ANNUAL REPORT AND ACCOUNTS 1997

EAST AFRICAN CABLES LIMITED

DELTA

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Notice of Annual General Meeting

Notice is hereby given that the thirty third Annual General Meeting of the shareholders will be held at Nairobi Serena Hotel, Kenyatta Avenue, Nairobi, on 27 March 1998 at 10:00 a.m. for the following purposes:

1. To confirm the Minutes of the thirty second Annual General Meeting held on 27 March 1997.

2. To receive the Accounts for the fifty three week period ended 3 January 1998 and the Directors' and Auditors' Reports thereon.

3. To approve the Directors' remuneration as provided in the accounts for the period ended 3 January 1998.

4. To Declare a final dividend of 40% representing two shillings (Kshs. 2.00) per share.

5. (a) To elect Directors in accordance with the Company's Articles of Association.
   The following Directors retire by rotation and being eligible offer themselves for re-election.

   Mr. P. A. C. Bourne
   Mr. J. A. Scott

   (b) Special notice has been received of the intention to propose the re-appointment, in terms of section 186(5) of the Companies Act, of Mr. J. K. Gecau who has attained the age of 72 Years.

6. To empower the Directors to fix the remuneration of the Auditors.

BY ORDER OF THE BOARD
F. K. Fondo
Secretary

P.O. Box 18243
Kitui Rd Nairobi
11 February 1998

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

Tangazo la Mkutano

Mnatangaziwa kwamba Mkutano wa Mwaka wa thalathini na tatu wa wenye hisa utafanyika Serena Hotel, Kenyatta Avenue, Nairobi, Tarehe 27 Machi 1998, saa nne kamili kwa shughuli zifuatazo:

1. Kuthibitisha Taarifa za mkutano wa thalathini na mbili uliofanyika tarehe 27 Machi 1997.

2. Kupokea Hesabu za mwaka uliomalizika tarehe 3 Januari 1998, pamoja na taarifa ya Wakurugenzi na Wakaguzi.

3. Kutoa idhini ya malipo ya Wakurugenzi kwa mwaka uliomalizika tarehe 3 Januari 1998.

4. Kutangaza mgawo wa faida wa mwisho wa kiasi cha 40%, yaani shilingi mbili (Kshs. 2.00) kwa kila hisa.

5. (a) Kuwachagua wakurugenzi kwa kulingana na kanuni za kampuni. Wakurugenzi ambao muda wao umemalizika, lakini wamejitolea kuchaguliwa tena ni:

   Bwana P. A. C. Bourne
   Bwana J. A. Scott

   (b) Tumepata taarifa maalum ya nia ya kumchagua upya, kulingana na kifungu 186(5) cha sheria za kampuni, Bwana J. K. Gecau ambaye umri wake umefika miaka 72.

6. Kuwaruhusu Wakurugenzi kuweka kiasi cha malipo ya Wakaguzi.

KWA AMRI YA HALMASHAURI
F. K. Fondo
Katibu

P.O. Box 18243
Kitui Rd Nairobi
11 Februari 1998

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

Chairman's Statement

J. K. Gecau

1997 proved a difficult year for copper products with no growth recorded against 1996, reflecting the prevailing uncertain economic and political climate and increasing local competition. However an improved aluminium performance served to boost total turnover to Kshs. 522,802,000 compared to Kshs. 517,891,000 in 1996.

Satisfactory margins were achieved in all areas despite increased raw material costs in the final quarter of the year due to the depreciation of the local currency.

The static copper performance and increased overhead costs were mainly responsible for the reduction in profit before taxation to Kshs. 94,603,000 compared to the record of Kshs. 112,585,000 in 1996.

DIVIDEND

In view of the downturn in results for the year, the Directors recommend a dividend of 40% or Kshs. 2.00 per share at a total cost of Kshs 40,500,000 compared to 50% or Kshs 2.50 per share for 1996. It is the intention of the Directors to arrange payment of 1997 dividends to all shareholders immediately following adoption at the Annual General Meeting.

OUTLOOK

The capital expansion programme initiated in 1997 to enhance production capabilities will be completed during the first half of 1998 thus placing the company in a position to capitalise on forthcoming opportunities as and when they arise.

"Satisfactory margins were achieved in all areas despite increased raw material costs due to the depreciation of the local currency"

The performance in the first half of 1998 will be influenced by the consumption of higher priced copper rod and the difficulty in recovering the increase in cost from the market, resulting in a reduction in profitability compared to 1997.

I would like to express the Board's appreciation and thanks to all our staff whose commitment and dedication throughout the year enabled your Company to achieve these results.

Finally, I would like to thank my fellow Directors for the co-operation extended to me during the year.

J. K. Gecau
Chairman

11 February 1998

J. K. Gecau

Mwaka wa 1997 ulikuwa mgumu kwa upande wa biashara ya bidhaa za shaba kwani hakukuwa na ongezeko dhidi ya mwaka wa 1996. Hii ilitokana na hali ya hofu nchini juu ya mambo ya kiuchumi na kisiasa, na pia kuzidi kwa mashindano ya kibiashara. Lakini kuongezeka kwa biashara ya bidhaa za madini ya aluminium kulisababisha kuongezeka kwa jumla ya thamani ya bidhaa zote zilizouzwa hadi kufikia kiwango cha Kshs. 522,802,000 ikilinganishwa na kiasi cha Kshs. 517,891,000 cha mwaka wa 1996. Ingawa bei za mali ghafi zilipanda juu katika miezi mitatu ya mwisho wa mwaka kutokana na kuteremka kwa thamani ya pesa za Kenya, ziada za fedha zilikuwa za kuridhisha kwa pande zote za bidhaa zetu. Kutoongezeka kwa biashara ya bidhaa za shaba na kuongezeka kwa malipo ya mahitaji mengineyo tofauti na yale ya uzalishaji bidhaa, kulisababisha faida ya mwaka kabla ya kodi kupungua hadi Kshs. 94,603,000 ikilinganishwa na rekodi ya faida iliyowekwa mwaka 1996 ya KShs. 112,585,000.

MGAO WA FAIDA

Kutokana na kupunguka kwa matokeo ya mwaka, wakurugenzi wamependekeza malipo ya mgawo mmoja pekee wa asilimia arubaini au KShs. 2.00 kwa kila hisa ambao jumla utagharimu KShs. 40,500,000 ukilinganishwa na mgawo wa mwaka wa 1996 wa asilimia hamsini au KShs. 2.50 kwa kila hisa. Ni madhumuni ya wakurugenzi kulipa mgawo wa faida kwa wenye hisa wote maara tu baada ya kuidhinishwa na Mkutano Mkuu wa Mwaka huu.

> *"Ingawa thamani ya pesa za Kenya iliteremuka, ziada za fedha zilikuwa za kuridhisha kwa pande zote za bidhaa zetu. "*

MATAZAMIO YA SIKU ZIJAZO

Mpango wa upanuzi wa rasilmali ulioanzishwa mwaka 1997 kuongeza uwezo wa uzalishaji mali utakamilishwa ifikapo katikati ya mwaka 1998, hivyo basi kuiwezesha Kampuni kuwa katika hali ya kunufaisha wakati nafasi za biashara zitakapoongezeka.

Katika miezi sita ya kwanza ya mwaka wa 1998, biashara yetu itakabiliwa na utumizi wa mali ghafi ya aina ya shaba ambayo ilinunuliwa wakati ambapo bei ilikuwa juu. Kutoweza kwetu kujirudishia gharama hiyo ya juu wakati tutakapouza bidhaa zetu kutasababisha kupungua kwa faida katika muda huo ikilinganishwa na faida ya miezi sita ya kwanza ya mwaka wa 1997.

Ningependa kutoa shukrani za wakurugenzi kwa wafanyi kazi wetu ambao kujitolea kwao kumeiwezesha Kampuni yetu kupata matokeo haya.

Kumalizia, ningependa kuwashukuru wakurugenzi wenzangu kwa ushirikiano walionipatia katika mwaka wa 1997.

J. K. Gecau
Mwenyekiti

11 Februari 1998

Director's Report

BOARD OF DIRECTORS

The Directors who held office during the period have been:-

J. K. Gecau (Chairman)

C. Herbert* (Appointed 1 April 1997)

W. L. Bamlett* (Resigned 31 March 1997)

P. Waiganjo

P. A. C. Bourne* (U.K. Resident)

J. A. Scott* (U.K. Resident)

F. K. Fondo

*(British)

SECRETARY AND OTHER OFFICERS

Secretary	F. K. Fondo P. O. Box 18243 Nairobi
Registered office	Kitui Road P .O. Box 18243 Nairobi
Auditors	KPMG Peat Marwick Certified Public Accountants P. O. BOX 40612 Nairobi
Registrars	Standard Chartered Kenya Nominees Limited P. O. BOX 30003 Nairobi

WAKURUGENZI

Wakurugenzi waliokuwa wakihudumia kampuni mwakani ni:-

J. K. Gecau (Mwenyekiti)

C. Herbert* (Aliteuliwa tarehe 1 April 1997)

W. L. Bamlett* (Alijiuzulu tarehe 31 Marchi 1997)

P. Waiganjo

P. A. C. Bourne* (Anaishi Uingereza)

J. A. Scott* (Anaishi Uingereza)

F. K. Fondo

*(Raia wa Uingereza)

KATIBU NA MAAFISA WENGINE

Katibu	F. K. Fondo P. O. Box 18243 Nairobi
Afisi kuu ya Kampuni	Kitui Road P .O. Box 18243 Nairobi
Wakaguzi	KPMG Peat Marwick Certified Public Accountants P. O. BOX 40612 Nairobi
Waandishi	Standard Chartered Kenya Nominees Limited P .O. BOX 30003 Nairobi

PROFIT AND APPROPRIATIONS

	Kshs. '000
Profit before taxation	94,603
Taxation	(30,673)
Profit after taxation	63,930
Retained Profit brought forward	122,695
	186,625
Proposed Dividend	(40,500)
Retained profit carried forward	146,125

DIVIDENDS

No interim dividend was declared. The Directors recommend the payment of a final dividend of Kshs. 40,500,000 equivalent to 40%. It is the intention of the Directors to pay the dividends to all shareholders immediately following adoption at the Annual General Meeting.

APPROVAL OF ACCOUNTS BY BOARD

The Accounts were approved at a meeting of the Directors held on 11 February 1998.

AUDITORS

KPMG Peat Marwick will continue in office in accordance with section 159(2) of the Companies Act.

BY ORDER OF THE BOARD

F. K. Fondo

Secretary

11 February 1998

FAIDA NA MATUMIZI MAALUM

	Kshs. '000
Faida kabla ya kutolewa fungu la kodi	94,603
Toa fungu la kodi	(30,673)
Faida baada ya kuondoa fungu la kodi	63,930
Ongeza faida ya miaka iliyopita	122,695
	186,625
Mgawo wa faida unaoazimiwa	(40,500)
Baki la faida	146,125

MIGAWO YA FAIDA

Hakukuwa na mgawo wa kutangulia. Wakurugenzi wamependekeza malipo ya mgawo mmoja pekee wa Kshs. 40,500,000 yaani, kiasi cha asilimia arubaini. Ni madhumuni ya wakurugenzi kulipa mgawo wa faida kwa wenye hisa wote maara tu baada ya kuidhinishwa na mkutano Mkuu wa Mwaka huu.

KUKUBALIWA KWA MAHESABU NA WAKURUGENZI

Mahesabu yalikubaliwa katika mkutano wa wakurugenzi uliofanyika mnamo tarehe 11 Februari 1998.

WAKAGUZI

KPMG Peat Marwick wataendelea na kazi yao katika kampuni yetu kwa kulingana na fungu 159(2) la sheria za Kampuni.

KWA AMRI YA HALMASHAURI

F. K. Fondo
Katibu
11 Februari 1998

REPORT OF THE AUDITORS TO THE MEMBERS OF EAST AFRICAN CABLES LIMITED

We have audited the financial statements set out on pages 12 to 19 which have been prepared on the basis of the accounting policies set out in Note 1. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and to provide a reasonable basis for our opinion. The financial statements are in agreement with the books of account.

Under the provisions of the Companies Act, the directors are responsible for the preparation of financial statements which give a true and fair view of the company's state of affairs and its operating results. Our responsibility is to express an independent opinion on the financial statements based on our audit and to report our opinion to you.

We conducted our audit in accordance with Kenyan Auditing Standards. Those standards require that we plan and perform our audit to obtain a reasonable assurance that the accounts are free from material misstatement. An audit includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. It also includes an assessment of the accounting policies used and significant estimates made by the directors, as well as an evaluation of the overall presentation of financial statements.

In our opinion, proper books of account have been kept and the financial statements give a true and fair view of the state of the company's financial affairs at 3 January 1998 and of its results of the operations and cash flows for the period then ended in accordance with Kenyan Accounting Standards and comply with the Companies Act.

KPMG PEAT MARWICK
Certified Public Accountants
P.O. BOX 40612
Nairobi.

11 February 1998

TAARIFA YA WAKAGUZI KWA WANAHISA WA EAST AFRICAN CABLES LIMITED

Tumekagua taarifa za fedha na rasilmali jinsi zilivyoandikwa kutoka ukurasa wa 12 hadi wa 19 na ambazo zimetayarishwa kwa mujibu wa mwongozo wa Kifungu cha Kwanza. Tumepata habari na maelezo yote ambayo kwa ujuzi na imani yetu yalikuwa ni ya lazima kwa ukaguzi wetu na ambayo yametuwezesha kutoa kauli yetu. Taarifa za fedha na rasilmali zinalingana na vitabu vya hesabu.

Kulingana na Sheria ya Kampuni, Wakurugenzi wana jukumu la kutayarisha taarifa za fedha na rasilmali za Kampuni zinazoonyesha ukweli na usawa wa hali ya mambo yalivyo na matokeo ya shughuli za Kampuni. Jukumu letu ni kutoa kauli isiyopendelea juu ya taarifa hizo kutokana na uhasibu wetu na kuwaarifu maoni yetu.

Tulifanya ukaguzi wetu kulingana na Kanuni za Uhasibu za Kenya (Kenyan Auditing Standards). Kanuni hizo zinatuagiza tupange na kufanya uhasibu ili tupate uhakika wa kutosha kwamba taarifa hizo hazina dosari kubwa. Ukaguzi unaangalia na kuthibitisha uhakika wa taarifa hizo za fedha na rasilmali. Ukaguzi unaangalia kanuni za uwekaji wa hesabu; makadirio yaliyowekwa na wakurugenzi na pia ustadi wa jinsi taarifa hizo zilivyotayarishwa.

Kwa maoni yetu, vitabu vya hesabu viliandikwa; taarifa za fedha na rasilmali zinaonyesha ukweli na usawa wa hali ya Kampuni ilivyokuwa hadi tarehe 3 Januari 1998. Pia taarifa zinaonyesha matokeo ya shughuli za Kampuni; mapato na matumizi ya fedha mpaka tarehe hiyo kwa mujibu wa Kanuni za Uhasibu za Kenya.

KPMG PEAT MARWICK
Certified Public Accountants
P.O. BOX 40612
Nairobi.

11 Februari 1998

Profit and Loss Account

	Note	53 week period ended 3/1/98 Kshs. '000	52 week period ended 28/12/96 Kshs. '000
Turnover	1(b)	522,802	517,891
Profit before Taxation	2	94,603	112,585
Taxation	3	(30,673)	(38,806)
Profit after Taxation		63,930	73,779
Proposed Dividend		(40,500)	(50,625)
Retained Profit to Reserves	10	23,430	23,154
Earnings per share	4	Kshs. 3.16	Kshs. 3.64

The notes on pages 15 to 19 form part of these accounts.

Balance Sheet

	Note	1997 Kshs '000	1996 Kshs. '000
EMPLOYMENT OF CAPITAL			
FIXED ASSETS	5	113,816	54,162
CURRENT ASSETS			
Stocks	6	119,973	94,240
Debtors	7	66,277	63,849
Cash and Bank Balances	8	79,058	113,341
		265,308	271,430
CURRENT LIABILITIES			
Creditors		12,166	10,248
Taxation		386	6,105
Proposed Dividend		40,500	50,625
		53,052	66,978
Net Current Assets		212,256	204,452
Net Assets		326,072	258,614
CAPITAL AND RESERVES			
SHARE CAPITAL	9	101,250	101,250
RESERVES	10	224,822	157,364
		326,072	258,614

J.K. GECAU
C. HERBERT } Directors

The notes on pages 15 to 19 form part of these accounts.

Cashflow Statement

	1997 Kshs. '000	1996 Kshs. '000
Cash inflow / (outflow) from operating activities		
Profit before taxation	94,603	112,585
Fixed assets written off	-	143
Depreciation	5,698	3,734
Interest income	(12,807)	(14,353)
Interest expense	940	431
Profit on sale of fixed assets	(524)	-
Increase in stocks	(25,733)	(15,497)
(Increase) / Decrease in debtors	(2,441)	2,047
Increase / (Decrease) in creditors	1,931	(7,898)
Net cash inflow from operating activities	61,667	81,192
Returns on investments and servicing of finance		
Interest received	12,807	14,353
Interest paid	(940)	(431)
Dividend paid	(50,625)	(40,500)
Net cash outflow from returns on investments and servicing of finance	(38,758)	(26,578)
Taxation paid	(36,392)	(30,792)
Investing Activities		
Purchase of fixed assets	(21,324)	(9,242)
Proceeds from sale of fixed assets	524	-
Net cash outflow from investing activities	(20,800)	(9,242)
Net cash (outflow) / inflow in the year	(34,283)	14,580

	1997 Kshs. '000	1996 Kshs. '000	Change Kshs. '000
Cash and bank balances	79,058	113,341	34,283

Notes to the Accounts

1. ACCOUNTING POLICIES

The following paragraphs describe the main accounting policies used by the company:-

(a) **Accounting convention**

The accounts are prepared under the historical cost convention modified to include the revaluation of certain assets.

(b) **Turnover**

Turnover represents sales of cables, conductors and imported allied electrical products.

(c) **Depreciation**

Depreciation is calculated on a straight line basis at annual rates estimated to write off the assets over their expected useful lives.

The annual rates used are:

Freehold land	Nil
Freehold buildings	2%
Leasehold property – Over the term of the lease but not less than	2%
Plant, machinery and equipment	10%
Furniture, fixtures, fittings and computers	20%
Vehicles	25%

(d) **Taxation**

Current taxation is provided on the profits for the period as shown in the accounts adjusted in accordance with the tax legislation.

Provision for deferred tax is made only when the directors consider that a material tax benefit or charge is likely to crystallise in the foreseeable future.

(e) **Stocks**

Stocks and work in progress are valued at the lower of cost and net realisable value. Cost is determined on a first-in, first-out basis, and in relation to finished goods and work in progress includes appropriate allocations of relevant overheads.

(f) **Translation of foreign currencies**

Transactions during the period are translated into Kenya Shillings at rates ruling at the transaction dates. Assets and liabilities at the balance sheet date which are expressed in foreign currencies are translated into Kenya Shillings at rates ruling at that date. The resulting differences from translation are dealt with in the profit and loss account in the period in which they arise.

2. PROFIT BEFORE TAXATION

	53 week period ended 3/1/98 Kshs. '000	52 week period ended 28/12/96 Kshs. '000
Profit before taxation is stated after (crediting) / charging:-		
Interest receivable	(12,807)	(14,353)
Bank interest	940	431
Depreciation	5,698	3,734
Directors' remuneration		
As directors	557	498
As executives	9,316	4,094
Auditors' remuneration	930	830

3. TAXATION

(a) Charge for the period at 35% (1996-35%) on the profit for the period as adjusted for tax purposes	30,673	38,806

(b) No provision has been made for the liability to taxation that has been deferred by the benefit of taxation allowances on fixed assets which exceed the related amounts provided for depreciation. At 3 January 1998 this liability amounted to Kshs. 4,564,400. (1996-Kshs.1,677,000).

4. EARNINGS PER SHARE

Earnings per share is arrived at by dividing the profit after taxation by the number of issued shares at the end of the period.

5 . FIXED ASSETS

	Freehold land	Freehold buildings	Long leasehold property	Capital work in progress	Plant machinery equipment and motor vehicles	Total
	Kshs. '000	Kshs. '000	Kshs. '000	Kshs. '000	Kshs. '000	Kshs. '000
Cost or valuation:						
29 December 1996	5,000	5,220	26,000	-	55,304	91,524
Additions	-	-	246	3,484	17,594	21,324
Disposals	-	-	-	-	(827)	(827)
Revaluation	11,800	2,980	26,754	-	-	41,534
At 3 January 1998	16,800	8,200	53,000	3,484	72,071	153,555
Cost	-	-	-	3,484	72,071	75,555
Valuation	16,800	8,200	53,000	-	-	78,000
Depreciation:						
29 December 1996	-	308	1,560	-	35,494	37,362
Charge for period	-	104	522	-	5,072	5,698
Disposals	-	-	-	-	(827)	(827)
Write back on revaluation	-	(412)	(2,082)	-	-	(2,494)
At 3 January 1998	-	-	-	-	39,739	39,739
Cost	-	-	-	-	39,739	39,739
Valuation	-	-	-	-	-	-
Net book value:						
At 3 January 1998	**16,800**	**8,200**	**53,000**	**3,484**	**32,332**	**113,816**
At 28 December 1996	**5,000**	**4,912**	**24,440**	**-**	**19,810**	**54,162**

The company's land and buildings were revalued on 3 January 1998 by Tysons Limited, a firm of professional valuers on the basis of open market value for existing use. The resulting surplus has been credited to the revaluation reserve.

6. STOCKS

Stocks and work in progress comprise:-

	1997 Kshs. '000	1996 Kshs. '000
Raw materials	32,669	44,235
Work in progress	19,172	12,532
Finished goods	39,244	16,268
Consumables	5,096	6,437
Stock in transit	23,792	14,768
	119,973	94,240

7. DEBTORS

Included in debtors is a loan to an officer of the company amounting to Kshs. 265,000. (1996-Kshs. 463,000).

8. BANK FACILITIES

The company enjoys overdraft and other facilities which are secured by a debenture over all its assets for Kshs. 23,000,000.

9. SHARE CAPITAL

	1997 Kshs. '000	1996 Kshs. '000
Authorised, issued and fully paid 20,250,000 ordinary shares of Kshs. 5/- each	101,250	101,250

10. RESERVES

	Share premium account	Revaluation reserve	Profit & loss account	Total
	Kshs. '000	Kshs. '000	Kshs. '000	Kshs. '000
Balance 29 December 1996	545	34,124	122,695	157,364
Surplus on revaluation	-	41,534	-	41,534
Depreciation write back	-	2,494	-	2,494
Retained profit for period	-	-	23,430	23,430
Balance 3 January 1998	**545**	**78,152**	**146,125**	**224,822**

11. CAPITAL COMMITMENTS

	1997 Kshs. '000	1996 Kshs. '000
Authorised and committed	6,875	2,320
Authorised but not committed	-	3,000
	6,875	5,320

12. INCORPORATION AND ULTIMATE HOLDING COMPANY

The company is incorporated in Kenya under the Companies Act and its ultimate holding company, Delta Plc, is incorporated in England.

13. CURRENCY

These accounts are presented in Thousands of Kenya Shillings (Kshs. '000).