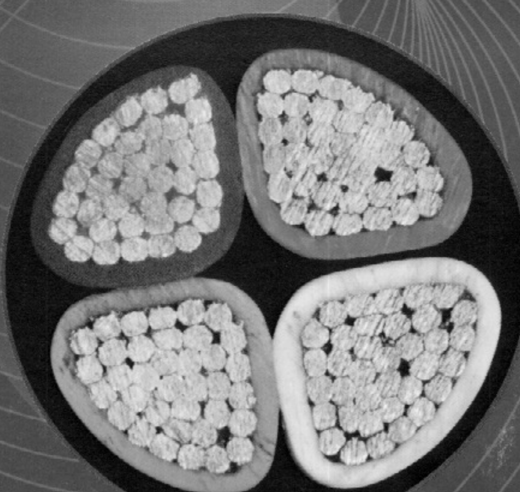
East African Cables Limited

ANNUAL REPORT AND ACCOUNTS 2001



A MEMBER OF THE SAMEER GROUP

Table of Contents

Notice of the Annual General Meeting

Notice is hereby given that the thirty seventh Annual General Meeting of the shareholders will be held at Serena Hotel, Kenyatta Avenue, Nairobi, on 22nd March, 2002 at 11:00 a.m. for the following purposes:

1. To confirm the Minutes of the thirty sixth Annual General Meeting held on 23rd March, 2001.

2. To receive the Accounts for the year ended 31st December, 2001 and the Directors' and Auditors' Reports thereon.

3. To approve the Directors' remuneration as provided in the accounts for the period ended 31st December, 2001.

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 Directors retire by rotation and being eligible offer themselves for re-election.

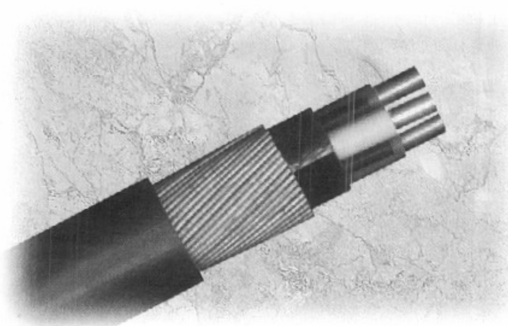
   J. Schwartzman
   A. H. Butt

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
4th February, 2002

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 saba wa wenye hisa utafanyika Serena Hotel, Kenyatta Avenue, Nairobi, tarehe 22 Machi, 2002 saa tano kamili kwa shughuli zifuatazo:

1. Kuthibitisha Taarifa za Mkutano wa thalathini na sita uliofanyika tarehe 23 Machi, 2001.

2. Kupokea Hesabu za mwaka uliomalizika tarehe 31 Desemba, 2001 pamoja na taarifa ya Wakurugenzi na Wakaguzi.

3. Kutoa idhini ya malipo ya Wakurugenzi kwa mwaka uliomalizika tarehe 31 Desemba, 2001.

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

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

   J. Schwartzman
   A. H. Butt

6. Kuwaruhusu Wakurugenzi kuweka kiasi cha malipo ya Wakaguzi.

KWA AMRI YA HALMASHAURI
F. K. Fondo
Katibu

P.O. Box 18243
Kitui Rd Nairobi
4 Februari, 2002.

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 2001

The directors have pleasure in submitting their report together with the audited accounts for the year ended 31 December, 2001 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 13.

3. Dividends

The directors recommend the payment of a dividend of KShs 1.10 (2000 – KShs 1.10) per share.

4. Directors

The directors who served during the year are set out on page 12.

5. Auditors

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

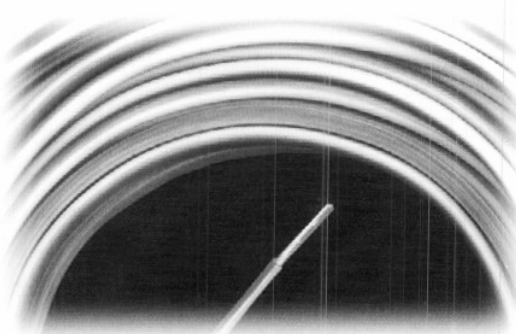
6. Approval of Accounts

The accounts were approved at a meeting of the directors held on 4th February, 2002.

BY ORDER OF THE BOARD

F. K. Fondo
Secretary

Date: 4th February, 2002.



Taarifa Ya Wakurugenzi

Wakurugenzi wanafurahia kutoa repoti na hesabu zilizokaguliwa za mwaka uliomalizikia tarehe 31 Desemba 2001 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 13.

3. Mgawo wa Faida

Wakurugenzi wanapendekeza mgao mmoja wa Kshs. 1.10 (2000 - Kshs. 1.10) kwa kila hisa.

4. Wakurugenzi

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

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 4 Februari, 2002.

KWA AMRI YA HALMASHAURI

F. K. Fondo
Katibu

Tarehe: 4 Februari, 2002.

Statement of Directors' Resposibilities

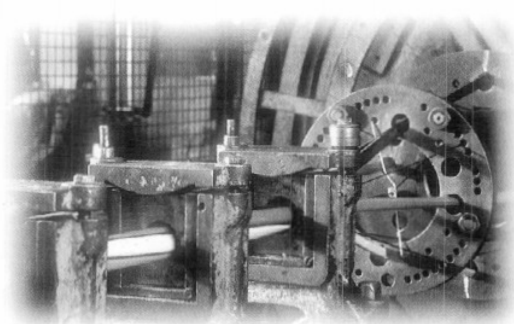
The companies Act requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the operating results of the company for that year. It also requires the directors to ensure the company keeps proper accounting records which disclose with reasonable accuracy the financial position of the company. They are also responsible for safeguarding the assets of the company.

The directors accept responsibility for the annual accounts, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with applicable accounting standards and in the manner required by the Companies Act. The directors are of the opinion that the accounts give a true and fair view of the state of the financial affairs of the company and of its operating results. The directors further accept responsibility for the maintainance of accounting records which may be relied upon in the preparation of accounts, as well as adequate systems of internal financial control.

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

Steven G. Smith	**Geoff I. Stead**
(Chairman)	(Managing Director)

Date: 4th February, 2002.



Taarifa ya Majukumu ya Wakurugenzi

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

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

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

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

Steven G. Smith
(Chairman)

Geoff I. Stead
(Managing Director)

Tarehe: 4 Februari, 2002.

Chairman's Statement

Steven G. Smith - *Chairman*

The 2001 performance underlines the downturn in the Kenyan economy and its adverse impact on the construction industry to which we belong. Turnover volume for copper products declined by 13% during the year due to the reduced demand for house wiring and large industrial installation cables that significantly boosted sales in 2000. Product selling prices were increased early in 2001 in response to an upsurge in raw material costs. This ameliorated the decline in copper sales to 12%. Inspite of the adversity in economic conditions, aluminium cable sales improved by 21% due to the increased purchases by the local power utility companies. Metal prices at the London Metal Exchange declined in the second half to below the levels in 2000. This permitted the reduction in product selling prices from November to maintain competitiveness and also to pass on the benefit of the lower costs to our valuable customers. These factors culminated in a total turnover of KShs. 358,161,000 compared to KShs. 399,255,000 for the year 2000.

In view of the tough business conditions, implementation of cost reduction measures increased. These included the review of policies governing the depreciation of fixed assets, inventory management, human resources, sales credit and procurement terms. This yielded significant cost savings which made available funds that enabled the undertaking of a vigorous development of export markets during the year.

The effect of a reduced copper sales volume coupled with the reduction in selling prices is a Profit Before Tax of KShs. 26,674,000 compared to KShs. 46,698,000 for the year 2000. Prudent management in cash and bank balances contributed KShs. 8,844,000 of interest income to the profit which is marginally lower than KShs. 9,479,000 for the previous year.

During the year, changes at the executive level took place in our company. Mr Colin Herbert retired in April and was replaced by Mr Geoffrey Iain Stead. I take this opportunity to thank Mr Herbert for his efforts in steering the company profitably during the difficult business period and particularly for his successful restructuring and rationalisation programme. I wish to welcome aboard Mr. Stead with full confidence that his marketing background will enable the company to realise its full potential in market development both locally and in the whole of the African region.

DIVIDEND

It is the wish of the directors to maintain the dividend at kshs. 1.10 per share as for the year 2000. The proposed dividend amounts to KShs. 22,275,000 and it is the intention of the directors to arrange payment to all shareholders immediately following adoption at the Annual General meeting.

FUTURE

During last year's Annual General Meeting, I did inform members that we would embark on aggressive export marketing. I am pleased to report that management have already secured sales orders for export into the Southern African Region (SADC). Towards this end, management are now finalising the requirements to obtain the requisite Bureau of Standard Mark and it is expected that exports will commence soon. Additionally, encouraging trade contacts have been made in Tanzania while in Uganda and Ethiopia, the outcome of Aluminium conductor tenders submitted by the company in October and November 2001 is awaited. Other action plans already initiated by management with the objective of stimulating turnover growth include securing the ISO 9001:2000 certification and the production of XLPE cables whose machinery installation is expected by June this year. The market potential for XLPE cable sales in Kenya and in the Neighbouring countries is encouraging.

I would like to express the Board's appreciation and gratitude to all our staff for the continued commitment and dedication throughout the year.

Finally I would like to thank my fellow directors for the cooperation extended to me during the year.

Steven.G.Smith
Chairman

Taarifa ya Mwenyekiti

Steven G. Smith - *Mwenyekiti*

Matokeo ya mwaka wa 2001 yanadhihirisha hali ya kuzoroteka kwa uchumi wa Kenya na jinsi hali hii inavyoathiri sekta ya ujenzi ambayo inatuhusu.

Mapato kutokana na vipuri vya shaba yalipunguka kwa kiasi cha 13% kutokana na upungufu wa mahitaji ya nyaya za ujenzi na viwanda vikubwa ambayo ndiyo yaliyoinua mauzo katika mwaka wa 2000. Bei za bidhaa ziliongezwa mapema katika mwaka wa 2001 kulingana na ongezeko la gharama ya mali ghafi. Hii ilituwezesha kutengenea upungufu wa mauzo ya bidhaa za shaba kwenye kiwango cha 12%. ijapokuwa hali ya uchumi ilikuwa si nzuri, mauzo ya nyaya za alumini yaliongezeka kwa kiasi cha 21% kutokana na mahitaji ya kampuni mbalimbali za nishati za hapa nchini. Bei za madini katika soko la London (London Metal Exchange) zilipunguka katika kipindi cha pili cha mwaka zikafikia chini ya zile za mwaka 2000.

Upungufu huu wa bei ulituwezesha kupunguza bei za bidhaa tangu mwezi Novemba ili kuleta unafuu na kuwafaidi wateja wetu. Mambo haya yote yalichangia kuleta jumla ya mapato kuwa Ksh. 358,161,000 kulinganisha na mapato ya Ksh. 399,255,000 ya mwaka 2000. Kutokana na hali ngumu ya biashara, juhudi za kubana matumizi ziliendelea. Juhudi hizi ziligusia sera mpya za kukadiria thamani na kiasi cha mali ya kampuni, nguvu kazi inayohitajika, ukopeshaji na masharti ya ununuzi. Yote haya yaliokoa gharama na tukaweza kupata pesa za kutafuta na kuendeleza masoko ya nje ya nchi katika kipindi cha mwaka huu.

Licha ya upungufu wa mauzo ya bidhaa za shaba pamoja na kuteremshwa bei ya bidhaa, tumeipata faida kabla ya kodi ya Ksh 26,674,000 kulinganisha na Ksh. 46,698,000 za mwaka 2000. Usimamizi bora wa pesa na akiba ya benki kumeleta faida ya ksh. 8,844,000 ambayo imepunguka kidogo tu kulinganisha na ksh. 9,479,000 za mwaka uliotangulia.

Katika mwaka huu, mabadiliko kadhaa yalifanywa katika uongozi wa kampuni. Bw. Colin Herbert alistaafu mwezi Aprili na Bw. Geoffrey Iain stead akaingia mahali pake. Ninachukua nafasi hii kumshukuru Bw. Herbert kwa bidii zake za kuiongoza kampuni ikapata faida wakati huu wa hali ngumu ya biashara na hasa kwa juhudi zake za kuipa kampuni mwelekeo thabiti. Ninataka kumkaribisha Bw. Stead na nina imani kwamba uzoefu wake katika mambo ya masoko kutawezesha kampuni hii kujipatia na kuendeleza mauzo nchini na nchi nyingine za Afrika.

Gawio

Wakurugenzi wanapendekeza kwamba gawio liwe Ksh. 1.10 kwa kila hisa jinsi ilivyokuwa mwaka 2000. Pendekezo hili litatumia Ksh 22,275,000 na nia ya wakurugenzi ni kwamba wanahisa walipwe mara tu pendekezo hili litakapoidhinishwa na Mkutano wa Mwaka.

Siku za usoni

Mwaka jana wakati wa Mkutano wa Mwaka niliwafahamisha wanahisa kwamba tutafanya kampeni ya kuuza nje. Ninafurahi kuwaambieni kwamba uongozi wa kampuni umeshapata maagizo rasmi kutoka nchi za Shirika la Soko la Afrika ya Kusini (SADC).

Ili kukamilisha mipango hii, uongozi wa kampuni umeshughulikia kupata ithibati zinazohitajika na tunatarajia kuanza kutuma bidhaa karibuni. Zaidi ya hayo tuna mawasiliano na Tanzania na tunangojea matokeo ya tenda za vipuri vya alumini tulizofanya Uganda na Ethiopia mwezi wa Octoba na Novemba mwaka 2001. Mipango mingine ambayo uongozi unayo wa kuendeleza kampuni ni pamoja na kupata ithibati ya ISO 9001: 2000 na kutengeneza nyaya za XLPE ambazo mashini zake zitafungwa ifikapo mwezi Juni mwaka huu. Soko la nyaya hizi hapa nchini na nchi jirani linatia moyo.

Ningependa kutoa shukrani zangu kwa wafanyi kazi wote kwa bidii na kujitoa kwao katika kipindi cha mwaka huu.

Mwisho ningependa kuwashukuru wakurugenzi wenzangu kwa ushirikiano walionipa katika mwaka huu.

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 13 to 24 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.

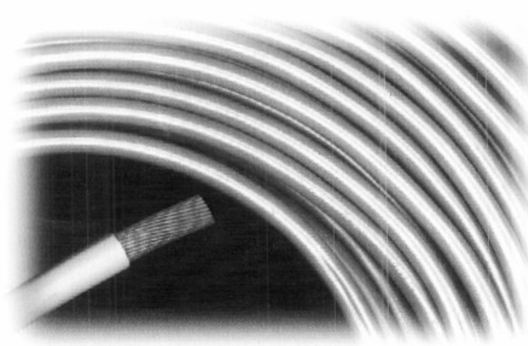
The directors are responsible for the preparation of financial statements which give a true and fair view of the state of affairs of the company and of its operating results. Our responsibility is to express an independent opinion on the financial statements based on our audit and to report our opinion 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, 2001 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: 4th February, 2002.



Taarifa ya Wakaguzi

KWA WANAHISA WA EAST AFRICAN CABLES LIMITED

Tumekagua taarifa za fedha na rasilmali jinsi zilivyoandikwa kutoka ukurasa wa 13 hadi wa 24 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.

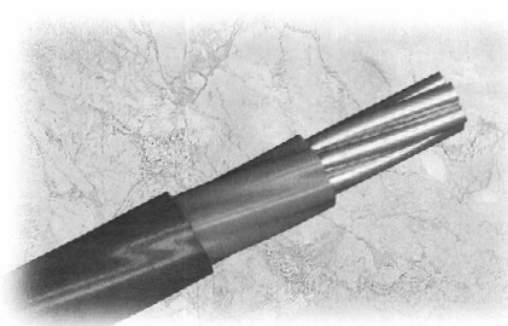
Wakurugenzi wana jukumu la kutayarisha taarifa za fedha na rasilmali za Kampuni zinazoonyesha ukweli na usawa wa hali ya mambo yalivyo na matokeo ya shughuli za Kampuni. Jukumu letu ni kutoa kauli isiyopendelea juu ya taarifa hizo kutokana na uhasibu wetu na kuwaarifu maoni yetu.

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, 2001. 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: 4 Februari, 2002.



Directors, Officers and Administration

DIRECTORS

S.G. Smith*
(Chairman)

G.I. Stead**
(Managing Director - Appointed on 10th April, 2001)

J. Schwartzman***

A.H. Butt

J. Munge

F.K. Fondo

C. Herbert****
(Managing Director - Retired on 10th April, 2001)

*American **South African *** Israeli **** British

SECRETARY

Mr. Francis K Fondo
East African Cables Limited, P. O. Box 18243 - 00500, Nairobi

AUDIT COMMITTEE

J. Schwartzman
A. H. Butt
B. Athreya
A. Kithusi

AUDITORS

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

REGITERED OFFICE

East African Cables Limited
Industrial Area, Kitui Road, P. O. Box 18243 - 00500, Nairobi

PRINCIPAL PLACE OF BUSINESS

Industrial Area, Kitui Road, P. O. Box 18243 - 00500, Nairobi

BANKERS

Standard Chartered Bank Kenya Limited
Kenyatta Avenue Branch, P. O. Box 30001, Nairobi

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

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

First American Bank of Kenya Ltd, ICEA Building, P.O Box 30691, Nairobi.

Profit and Loss Account

FOR THE YEAR ENDED 31 DECEMBER 2001

	Notes	2001 KShs '000	2000 KShs '000
Revenue		**358,161**	**399,255**
Cost of sales		(226,835)	(242,724)
Gross profit		131,326	156,531
Profit on disposal of property, plant and equipment		271	135
Factory expenses		(29,017)	(31,779)
Administrative expenses		(48,693)	(47,196)
Distribution costs		(25,833)	(26,479)
Other operating expenses	3	(10,409)	(13,454)
Profit from operations		17,645	37,758
Net finance income	4	9,029	8,940
Profit before tax	5	**26,674**	**46,698**
Income tax	6	(8,945)	(16,304)
Net profit for the year		**17,729**	**30,394**
Basic earnings per share	7	**KShs 0.88**	**KShs 1.50**
Dividend per share		**KShs 1.10**	**KShs 1.10**

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 17 to 24.

Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2001

	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 2001 (as previously stated)	101,250	545	59,371	22,275	121,413	304,854
Prior year adjustment (with respect to deferred tax)	-	-	(15,553)	-	(111)	(15,664)
As restated	101,250	545	43,818	22,275	121,302	289,190
Prior year dividends paid	-	-	-	(22,275)	-	(22,275)
Net profit for the year	-	-	-	-	17,729	17,729
Current year proposed dividends				22,275	(22,275)	-
Excess depreciation transfer	-	-	(1,101)	-	1,101	-
Deferred tax on excess depreciacion transferred	-	-	330	-	(330)	-
Balance at 31st Dec 2001	**101,250**	**545**	**43,047**	**22,275**	**117,527**	**284,644**

Adjustments in respect of prior year's deferred tax relate to the incorporation of deferred tax on industrial buildings and revaluation surpluses on freehold building and leasehold land and buildings.

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 17 to 24.

Profit and Loss Account

FOR THE YEAR ENDED 31 DECEMBER 2001

	Notes	2001 KShs '000	2000 KShs '000
Revenue		**358,161**	**399,255**
Cost of sales		(226,835)	(242,724)
Gross profit		131,326	156,531
Profit on disposal of property, plant and equipment		271	135
Factory expenses		(29,017)	(31,779)
Administrative expenses		(48,693)	(47,196)
Distribution costs		(25,833)	(26,479)
Other operating expenses	3	(10,409)	(13,454)
Profit from operations		17,645	37,758
Net finance income	4	9,029	8,940
Profit before tax	5	**26,674**	**46,698**
Income tax	6	(8,945)	(16,304)
Net profit for the year		**17,729**	**30,394**
Basic earnings per share	7	**KShs 0.88**	**KShs 1.50**
Dividend per share		**KShs 1.10**	**KShs 1.10**

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 17 to 24.

Balance Sheet

AS AT 31 DECEMBER 2001

	Notes	2001	2000
ASSETS		**KShs '000**	**KShs '000**
Property, plant and equipment	8	**95,553**	**96,682**
Current assets			
Stocks	9	62,786	74,737
Debtors	10	76,149	59,712
Tax recoverable		2,165	-
Investment in Treasury Bills		29,570	-
Short term deposits		56,045	118,817
Cash and bank balances		14,908	10,629
		241,623	**263,895**
TOTAL ASSETS		**337,176**	**360,577**
EQUITY AND LIABILITIES			
Capital and Reserves			
Issued capital	11	101,250	101,250
Share premium		545	545
Revaluation reserve		43,047	43,818
Retained earnings		117,527	121,302
Proposed dividends		22,275	22,275
		284,644	**289,190**
Deferred tax liability	12	**19,215**	**19,090**
Current liabilities			
Creditors	13	33,317	49,296
Tax payable		-	3,001
		33,317	**52,297**
TOTAL EQUITY AND LIABILITIES		**337,176**	**360,577**

The accounts on pages 13 to 24 were approved by the Board of Directors on 4th February, 2002 and were signed on its behalf by:

Steven G. Smith
(Chairman)

G. I. Stead
(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 17 to 24.

Cash Flow Statement

31 DECEMBER 2001

	Note	2001 KShs '000	2000 KShs '000
Cash flows from operating activities	15(a)	**(10,467)**	**94,039**
INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		271	135
Interest received		8,845	9,479
Purchase of plant and equipment		(5,297)	(5,994)
Cash flows from investing activities		**3,819**	**3,620**
FINANCING ACTIVITIES			
Dividends paid		(22,275)	(91,125)
Cash flows from financing activities		**(22,275)**	**(91,125)**
Net (Decrease)/increase in cash and cash equivalents	15(b)	**(28,923)**	**6,534**

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 17 to 24.

Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2001

	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 2001 (as previously stated)	101,250	545	59,371	22,275	121,413	304,854
Prior year adjustment (with respect to deferred tax)	-	-	(15,553)	-	(111)	(15,664)
As restated	101,250	545	43,818	22,275	121,302	289,190
Prior year dividends paid	-	-	-	(22,275)	-	(22,275)
Net profit for the year	-	-	-	-	17,729	17,729
Current year proposed dividends				22,275	(22,275)	-
Excess depreciation transfer	-	-	(1,101)	-	1,101	-
Deferred tax on excess depreciacion transferred	-	-	330	-	(330)	-
Balance at 31st Dec 2001	**101,250**	**545**	**43,047**	**22,275**	**117,527**	**284,644**

Adjustments in respect of prior year's deferred tax relate to the incorporation of deferred tax on industrial buildings and revaluation surpluses on freehold building and leasehold land and buildings.

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 17 to 24.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2001

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.

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 annual rates of depreciation used are as follows:

• 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, fittings, motor vehicles and computers	25%

e) Investment in treasury bills

Investment in treasury bills is stated at cost plus interest earned upto the balance sheet date.

f) 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.

g) Trade and other debtors

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2001

h) 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.

i) Taxation

Tax on the operating results for the year comprises both current and change in Deferred tax. Current tax is provided on the results in the year as shown in the 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.

j) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash in hand, bank balances, and deposits held with the banks net of bank overdrafts.

k) 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.

l) Comparatives

Where necessary, comparative figures have been adjusted to take into account the new International Accounting Standards operative during the year and incorporation of deferred tax on industrial buildings and revaluation surpluses on freehold building and leasehold land and buildings.

2. STAFF COSTS

	2001 KShs '000	2000 KShs '000
Direct labour	16,123	16,530
Administration salaries and wages	16,732	15,696
Distribution salaries and wages	8,348	7,508
Works salaries and wages	16,852	15,490
Pension contributions	3,828	3,617
	61,883	**58,841**

The average number of people engaged during the year were 104 (2000 -111).

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2001

3. Other Operating Expenses

	2001 KShs '000	2000 KShs '000
Depreciation	6,426	10,498
Service charge	3,983	939
Retirement costs	-	2,017
	10,409	**13,454**

4. Net Finance Income

	2001 KShs '000	2000 KShs '000
Interest income	8,845	9,479
Interest expense	-	(125)
Gain/(Loss) on exchange	184	(414)
	9,029	**8,940**

5. Profit Before Tax

		2001 KShs '000	2000 KShs '000
Profit before tax is arrived at after charging/(crediting):			
Interest income		(8,845)	(9,479)
Interest expense		-	125
Depreciation expense		6,426	10,498
Directors emoluments	Fees	1,138	754
	Other	10,834	11,585
Auditors remuneration:	Current year	700	700
	Prior year over provision	-	(150)

6. Income Tax

	2001 KShs '000	2000 KShs '000
Current tax expense at 30% (2000-30%)	8,820	17,384
Deffered tax (Note 12)	125	(1,080)
	8,945	**16,304**

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

	2001	2000
Accounting profit	26,674	46,698
Tax at the applicable rate of 30% (2000-30%)	8,002	14,009
Non-deductible costs and non-taxable income	943	2,295
	8,945	**16,304**

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2001

7. Earnings Per Share

The calculation of basic earnings per share is based on:	2001	2000
Profit attributable to ordinary shareholders **(KShs '000)**	17,729	30,394
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, 2001	12,500	53,000	69,399	20,125	6,804	161,828
Additions	1,356	-	-	3,550	391	5,297
Disposals	-	-	-	(360)	(836)	(1,196)
At 31st December, 2001	13,856	53,000	69,399	23,315	6,359	165,929
Comprising:						
Cost	1,356	-	69,399	23,315	6,359	100,429
Valuation	12,500	53,000	-	-	-	65,500
	13,856	53,000	69,399	23,315	6,359	165,929
Depreciation						
At 1st January, 2001	282	3,180	40,706	15,596	5,382	65,146
Charge for the year	94	1,060	4,325	411	536	6,426
On disposals	-	-	-	(360)	(836)	(1,196)
At 31st December, 2001	376	4,240	45,031	15,647	5,082	70,376
Net book amount						
At 31st December, 2001	**13,480**	**48,760**	**24,368**	**7,668**	**1,277**	**95,553**
At 31st December, 2000	**12,218**	**49,820**	**28,693**	**4,529**	**1,422**	**96,682**

The company's land and buildings were revalued on 3rd 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 a revaluation reserve account.

9. Stocks

	2001 KShs '000	2000 KShs '000
Finished goods	20,967	23,750
Work in progress	6,737	11,479
Raw materials	25,733	31,466
Strategic spares and lubricants	9,349	8,042
	62,786	**74,737**

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2001

10. Debtors

	2001 KShs '000	2000 KShs '000
Trade debtors	72,906	59,132
Prepaid expenses	714	41
Sundry debtors	2,529	539
	76,149	**59,712**

11. Share Capital

	2001	2000
Authorised, issued and fully paid		
20,250,000 Ordinary shares of KShs 5 each	**101,250**	**101,250**

12. Deferred Tax Liability

Deferred tax liabilities at 31st December, 2000 and 2001 are attributable to the movements in temporary differences between calculations of certian items for accounting and for taxation purposes as specified below:

	Balance at 31/12/00 as previously stated KShs '000	Recognised in equity KShs '000	Balance at 31/12/00 as restated KShs '000	Recognised in income KShs '000	Balance at 31/12/01 KShs '000
General provisions	(3,395)	-	(3,395)	1,429	(1,966)
Property, plant and Equipment	14,815	52,214	67,029	(1,012)	66,017
	11,420	**52,214**	**63,634**	**417**	**64,051**
Deferred Tax liability @ 30%	**3,426**	**15,664**	**19,090**	**125**	**19,215**

13. Creditors

	2001 KShs '000	2000 KShs '000
Trade creditors	20,741	31,968
Other creditors and accrued expenses	12,576	17,328
	33,317	**49,296**

14. Retirement Benefit Obligations

The company operates a defined contribution retirement benefits scheme for it's non-unionisable employees. The scheme is administered independently by 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 Bank of Kenya Limited being the custodians. During the year, the company expensed KShs. 3,827,643 in contributions payable (2000-KShs.3,617,316).

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2001

15. NOTES TO THE CASH FLOW STATEMENT

	2001 KShs '000	2000 KShs '000
a) Reconciliation of net profit before tax to cash flow from operating activities		
Net profit before tax	26,674	46,698
Adjustments for:		
Depreciation	6,426	10,498
Profit on disposal of property, plant and equipment	(271)	(135)
Interest income	(8,845)	(9,479)
Interest expense	-	125
Operating profit before working capital changes	**23,984**	**47,707**
Decrease in stocks	11,951	5,168
(Increase)/decrease in debtors	(16,437)	33,693
(Decrease)/increase in creditors	(15,979)	24,512
Cash generated from operations	**3,519**	**111,080**
Interest paid	-	(125)
Income taxes paid	(13,986)	(16,916)
Cash (outflow)/inflow from operating activities	**(10,467)**	**94,039**

b) Movement in cash and cash equivalent

	2001 KShs '000	2000 KShs '000	Change in Year KShs '000
Cash and bank balances	14,908	10,629	4,279
Short term deposits	56,045	118,817	(62,772)
Treasury bills	29,570	-	29,570
	100,523	**129,446**	**(28,923)**

16. RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties:

a) Directors and executive officers

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

	2001 KShs '000	2000 KShs '000
Directors (see note 5)	11,972	12,339
Executive officers	9,183	8,128
	21,155	**20,467**

b) Management fees

The service charge disclosed in Note 3 above relates to fees charged by Sameer Management Limited for company secretarial and legal support services.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2001

			2001 KShs '000	2000 KShs '000
c)	**Sales revenue from related parties**			
	H. Young & Co. (East Africa) Ltd		6,639	1,122
	Ryce Motors Limited		460	-
			7,099	**1,122**
d)	**Purchases from related parties**			
	Ryce Motors Limited	- Purchase of motor vehicle	1,103	-
		- Others	163	-
			1,266	-
e)	**Balances due from related parties**			
	H. Young & Co. (East Africa) Ltd		2,289	879
	Ryce Motors Limited		46	-
			2,335	**879**
f)	**Balances due to related parties**			
	Ryce Motors Limited		**31**	-

17. FINANCIAL INSTRUMENTS

Liquidity risk

The table below analyses the liquidity period of the company's financial assets and liabilities.

	Due on demand KShs '000	Within 3 months KShs '000	Total KShs '000
Debtors	75,435	-	75,435
Investment in treasury bills	-	29,570	29,570
Short term deposits	56,045	-	56,045
Cash and bank balances	14,908	-	14,908
Creditors	(33,317)	-	(33,317)

Notes to the Financial Statements

17. Financial Instruments Continued

Interest rate risk

The table below summarises the interest rate profile of the company's financial assets and liabilities.

	Effective interest rate	On demand KShs '000	Within 3 months KShs '000	Total KShs '000
Assets				
Debtors	-	75,435	-	75,435
Investment in treasury bills	11%	-	29,570	29,570
Short term deposits	9% - 9.5%	56,045	-	56,045
Cash and bank balances	-	14,908	-	14,908
Creditors	-	(33,317)	-	(33,317)

The interest rates quoted above represent the range which prevailed in the current financial year.

18. Ultimate Holding Company

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

19. Incorporation

The company is incorporated in Kenya under the Companies Act.

20. Currency

The accounts are presented in Kenya Shillings.

Five Year Financial Record

PROFIT AND LOSS SUMMARY

	1997	1998	1999	2000	2001
	KShs' 000	KShs' 000	KShs' 000	KShs' 000	KShs' 000
Sales	522,802	506,191	370,219	399,255	358,161
Profit Before Tax	94,603	94,860	32,842	46,698	26,674
Tax	(30,673)	(31,175)	(10,993)	(16,304)	(8,945)
Profit After Tax	63,930	63,685	21,849	30,394	17,729
Dividends	(40,500)	(40,500)	(91,125)	(22,275)	(22,275)
Retained Earnings	23,430	23,185	(69,276)	8,119	(4,546)
Earnings Per Share (Shs)	3.16	3.14	1.08	1.50	0.88
Dividend Per Share(Shs)	2.00	2.00	4.50	1.10	1.10
BALANCE SHEET					
Property, plant and equipment	113,816	120,122	101,186	96,682	95,553
Current assets					
Stocks	119,973	81,470	79,905	74,737	62,786
Debtors	66,277	58,672	93,966	59,712	76,149
Tax recoverable	-	-	-	-	2,165
Investment in Treasury Bills	-	-	-	-	29,570
Short term deposits	-	-	125,466	118,817	56,045
Cash and bank balances	79,058	159,424	15	10,629	14,908
	265,308	299,566	299,352	263,895	241,623
TOTAL ASSETS	**379,124**	**419,688**	**400,538**	**360,577**	**337,176**
Equity and Liabilities					
Issued capital	101,250	101,250	101,250	101,250	101,250
Reserves	224,822	242,486	173,210	165,665	161,119
Proposed dividend	40,500	40,500	91,125	22,275	22,275
	366,572	384,236	365,585	289,190	284,644
Deferred tax liability	-	5,521	4,506	19,090	19,215
Current Liabilities					
Borrowings	-	-	3,130	-	-
Creditors	12,166	29,252	24,784	49,296	33,317
Taxation	386	679	2,533	3,001	-
	12,552	29,931	30,447	52,297	33,317
TOTAL EQUITY AND LIABILITIES	**379,124**	**419,688**	**400,538**	**360,577**	**337,176**

Notes

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 37th Annual General Meeting of the said Company to be held at 11.00 a.m. on Friday 22nd March, 2002 and at any adjournment thereof:

Signed this ____________________ day of ____________________ 2002.

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 37 wa kampuni hii, utakaofanyika saa tano asubuhi ijumaa Machi 22, 2002 ama siku nyingine ikiwa Mkutano huo utaahirishwa.

Hati hii imetiwa sahihi hivi leo tarehe ____________________ mwezi wa ____________________ 2002.

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 - 00500
Nairobi, Kenya

SECOND FOLD

HALAFU KUNJA HAPA

STAPLE HERE AFTER FOLDING