenting the financial statements in the circumstances, preparation and presentation of financial statements in accordance with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

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

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

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

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

APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements, as indicated above, were approved by the Board of Directors on 8 February 2011
and were signed on its behalf by:

Z.G. Mbugua
Director

George Mwangi
Director

Taarifa ya Majukumu ya Wakurugenzi

Wakurugenzi wanahusika katika kuandaa na kuwasilisha taarifa za kifedha za kampuni ya East African Cables na matawi yake kama ilivyoainishwa katika kurasa za 24 na 58 ambazo zinajumuisha taarifa za nafasi za kifedha za Shirika na kampuni kufikia tarehe 31 Desemba 2010, na taarifa kamilifu za mapato ya shirika; taarifa kuhusu mabadiliko katika mapato na matumizi ya fedha za mwaka huo uliomalizika pamoja na ufupisho wa sera muhimu za uhasibu na taarifa nyingine zilizoelezewa.

Majukumu ya wakurugenzi yanajumuisha: kuamua kwamba kanuni za uhasibu zilizoelezewa katika kijelezi 2 ni zenye kukubalika katika kuandaa na kuwasilisha taarifa za kifedha katika hali hizo; kuandaa na kuwasilisha taarifa za kifedha kulingana na Viwango vya Kimataifa vya Uripoti wa Kifedha na katika hali nyingine iliyoainishwa chini ya Sheria za Kampuni za Kenya, pamoja na udhibiti wa mambo ya ndani kama watakavyoona wakurugenzi kuwa muhimu ili kuwezesha kuandaliwa kwa taarifa za kifedha zisizo na makosa; aidha kutokana na ulaghai au kasoro , pamoja na kuchagua na kutumia sera zinazofaa za uhasibu pamoja na kufanya ukadiriaji unaofaa wa hesabu katika hali hizo.

Chini ya Sheria za Kampuni za Kenya, Wakurugenzi wanahitajika kuandaa taarifa za kifedha za kila kipindi cha matumizi ya pesa cha mwaka na ambazo zinabaini ukweli na mtazamo wa haki wa mambo katika shirika na katika kampuni kufikia mwisho wa kipindi hicho cha matumizi ya pesa na kile cha matokeo ya utendaji wa shirika katika mwaka huo. Vilevile, inawapasa wakurugenzi kuhakikisha kuwa kampuni na matawi yake inadumisha rekodi sawa za uhasibu ambazo zinabainisha kwa uhakika usiotiliwa shaka nafasi ya kifedha ya shirika na ya kampuni.

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

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

Wakurugenzi wamechukulia tathmini kuhusu uwezo wa shirika na wa kampuni kuendelea kama yenye umuhimu na hawana budi kuamini kuwa kampuni na matawi yake kwa jumla hayatakosa kuendelea kwa takribani miezi kumi na miwili ijayo tangu kutolewa kwa taarifa hii.

KUIDHINISHWA KWA TAARIFA ZA KIFEDHA

Taarifa za kifedha, kama ilivyoelezewa hapo juu, ziliidhinishwa na halmashauri ya wakurugenzi tarehe 8, Februari 2011 na kutiwa sahihi kwa niaba yake na:

Z.G. Mbugua	George Mwangi
(Mkurugenzi)	(Mkurugenzi)

Chairman's Statement

INTRODUCTION

I am delighted to present to you the Annual Report and Audited Financial Statements for the year ended 31st December 2010. The year 2010 was challenging for our business. The global pressures resulted in significant increase in cost of our key Raw Materials.

OVERVIEW OF THE BUSINESS ENVIRONMENT

The economy expanded by 6.1% in the third quarter of 2010 compared to a growth of 0.5% and 2.7% in the same period of 2009 and 2008 respectively. The growth was attributed to favourable weather conditions, increased liquidity in the banking system and prudent macroeconomic management. The factors encouraged steady growth in key sectors with agriculture growing at 6.8%, manufacturing at 7.8%, electricity and water at 24.4%, financial at 20.3% and construction, the sector we serve grew by 14.6%.

Overall inflation increased from 3.21% in September 2010 to 4.51% in December. This was occasioned by a 4.6% rise in transportation index over the quarter due to higher costs of fuel. Inflation is expected to trend upwards in the first quarter of 2011.

METAL PRICES AND FOREIGN EXCHANGE RATES

The industry has continued to suffer the challenges arising from the volatility in the world metal market. The average metal prices for copper have consistently risen over the last two years from USD 5,012 per ton in June 2009 to USD 9,147 per ton by close of 2010. Likewise Aluminium prices have increased from USD 1,413 per ton to USD 2,350 over the same period. This represents an increase of 84% and 50% in copper and Aluminium prices respectively. These increases exerted pressure on our margins for the year under review.

The Kenya shilling also continued to depreciate against the US dollar thus impacting the cost of production negatively. The exchange rate for the shilling to US dollar increased from Kshs 75.80 in December 2009 to Kshs 80.75 in December 2010.

While the above factors are beyond our control, we have taken every possible opportunity to institute appropriate response mechanisms to reduce potential impact.

FINANCIAL PERFORMANCE

The Group recorded strong growth in volumes with 140% increase in sales to regional utilities and 11% increase in sales to private market clients. This led to a 25% increase in the Group turnover driven by increased volumes and rising London Metal Exchange (LME) prices. This growth translated to an increase in profits which partially cushioned the Group from a one off loss and restructuring costs recorded by our Tanzanian Subsidiary, as disclosed in our announcement in July 2010. The financial report shows a decline of 38% in profit as a result.

I am happy to report that positive financial results are expected in the next financial year following the restructuring of the subsidiary.

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 & BONUS SHARE ISSUE

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 (2009-Kshs 1.00). In addition, the board recommends a bonus share issue of one share for every four shares held subject to approval by the Capital Markets Authority and by the shareholders in the upcoming Annual General Meeting.

Our objective to provide investors with sustainable long term shareholder value has been maintained in the period under review.

INTERNAL CONTROLS

During the past financial year, business consultancy firm Deloitte and Touché was retained to manage internal audit exercise relating to risk management systems. Following the appointment, Deloitte and Touché are expected to advice the board on best practice systems to be employed in managing our corporate risk exposure.

CAPACITY ENHANCEMENT

As part of our strategy, the last financial year was also marked with a progressive execution of our expansion programme. As in the previous year, we managed to progress our geographical presence and product portfolio expansion strategy. Currently operating in the five East African countries, we have continued to grow our export portfolio which accounted for 19% of our turnover in 2010.

We have already embarked on a market expansion plan geared at establishing a solid market presence in more than 13 African countries by the end of next year.

On product portfolio, the Company has already commenced production of Aerial Bundled Conductors (ABC) which are much safer and more environmental friendly for power transmission. In addition, we have introduced Crosslink Polyethylene Cables (XLPE) which have the ability to carry more current for the same size of cable compared to PVC cables and have better strength at high temperatures. The Company has also commenced manufacture of Halogen Free Flame Retardant (HFFR) Cables which produce non toxic fumes in case of fire, have higher operating temperatures and are also environmental friendly. I am happy to report that we have received excellent response from the market.

MARKET

As part of our efforts to educate the market, the past financial year also featured the rolling out of an integrated marketing communications campaign dubbed Wire si Wire. We have taken it upon ourselves to raise awareness levels on the negative use of substandard cables. We shall further this through strategic training programmes for scores of urban and rural based electrical technicians into the region as well as broad based awareness programmes to the end consumers at domestic, enterprise and industrial level.

CORPORATE GOVERNANCE

East African Cables Corporate Objective is to create long-term shareholder and customer value through the provision of innovative customer and market-focused cabling solutions. Pursuant to this Corporate Objective, we have committed to the highest level of governance and foster a culture that values and rewards exemplary ethical standards, personal and corporate integrity.

Our approach to governance is predicated on the belief that there is a link between high-quality governance and the creation of shareholder value. It is my personal wish and indeed that of the board that governance is not just a matter for the Board; a good governance culture must be fostered throughout the organization. Every effort is being made to ensure that this culture is understood and practiced in the group.

BOARD OF DIRECTORS

East African Cables enjoys the existence of an effective Board, a talented and experienced team with the vision to help steer our future. I am however saddened by the untimely demise of our director James Gachui within the period under review. The Late Mr. Gachui was the Chairman of the Strategy committee and I have no doubt that we have lost a dedicated Visionary, friend, colleague, and shareholder and indeed a pillar of wisdom. Once again and on behalf of my fellow shareholders, staff and management of East African Cables, I wish to extend our most sincere condolences to the family and friends of our departed colleague. May his soul rest in eternal peace.

OUTLOOK

The Board remains confident of the future. We see numerous opportunities to grow our business in the region buoyed by strong growth trajectory in the construction sector and commitments towards grid extension programmes. Our expanded capacity and the newly introduced range of products which are safer, more reliable and economical will undoubtedly drive growth. Further, focus to enhance on delivery channel through regional exclusive service centres and partnerships with the right stakeholders will drive value. Going forward, we want to contribute to the society through value addition initiatives that drive economic developments across the region.

APPRECIATION

My special thanks go to our esteemed customers, suppliers and all other stakeholders for their continued support, to my fellow Directors for their stewardship and to the management and staff for their dedication and commitment in the affairs of the Company.

Z. G. Mbugua
Chairman
Board of Directors

Taarifa ya Mwenyekiti

UTANGULIZI

Nina furaha kuwasilisha kwenu ripoti ya mwaka wa 2010 pamoja na taarifa zilizokaguliwa za kifedha za kipindi cha matumizi ya pesa kilichoishia tarehe 31 Desemba 2010. Mwaka wa 2010 ulikuwa wenye changamoto tele kwa biashara zetu. Shinikizo za kimataifa zilisababisha kuwepo ongezeko maradufu katika malighafi yetu kuu.

MTAZAMO WA JUMLA WA MAZINGIRA YA KIBIASHARA

Uchumi uliimarika kwa asilimia sita nukta moja (6.1%) katika robo ya tatu ya mwaka 2010 ikilinganishwa na ukuaji wa asilimia sufuri nukta tano (0.5%) na asilimia mbili nukta saba (2.7%) katika kipindi sawa na hicho katika mwaka wa 2009 na 2008 mtawalia. Ukuaji huo ulitokana na hali nzuri ya anga, ongezeko la kiasi cha pesa kilichobadilishwa katika sekta ya benki na kuwepo na mtazamo mpana katika usimamizi wa vitegauchumi vikuu. Hali hizo zilifasilisha ukuaji imara katika sekta muhimu huku sekta ya Kilimo ikikua kwa asilimia sita nukta nane (6.8%), sekta ya uzalishaji kwa asilimia saba nukta nane (7.8%), sekta ya kawi na maji ikakua kwa asilimia ishirini na nne nukta nne (24.4%), sekta ya fedha kwa asilimia ishirini nukta tatu (20.3%) na ile ya ujenzi, sekta ambayo tunahudumia, ikakua kwa asilimia kumi na nne nukta sita (14.6%).

Kiwango cha jumla cha mfumko kiliongezeka kutoka asilimia tatu nukta mbili moja (3.21%) mnamo mwezi Septemba 2010 hadi asilimia nne nukta tano moja (4.51%) katika mwezi wa Desemba mwaka huo. Hii ilitokana na kuongezeka kwa gharama ya usafirishaji kwa asilimia nne nukta sita (4.6%) katika kipindi hicho, hali iliyotokana na bei ya juu ya mafuta. Mfumko huo vilevile unatazamiwa kuendelea zaidi katika robo ya kwanza ya mwaka 2011.

BEI ZA CHUMA NA VIWANGO VYA UBADILISHANAJI WA PESA ZA KIGENI

Sekta hii imezidi kuathiriwa na changamoto zinazotokana na mabadiliko ya mara kwa mara katika soko la chuma la dunia. Bei za kadiri za shaba nyekundu zimezidi kuongezeka katika kipindi cha miaka miwili iliyopita kutoka Dola ya Marekani 5,012 kwa kila tani mnamo mwezi Juni mwaka wa 2009 hadi Dola 9,147 kwa kila tani kufikia mwisho wa mwaka wa 2010. Sawa na hiyo, bei ya alumini imeongezeka kutoka Dola ya Marekani 1,413 kwa kila tani hadi Dola 2,350 katika kipindi sawa na hicho. Hii inawakilisha ongezeko la asilimia themanini na nne (84%) na asilimia hamsini (84%) katika bei za shaba nyekundu na alumini mtawalia. Ongezeko hili lilisababisha kuathirika kwa viwango vyetu katika mwaka unaorejelewa.

Shilingi ya Kenya vilevile ilizidi kudidimia katika thamani yake dhidi ya Dola ya Marekani na hivyo kuwa na madhara mabaya katika gharama ya uzalishaji. Kiwango cha ubadilishanaji wa shilingi ya Kenya kwa Dola ya Marekani kiliongezeka kutoka Kshs 75.80 mwezi Desemba mwaka 2009 hadi Kshs 80.75 mwezi Desemba mwaka 2010.

Huku tukikiri kwamba masuala haya yako juu ya uwezo wetu kuyadhibiti, tumeweka, mahali inapowezekana, mikakati mwafaka na madhubuti ya kupunguza madhara makuu.

UTENDAJI WA KIFEDHA

Kampuni hii ilirekodi ukuaji mkubwa kwa viwango, hii ikiwa ni pamoja na ongezeko la asilimia mia moja arobaini (140%) katika mauzo kwa kuangazia huduma za kieneo, na ongezeko la asilimia kumi na moja (11%) katika mauzo kwa wateja katika soko la kibinafsi. Hii ilipelekea ongezeko la asilimia ishirini na tano (25%) katika jumla ya mauzo ya kampuni ambayo ilitokana na viwango vya mauzo na bei za chuma zinazozidi kupanda katika soko la chuma la London (LME). Ukuaji huu ulisababisha ongezeko la faida ambazo ziliiepusha kampuni na hasara za moja kwa moja pamoja na gharama ya ukarabati ambayo ilishuhudiwa katika tawi letu la Tanzania, kama ilivyobainishwa katika tangazo letu hapo mwezi Julai 2010. Taarifa ya kifedha inaonyesha kushuka kwa asilimia thelathini na nane (38%) katika faida, kutokana na hili.
Nina furaha kuripoti kwamba matokeo bora za kifedha yanatarajiwa katika kipindi kijacho cha matumizi ya pesa kufuatia kukarabatiwa kwa tawi hilo.

VIWANGO VYA KURIPOTI

Kampuni hii inaendelea kuzingatia uwasilishaji na utoaji 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 viwango hivyo katika kipindi cha matumizi ya pesa cha mwaka ulioangaziwa, yametekelezwa.

RIBA NA UTOAJI WA HISA ZA ZIADA

Nina furaha kuripoti kwamba bodi ya wakurugenzi inapendekeza kwa mkutano mkuu wa mwaka, riba ya mwisho ya Kshs 1.00 (2009 - Kshs 1.00). Zaidi ya hiyo, bodi inapendekeza toleo la hisa za ziada kwa kila hisa nne zinazomilikiwa, ila kutegemea idhini ya mamlaka ya masoko ya mtaji na washikadau katika mkutano mkuu ujao wa mwaka.

Lengo letu la kuwapa wawekezaji thamani ya uwekezaji wa muda mrefu na ambao wanaweza kumudu limedumishwa katika kipindi kinachoangaziwa.

UDHIBITI WA NDANI

Katika kipindi kilichopita cha matumizi ya pesa, kampuni ya kutoa mashauri ya kibiashara ya Deloitte and Touche ilisazwa ili kusimamia shughuli za ukaguzi wa ndani ambazo zinahusiana na mifumo ya kudhibiti hatari. Kufuatia uteuzi huo, kampuni ya

Deloitte and Touche inatazamiwa kuishauri bodi ya wakurugenzi kuhusu mifumo bora zaidi ya udhibiti ambayo inafaa kutumika katika kudhibiti hasara inayoweza kuikabili kampuni.

KUIMARISHA UZALISHAJI

Kama mojawapo ya mikakati yetu, kipindi kilichopita cha matumizi ya pesa kilishuhudia kutekelezwa mara kwa mara kwa mipango ya upanuzi. Kama katika mwaka uliopita, tuliweza kuendeleza uwepo wetu kieneo pamoja na kuweka mikakati ya kupanua uwepo wa bidhaa zetu. Kwa sasa ambapo tunahudumu katika nchi tano za Afrika Mashariki, tumezidi kukuza mauzo yetu nje ya nchi ambayo yalichangia asilimia kumi na tisa (19%) ya mauzo yetu mwaka wa 2010.

Tayari tumerejelea mpango wa kupanua soko letu ambao unalenga kuweka msingi madhubuti katika uwepo wetu katika masoko ya mataifa 13 ya Kiafrika kufikia mwisho wa mwaka ujao.

Kuhusu uwepo wa bidhaa zetu, kampuni hii tayari imeanzisha uzalishaji wa nyaya za Aerial Bundled Conductors (ABC) ambazo ni salama zaidi na zisizo na madhara kwa mazingira katika upitishaji wa umeme. Zaidi ya hayo, tumezindua nyaya za Crosslink Polyethylene Cables (XLPE) ambazo zina uwezo wa kupitisha nguvu nyingi za umeme zikilinganishwa na zile za aina ya PVC mbali na kuwa zina nguvu zaidi katika kudhibiti joto katika sehemu zenye viwango vya juu vya joto.

Kampuni hii vilevile imeanzisha utengenezaji wa nyaya zijulikanazo kama Halogen Free Flame Retardant (HFFR) ambazo hutoa moshi usio na madhara kama vile sumu, katika mikasa ya moto, zinaweza kutumika katika viwango vya juu vya joto pamoja na kuwa haziathiri mazingira. Nina furaha kuripoti kwamba bidhaa hizi zimepokelewa vyema sokoni.

SOKO

Kama njia mojawapo ya juhudi zetu za kuelimisha umma, kipindi kilichopita cha matumizi ya pesa kilishuhudia pia kuzinduliwa kwa mseto wa kampeni za mauzo na mawasiliano kwa jina Wire si Wire. Tumelifanya jukumu letu kutoa hamasisho kuhusu athari za matumizi ya nyaya duni. Tutaendeleza hili zaidi kupitia mipango ya mafunzo ya kimkakati kwa mafundi wa stima mijini na vijijini katika eneo zima pamoja na mipango ya hamasisho pana hadi kwa wateja nyumbani, dukani na hata katika kiwango cha viwanda.

UTAWALA WA SHIRIKA

Lengo kuu la kampuni ya East African Cables ni kuweka thamani ya muda mrefu ya wawekezaji na wateja kupitia utoaji wa nyaya za kipekee na zenye kulenga maslahi ya watena na yale ya soko ili kutoa suluhu kwa matatizo ya nyaya. Kutokana na hili, tumejitolea kufanikisha kiwango cha juu cha utawala na kudumisha utamaduni ambao unathamini na kutuza viwango vya kipekee vya maadili, na maadili ya kibinafsi na yale ya kishirika.

Mtazamo wetu katika suala la utawala unatabiriwa katika imani kwamba upo uhusiano kati ya utawala wa hali ya juu na kuweka thamani kwa washikadau. Ni imani yangu na vilevile ile ya bodi kwamba utawala si suala tu la bodi; utamaduni wa utawala bora lazima uendelezwe katika kampuni nzima.

BODI YA WAKURUGENZI

East African Cables inajivunia uwepo wa bodi madhubuti, kikosi chenye watu wenye tajiriba na talanta kwa mtazamo wa kusaidia kuielekeza mustakabali wetu. Hata hivyo, nimehuzunishwa na kifo cha ghafla cha mkurugenzi mwenzetu James Gachui katika kipindi kinachoangaziwa. Kwa kuwa nilitangamana na marehemu Gachui kwa zaidi ya miongo minne, sina shaka kwamba tumempoteza rafiki mwenye kujitolea, mwenzi, mwanahisa na vilevile mhimili wenye busara. Kwa mara nyingine, kwa niaba ya washikadau wenzangu, wafanyakazi na wasimamizi wa East African Cables, ningependa kutoa rambirambi zangu za dhati kwa familia na marafiki wa marehemu. Mola ailaze roho yake mahali pema peponi.

MTAZAMO

Bodi inasalia na imani kwa siku za baadaye. Tunatabiri fursa nyingi za kukuza biashara yetu katika eneo hili, kutokana na mkondo wa ukuaji dhabiti katika sekta ya ujenzi pamoja na juhudi za kutekeleza mipango ya kusambaza umeme. Uwezo wetu uliozidishwa pamoja na bidhaa mpya zilizozinduliwa na ambazo ni salama zaidi, zenye kutegemeka na zenye gharama nafuu, bila shaka utazidi kuimarika kutokana na vigezo hivi. Zaidi, mtazamo wa kuendeleza mfumo wa usambazaji kupitia duka za kipekee kieneo pamoja na ubia na washikadau wafaao utazidisha thamani hii. Tungependa kuchangia katika jamii kupitia mifumo yenye kuzidisha thamani na ambayo itaendesha ukuaji wa kiuchumi katika eneo zima.

SHUKURANI

Shukurani zangu za dhati zinawaendea wateja wetu wapendwa, wasambazaji na washikadau wengine wote kwa kuendelea kutuunga mkono, kwa Wakurugenzi wenzangu kwa uongozi wao bora na kwa wasimamizi pamoja na wafanyakazi kwa kujitolea kwao kwa dhati katika masuala ya kampuni.

Z. G. Mbugua
Mwenyekiti
Bodi ya Wakurugenzi

Corporate Social Resonsibility Report

As the leading cables and conductors' manufacturer in the region, our obligation to deliver exceptional quality products to the market and an attractive return to the shareholder have been maintained. Indeed, we attach special interest to ensuring that our processes, systems and operations remain ethical and sustainable for generations to come by remaining a socially responsible corporate citizen.

In all our endeavours, we strive to ensure that we maintain ethical standards and take steps to ensure that we mitigate potential adverse effects from the commercial or environmental aspects of our group operations. We also take pride in sharing with our neighbours by facilitating positive social development within the communities in which we operate and derive our income. In everything we do, we strive to ensure that we shall leave the world a better place than we ever found it.

In the past year, the company has continued to maintain sound practices as regards to corporate integrity, ethics, governance, environmental conservation and sustainability. Still under CSR, we have actively maintained sound policies on employee involvement, recognition, satisfaction and social philanthropy.

Progressively, we continue to adopt a number of revised CSR policies to guide our production and related processes. On social investment, we have assisted various community development organizations to facilitate sustainable development.

One of our key involvements in the past year was our role with the Enablis Business Plan competition initiative. The programme is run by Enablis, a Canadian founded non-profit entrepreneurial support organization. Enablis is a membership based organization that supports entrepreneurs in the developing world through a unique model that combines networking, capacity building and access to finance.

As an entrepreneurship development programme, this remains a very exciting national project that takes entrepreneurship awareness to all the corners of the country. The programme is supported by sponsors who want to contribute to making a difference.

Over the past year, East African Cables was one of the major supporters for this programme which has enabled us to create homegrown entrepreneurs. This we believe is a most sustainable contribution to wealth creation in Kenya. Wealth creation is by far the only avenue to eradicate poverty.

SWith the realization that more than 90% of fires on property are attributable to electric faults, we have taken it upon ourselves to raise awareness levels on the negative use of substandard cables. Our corporate marketing programmes were anchored on a major marketing campaign dubbed *Wire si Wire*. The marketing awareness campaign was executed across various channels of communication and has tremendously helped to raise awareness on the prevalence of substandard cables in the market. This campaign has also helped East African Cables to significantly raise its brand positioning in the market as the responsible cables and conductors manufacturer. Indeed, today the name East African Cables is now synonymous with quality cables and the Kongoni brand icon continues to enjoy high levels of recognition.

For the benefit of our own staff and aside from ensuring an ideal working environment, timely remuneration and medical cover, we have in the past year rolled out a series of medical awareness campaigns for both the staff and their families in topics such as HIV/Aids, Blood donation drives and Breast Cancer awareness.

Report of the independent auditors

REPORT ON THE FINANCIAL STATEMENTS

We have audited the consolidated financial statements of East African Cables Limited set out on pages 24 to 58 which comprise the statements of financial position of the group and the company as at 31 December 2010, and the consolidated statement of comprehensive income, consolidated and company statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

As stated on page 14, the directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards in the manner required by the Kenyan Companies Act and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

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

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

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

OPINION

In our opinion, the financial statements give a true and fair view of the financial position of the group and the company at 31 December 2010, and the group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Kenyan Companies Act.

REPORT ON OTHER LEGAL REQUIREMENTS

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

(i) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.

(ii) in our opinion, proper books of account have been kept by the company, so far as appears from our examination of those books; and

(iii) the statement of financial position of the company is in agreement with the books of account.

KPMG

KPMG Kenya

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

Date: 8 February 2011

Directors, Officers and Administration

DIRECTORS

Zephaniah Mbugua	Chairman
George Mwangi	Managing Director
James Gachui	Deceased 16 December 2010
Peter Kanyago	
Davinder Sikand	Alternate: Peter Njoka
Bruno Thomas*	
Gachao Kiuna	

*French

SECRETARY

Virginia Ndunge
Certified Public Secretary (Kenya)
PO BOX 61120
00200 Nairobi

REGISTRARS

Custody & Registrar Services
6th Floor, Bruce House
Standard Street
PO Box 8484
00100 Nairobi GPO

ADVOCATES

Kaplan & Stratton Advocates
9th Floor, Williamson House
4th Ngong Avenue
PO Box 40111
00100 Nairobi GPO

Muthaura Mugambi Ayugi
& Njonjo Advocates
4th Floor, Capitol Hill Square
Upper Hill
P.O. Box 8418 - 00200 Nairobi

AUDITORS

KPMG Kenya
16th Floor, Lonhro House
Standard Street
PO Box 40612
00100 Nairobi GPO

REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

East African Cables Limited
Industrial Area
Addis Ababa Road
PO Box 18243
00500 Nairobi

BANKERS

Standard Chartered Bank Kenya Limited
Kenyatta Avenue Branch
PO Box 40310
00100 Nairobi GPO

Citibank NA
Upper Hill Branch
PO Box 30711
00100 Nairobi GPO

Commercial Bank of Africa Limited
Upper Hill Branch
PO Box 30437
00100 Nairobi GPO

Kenya Commercial Bank Limited
Industrial Area Branch
PO Box 18031 - 00500
Nairobi

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	Notes	2010 KShs'000	2009 KShs'000
Revenue		**3,604,366**	**2,811,861**
Cost of sales		(2,580,638)	(1,650,723)
Gross profit		1,023,728	1,161,138
Other income	5	106,328	61,162
Factory expenses		(175,338)	(192,752)
Administrative expenses		(224,043)	(228,243)
Distribution costs		(103,259)	(76,198)
Profit before depreciation, impairment and finance costs		**627,416**	**725,107**
Impairment losses	6	(203,066)	(99,640)
Depreciation and amortisation	7	(121,782)	(81,524)
Results from operating activities		302,568	543,943
Finance income	8	22,296	58,632
Finance costs	8	(66,219)	(76,131)
Net finance costs	8	(43,923)	(17,499)
Profit before income tax	**9**	**258,645**	**526,444**
Income tax expense	10	(74,795)	(230,411)
Profit for the year		**183,850**	**296,033**
Other comprehensive income			
Revaluation surplus on property, plant and equipment		750,875	470,394
Deferred tax on revaluation surplus	22(a)	(213,455)	(141,118)
Foreign currency translation differences on foreign operations		(34,491)	(27,618)
Total other comprehensive income		**502,929**	**301,658**
Total comprehensive income for the year		**686,779**	**597,691**
Profit for the year is attributable to:			
Equity holders of the company		226,211	308,064
Non-controlling interest		(42,361)	(12,031)
		183,850	296,033
Total comprehensive income attributable to:			
Equity holders of the company		447,245	645,741
Non-controlling interest		239,534	(48,050)
		686,779	597,691
Basic and diluted earnings per share	**11**	**KShs 1.12**	**KShs 1.52**

The notes set out on pages 30 to 58 form an integral part of these financial statements

Consolidated Statement of Financial Position
As at 31 December 2010

	Notes	2010 KShs'000	2009 KShs'000
ASSETS			
Non current assets			
Property, plant and equipment	12	2,376,178	1,609,056
Prepaid operating lease rentals	13	159,963	167,174
Investment property	14	180,502	60,000
Intangible assets	15	6,116	7,997
		2,722,759	1,844,227
Current assets			
Inventories	17	662,452	711,064
Trade and other receivables	18	1,088,600	976,960
Cash and bank balances		44,634	11,132
		1,795,686	1,699,156
TOTAL ASSETS		**4,518,445**	**3,543,383**
EQUITY AND LIABILITIES			
Capital and reserves (Page 10)			
Issued capital	19(a)	101,250	101,250
Share premium		545	545
Revaluation reserve	19(b)	669,644	424,024
Retained earnings		1,087,852	962,891
Foreign currency translation reserve	19(c)	(22,885)	1,701
Total equity attributable to equity holders of the company		1,836,406	1,490,411
Non-controlling interest		409,903	170,369
Total equity		2,246,309	1,660,780
Non-current liabilities			
Bank loans and borrowings	20(a)	402,630	347,444
Liability for staff gratuity	21	19,297	17,116
Deferred tax liability	22(a)	450,847	270,959
		872,774	635,519
Current liabilities			
Bank overdraft		86,358	74,491
Trade and other payables	23	532,321	361,779
Current income tax payable		53,172	34,427
Short-term portion of bank loan	20(a)	712,610	741,732
Dividends payable	24	14,901	34,655
		1,399,362	1,247,084
TOTAL EQUITY AND LIABILITIES		**4,518,445**	**3,543,383**

The financial statements on pages 24 to 58 were approved by the Board of Directors on 8 February 2011 and were signed on its behalf by:

Director: ______________________________ Director: ______________________________

The notes set out on pages 30 to 58 form an integral part of the financial statements.

	Notes	2010 KShs'000	2009 KShs'000
ASSETS			
Non current assets			
Property, plant and equipment	12	1,360,722	1,286,449
Prepaid operating lease rentals	13	113,609	117,380
Investment property	14	60,000	60,000
Intangible assets	15	3,107	3,535
Investment in subsidiary	16	115,037	115,037
		1,652,475	1,582,401
Current assets			
Inventories	17	542,521	427,026
Trade and other receivables	18	1,152,783	930,076
Current income tax receivable		8,328	29,872
Cash and bank balances		44,221	7,221
		1,747,853	1,394,195
TOTAL ASSETS		**3,400,328**	**2,976,596**
EQUITY AND LIABILITIES			
Capital and reserves (Page 29)			
Issued capital	19(a)	101,250	101,250
Share premium		545	545
Revaluation reserve	19(b)	397,570	402,315
Retained earnings		1,072,538	900,538
		1,571,903	1,404,648
Non-current liabilities			
Bank loan	20(b)	367,672	303,866
Liability for staff gratuity	21	10,138	7,496
Deferred tax liability	22(b)	282,872	257,884
		660,682	569,246
Current liabilities			
Bank overdraft		77,326	31,223
Trade and other payables	23	479,034	260,914
Short-term portion of bank loans and borrowings	20(b)	596,482	675,910
Dividends payable	24	14,901	34,655
		1,167,743	1,002,702
TOTAL EQUITY AND LIABILITIES		**3,400,328**	**2,976,596**

The financial statements on pages 24 to 58 were approved by the Board of Directors on 8 February 2011 and were signed on its behalf by:

Director: ______________________________ Director: ______________________________

The notes set out on pages 30 to 58 form an integral part of the financial statements.

Consolidated Statement of Cash Flows

As at 31 December 2010

	Notes	2010 KShs'000	2009 KShs'000
Cash generated from operations	**26(a)**	**445,324**	**761,941**
Income taxes paid		(88,895)	(332,544)
Cash generated from operating activities		**356,429**	**429,397**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		-	2,458
Purchase of property, plant and equipment		(176,972)	(356,101)
Purchase of intangible asset		(1,003)	(5,965)
Cash used in investing activities		(177,975)	(359,608)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans and borrowings incurred		1,848,234	1,402,875
Repayment of loans and borrowings		(1,822,170)	(1,357,021)
Interest paid on bank loans and borrowings		(61,879)	(69,699)
Dividends paid		(121,004)	(270,776)
Cash used in financing activities		**(156,819)**	**(294,621)**
Net increase/(decrease) in cash and cash equivalents		21,635	(224,832)
Cash and cash equivalents at 1 January		(63,359)	161,473
Cash and cash equivalents at 31 December	**26(b)**	**(41,724)**	**(63,359)**

The notes set out on pages30 to 58 form an integral part of these financial statements.

Consolidated Statement of Changes In Equity

As at 31 December 2010

	Share capital KShs '000	Share premium KShs '000	Revaluation reserve KShs '000	Revenue reserves KShs '000	Foreign currency translation reserve KShs'000	Total equity attributable to equity holders of company KShs'000	Non-controlling interest KShs'000	Total equity KShs'000
Balance at 1 January 2009	**101,250**	**545**	**94,748**	**958,577**	**(6,700)**	**1,148,420**	**218,419**	**1,366,839**
Comprehensive income for the year								
Profit for the year	-	-	-	308,064	-	308,064	(12,031)	296,033
Other comprehensive income								
Revaluation surplus on property, plant and equipment		-	470,394	-	-	470,394	-	470,394
Deferred tax on revaluation surplus	-	-	(141,118)	-	-	(141,118)	-	(141,118)
Foreign currency translation differences on foreign operations	-	-	-	-	8,401	8,401	(36,019)	(27,618)
Total comprehensive income	-	-	329,276	308,064	8,401	645,741	(48,050)	597,691
Contributions by and distributions to owners								
Dividends - 2008 paid	-	-	-	(202,500)	-	(202,500)	-	(202,500)
2009 interim paid	-	-	-	(101,250)	-	(101,250)	-	(101,250)
Balance at 31 December 2009	**101,250**	**545**	**424,024**	**962,891**	**1,701**	**1,490,411**	**170,369**	**1,660,780**
Comprehensive income for the year								
Profit for the year	-	-	-	226,211	-	226,211	(42,361)	183,850
Other comprehensive income								
Revaluation surplus on property, plant and equipment	-	-	380,621	-	-	380,621	370,254	750,875
Deferred tax on revaluation surplus	-	-	(108,861)	-	-	(108,861)	(104,594)	(213,455)
Transfer	-	-	(26,140)	-	-	(26,140)	26,140	-
Foreign currency translation differences on foreign operations	-	-	-	-	(24,586)	(24,586)	(9,905)	(34,491)
Total comprehensive income	-	-	245,620	226,211	(24,586)	447,245	239,534	686,779
Contributions by and distributions to owners								
Dividends - 2009 paid	-	-	-	(101,250)	-	(101,250)	-	(101,250)
Balance at 31 December 2010	**101,250**	**545**	**669,644**	**1,087,852**	**(22,885)**	**1,836,406**	**409,903**	**2,246,309**

The notes set out on pages 30 to 58 form an integral part of these financial statements.

Company Statement of Changes In Equity
As at 31 December 2010

	Share capital KShs '000	Share premium KShs '000	Revaluation reserve KShs '000	Revenue reserve KShs '000	Total KShs'000
Balance at 1 January 2009	101,250	545	73,039	860,843	1,035,677
Profit for the year	-	-	-	342,682	342,682
Other comprehensive income					
Revaluation surplus on property, plant and equipment	-	-	470,394	-	470,394
Deferred tax on revaluation surplus	-	-	(141,118)	-	(141,118)
Foreign currency translation differences on foreign operations	-	-	-	763	763
Total other comprehensive income	-	-	329,276	763	330,039
Contributions by and distributions to owners					
Dividends - 2008 paid	-	-	-	(202,500)	(202,500)
- 2009 interim paid	-	-	-	(101,250)	(101,250)
Balance at 31 December 2009	**101,250**	**545**	**402,315**	**900,538**	**1,404,648**
Profit for the year	-	-	-	272,956	272,956
Other comprehensive income					
Adjustment on revaluation	-	-	(4,745)	-	(4,745)
Foreign currency translation differences from foreign operations	-	-	-	294	294
Contributions by and distributions to owners					
Dividends - 2009 Final paid	-	-	-	(101,250)	(101,250)
Balance at 31 December 2010	**101,250**	**545**	**397,570**	**1,072,538**	**1,571,903**

The notes set out on pages 30 to 58 form an integral part of these financial statements.

1. REPORTING ENTITY

East African Cables Limited ("the Company") is a limited liability company incorporated in Kenya under the Kenyan Companies Act, and is domiciled in Kenya. The consolidated financial statements of the company as at and for the year ended 31 December 2010 comprise the company and its subsidiaries (together referred to as the "Group"). The Group primarily is involved in the manufacture and sale of electrical cables and conductors.

2. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs).

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis as modified by revaluation of certain property, plant and equipment, and investment property which is measured at fair value.

(c) Functional and presentation currency

These consolidated financial statements are presented in Kenya shillings (KShs), which is the Company's functional and presentation currency.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgement, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. The estimates and assumptions are based on the Directors' best knowledge of current events, actions, historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying values of assets and liabilities are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Revenue recognition

(i) Goods sold

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

Transfers of risks and rewards vary depending on the individual terms of the contract of sale, which in most cases occurs on delivery of products.

(ii) Rental income

Rental income on the investment property is recognised in profit or loss on a straight line basis over the term of the lease. Rental income is presented in other income.

(b) Consolidation principles

(i) Subsidiaries

The consolidated financial statements include the Company (which also includes a branch in Uganda) and its subsidiary, East African Cables (Tanzania) Company Limited in which the Group holds 51% of the voting rights and Yana Trading Company Limited in which the company holds 100% voting rights (refer to Note 16).

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable are taken into account. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until that control ceases.
In the company financial statements, the investment in subsidiary is carried at cost and assessed for impairment at each reporting date.

(ii) Transactions eliminated on consolidation

All intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group balances, are eliminated in preparing consolidated financial statements.

(iii) Business combinations

All business combinations are accounted for by applying the acquisition method. Goodwill represents the difference between the cost of acquisition and the fair value of the net identifiable assets acquired.
A gain arising on a bargain acquisition is recognised directly in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Foreign currencies

(i) Foreign currency transaction

Transactions in foreign currencies during the year are converted into Kenya Shillings at the exchange rate ruling at the date of the transaction. Foreign currency monetary assets and liabilities are translated at the exchange rate ruling at the reporting date. Resulting exchange differences are recognised in profit or loss.

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

(ii) Foreign operations

The assets and liabilities of foreign operations (which includes subsidiaries and branches), including fair value adjustments arising on consolidation, are translated to Kenya Shillings at foreign exchange rates ruling at the reporting date. The revenues and expenses of foreign operations are translated to Kenya Shillings at rates approximating the foreign exchange rates ruling at the dates of transaction. Foreign exchange differences arising on translation are recognised through other comprehensive income and accumulated as a separate component of equity (foreign currency translation reserve) until the disposal of the foreign operation.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost or at the revalued amount (as appropriate) less accumulated depreciation and impairment losses.

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

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment and is recognised net within profit or loss and presented within other income/expense.
When revalued assets are sold, any related amount included in the revaluation reserve is transferred to retained earnings.

(ii) Subsequent costs

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

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Depreciation is charged on a straight-line basis over the estimated useful lives of the assets. The annual rates of depreciation used are as follows:

Freehold land	Nil
Freehold buildings	2%
Leasehold buildings	Over the shorter of the lease period and the asset's useful life
Plant and machinery	5% - 12.5%
Computers	33.3%
Motor vehicles	25%
Furniture, fittings and equipment	12.5% - 33.3%

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Property, plant and equipment (continued)

(iii) Depreciation (continued)

Construction work-in-progress is not depreciated.

The assets' residual values, useful lives and depreciation methods are reviewed and adjusted as appropriate at each reporting date.

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

(iv) Reclassification to investment property

When the use of a property changes from owner-occupied to investment property, the property is reclassified as investment property and re-measured to fair value. Any gain arising on re-measurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in equity. Any loss is recognised immediately in profit or loss.

(e) Investment properties

Investment property is property held either to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business, use in production or supply of goods and services or for administrative purposes.

Investment properties are measured at fair value. External valuations are obtained on such a basis as to ensure that substantially all properties are valued once every five years. In the event of a material change in market conditions between the valuation date and the reporting date, an internal valuation is performed and adjustments made to reflect any material changes in value.

Surpluses and deficits arising from changes in fair value are recognised in profit or loss for the year.

(f) Leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as operating leases. Payments made under operating leases are charged in profit or loss on a straight-line basis over the period of the lease.

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Investment property held under an operating lease is recognised in the Group's statement of financial position at its fair value. Proceeds under these leases are recognised in the profit or loss.

(g) Impairment

(i) Financial assets

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Impairment (continued)

(i) Financial assets (continued)

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group, economic conditions that correlate with defaults or the disappearance of an active market for a security.

The Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant loans and receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and Receivables that are not individually significant are collectively assessed for impairment by grouping together loand and receivables with similar risk characteristics.
In assessing collective impairment the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables.

When a subsequent event (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(i) Non financial assets

The carrying amounts of the Group's non-financial assets, other than investment properties, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.
An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in statement of comprehensive income. Impairment losses recognised in respect of cash-generating units are allocated first reduce the carrying amount of any goodwill allocated to the cash generating unit and then to reduce the carrying amounts 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. Impairment losses in respect of goodwill are not reversed.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Inventories

Work in progress and manufactured finished goods are valued at production cost including direct 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, inventories are written down to net realisable value. Purchase cost relates to the purchase of raw materials. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(i) Employee benefits

(i) Defined contribution plan

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

Contributions to the defined contribution plan are recognised in profit or loss as incurred. The Group has no further obligation once the contributions have been paid.

(ii) Staff gratuity

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

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

(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 recognised in profit or loss.

(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.

(j) Taxation

Income tax comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in other comprehensive income or directly in equity, in which case it is recognised in other comprehensive income or in equity respectively.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Taxation (continued)

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 recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously. A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(k) Related party transactions

The group discloses the nature, volume and terms and conditions of 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.

(l) Dividends

Dividends are recognised as a liability in the period in which they are declared. Withholding tax is withheld for all cases where the percentage of ownership is less than 12.5%.
Proposed dividends are disclosed on Note 19(d).

(m) 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.

The Group initially recognises loans and receivables on the date that they are originated and financial liabilities on the date that they are originated.

Management determines the appropriate classification of its financial instruments at the time of purchase and re-evaluates its portfolio every reporting date to ensure that all financial instruments are appropriately classified. The re-classification of financial assets is only permitted in certain instances.

The Group's financial instruments are classified as loans and receivables and financial liabilities at amortised cost.

Financial instruments, not measured at fair value through profit or loss, are measured initially at cost, including transaction costs.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Financial instruments (continued)

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise trade and other receivables and cash and cash equivalents. Financial liabilities at amortised cost are subsequently measured at amortised cost using the effective interest method. These financial liabilities comprise of loans and borrowings, trade and other payables and bank overdrafts.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

A financial asset is derecognised when the contractual rights from the financial asset expire or it transfers the rights to receive the contractual cash flows on the financial asset transferred.
A financial liability is derecognised when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount reported on the statement of financial position when there is a legally enforceable right to offset the recognised amount and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(n) Intangible assets

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software and are measured at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

Amortisation is based on the cost of an asset less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives (3 years) of intangible assets.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(o) Provisions

A provision is recognised in the statement of financial position when the company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(p) Finance income and expenses

Finance income and expenses comprise interest expense on borrowings and foreign currency losses. Borrowing costs, not relating to qualifying assets, are recognised in profit or loss using the effective interest rate.

Foreign exchange gains and losses are report on a gross basis.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Segmental reporting

The Group determines and presents operating segments based on the information that internally is provided to the CEO, who is the Group's chief operating decision maker.

The Group has three reportable segments which are the Group's geographic locations.
The geographic locations offer similar products to different markets and are managed separately because they require different marketing strategies.

The Group Chief Executive Officer (CEO) reviews the internal management reports on each of the segments on a monthly basis. The performance of each segment is measured on segment profit as included in the management report. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of the businesses.

(r) 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.

(s) Comparative information

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

(t) New standards and interpretations not yet adopted

The following standard, amendments to the standard and interpretation is not yet effective for the year ended 31 December 2010, and has not been applied in preparing these consolidated financial statements and the extent of the impact has not been determined

- IFRS 9 Financial Instruments retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised costs and fair value. The basis for classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply. IFRS 9 will become mandatory for the Group's 2013 consolidated financial statements and could change the classification and measurement of financial assets.

- IAS 24 'Related party disclosures' amends the definition of a related party and modifies certain related party disclosure requirements for government related entities. The amendment to IAS 24 will become mandatory for the Group's 2011 financial statements and are expected to have an impact on the presentation of related party information in the Group's financial statements.

	2010 KShs '000	2009 KShs '000
4. STAFF COSTS		
(a) Group		
Direct labour	61,655	66,078
Indirect factory salaries	48,365	49,045
Administration salaries and wages	54,631	63,200
Distribution salaries and wages	27,720	29,986
Re-organisation costs	10,198	-
Pension contributions	9,178	10,270
	211,747	**218,579**
(b) Company		
Direct labour	46,169	43,900
Indirect factory salaries	29,903	32,016
Administration salaries and wages	35,640	34,851
Distribution salaries and wages	20,192	20,014
Pension contributions	5,140	3,833
	137,044	**134,614**
5. OTHER INCOME		
Fair value gain on investment property	97,864	46,945
Rental income	5,090	960
Other	3,374	13,257
	106,328	**61,162**
6. IMPAIRMENT LOSSES		
(a) Group		
Impairment on inventory	58,782	62,989
Receivables impairment	86,551	36,651
Write off of unreconciled differences	57,733	-
	203,066	99,640
(b) Company		
Impairment on inventory	3,351	6,933
Receivables impairment	10,996	6,500
	14,347	**13,433**
7. DEPRECIATION AND AMORTISATION		
Depreciation	118,097	76,755
Amortisation of intangible assets	3,685	4,769
	121,782	**81,524**

8. NET FINANCE COST

	2010 KShs '000	2009 KShs '000
Finance income		
Gain on exchange	22,296	58,632
Finance cost		
Interest paid	(61,879)	(69,699)
Loss on exchange	(4,340)	(6,432)
	(66,219)	(76,131)
Net finance cost	**(43,923)**	**(17,499)**

9. PROFIT BEFORE TAX

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

	2010	2009
Depreciation expense (Note 12)	118,097	76,755
Amortisation of operating lease rentals (Note 13)	4,648	4,693
Amortisation of intangible assets (Note 15)	3,685	4,769
Interest expense (Note 8)	61,879	69,699
Executive officers' remuneration (Note 25)	10,200	11,799
Directors' emoluments: - Fees (Note 25)	15,533	13,890
- Other (Note 25)	4,607	4,748
Auditors' remuneration	4,407	4,900
Re-organisation costs (Note 4)	10,198	-
Profit on disposal of property, plant and equipment	-	(1,741)
Write off of property, plant and equipment	2,911	3,607
Fair value gain on investment property (Note 5)	(97,864)	(46,945)

10. INCOME TAX

	2010	2009
Current tax expense – current year	101,940	146,080
Previous year's (over)/under provision	(1,720)	61,798
	100,220	207,878
tax (credit)/charge (Note 22)	(32,845)	22,533
Deferred tax on a branch written off	7,420	-
	74,795	**230,411**

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

	2010 KShs '000	2009 KShs '000
Profit before income tax	**258,645**	**526,444**
Tax calculated at the statutory income tax rate of 30%	77,593	157,933
Prior years' (under)/over provision	(1,720)	61,798
Less non-taxable income	(1,078)	-
Non-deductible costs	-	10,680
	74,795	230,411

11. BASIC AND DILUTED EARNINGS PER SHARE

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

	2010	2009
Profit attributable to ordinary shareholders (KShs'000)	226,211	308,064
Weighted average number of ordinary shares outstanding during the year	**202,500,000**	**202,500,000**
Basic and diluted earnings per share	**KShs 1.12**	**KShs 1.52**

12. PROPERTY, PLANT AND EQUIPMENT

(a) Group

2010:	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
Cost or valuation:							
At 1 January 2010	-	779,402	863,149	48,474	41,785	132	1,732,942
Additions	-	-	31,708	-	1,715	143,549	176,972
Transfers	-	-	143,681	-	-	(143,681)	-
Transfer to investment properties (Note 14)	-	(32,415)	-	-	-	-	(32,415)
Disposals and write offs	-	-	(841)	4,331	(10,093)	-	(6,603)
Surplus/loss on revaluation	-	635,021	67,868	(7,542)	-	-	695,347
Revaluation adjustment	-	-	9,084	-	6	-	9,090
Exchange differences	-	(4,295)	(11,344)	(1,260)	(1,150)	-	(18,049)
At 31 December 2010	-	1,377,713	1,103,305	44,003	32,263	-	2,557,284
Depreciation:							
At 1 January 2010	-	14,300	69,415	22,045	18,126	-	123,886
Charge for the year	-	17,703	84,226	8,134	8,034	-	118,097
Transfer to investment properties (Note 14)	-	(7,735)	-	-	-	-	(7,735)
Disposals and write offs	-	2,516	(2,261)	2,824	(6,771)	-	(3,692)
Depreciation on revaluation surplus	-		(12,384)	(31,364)	(16,525)	-	(60,273)
Revaluation adjustment	-	-	14,159	-	(324)	-	13,835
Exchange differences	-	(600)	(1,479)	(519)	(414)	-	(3,012)
At 31 December 2010	-	13,800	132,696	15,959	18,651	-	181,106
Net carrying value:							
At 31 December 2010	**-**	**1,363,913**	**970,609**	**28,044**	**13,612**	**-**	**2,376,178**
2009:							
Cost or valuation:							
At 1 January 2009	14,331	512,812	351,031	48,722	33,741	101,277	1,061,914
Additions	-	293	186,843	11,645	10,257	147,063	356,101
Transfers	-	2,088	242,021	-	-	(244,109)	-
Transfer to investment properties (Note 14)	(14,331)	-	-	-	-	-	(14,331)
Disposals and write offs	-	145	390	(6,678)	(1,419)	(4,099)	(11,661)
Surplus/loss on revaluation	-	268,246	88,308	(4,301)	-	-	352,253
Exchange differences	-	(4,182)	(5,444)	(914)	(794)	-	(11,334)
At 31 December 2009	-	779,402	863,149	48,474	41,785	132	1,732,942
Comprising:							
Cost	-	331,565	689,381	48,885	32,594	132	1,102,557
Valuation	-	447,837	173,768	(411)	9,191	-	630,385
	-	779,402	863,149	48,474	41,785	132	1,732,942
Depreciation:							
At 1 January 2009	1,276	20,608	109,984	27,406	13,710	-	172,984
Charge for the year	-	11,547	52,038	8,238	4,932	-	76,755
Transfer to investment Properties (Note 14)	(1,276)	-	-	-	-	-	(1,276)
Disposals and write offs	-	-	-	(5,918)	(1,419)	-	(7,337)
Depreciation on revaluation surplus	-	-	(17,265)	(91,654)	(9,222)	-	(118,141)
differences	-	(590)	(953)	1,541	903	-	901
At 31 December 2009	-	14,300	69,415	22,045	18,126	-	123,886
Net carrying value:							
At 31 December 2009	**-**	**765,102**	**793,735**	**26,429**	**23,659**	**132**	**1,609,056**

12. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Company

2010:	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
Cost or valuation:							
At 1 January 2010	-	689,998	627,003	22,243	17,849	132	1,357,225
Additions	-	-	30,841	-	1,715	143,549	176,105
Transfers	-	-	143,681	-	-	(143,681)	-
Write offs	-	-	(7,125)	-	(513)	-	(7,638)
Revaluation adjustment	-	-	9,084	-	6	-	9,090
At 31 December 2010	**-**	**689,998**	**803,484**	**22,243**	**19,057**	**-**	**1,534,782**
Depreciation:							
At 1 January 2010	-	-	44,194	14,282	12,300	-	70,776
Charge for the year	-	13,800	72,440	1,676	2,058	-	89,973
Write offs/disposals	-	-	(525)	-	-	-	(525)
Revaluation adjustment	-	-	14,159	-	(324)	-	13,835
At 31 December 2010	**-**	**13,800**	**130,268**	**15,958**	**14,034**	**-**	**174,060**
Net carrying value:							
At 31 December 2010	**-**	**676,198**	**673,216**	**6,285**	**5,023**	**-**	**1,360,722**
2009:							
Cost or valuation:							
At 1 January 2009	14,331	419,226	229,231	28,522	16,684	101,277	809,271
Additions	-	293	67,053	2,462	2,590	147,063	219,461
Transfers	-	2,088	242,021	-	-	(244,109)	-
Transfer to investment properties (Note 14)	(14,331)	-	-	-	-	-	(14,331)
Write offs	-	145	390	(4,429)	(1,419)	(4,099)	(9,412)
Surplus/loss on revaluation	-	268,246	88,308	(4,301)	-	-	352,253
Exchange differences	-	-	-	(11)	(6)	-	(17)
At 31 December 2009	-	689,998	627,003	22,243	17,849	132	1,357,225
Depreciation:							
At 1 January 2009	1,276	9,381	94,300	22,548	10,527	-	138,032
Charge for the year	-	7,884	41,548	2,530	2,077	-	54,039
Transfer to investment properties (Note 14)	(1,276)	-	-	-	-	-	(1,276)
Write offs/disposals	-	-	-	(4,369)	(1,419)	-	(5,788)
Depreciation on revaluation surplus	-	(17,265)	(91,654)	(9,222)	-	-	(118,141)
Exchange difference	-	-	-	2,795	1,115	-	3,910
At 31 December 2009	-	-	44,194	14,282	12,300	-	70,776
Net carrying value:							
At 31 December 2009	**-**	**689,998**	**582,809**	**7,961**	**5,549**	**132**	**1,286,449**

12. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

All the property, plant and equipment of the subsidiary, East African Cables (Tanzania) Limited, were revalued in December 2010 by Lloyd Masika Limited, a firm of independent professional valuers on the basis of open market value for existing use. The resulting revaluation surplus is dealt with through other comprehensive income.

Security
At 31 December 2010, properties with a carrying amount of KShs 870 million (2009 – KShs 870 million) are subject to a registered debenture to secure a bank loan facility.

13. PREPAID OPERATING LEASE RENTALS	2010 KShs'000	2009 KShs'000
Group:		
Carrying value of leasehold land at 1 January	167,174	174,362
Amortisation for the year	(4,648)	(4,693)
Exchange adjustment	(2,563)	(2,495)
Balance at 31 December	**159,963**	**167,174**
Company:		
Carrying value of leasehold land at 1 January	117,380	121,151
Amortisation for the year	(3,771)	(3,771)
Balance at 31 December	**113,609**	**117,380**

14. INVESTMENT PROPERTIES

	2010 KShs'000	2009 KShs'000
Group:		
At 1 January	60,000	-
Transfer from property, plant and equipment (Note 12):		
– Cost	32,415	14,331
– Depreciation	(7,735)	(1,276)
Change in fair value	97,864	46,945
Exchange differences	(2,042)	-
At 31 December	**180,502**	**60,000**
Company:		
At 1 January	60,000	-
Transfer from property, plant and equipment (Note 12):		
– Cost	-	14,331
– Depreciation	-	(1,276)
Change in fair value	-	46,945
At 31 December	**60,000**	**60,000**

Investment properties comprise of residential houses that have been leased to third parties.

14. INVESTMENT PROPERTIES (Continued)

The investment properties of parent company and of the subsidiary, East African Cables (Tanzania) Limited, were revalued in December 2009 and December 2010 respectively by Lloyd Masika Limited, a firm of independent professional valuers on the basis of open market value for existing use. The open market values are the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly. The resulting revaluation surplus is dealt with through other comprehensive income.

15. INTANGIBLE ASSETS

	2010 KShs '000	2009 KShs '000
Computer software:		
Group:		
Net carrying value at 1 January	7,997	6,902
Additions during the year	1,003	5,965
Amortisation for the year	(3,685)	(4,769)
Exchange adjustment	801	(101)
Net carrying value at 31 December	**6,116**	**7,997**
Company:		
Net carrying value at 1 January	3,535	6,506
Additions during the year	1,003	1,588
Amortisation for the year	(1,431)	(4,559)
Net carrying value at 31 December	**3,107**	**3,535**

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

	2010 KShs '000	2009 KShs '000
Revenue for the year ended 31 December	**607,916**	**763,356**
Loss after tax for the year ended 31 December	**(85,575)**	**(24,552)**

17. INVENTORIES

	2010 KShs '000	2009 KShs '000
Group		
Raw materials	221,499	229,564
Finished goods	239,220	304,552
Work in progress	153,880	133,058
Strategic spares and lubricants	45,446	41,702
Stationery and printing	2,407	2,188
	662,452	**711,064**
Company		
Raw materials	201,120	137,968
Finished goods	171,798	191,106
Work in progress	139,924	76,373
Strategic spares and lubricants	29,012	20,799
Stationery and printing	667	780
	542,521	**427,026**

18. TRADE AND OTHER RECEIVABLES

	2010 KShs '000	2009 KShs '000
Group		
Trade receivables	964,471	695,368
Prepaid expenses	47,177	5,018
Due from fellow subsidiary (Note 25 (c))	47,213	7,149
Other receivables	29,739	269,425
	1,088,600	976,960
Company		
Trade receivables	774,131	509,361
Prepaid expenses	649	787
Other receivables	87,329	183,170
Due from fellow subsidiary (Note 25 (c))	290,674	236,758
	1,152,783	930,076

19. CAPITAL AND RESERVES

(a) Share capital

Group and Company: Authorised, issued and fully paid:	2010 Number of shares (Thousands)	2010 KShs'000	2009 Number of shares (Thousands)	2009 KShs'000
Ordinary shares of KShs 0.50 each	**202,500**	**101,250**	**202,500**	**101,250**

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

19 CAPITAL AND RESERVES (Continued)

(b) Revaluation reserve

The revaluation reserve related to the revaluation of property, plant and equipment and investment property revaluation prior to transfer on reclassification as investment property. The revaluation reserve is stated net of the associated deferred tax and is not available for distribution as dividends.

(c) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statement of foreign operations, which include subsidiaries and branches.

(d) Dividend per share

The directors have proposed the payment of a first and final dividend of KShs 1.00 per share in respect of the year ended 31 December 2010. The dividend per share for the year amount to KShs 1.00 (2009 – KShs 1.00). The dividend will be paid less withholding tax where applicable.

20. BANK FACILITY

(a) Group

	2010 KShs'000	2009 KShs'000
Bank loan:		
Standard Chartered Bank Kenya Limited	964,155	979,776
Standard Chartered Bank Tanzania Limited	116,127	65,823
Kenya Commercial Bank Tanzania Limited	34,958	43,577
	1,115,240	**1,089,176**
Comprising:		
Non current liability	402,630	347,444
Current liability	712,610	741,732
	1,115,240	**1,089,176**

(b) Company

	2010 KShs'000	2009 KShs'000
Bank loan:		
Standard Chartered Bank Kenya Limited	**964,155**	**979,776**
Comprising:		
Non current liability	367,672	303,866
Current liability	596,482	675,910
	964,154	**979,776**

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 1.84 billion (2009 - KShs 1.64 billion). The bank facility comprises overdraft, term loan, letters of credit, bonds/guarantee and forex dealing.

20. BANK FACILITY (Continued)

Tanzania:

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

21. RETIREMENT BENEFITS OBLIGATIONS

2010:	Balance at 1/1/2010 KShs'000	Movement KShs'000	Balance at 31/12/2010 KShs'000
Group			
Staff gratuity	17,116	2,181	19,297
Company			
Staff gratuity	7,496	2,642	10,138

2009:	Balance at 1/1/2009 KShs'000	Movement KShs'000	Balance at 31/12/2009 KShs'000
Group			
Staff gratuity	11,805	5,311	17,116
Company			
Staff gratuity	5,913	1,583	7,496

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 5,140,000 (2009 – KShs 4,380,635) in contributions payable. The group expensed KShs 11,931,190 (2009 – KShs 10,333,825)

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

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

22. DEFERRED TAX LIABILITIES

(a) Group

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

2010:	Balance at 1 January KShs'000	Recognised through statement of comprehensive income KShs'000	Recognised through equity KShs'000	Exchange difference KShs'000	Balance at 31 December KShs'000
Staff gratuity provision	(5,135)	(794)	-	140	(5,789)
Other provisions and accruals	(75,013)	(44,228)	-	3,897	(115,344)
Tax loss	-	(18,809)	-	426	(18,383)
Property, plant and equipment	360,156	15,205	213,455	(5,185)	583,631
Unrealised exchange gain	(9,049)	15,781	-	-	6,732
	270,959	**(32,845)**	**213,455**	**(722)**	**450,847**

2009:	Balance at 1 January KShs'000	Recognised through statement of comprehensive income KShs'000	Recognised through equity KShs'000	Exchange difference KShs'00	Balance at 31 December KShs'000
Staff gratuity provision	(3,479)	(2,874)	-	1,218	(5,135)
Other provisions and accruals	(18,751)	(31,335)	-	(24,928)	(75,013)
Property, plant and equipment	139,048	57,000	141,118	(22,702)	314,464
Unrealised exchange gain	(8,791)	(258)	-	45,692	36,643
	108,027	**22,533**	**141,118**	**(720)**	**270,959**

(b) Company

2010:	Balance at 1 January KShs'000	Recognised through statement of comprehensive income KShs'000	Recognised through equity KShs'000	Balance at 31 December KShs'000
Staff gratuity provision	(2,249)	(793)	-	(3,042)
Other provisions and accruals	(8,775)	(12,658)	-	(21,433)
Unrealised exchange gain	(9,049)	17,258	-	8,209
Property, plant and equipment	277,957	21,181	-	299,138
	257,884	**24,988**	**-**	**282,872**
2009:				
Staff gratuity provision	(1,774)	(475)	-	(2,249)
Other provisions and accruals	(18,751)	9,976	-	(8,775)
Unrealised exchange gain	(8,791)	(258)	-	(9,049)
Property, plant and equipment	116,799	20,040	141,118	277,957
	87,483	**29,283**	**141,118**	**257,884**

23. TRADE AND OTHER PAYABLES

	2010 KShs'000	2009 KShs'000
Group		
Trade payables	470,675	282,579
Due to fellow subsidiaries (Note 25 (d))	63	-
Due to distributor	28,134	13,575
Other payables and accrued expenses	34,449	65,625
	532,321	**361,779**
Company		
Trade payables	412,497	206,650
Due to fellow subsidiaries (Note 25 (d))	-	14,522
Due to distributor	28,134	13,575
Other payables and accrued expenses	38,403	26,167
	479,034	**260,914**

24. DIVIDEND PAYABLE

The movement in the dividend payable account is as follows:

	Group		Company	
	2010 KShs'000	2009 KShs'000	2010 KShs'000	2009 KShs'000
At beginning of year	34,655	1,681	34,655	1,681
Declared during the year	101,250	303,750	101,250	303,750
Paid during the year	(121,004)	(270,776)	(121,004)	(270,776)
At end of year	**14,901**	**34,655**	**14,901**	**34,655**

25. 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:

	2010 KShs'000	2009 KShs'000
Directors (Note 9) – Fees	15,533	13,890
– Others	4,607	4,748
Executive officers' remuneration	10,200	11,799
	30,340	**30,437**

(b) Amounts due from the directors

This relates to balance from managing director's expense account.

The terms and conditions of the transactions with key management personnel were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

25. RELATED PARTY TRANSACTIONS continued

(c) Due from related parties

	2010 KShs'000	2009 KShs'000
Group:		
Kewberg Cables & Braids (Pty) Limited	4,097	2,401
Cableries du Congo	24,473	4,734
Abcon Group of Companies	1,131	-
Tanalec Limited	17,512	-
Avery East Africa Limited	-	14
	47,213	**7,149**
Company:		
East African Cables (Tanzania) Limited	260,380	229,609
Kewberg Cables & Braids (Pty) Limited	4,097	2,401
Cableries du Congo	24,473	4,734
Abcon Group of Companies	1,131	-
Tanalec Limited	593	-
Avery East Africa Limited	-	14
	290,674	**236,758**

(d) Amounts due to related parties

	2010 KShs'000	2009 KShs'000
Group		
Avery East Africa Limited	63	-
Company		
Tanalec Limited	-	14,522

All entities mentioned in (c) and (d) above have common ownership with the Group. All outstanding balances with these related parties are priced on an arm's length basis and on the same terms and conditions as those entered into by other Group employees or customers. None of the balances is secured.

26. NOTES TO THE STATEMENT OF CASH FLOWS

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

	2010 KShs'000	2009 KShs'000
Profit before tax	258,645	526,444
Adjustments for:		
Depreciation	118,097	76,755
Amortisation of prepaid operating lease	4,648	4,693
Amortisation of intangible assets	3,685	4,769
Profit on disposal of property, plant and equipment	-	(1,741)
Property, plant and equipment write off	2,911	3,607
Fair value gain on investment property	(97,864)	(46,945)
Interest income	-	-
Interest expense	61,879	69,699
Net foreign currency changes	(16,371)	(13,505)
Increase in provision for staff gratuity	2,180	5,311
Operating profit before working capital changes	**337,810**	**629,087**
Decrease/(increase) in inventories	48,612	(24,798)
(Increase)/decrease in trade and other receivables	(111,640)	144,422
Increase in trade and other payables	170,542	13,230
Cash generated from operations	**445,324**	**761,941**

(b) Cash and cash equivalents at 31 December

	2010 KShs'000	2009 KShs'000	Change in year KShs'000
Bank overdraft	(86,358)	(74,491)	(11,867)
Cash and bank balances	44,634	11,132	33,502
	(41,724)	**(63,359)**	**21,635**

27. CONTINGENT LIABILITIES

Claims have been made by certain former employees of the Group and 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 112,739,927 as at 31 December 2010 (2009 – KShs 82,131,446). Letters of credit amounted to KShs 280,676,369 (2009 – KShs 205,649,208).

28. 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 addresses 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, 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.

Group 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 due to reliance on some customers and as such close monitoring of credit relationships is carried out.

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

	2010 KShs'000	2009 KShs'000
Trade receivables	964,471	695,368
Cash and cash equivalents	44,634	11,132
	1,009,105	**706,500**

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Credit risk (continued)

Guarantees

The Group obtains financial guarantees in the ordinary course of business for the supply of goods from certain suppliers. At 31 December 2010, the guarantees outstanding were KShs 113 million (2009 - KShs 82 million).

Short term deposits

The Group 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 2010 KShs'000	Allowance for impairment 2010 KShs'000	Net 2010 KShs'000	Gross 2009 KShs'000	Allowance for impairment 2009 KShs'000	Net 2009 KShs'000
Not past due	248,063	-	248,063	200,287	-	200,287
Past due 0-90 days	301,538	-	301,538	187,831	-	187,831
Past due 90-365 Days	314,562	-	314,562	150,170	-	150,170
More than one year	247,429	(147,121)	100,308	219,580	(62,500)	157,080
	1,111,592	**(147,121)**	**964,471**	**757,868**	**(62,500)**	**695,368**

Based on historic default rates, the Group believes that, apart from the above, no impairment allowance is necessary in respect of trade receivables not past due or past due by up to 60 days as it relates to customers that have a good payment record with the Group.

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

	2010 KShs'000	2009 KShs'000
Balance at 1 January	62,500	25,656
Impairment loss recognised	86,550	46,622
Impairment loss reversed	-	193
Exchange differences	(1,929)	(9,971)
Balance at 31 December	**147,121**	**62,500**

(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.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Liquidity risk (continued)

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

31 December 2010:	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 liabilities					
Bank overdraft	(86,358)	-	-	-	(86,358)
Loans and borrowings	(661,217)	(57,292)	(396,731)	-	(1,115,240)
Trade Payables	(470,675)	-	-	-	(470,675)
At 31 December 2010	**(1,218,250)**	**(57,292)**	**(396,731)**	**-**	**(1,672,273)**
31 December 2009:					
Financial liabilities					
Bank overdraft	(74,491)	-	-	-	(74,491)
Loans and borrowings	(341,130)	(400,602)	(347,444)	-	(1,089,176)
Trade Payables	(282,579)	-	-	-	(282,579)
At 31 December 2009	**(698,200)**	**(400,602)**	**(347,444)**	**-**	**(1,446,246)**

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

- KShs 70 million overdraft facility that is secured. Interest is payable at the rate of 14%;
- KShs 900 million letter of credit facility for importation of raw copper; and
- USD 4.2m letter of credit facility for importation of raw aluminium.

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates 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.

(i) 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.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Market risk (continued)

(i) Interest rate risk - continued

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

At 31 December 2010	Average effective interest rate	Due within 3months KShs '000	Due between 3 and 12 months KShs '000	Due between 1 and 5 years KShs '000	Non interest bearing KShs '000	Total KShs '000
Bank overdraft	15.5%	(86,358)	-	-	-	(86,358)
Bank loans and borrowings	10.35%	(661,217)	(57,292)	(396,730)	-	(1,115,239)
On statement of financial position interest sensitivity gap		**(747,575)**	**(57,292)**	**(396,730)**	**-**	**(1,201,597)**
At 31 December 2009						
Bank overdraft	14%	(74,491)	-	-	-	(74,491)
Bank loans and borrowings	10.5%	(341,130)	(400,602)	(347,444)	-	(1,089,176)
On statement of financial position interest sensitivity gap		**(415,621)**	**(400,602)**	**(347,444)**	**-**	**(1,163,667)**

(ii) Currency risk

The company is exposed to currency risk through transactions in foreign currencies. Foreign currency gains and losses are recognised in profit or loss.

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

	2010 KShs'000	2009 KShs'000
Financial assets		
Cash and cash equivalents	6,998	6,210
Trade receivables	255,621	198,246
Financial liabilities		
Bank overdraft	(77,326)	(3,221)
Bank loan	(712,610)	(483,649)
Trade payables	(686,838)	(98,914)
Net exposure	**(1,214,155)**	**(381,328)**

(c) Market risk (continued)
(ii) Currency risk (continued)

The following significant exchange rates applied during the year:

	Closing rate		Average rate	
	2010 KShs	2009 KShs	2010 KShs	2009 KShs
USD	80.75	75.82	79.47	77.3

Sensitivity analysis

A 10 percent strengthening/weakening 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 2009:

	Profit or loss KShs'000
At 31 December 2010:	
USD	121,415
At 31 December 2009:	
USD	38,133

(d) Capital risk management

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

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

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

	2010 KShs'000	2009 KShs'000
Borrowings		
Bank loans	1,115,240	1,089,176
Bank overdraft	86,358	74,491
Cash and bank balances	(44,634)	(11,132)
Net debt	**1,156,964**	**1,152,535**
Total equity	**1,836,406**	**1,490,411**
Gearing ratio	**63%**	**77%**

The group has consistently maintained a strong credit rating. In 2010 the group got a rating of BBB+ on long-term borrowing and A2 on short term borrowing.

29. SEGMENTAL REPORTING

	Kenya		Uganda		Tanzania		Consolidated	
	2010 KShs '000	2009 KShs '000	2010 KShs '000	2009 KShs '000	2010 KShs '000	2009 KShs '000	2010 KShs '000	2009 KShs '000
External sales	2,999,531	2,020,729	53,414	165,783	607,916	763,357	3,660,861	2,949,868
Inter-segment sales	(56,496)	(136,383)		-		(1,624)	(56,496)	(138,007)
Total sales	**2,943,035**	**1,884,346**	**53,414**	**165,783**	**607,916**	**761,733**	**3,604,365**	**2,811,861**
Segment profit from operations	446,953	526,903	(2,684)	(16,275)	(141,701)	34,709	302,568	545,337
Net finance income/(costs)	(42,611)	(54,629)	1,271	(3,622)	(2,583)	39,358	(43,923)	(18,893)
Income tax expense	(125,208)	(147,801)	(7,419)	-	57,832	(82,610)	(74,795)	(230,411)
Profit for the year	**279,134**	**324,473**	**(8,832)**	**(19,897)**	**(86,452)**	**(8,543)**	**183,850**	**296,033**
Attributable to:								
Equity holders of parent								
- Company	279,134	324,473	(8,832)	(19,897)	2,654	38,106	272,956	342,682
- Subsidiary	-	-	-	-	(46,745)	(34,618)	(46,745)	(34,618)
	279,134	324,473	(8,832)	(19,897)	(44,091)	3,488	226,211	308,064
Non-controlling interest	-	-		-	(42,361)	(12,031)	(42,361)	(12,031)
Profit for the year	**279,134**	**324,473**	**(8,832)**	**(19,897)**	**(86,452)**	**(8,543)**	**183,850**	**296,033**
Other information:								
Additions to property, plant and equipment	176,105	216,638	-	-	867	139,463	176,972	356,101
Additions to intangible assets	1,003	1,589	-	-	-	4,376	1,003	5,965
Segment assets	2,954,809	2,603,920	35,294	38,427	1,528,342	901,036	4,518,445	3,543,383
Segment liabilities	1,409,675	1,110,208	43,040	40,585	819,421	632,282	2,272,136	1,783,075
Capital expenditure	177,108	219,217	-	2,655	867	147,271	177,975	369,143
Depreciation expense	89,973	53,661	-	378	27,486	22,715	118,097	76,754
Amortisation of operating leases	3,771	3,771	-	-	877	922	4,648	4,693
Amortisation of intangible assets	1,431	4,424	1,016	29	1,238	316	3,685	4,769

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.

30. CAPITAL COMMITMENTS

	2010 KShs '000	2009 KShs '000
Authorised and contracted for	-	85,684

31. ULTIMATE HOLDING COMPANY

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

Company Statement Of Comprehensive Income
for the year ended 31 December 2010

	2010 KShs'000	2009 KShs'000
Revenue	**3,005,428**	**2,050,129**
Cost of sales	(2,142,722)	(1,239,761)
Gross profit	862,706	810,368
Other income	27,138	122,604
Factory expenses	(108,453)	(121,213)
Administrative expenses	(145,075)	(143,625)
Distribution costs	(81,883)	(45,178)
Profit before depreciation, impairment and finance costs	**554,433**	**622,956**
Impairment losses	(14,347)	(13,433)
Depreciation and amortisation	(95,817)	(62,265
Results from operating activities	**444,269**	**547,258**
Finance income	20,610	13,702
Finance cost	(59,296)	(71,953)
Net finance cost	(38,686)	(58,251)
Profit before income tax	**405,583**	**489,007**
Income tax expense	(132,627)	(146,325)
Profit for the year	**272,956**	**342,682**
Other comprehensive income		
Revaluation of property, plant and equipment	(4,745)	470,394
Deferred tax on revaluation surplus	-	(141,118)
Total other comprehensive income	(4,745)	329,276
Total comprehensive income for the year	**268,211**	**671,958**

STATEMENT OF COMPREHENSIVE INCOME

	2006 Consolidated KShs'000	2007 Consolidated KShs'000	2008 Consolidated KShs'000	2009 Consolidated KShs'000	2010 Consolidated KShs'000
Sales	2,040,533	3,462,139	3,929,312	2,811,861	3,604,366
Profit before tax	422,812	597,486	669,927	526,444	258,645
Tax	(138,177)	(180,361)	(207,167)	(230,411)	(74,795)
Profit after tax	284,635	417,125	462,760	296,033	183,850
Non-controlling interest	(1,098)	(43,097)	(70,518)	12,031	42,361
Profit attributable to parent company shareholders	283,537	374,028	392,242	308,064	226,211
Dividends	(141,750)	(182,250)	(202,500)	(202,500)	(202,500)
Retained profit	141,787	191,778	189,742	105,564	23,711
Earnings per share (KShs)	1.40	1.85	1.94	1.52	1.12
Dividend per share (KShs)	0.70	0.90	1.00	1.00	1.00

STATEMENT OF FINANCIAL POSITION

	2006	2007	2008	2009	2010
Non-current assets	661,926	981,352	1,070,195	1,844,227	2,722,760
Current assets	1,245,731	2,228,347	1,973,398	1,699,156	1,795,685
TOTAL ASSETS	**1,907,657**	**3,209,699**	**3,043,593**	**3,543,383**	**4,518,445**
Equity and liabilities					
Share capital	101,250	101,250	101,250	101,250	101,250
Reserves	615,625	843,878	1,053,870	1,387,460	1,758,041
Exchange differences	(22,648)	(10,677)	(6,700)	1,701	(22,885)
Non-controlling interest	110,783	167,894	218,419	170,369	409,903
Total equity	805,010	1,102,345	1,366,839	1,660,780	2,246,309
Non-current liabilities	333,311	671,922	488,078	635,519	872,774
Current liabilities	769,336	1,435,432	1,188,676	1,247,084	1,399,362
TOTAL EQUITY AND LIABILITIES	**1,907,657**	**3,209,699**	**3,043,593**	**3,543,383**	**4,518,445**

NOTES

PROXY FORM

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

1/We____

o f____

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

of____

or failing him/her____________________________________

of____

To vote for me/us/on my/our behalf at the 46th Annual General Meeting of the said company to be held at 11:00 a.m on Thursday 28 April 2011 and at the adjournment thereof:

Signed this day of____________________day of____________________________ 2011

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 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 46 wa kampuni hii, utakaofanyika saa tano asubuhi Alhamisi Aprili 28 2011 ama siku ikiwa Mkutano huo utaahirishwa.

Hati hii imetiwa sahihi hivi leo tarehe____________________mwezi wa____________________2011

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.

East African Cables

Connecting lives

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