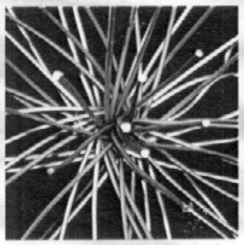
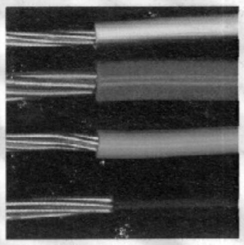
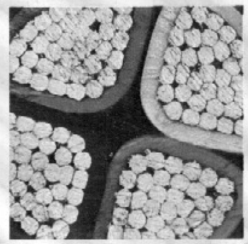
East African Cables Limited

ANNUAL REPORT AND ACCOUNTS 2000

A MEMBER OF THE SAMEER GROUP

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1. East African Cables -- Periodicals
2. Cables Industry -- Kenya -- Periodicals

NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given that the thirty sixth Annual General Meeting of the shareholders will be held at Serena Hotel, Kenyatta Avenue, Nairobi, on 23rd March, 2001 at 11:00 a.m. for the following purposes:

1. To confirm the Minutes of the thirty fifth Annual General Meeting held on 31st March, 2000.

2. To receive the Accounts for the year ended 31st December, 2000 and the Directors' and Auditors' Reports thereon.

3. To approve the Directors' remuneration as provided in the accounts for the period ended 31st December, 2000.

4. To Declare a final dividend of 22% representing one shilling and ten cents per share.

5. To elect Directors in accordance with the Company's Articles of Association.
   The following Director retires by rotation and being eligible offers himself for re-election.

   Mr. F. K. FONDO

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
25th January, 2001

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 sita wa wenye hisa utafanyika Serena Hotel, Kenyatta Avenue, Nairobi, Tarehe 23 Machi, 2001 saa tano kamili kwa shughuli zifuatazo:

1. Kuthibitisha Taarifa za mkutano wa thalathini na tano uliofanyika tarehe 31 Machi, 2000.

2. Kupokea Hesabu za mwaka uliomalizika tarehe 31 Desemba, 2000 pamoja na taarifa ya Wakurugenzi na Wakaguzi.

3. Kutoa idhini ya malipo ya Wakurugenzi kwa mwaka uliomalizika tarehe 31 Desemba, 2000.

4. Kutangaza mgawo wa faida wa mwisho wa kiasi cha 22%, yaani shilingi moja na senti kumi kwa kila hisa.

5. Kumchagua mkurugenzi kwa kulingana na kanuni za kampuni. Mkurugenzi ambaye muda wake umemalizika, lakini amejitolea kuchaguliwa tena ni:

    Bw. F. K. FONDO

6. Kuwaruhusu Wakurugenzi kuweka kiasi cha malipo ya Wakaguzi.

KWA AMRI YA HALMASHAURI
F. K. Fondo
Katibu

P.O. Box 18243
Kitui Rd Nairobi
25 Januari, 2001

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.

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2000

The directors have pleasure in submitting their report together with the audited accounts for the year ended 31 December, 2000 which disclose the state of affairs of the company.

1. **ACTIVITIES**

   The company's principal activities are the manufacture and sale of electrical cables and conductors.

2. **RESULTS**

   The results for the year are set out on Page 11.

3. **DIVIDENDS**

   The directors recommend the payment of a dividend of KShs 1.10 (1999 – KShs 4.50) per share.

4. **DIRECTORS**

   The directors who served during the year are set out on page 10.

5. **AUDITORS**

   The auditors, KPMG Peat Marwick will continue in office in accordance with Section 159(2) of the Companies Act (Cap. 486).

6. **APPROVAL OF ACCOUNTS**

   The accounts were approved at a meeting of the directors held on 25th January, 2001.

BY ORDER OF THE BOARD

F. K. Fondo

Secretary

Date: 25th January, 2001.

TAARIFA YA WAKURUGENZI

Wakurugenzi wanafuraha kutoa repoti na hesabu zilizokaguliwa za mwaka uliomalizikia tarehe 31 Desemba 2000 ambazo zinaonyesha hali ya mambo ya kampuni ilivyo.

1. SHUGHULI

Shughuli kuu ya Kampuni ni kutengeneza na kuuza waya za stima.

2. MATOKEO

Matokeo ya mwaka yanaonyeshwa katika ukurasa wa 11.

3. MGAO WA FAIDA

Wakurugenzi wanapendekeza mgao mmoja wa Kshs. 1.10 (1999 - Kshs. 4.50) kwa kila hisa.

4. WAKURUGENZI

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

5. WAKAGUZI

Wakaguzi wa hesabu, KPMG Peat Marwick wataendelea na kazi yao kulingana na kifungu cha 159(2) cha Sheria za Kampuni.

6. KUIDHINISHWA KWA HESABU

Hesabu ziliidhinishwa katika Mkutano wa Wakurugenzi uliofanyika tarehe 25 Januari, 2001.

KWA AMRI YA HALMASHAURI

F. K. Fondo
Katibu

Tarehe: 25, Januari, 2001

CHAIRMAN'S STATEMENT

Steven G. Smith - *Chairman*

Dear Shareholder

I am pleased to present our report for the year 2000. During this past year we saw a change in majority ownership of our company. The new millennium gave us new and old challenges.

The depressed economic conditions in Kenya as outlined in our 1999 Shareholders Report have continued for the year 2000. The economic growth for Kenya for the year 2000 is currently estimated at 0.4%. Construction projects and other capital investment projects that drive our business have been delayed or cancelled due to short and long term uncertainty of the Kenyan economy. When we look at other economic factors for the Kenyan economy we see values that reflect as much as a 40% decline in business. I am pleased to report that we have been able to manage our business during these difficult times in a manner that shows growth and a concern for shareholder value.

Total turnover increased 7% over 1999 levels. Cable prices are still at 1996 values even with a price increase finalised during February 2000. We saw a 20% decline in metric tonnage for our core line of small wiring cables. However, in the large single cables we had growth of 169% in metric tonnage. The growth in large cable was a direct result of power shortages from May 2000 to October 2000 in Kenya which forced many companies to install generators. This ability to react to this unique need allowed for our growth in metric tonnage. Our total turnover was Kshs. 399,255,000 compared to Kshs. 370,219,000 in 1999.

In 2000 there were expenditures of Kshs 2,017,000 to complete the rationalisation projects begun in 1999. We did install a 350 K.V.A. Generator at a cost of Kshs. 4,000,000 to satisfy demand for cables during the Kenya power shortage.

Profit before taxation was Kshs. 46,698,000 as compared to Kshs. 32,842,000 in 1999. This reflects our management's ability to control working capital, improve outstanding credit position and reduce overhead expenses.

We have been able to maintain healthy cash reserves and have continued to have bank interest income despite the difficulties faced during 2000.

DIVIDEND

The level of profitability during 2000 supports a dividend of Kshs. 1.10 per share compared to the figure of Kshs. 0.70 per share in 1999 which was before the increased distribution of Kshs.4.50 in view of substantial cash balances held by the company. The cost of the proposed dividend amounts to Kshs.22,275,000 and it is the intention of the Directors to arrange payment of the year 2000 dividend to all shareholders immediately following adoption at the Annual General Meeting.

FUTURE

We see no growth in copper cable needs for Kenya until the economic conditions improve. Major customers are currently in an over stocked position which will result in low first quarter 2001 sales for copper and little turnover of aluminium cable until the third quarter 2001. We believe this to be a realistic view given current economic trends in Kenya.

We will continue with an aggressive cash management position for 2001. Your Directors and Management Team will focus on financial controls and market development that will allow us to maintain and improve our position as competition will be intense during these hard economic times.

We do believe we are well positioned to react to opportunities within the East Africa Region.

Steven.G.Smith
Chairman

TAARIFA YA MWENYEKITI

Steven G. Smith - *Mwenyekiti*

Mpendwa mwenyehisa

Ninafurahi kutoa ripoti yetu ya mwaka wa 2000. Mwaka uliopita, tuliona mabadiliko katika umilikishi wa zaidi ya nusu ya hisa za Kampuni. Milenia mpya imetupa mapambano mapya pamoja na yale ya zamani.

Hali ya kuzoroteka kwa uchumi nchini Kenya kama ilivyoonyeshwa katika Ripoti ya 1999 imeendelea katika mwaka wa 2000. Kukua kwa uchumi wa Kenya katika mwaka wa 2000 kunakadiriwa kuwa kwa kiwango cha 0.4%. Shughuli za ujenzi na uwekezaji katika miradi mbalimbali ambazo huendeleza biashara yetu zimecheleweshwa au kufutiliwa mbali kwa sababu ya hali ya hofu kuhusu uchumi wa Kenya sasa na siku za usoni. Tukiangalia vipimo vingine vya kiuchumi, tunaona viwango vilivyoteremka kwa kiasi cha 40%. Ninafurahi kuripoti kwamba tumeweza kusimamia biashara katika nyakati hizi za shida kwa njia ambayo inaonyesha ustawi na juhudi za kuimarisha maslahi ya wenyehisa.

Thamani ya mauzo iliongezeka kwa 7% kupita viwango vya 1999. Bei za bidhaa bado zingali katika kiasi cha 1996 hata baada ya kuongezwa katika mwezi wa Februari 2000. Tuliona kupunguka kwa kiasi cha 20% cha kiwango cha uzani wa waya ndogo za stima. Walakini, katika waya kubwa, tulipata ongezeko la 169%. Ongezeko la uuzaji wa waya kubwa lilisababishwa na kupungua kwa stima kutoka Mei had mwezi wa kumi wa mwaka 2000, hali ambayo ililazimu Kampuni nyingi kuweka mitambo ya kutoa nguvu za umeme. Uwezo wetu wa kutambua kwa haraka mahitaji haya ya kipekee ulituwezesha kuongeza uzani wa waya zilizouzwa. Jumla ya thamani ya bidhaa zilizouzwa ilikuwa KShs.399,255,000 ikilinganishwa na KShs.370,219,000 ya 1999.

Katika mwaka wa 2000, KShs.2,017,000 zilitumika kumalizia mpango wa kupunguza idadi ya wafanyi kazi ambao ulianzishwa 1999. Hata sisi tuliweka mtambo wa kutoa nguvu za umeme wa 350 K.V.A kwa gharama ya KShs.4,000,000 ili kuendesha mashini zetu za kutengeneza waya wakati ambapo kulikuwa na uhaba wa stima kutoka kwa Kenya Power.

Faida kabla ya kodi ilikuwa KShs.46,698,000 ikilinganishwa na KShs.32,842,000 ya 1999. Hii inaonyesha uwezo wa wasimamizi wetu katika umilikaji wa mtaji na matumizi ya fedha.

Tumeweza kuhifadhi hali nzuri ya akiba za fedha ambazo zimetuwezesha kupata riba japo ya matatizo yaliyokuwako mwaka 2000.

MGAO WA FAIDA

Kiwango cha faida katika mwaka wa 2000 kinawezesha mgao wa KShs.1.10 kwa kila hisa ikilinganishwa na KShs.0.70 katika mwaka wa 1999 ambao hatimaye uliongezwa hadi Kshs.4/50 kwa sababu ya akiba kubwa ya fedha Kampuni iliyokuwa nayo. Gharama ya mgao huu unaoazimiwa ni KShs.22,275,000 na ni nuio la wakurugenzi kufanya malipo kwa wanahisa wote mara tu baada ya kuidhinishwa katika Mkutano Mkuu.

MATAZAMIO YA SIKU ZA USONI

Hatuoni ongezeko la mahitaji ya waya za stima hapa Kenya hadi hali ya uchumi itakapositawika. Wateja wetu wakuu wangali wana akiba tele ya mali ambayo itasababisha mauzo ya waya za stima za aina ya shaba kuwa chini katika kipindi cha miezi mitatu ya kwanza. Thamani ya waya za stima za aina ya alumini zitakazouzwa inatarajiwa kuwa kidogo hadi kipindi cha tatu. Tunaamini ya kwamba huu ndiyo ukweli wa hali ya kiuchumi ulivyo nchini Kenya.

Tutaendelea na usimamizi wetu bora wa akiba zetu za kifedha katika mwaka wa 2001. Wakurugenzi na timu ya mameneja wenu watazingatia umilikaji wa kifedha na ustawi wa masoko utakaotuwezesha kuhifadhi na kuimarisha mahali tulipo kwani mashindano ya kibiashara yatazidi katika nyakati hizi ngumu za kiuchumi.

Tunaamini kwamba tunao uwezo kamili wa kushiriki katika soko la nchi jirani za Afrika Mashariki.

Steven.G.Smith
Mwenyekiti

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

We have audited the financial statements set out on pages 11 to 21 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.

The directors are responsible for the preparation of financial statements which give a true and fair view of the state of affairs of the company and of 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 International Standards on Auditing. Those Standards require that we plan and perform our audit to obtain 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. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as an evaluation of the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

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 position at 31st December, 2000 and of the results of operations and cash flows for the year then ended in accordance with International Accounting Standards and comply with the requirements of the Companies Act.

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

Date: 25th January, 2001

TAARIFA YA WAKAGUZI

KWA WANAHISA WA EAST AFRICAN CABLES LIMITED

Tumekagua taarifa za fedha na rasilmali jinsi zilivyoandikwa kutoka ukurasa wa 11 hadi wa 21 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.

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 kimataifa (International Standards on Auditing). Kanuni hizo zinatuagiza tupange na kufanya uhasibu ili tupate uhakika wa kutosha kwamba taarifa hizo hazina dosari kubwa. Ukaguzi unaangalia na kuthibitisha uhakika wa taarifa hizo za fedha na rasilmali. Ukaguzi unaangalia kanuni za uwekaji wa hesabu; makadirio yaliyowekwa na wakurugenzi na pia ustadi wa jinsi taarifa hizo zilivyotayarishwa. Tunaamini kwamba ukaguzi wetu umetupatia msingi bora wa kutoa kauli yetu.

Kwa maoni yetu, vitabu vya hesabu viliandikwa vilivyo na taarifa za fedha na rasilmali zinaonyesha ukweli na usawa wa hali ya Kampuni ilivyokuwa hadi tarehe 31 Desemba, 2000. Pia taarifa zinaonyesha matokeo ya shughuli za Kampuni na mapato na matumizi ya fedha mpaka tarehe hiyo kwa mujibu wa Kanuni za Uhasibu za Kimataifa. Pia taarifa zinaambatana na matakwa ya Sheria za Kampuni.

KPMG PEAT MARWICK

Certified Public Accountants

P.O. Box 40612

Nairobi.

Tarehe: 25 Januari, 2001

DIRECTORS, OFFICERS AND ADMINISTRATION

DIRECTORS

J.K. Gecau
(Chairman - Resigned on 7th November 2000)

S.G. Smith*
(Chairman - Appointed on 7th November 2000)

C. Herbert**
(Managing Director)

P. Waiganjo

J.A. Scott**
(U.K. Resident - Resigned on 7th November 2000)

F.K. Fondo

P. Smits***
(U.K. Resident - Resigned on 7th November 2000)

A.H. Butt
(Appointed on 7th November 2000)

J. Schwartzman****
(Appointed on 7th November 2000)

J. Munge
(Appointed on 7th November 2000)

*American **British ***Dutch ****Israeli

SECRETARY

Mr. Francis K Fondo
East African Cables Limited, P. O. Box 18243, Nairobi

AUDIT COMMITTEE

J. Schwartzman
A. H. Butt
B. Athreya
I. J. Mendes

AUDITORS

KPMG Peat Marwick
16th Floor, Lonrho Hse, Standard St, P. O. Box 40612, Nairobi

REGISTERED OFFICE

East African Cables Limited
Industrial Area, Kitui Road, P. O. Box 18243, Nairobi

PRINCIPAL PLACE OF BUSINESS

Kitui Road, Industrial Area, P. O. Box 18243, Nairobi

BANKERS

Standard Chartered Bank Kenya Limited
Kenyatta Avenue Branch, P. O. Box 40310, Nairobi

Citibank, Upperhill Branch P.O. Box 30711, Nairobi

Credit Agricole Indosuez Reinsurance Plaza, P.O Box 69592, Nairobi.

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2000

	Notes	2000 KShs '000	1999 KShs '000
Turnover		**399,255**	**370,219**
Cost of sales		(242,724)	(227,734)
Gross profit		156,531	142,485
Profit on disposal of property, plant and equipment		135	1,554
Factory expenses		(31,779)	(30,844)
Administrative expenses		(47,196)	(46,883)
Distribution costs		(26,479)	(28,664)
Other operating expenses	3	(13,454)	(20,461)
Profit from operations		37,758	17,187
Net finance income	4	8,940	15,655
Profit before tax	5	**46,698**	**32,842**
Income tax	6	(16,304)	(10,993)
Net profit for the year		**30,394**	**21,849**
Basic earnings per share	7	**KShs 1.50**	**KShs 1.08**
Dividend per share		**KShs 1.10**	**KShs 4.50**

The profit and loss account is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 15 to 21.

BALANCE SHEET
AS AT 31 DECEMBER 2000

	Notes	2000	1999
		KShs '000	KShs '000
ASSETS			
Property, plant and equipment	8	**96,682**	**101,186**
Current assets			
Stocks	9	74,737	79,905
Debtors	10	60,273	93,966
Short term deposits		118,256	125,466
Cash and bank balances		10,629	15
		263,895	**299,352**
TOTAL ASSETS		**360,577**	**400,538**
EQUITY AND LIABILITIES			
Capital and Reserves			
Issued capital	11	101,250	101,250
Reserves	12	181,329	173,210
Proposed dividends		22,275	91,125
		304,854	**365,585**
Deferred tax liability	13	**3,426**	**4,506**
Current liabilities			
Creditors	14	49,296	24,784
Bank overdraft		-	3,130
Tax payable		3,001	2,533
		52,297	**30,447**
TOTAL EQUITY AND LIABILITIES		**360,577**	**400,538**

The accounts on pages 11 to 21 were approved by the Board of Directors on 25th January, 2001 and were signed on its behalf by:

Steven G. Smith
(Chairman)

C. Herbert
(Managing Director)

The balance sheet is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 15 to 21

CASH FLOW STATEMENT
31 DECEMBER 2000

	Note	2000 KShs '000	1999 KShs '000
Cash flows from operating activities	16(a)	**94,039**	**(22,123)**
INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		135	13,955
Interest received		9,479	15,862
Purchase of plant and equipment		(5,994)	(4,267)
Cash flows from investing activities		**3,620**	**25,550**
FINANCING ACTIVITIES			
Dividends paid		(91,125)	(40,500)
Cash flows from financing activities		**(91,125)**	**(40,500)**
Net Increase/(decrease) in cash and cash equivalents	16(b)	**6,534**	**(37,073)**

The cash flow statement is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 15 to 21.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2000

	Share capital	Share premium	Revaluation reserve	Proposed dividends	Retained earnings	Total
	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
Balance at 1st January 2000	101,250	545	60,472	-	112,193	274,460
Net profit for the year	-	-	-	-	30,394	30,394
Proposed dividends				22,275	(22,275)	-
Excess depreciation transfer	-	-	(1,101)	-	1,101	-
Balance at 31st December 2000	**101,250**	**545**	**59,371**	**22,275**	**121,413**	**304,854**

The statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 15 to 21

1. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:

a) Basis of preparation

The financial statements are prepared in accordance with and comply with International Accounting Standards.

The financial statements are prepared under the historical cost convention as modified by the revaluation of certain property, plant and equipment.

b) Revenue recognition

Sales are recognised upon delivery of products and are stated net of VAT.

c) Translation of foreign currencies

Transactions in foreign currencies during the year are converted into Kenya Shillings at the exchange rate ruling at the date of the transaction. Foreign currency monetary assets and liabilities are translated at the exchange rate ruling at the balance sheet date. Resulting exchange differences are recognised in the profit and loss account for the year. Non-monetary assets and liabilities denominated in foreign currency are recorded at the exchange rate ruling at the date of transaction.

d) Property, plant and equipment

Items of property, plant and equipment are stated at historical cost or valuation less accumulated depreciation. Depreciation is charged on a straight-line basis over the estimated useful lives of the assets. The rates of depreciation used are based on the following estimated useful lives:

• Freehold Land	Nil
• Freehold Buildings	2%
• Leasehold Property	Over the term of lease But not less than 2%
• Plant, machinery and equipment	10%
• Furniture, fixtures, motor vehicles & computers	25%

e) Stocks

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

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

f) Trade and other debtors

Trade and other receivables are stated at nominal value, less write-down for any amounts expected to be irrecoverable.

g) Employee benefits

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

Contributions to the defined contribution plan are charged to the income statement as incurred. Any difference between the charge to the income statement and the contributions paid is recorded in the balance sheet under other creditors.

h) Taxation

Tax on the profit or loss for the year comprises current tax and deferred tax.

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

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

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

i) Dividends

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

2. STAFF COSTS

	2000 KShs '000	1999 KShs '000
Direct labour	16,530	17,026
Administration salaries and wages	15,696	16,839
Distribution salaries and wages	7,508	10,027
Other salaries and wages	15,490	15,511
Pension contributions	3,617	4,721
	58,841	**64,124**

The average number of people engaged during the year were 111 (1999 -120):

3. OTHER OPERATING EXPENSES

	2000 KShs '000	1999 KShs '000
Depreciation	10,498	10,802
Service charge	939	2,340
Retirement costs	2,017	7,319
	13,454	**20,461**

4. NET FINANCE INCOME

	2000 KShs '000	1999 KShs '000
Interest income	9,479	15,862
Interest expense	(125)	(207)
Loss on exchange	(414)	-
	8,940	**15,655**

5. PROFIT BEFORE TAX

	2000	1999
Profit before tax is arrived at after charging/(crediting):	KShs '000	KShs '000
Interest income	(9,479)	(15,862)
Interest expense	125	207
Depreciation expense	10,498	10,802
Directors emoluments	754	638
	11,585	10,985
Auditors remuneration:	700	1,100
	(150)	-

6. INCOME TAX

	2000 KShs '000	1999 KShs '000
Current tax expense at 30% (1999-32.5%)	17,384	12,849
Prior year's over provision	-	(841)
	17,384	12,008
Deferred tax (Note 13)	(1,080)	(1,015)
	16,304	**10,993**

The tax on the company's profit differs from the theoretical amount using the basic tax rate as follows :

	2000 KShs '000	1999 KShs '000
Accounting profit	46,698	32,842
Tax at the applicable rate of 30%(1999-32.5%)	14,009	10,674
Non-deductible costs and non-taxable income	2,295	1,076
Adjustment resulting from reduction in tax rate	-	84
Prior year's over provision	-	(841)
	16,304	**10,993**

7. EARNINGS PER SHARE

The calculation of basic earnings per share is based on:	2000	1999
Profit attributable to ordinary shareholders **(Ksh '000)**	30,394	21,849
Number of ordinary shares outstanding during the year	20,250,000	20,250,000

8. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings KShs '000	Leasehold land and buildings KShs '000	Plant and machinery KShs '000	Motor vehicles KShs '000	Furniture, fittings & equipment KShs '000	Total KShs '000
Cost or valuation						
At 1st January, 2000	12,500	53,000	64,996	19,325	7,491	157,312
Additions	-	-	4,403	1,086	505	5,994
Disposals	-	-	-	(286)	(1.192)	(1,478)
At 31st December, 2000	12,500	53,000	69,399	20,125	6,804	161,828
Comprising:						
Cost	-	-	69,399	20,125	6,804	96,328
Valuation	12,500	53,000	-	-	-	65,500
	12,500	53,000	69,399	20,125	6,804	161,828
Depreciation						
At 1st January, 2000	188	2,120	36,170	11,679	5,969	56,126
Charge for the year	94	1,060	4,536	4,203	605	10,498
On disposals	-	-	-	(286)	(1,192)	(1,478)
At 31st December, 2000	282	3,180	40,706	15,596	5,382	65,146
Net book amount						
At 31st December, 2000	**12,218**	**49,820**	**28,693**	**4,529**	**1,422**	**96,682**
At 31st December, 1999	**12,312**	**50,880**	**28,826**	**7,646**	**1,522**	**101,186**

The company's land and buildings were revalued at 3 January 1998 by Tysons Limited, a firm of professional valuers on the basis of Open Market Value for existing use. The increase in net carrying value as a result of the revaluation was credited to capital reserves.

9. STOCKS

	2000 KShs '000	1999 KShs '000
Finished goods	23,750	19,440
Work in progress	11,479	11,601
Raw materials & Consumables	39,508	48,864
	74,737	79,905

10. DEBTORS

	2000 KShs '000	1999 KShs '000
Trade debtors	59,132	90,366
Prepaid expenses	41	206
Sundry debtors	1,100	3,394
	60,273	**93,966**

11. SHARE CAPITAL

	2000	1999
Authorised, issued and fully paid		
20,250,000 Ordinary shares of KShs 5 each	**101,250**	**101,250**

12. RESERVES

	Share Premium KShs '000	Revaluation Reserve KShs '000	Retained Earnings KShs '000	Total KShs '000
Balance at 1st January, 2000	545	60,472	112,193	173,210
Net profit for the year	-	-	30,394	30,394
Proposed dividends	-	-	(22,275)	(22,275)
Excess depreciation transfer	-	(1,101)	1,101	-
Balance at 31st December, 2000	**545**	**59,371**	**121,413**	**181,329**

13. DEFERRED TAX LIABILITY

Deferred tax liabilities at 31st December, 2000 and 31st December 1999 are attributable to the items detailed in the table below:

	2000			1999		
	Carrying value	Tax base	Temporary difference	Carrying value	Tax base	Temporary difference
	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
General provisions	(3,395)	-	(3,395)	-	-	-
Plant and Equipment	33,681	18,866	14,815	36,078	21,058	15,020
	30,286	**18,866**	**11,420**	**36,078**	**21,058**	**15,020**

13. DEFERRED TAX LIABILITIES (continued)

Movements in temporary differences between calculations of certain items for accounting and for taxation purposes can be specified as follows:

	Balance at 31/12/99 KShs '000	Movement during the year KShs '000	Balance at 31/12/2000 KShs '000
General provisions	-	(3,395)	(3,395)
Plant and equipment	15,020	(205)	14,815
	15,020	**(3,600)**	**11,420**
Deferred Tax liability @ 30%	**4,506**	**(1,080)**	**3,426**

14. CREDITORS

	2000 KShs '000	1999 KShs '000
Trade creditors	31,968	11,799
Other creditors and accrued expenses	17,328	12,985
	49,296	**24,784**

15. RETIREMENT BENEFIT OBLIGATIONS

The company operates a defined contribution retirement benefits scheme for it's non-unionisable employees. The scheme is administered independently by Jardine Alexander Forbes Insurance Brokers Kenya Limited and is funded by contributions from both the company and the employees. The scheme's funds are managed by Barclaytrust Investment Services Limited with Barclays Securities Services (Kenya) Limited being the custodians. During the year, the company expensed Kshs 3,617,316 in contributions payable (1999-Kshs 4,721,611).

16. NOTES TO THE CASH FLOW STATEMENT

	2000 KShs '000	1999 KShs '000
a) Reconciliation of net profit before tax to cash flow from operating activities		
Net profit before tax	46,698	32,842
Adjustments for:		
Depreciation	10,498	10,802
Profit on disposal of property, plant and equipment	(135)	(1,554)
Interest income	(9,479)	(15,862)
Interest expense	125	207
Operating profit before working capital changes	**47,707**	**26,435**
Decrease in stocks	5,168	1,565
Decrease/(increase) in debtors	33,693	(35,294)
Increase/(decrease) in creditors	24,512	(4,468)
Cash generated/(utilised) from operations	**111,080**	**(11,762)**

16. NOTES TO THE CASH FLOW STATEMENT - (continued)

	2000 KShs '000	1999 KShs '000
Interest paid	(125)	(207)
Income taxes paid	(16,916)	(10,154)
Cash inflow/ (outflow) from operating activities	**94,039**	**(22,123)**

b) Movement in cash and cash equivalent

	2000 KShs '000	1999 KShs '000	Change in Year KShs '000
Cash and bank balances	10,629	15	10,614
Short term deposits	118,256	125,466	(7,210)
Bank overdraft	-	(3,130)	3,130
	128,885	**122,351**	**6,534**

17. RELATED PARTY TRANSACTIONS

Directors and executive officers

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

	2000 KShs '000	1999 KShs '000
Directors (see note 5)	12,339	11,623
Executive officers	8,128	9,324
	20,467	**20,947**

The above amounts include non-cash benefits and amounts paid by the company to retirement benefit plans in respect of directors and executive officers.

18. CONTINGENT LIABILITIES

At 31st December, 2000 the company had contingent liabilities in respect of bank and other guarantees arising out of the ordinary course of the business from which it is anticipated that no material liabilities will arise. In the ordinary course of business the bank had given guarantees on behalf of the company amounting to KShs 3,088,714. (1999 - KShs 4,205,877).

19. ULTIMATE HOLDING COMPANY

The ultimate holding company is Yana Trading Limited which is incorporated in Kenya.

20. INCORPORATION

The company is incorporated in Kenya under the Companies Act.

21. CURRENCY

The accounts are presented in Kenya Shillings.

FIVE YEAR FINANCIAL RECORD

PROFIT AND LOSS SUMMARY

	1996 Shs' 000	1997 Shs' 000	1998 Shs' 000	1999 Shs' 000	2000 Shs' 000
Sales	517,891	522,802	506,191	370,219	399,255
Profit Before Tax	112,585	94,603	94,860	32,842	46,698
Tax	(38,806)	(30,673)	(31,175)	(10,993)	(16,304)
Profit After Tax	73,779	63,930	63,685	21,849	30,394
Dividends	(50,625)	(40,500)	(40,500)	(91,125)	(22,275)
Retained Earnings	23,154	23,430	23,185	(69,276)	8,119
Earnings Per Share (Shs)	3.64	3.16	3.14	1.08	1.50
Dividend Per Share(Shs)	2.50	2.00	2.00	4.50	1.10
BALANCE SHEET					
Property, plant and equipment	54,162	113,816	120,122	101,186	96,682
Current assets					
Stocks	94,240	119,973	81,470	79,905	74,737
Debtors	63,849	66,277	58,672	93,966	60,273
Short term deposits, cash and bank balances	113,341	79,058	159,424	125,481	128,885
	271,430	265,308	299,566	299,352	263,895
TOTAL ASSETS	325,592	379,124	419,688	400,538	360,577
EQUITY AND LIABILITIES					
Issued capital	101,250	101,250	101,250	101,250	101,250
Reserves	157,364	224,822	242,486	173,210	181,329
Proposed dividend	50,625	40,500	40,500	91,125	22,275
	309,239	366,572	384,236	365,585	304,854
Deferred tax liability	-	-	5,521	4,506	3,426
Current Liabilities					
Creditors	10,248	12,166	29,252	24,784	49,296
Bank overdraft	-	-	-	3,130	-
Tax payable	6,105	386	679	2,533	3,001
	16,353	12,552	29,931	30,447	52,297
TOTAL EQUITY AND LIABILITIES	325,592	379,124	419,688	400,538	360,577

PROXY FORM

I/We ______________________________

of ______________________________

being a member(s) of East African Cables Ltd, hereby appoint ______________________________

of ______________________________

or failing him ______________________________

of ______________________________

to vote for me/us/on my/our behalf at the 36th Annual General Meeting of the said Company to be held at 11.00 a.m. on Friday 23rd March, 2001 and at any adjournment thereof:

Signed this ______________ day of ______________ 2001.

Signature (S) ______________________________

Note: In the case of a Corporation, the Proxy must be under the Common Seal.

HATI YA UWAKILISHI

Mimi/Sisi ______________________________

wa ______________________________

nikiwa/tukiwa/mwanachama/wanachama wa Kampuni hii ya East African Cables Ltd, namchagua/tunamchagua

____

wa ______________________________

au akikosa yeye/wakikosa wao ______________________________

wa ______________________________

kupiga kura kwa niaba yangu/yetu katika Mkutano Mkuu wa mwaka wa 36 wa kampuni hii, utakaofanyika saa tano asubuhi ijumaa Machi 23, 2001 ama siku nyingine ikiwa Mkutano huo utaahirishwa.

Hati hii imetiwa sahihi hivi leo tarehe ______________ mwezi wa ______________ 2001.

Sahihi ______________________________

Tazama: Ikiwa ni Kampuni ndiyo inayowakilishwa, muhuri wa Kampuni hiyo ni lazima utiwe katika hati hii ya uwakilishi.

FIRST FOLD

KUNJA HAPA KWANZA

Stamp

The Company Secretary
East African Cables Limited
P. O. Box 18243
Nairobi, Kenya

SECOND FOLD

HALAFU KUNJA HAPA