EAST AFRICAN CABLES LIMITED

ANNUAL REPORT
AND ACCOUNTS
2003

HD
9695
.K46
E278
2003
c.2

Manufacturer of quality electrical cables and aluminium conductors

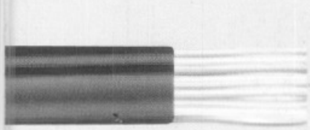
KS

QUALITY ASSURED FIRM ISO 9001 SGS

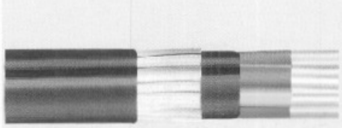
UKAS QUALITY MANAGEMENT 005

SABS SA

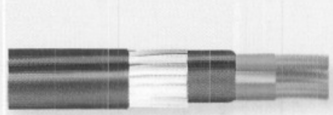
Aluminium Overhead Conductors and Centric Neutral Cables
Size: 16 to 400mm^2
High and low voltage overhead power distribution for both domestic and industrial undertaking



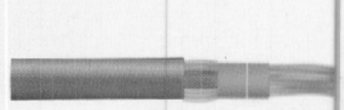
Multi-Core Armoured Cable
Size: 0.5 to 6mm^2
Low voltage signal and control cables mostly for centralized remote controls



Three-Core Armoured Cable
Size: 1.5 to 400mm^2
For underground low voltage power transmission and distribution for domestic, industrial and street lighting



10mm^2 C.N.C Copper Cable
Size: 10, 16, 25, 35mm^2
Low voltage pole to house for both overhead and underground power transmission and distribution



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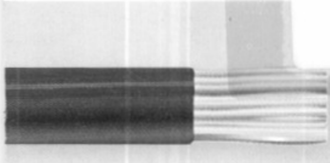
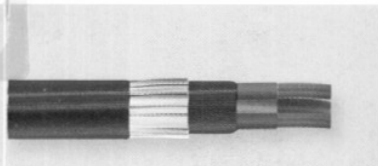


Multi-Core Armoured Cable
Low voltage signal and control cables

Three-Core Armoured Cable
For underground low voltage power transmission and distribution for domestic, industrial and street lighting



$10mm^2$ C.N.C Copper Cable
Low voltage pole to house for both overhead and underground power transmission and distribution

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Notice of the Annual General Meeting

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

Notice is hereby given that the thirty ninth Annual General Meeting of the shareholders will be held at The Holiday Inn, Nairobi, on 23rd April, 2004 at 11:00 a.m. for the following purposes:

1. To confirm the Minutes of the thirty eighth Annual General Meeting held on 30th April, 2003.

2. To receive the Accounts for the year ended 31st December, 2003 and the Directors' and Auditors' Reports thereon.

3. To approve the Directors' remuneration as provided in the accounts for the period ended 31st December, 2003

4. To Declare a final dividend of 20% representing one shilling 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.

   A.H. Butt
   J. Schwartzman

6. To appoint KPMG Kenya as auditors for the ensuing year and to authorise the Directors to fix their remuneration.

7. To transact any other business which may be transacted at an Annual General Meeting.

BY ORDER OF THE BOARD
Issa Timmamy
Secretary

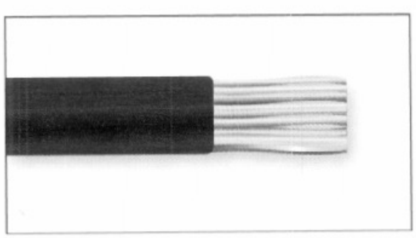
P.O. Box 87288
80100 GPO Mombasa

1st March, 2004

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.

2007/0906



Aluminium Overhead Conductor and Centric Neutral Cable
Size: 16 to 400 mm^2
Used for high and low voltage overhead power distribution for both domestic and industrial undertaking

Tangazo la Mkutano

Mnatangaziwa kwamba Mkutano wa Mwaka wa thalathini na tisa wa wenye hisa utafanyika Holiday Inn, Westlands, Nairobi, tarehe 23 Aprili, 2004 saa tano kamili kwa shughuli zifuatazo:

1. Kuthibitisha Taarifa za Mkutano wa thalathini na nane uliofanyika tarehe 30 Aprili, 2003.

2. Kupokea Hesabu za mwaka uliomalizika tarehe 31 Desemba, 2003 pamoja na taarifa ya Wakurugenzi na Wakaguzi.

3. Kutoa idhini ya malipo ya Wakurugenzi kwa mwaka uliomalizika tarehe 31 Desemba, 2003.

4. Kutangaza mgawo wa faida wa mwisho wa kiasi cha 20%, yaani shilingi moja kwa kila hisa.

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

   A. H. Butt
   J. Schwartzman

6. Kuwachagua KPMG Kenya kama wakaguzi wa hesabu za mwaka unaofuata na kuwapa wakurugenzi idhini ya kuamua ujira wao.

7. Kushughulikia jambo lingine lolote linaloweza kushughulikiwa katika mkutano mkuu wa kila mwaka.

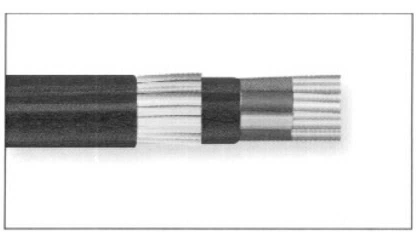
KWA AMRI YA HALMASHAURI
Issa Timmamy
Katibu

P.O. Box 87288
80100 GPO Mombasa

1 Marchi, 2004

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.



Multi-Core Armoured Cable
Size: 0.5 to 6 mm^2
Low voltage signal and control cables mostly for centralized remote controls

Report of the Directors

The directors have pleasure in submitting their report together with the audited financial statements for the year ended 31 December, 2003 which disclose the state of affairs of the company and the group.

1. Activities

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

2. Results

The results for the year are set out on Page 17

3. Dividends

The directors recommend the payment of a dividend of KShs 1.00 (2002 – KShs 0.50) per share.

4. Directors

The directors who served during the year are set out on page 16.

5. Auditors

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

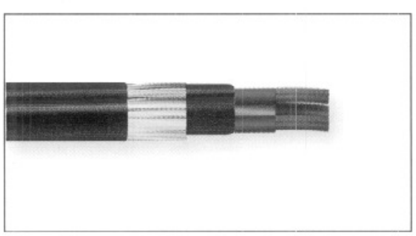
6. Approval of financial statements

The financial statements were approved at a meeting of the directors held on 1st March, 2004.

BY ORDER OF THE BOARD

Issa Timmamy
Secretary

Date:1st March, 2004



Three - Core Armoured Cable
Size: 1.5 to 400 mm^2
For underground low voltage power transmission and distribution for domestic, industrial and street lighting

Taarifa ya Wakurugenzi

Wakurugenzi wanafuraha kutoa ripoti yao pamoja na taarifa za kifedha zilizokaguliwa za mwaka uliomalizikia tarehe 31 Desemba 2003 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 17.

3. Mgawo wa Faida

Wakurugenzi wanapendekeza mgao mmoja wa Kshs. 1.00 (2002 - Kshs. 0.50) kwa kila hisa.

4. Wakurugenzi

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

5. Wakaguzi

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

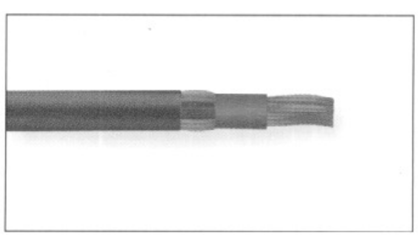
6. Kuidhinishwa kwa Hesabu

Hesabu ziliidhinishwa katika Mkutano wa Wakurugenzi uliofanyika tarehe 1 Marchi, 2004.

KWA AMRI YA HALMASHAURI

Issa Timmamy
Katibu

Tarehe: 1 Marchi, 2004.



C.N.C Copper Cable
Size:10,16,25,35 mm^2
Low voltage pole to house for both overhead and underground power transmission and distribution

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Corporate Governance

Corporate governance is the process by which companies are directed, controlled and held to account. The Board of Directors of East African Cables Limited is responsible for the governance of the company and is accountable for the governance to the shareholders for ensuring that the company complies with the law, the highest standards of corporate governance and business ethics. The directors attach great importance to the need to conduct the business and operations of the company with integrity and in accordance with the generally accepted corporate practice and endorse the internationally developed principles of good corporate governance.

BOARD OF DIRECTORS

This Board meets at least six times a year. The directors are given appropriate and timely infomation so that they can maintain full and effective control over strategic, financial, operational and compliance issues.

Except for direction and guidance on general policy, the Board has delegated authority for conduct of day-to-day business to the Managing Director. The Board nonetheless retains responsibility for establishing and maintaining the company's overall internal control on financial, operational and compliance issues.

Three out of the five members of the Board are non-executive including the chairman of the Board and all other than the Managing Director are subject to periodic reappointment in accordance with the company's Articles of Association.

COMMITTEES OF THE BOARD

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

Audit Committee

The Board has constituted an audit committee which meets four times a year or as necessary. Its responsibilities include review of financial information in particular half year and annual financial statements, compliance with accounting standards, liaison with the external auditors, remuneration of external auditors and maintaining oversight on internal control systems. The Managing Director and the Finance Director attend all meetings of the committee.

Staff committee

This is a staff committee of the Board. The committee meets quarterly or as required. The committee is responsible for monitoring and appraising the performance of senior management including the Managing Director, review of all human resources policies, determining the remuneration of senior management and making recommendations to the Board on the remuneration of non-executive directors.
The Managing Director attends all the meetings of the committee.

Finance Committee

There is also a finance committee. It meets three times a year or as required. Among its responsibilities is to receive and consider the company's annual budget, to review the purchasing tender regulations and to consider recommendations for capital expenditure. It also reviews proposals involving capital expenditure and insurance renewals. The Finance Director attends the meetings of the committee.

Communication with Shareholders

The Company is committed to ensuring that shareholders and the financial markets are provided with full and timely information about its performance. This is usually done through the distribution of the Company's Annual Report and the release of notices in the national press of its half -yearly and annual results. In this regard, the Company complies with the obligations contained in the Nairobi Stock Exchange's Listing Rules and the Capital Markets Authority Act applicable in Kenya.

Directors' Emoluments and Loans

The aggregate amount of emoluments paid to Directors for services rendered during the financial year ended 2003 is disclosed in note 18 to the financial statements. Neither at the end of the financial year, nor at any time during the year did there exist any arrangement to which the Company is a party, whereby Directors might acquire benefits by means of the acquisition of the Company's shares.

Corporate Governance (continued)

Internal Controls

The company has defined procedures and financial controls to ensure the reporting of complete and accurate accounting information. These cover systems for obtaining authority for major transactions and for ensuring compliance with the laws and regulations that have significant financial implications. Procedures are also in place to ensure that assets are subject to proper physical controls and that the organisation remains structured to ensure appropriate segregation of duties.

In reviewing the effectiveness of the systems of internal control, the Board takes into account the results of all the work carried out to audit and review the activities of the company. A comprehensive management accounting system is in place providing financial and operational performance measurement indicators. Weekly senior management meetings are held by the executive management to monitor performance and to agree on measures for improvement.

Directors' interests in the shares of the Company, the distribution of the Company shareholding and analysis of the ten major shareholders as at 31st December 2003 were as follows:-

Share Register Details

Directors' interest

Name of Director	Number of Shares
Akif Hamid Butt	5,000
Francis Kalama Fondo	138
Steven George Smith	20,000
Geoffrey Iain Stead	3,250

Distribution of Shareholding

Shares Range	No. of Shareholders	No. of Shares held	% Shareholding
0-500	157	40,690	0.20
501-5,000	486	943,785	4.66
5001-10,000	83	580,641	2.87
10,001-100,000	69	1,720,771	8.50
100,001-1000,000	5	1,650,051	8.15
Above 1,000,000	1	15,314,062	75.62
Total	801	20,250,000	100.00

Analysis of ten major shareholders

No.	Name(s)	No. of Shares	% Shareholding
1.	Cable Holdings (Kenya) Ltd	15,314,062	75.62
2.	Swani Coffee Estate Limited	628,126	3.10
3.	Provincial Insurance Co. of East Africa Ltd	600,643	2.97
4.	Ali Mohamed Adam	166,745	0.82
5.	Ali Mohamed Adam	140,980	0.70
6.	Chandubhai Bhikhabhai Patel C/o Filmico Agencies Ltd	113,557	0.56
7.	Cannon Assurance (K) Limited	100,000	0.49
8.	Joseph Benjamin Emmett	78,596	0.39
9.	Chandulal Shah & Mrs Shantaben Shah	73,000	0.36
10.	Barclays (Kenya) Nominees Ltd Account 9226AA	62,225	0.31

Uthibiti wa Shirika

Uthibiti wa shirika ni njia zinazoongoza utawala na uwajibishaji. Bodi ya wakurugenzi wa East African Cables Limited ina jukumu la kuongoza kampuni na inawajibika katika uongozi huo kwa wana hisa; kuhakikisha kwamba kampuni inazingatia sheria na mbinu za hali ya juu kabisa za uongozi wa mashirika na maadili ya biashara. Wakurugenzi wanaweka maanani sana haja ya kuendesha biashara kwa uaminifu na wanakubaliana na mienendo ya uongozi inayokubalika na kuungwa mkono kimataifa ya jinsi uongozi wa mashirika ulivyo.

Bodi ya Wakurugenzi

Bodi hukutana sio chini ya mara sita kwa mwaka. Wakurugenzi wanapewa taarifa mwafaka kwa wakati wake ili waweze kudumisha uongozi unaofaa katika mipango ya fedha, utendaji na uzingatifu.

Bodi imemkabidhi Meneja Mkurugenzi mamlaka ya kuendesha shughuli za kawaida za kampuni isipokuwa maelekezo na sera za kampuni. Hata hivyo, Bodi inawajibu wa kuweka na kudumisha usimamizi wa kampuni juu ya fedha, utendaji na uzingatifu.

Watatu kati ya wakurugenzi watano wa Bodi sio watendaji akiwapo mwenyekiti wa Bodi na wote isipokuwa Meneja Mkurugenzi huchaguliwa baada ya kila muda fulani kulingana na mkataba wa muundo wa kampuni.

Kamati za Bodi

Bodi ina kamati tatu za kudumu ambazo hukutana mara kwa mara jinsi Bodi inavyoamuru.

Kamati ya Uhasibu

Bodi imeunda kamati ya uhasibu ambayo hukutana mara nne kwa mwaka au inavyolazimu. Jukumu lake nikukagua taarifa zote za kifedha hasa zile za katikati ya mwaka na mwisho wa mwaka. Kamati hii pia huhakikisha uwekaji wa daftari za mahesabu unafanywa vilivyo na huwasiliana na wahasibu wa kutoka nje na kuweka ada yao pamoja na kuangalia usimamizi wa ndani ya kampuni. Meneja Mkurugenzi na Mkurugenzi wa Fedha wanahudhuria mikutano ya kamati hii.

Kamati ya Watumishi

Hii ni kamati ya Bodi inayohusu watumishi. Kamati hii hukutana baada ya kila miezi mitatu au inavyohitajika. Kamati hii inajukumu la kuangalia na kuchunguza utekelezaji wa viongozi wakuu pamoja na Meneja Mkurugenzi. Pia huangalia mahitaji ya nguvu kazi na kuweka viwango vya mishahara na marupurupu ya viongozi wakuu na kupendekeza kwa Bodi malipo ya wakurugenzi wasio watendaji. Meneja Mkurugenzi anahudhuria mikutano ya kamati hii.

Kamati ya Fedha

Kamati hii hukutana mara tatu kwa mwaka au inavyohitajika. Baadhi ya majukumu yake ni kupokea na kuangalia makisio ya kila mwaka,kukagua mikataba ya tenda za ununuzi na kupima na kupendekeza matumizi juu ya mtaji pamoja na kufanya bima upya. Mkurugenzi wa Fedha anahudhuria mikutano ya kamati hii.

Mawasiliano na Wanahisa

Kampuni inawajibika kuhakikisha kwamba wanahisa na masoko yote ya kifedha yanapata taarifa zote kuhusu mwenendo wa Kampuni. Hii hufanywa kwa usambazaji wa Taarifa ya Mwaka ya Kampuni na matangazo mengine yanayotolewa kila baada ya miezi sita na baada ya kila mwaka. Kwa kufanya hivi, Kampuni inazingatia matakwa ya Soko la Hisa la Nairobi (Nairobi Stock Exchange's Listing Rules) na sheria ya Soko la Wawekezaji (Capital Markets Authority Act) inavyohusika Kenya.

Malipo ya Mikopo ya Wakurugenzi

Wastani wa malipo wanayopata wakurugenzi kwa kazi yao kwa kipindi cha mwaka ulioishia 2003 yameonyeshwa kwenye kifungu cha 18 cha taarifa hizi za fedha. Hadi mwisho wa mwaka au wakati wowote katika mwaka huu hakujatokea kwa mpango wowote ambao kampuni ilihusika ambapo wakurugenzi wangeweza kupata mafao kwa kujipatia hisa za kampuni.

Uthibiti wa Shirika (inaendelea)

Usimamizi wa Ndani

Kampuni ina utaratibu dhahiri wa usimamizi wa fedha kuhakikisha kuwa taarifa za kifedha ni sahihi. Utaratibu huu unahusu kupata kibali cha kutumia kiasi kikubwa cha fedha ili ulingane na sheria na taratibu zinazohusu matumizi kama hayo. Pia kuna utaratibu wa kuhakikisha kuwa mali ya kampuni inawekwa salama na kwamba kampuni ina vitengo vyenye wajibu tofauti tofauti.

Kutaka kuhakikisha kwamba utaratibu huu unafaa, Bodi huangalia matokeo ya kazi iliyofanywa ili kukagua na kuweka miongozo ya shughuli za kampuni.

Kuna utaratibu kamili wa jinsi ya kufahamisha uongozi hali ya fedha na maendeleo ya kampuni. Kila wiki kuna mkutano wa meneja viongozi watekelezaji kukagua maendeleo ya kazi na kuweka malengo bora.

Jina la Mkurugenzi	Idadi ya hisa
Akif Hamid Butt	5,000
Francis Kalama Fondo	138
Steven George Smith	20,000
Geoffrey Iain Stead	3,250

Safu ya hisa	Idadi ya wenye hisa	Idadi ya hisa	Asilimia ya Umilikaji
0-500	157	40,690	0.20
501-5,000	486	943,785	4.66
5001-10,000	83	580,641	2.87
10,001-100,000	69	1,720,771	8.50
100,001-1000,000	5	1,650,051	8.15
Zaidi ya 1,000,000	1	15,314,062	75.62
Jumla	801	20,250,000	100

Majina ya wenye hisa	Idadi ya hisa	Asilimia ya Umilikaji
1. Cable Holdings (Kenya) Ltd	15,314,062	75.62
2. Swani Coffee Estate Limited	628,126	3.10
3. Provincial Insurance Co. of East Africa Ltd	600,643	2.97
4. Ali Mohamed Adam	166,745	0.82
5. Ali Mohamed Adam	140,980	0.70
6. Chandubhai Bhikhabhai Patel C/o Filmico Agencies Ltd	113,557	0.56
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8. Joseph Benjamin Emmett	78,596	0.39
9. Chandulal Shah & Mrs Shantaben Shah	73,000	0.36
10. Barclays (Kenya) Nominees Ltd Account 9226AA	62,225	0.31

Statement of Directors' Responsibilities

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

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in accordance with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the group and the company and the operating results of the group. The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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

Steven G. Smith
(Chairman)

A. H. Butt
(Director)

Date: 1st March 2004.

Flat Twin with Earth Cable
Size: 1.0 to 16mm^2
General low voltage for house and office wiring

Taarifa ya Majukumu ya Wakurugenzi

Sheria ya Makampuni 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.

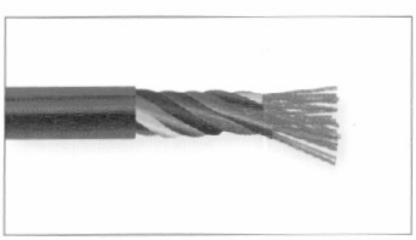
Wakurugenzi wanahisi kwamba hesabu zilizoandikwa zinaonyesha ukweli na usawa wa hali ya kifedha ya Kampuni na matokeo ya biashara yake. Pia wakurugenzi wanawajibika kuweka vitabu vinavyoweza kutegemewa ili kuandika hesabu ya kampuni na vile vile kuweka usimamizi mzuri wa fedha.

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)

A. H. Butt
(Director)

Tarehe: 1 Marchi, 2004.



Seven-Core Auto Cable
Size: 1.0 to 1.5 mm^2
Automobile electrical wiring especially for trailers

Chairman's Statement

Steven G. Smith - *Chairman*

The year started with a lot of optimism following a successful general election and a new Government. As a business, we expected an early recovery of the Kenyan economy including resumption of donor support by Kenya's development partners.

As the year progressed, the optimism faded as there were no obvious major signs of economic recovery. However, I am pleased to report that despite the slow pace in the overall recovery of the economy, we were able to achieve positive results. This represents a major turnaround for the group from a pre-tax loss of Shs. 4.9 million in 2002 to a pre-tax profit of Shs. 14 million. Our sales increased by 10.3% to Kshs 428.4 million from Kshs. 388 million in 2002. In view of the results for the year, your board has declared a first and final dividend of 20% equaling to Shs. 1.00 per share compared to Shs. 0.50 in 2002. The total dividend for the year amounts to Shs. 20.25 million.

The good performance is attributable to the implementation of market growth strategies during the year. These were designed to re-position our business in an environment characterized by a continued down turn in the construction industry, depressed margins, increased prices of raw materials, competition and low interest income. Because of the decline in interest rates on Government securities and Bank deposits, we earned substantially reduced interest income of Shs. 1.7 million compared to Shs. 3.3 million in 2002 and which was as high as Shs. 15.8 million in 1999. The profit for the year is mainly from our manufacturing activities. This is a reflection of the success of our business strategies that place more emphasis on our core manufacturing activity at a time of declining interest income. We participated in three Kenya Power & Lighting Company (KP&LC) tenders towards the end of 2003 for supply of both Copper and Aluminium products. The KP&LC tenders have become very competitive and crowded with many overseas companies participating. I am pleased to report that we have tentatively been awarded two tenders for supply of Aluminium Cables and Conductors in 2004 and are awaiting the results of the third tender.

FUTURE PROSPECTUS

The outlook for 2004 seems encouraging. I see tremendous growth potential in the region with most of the economies beginning to show signs of economic recovery. I am also optimistic that the Kenyan economy will register a reasonable growth after many years of decline, which will in turn stimulate growth in the Construction Industry and demand for our products. Our ISO 9001:2000 Certificate together with our other quality marks gives us a competitive advantage in the market and we should see an increase in demand for our products. The South African market remains competitive and we face stiff competition from suppliers in that country. Since our products are subject to 15% import duty, this makes us less price competitive in that market even though we meet the technical quality standards of that country. The continued increase in the London Metal Exchange prices (LME) for most metals including Copper and Aluminium since September 2003 poses a major challenge. The continued increase in steel prices may also impact negatively on the Construction Industry and thus adversely affect our business as well. In addition, exchange rate exposure is another area of challenge. We recognize the potential impact on our business by these challenges and appropriate response strategies are already in place to deal with these exposures.

CHANGE IN DIRECTORS AND COMPANY SECRETARY

During the year, changes occurred at executive level in our company. Mr. Francis Fondo, Finance Director and Company Secretary, resigned in July and Mr. Geoffrey Stead, Managing Director, resigned in November. No replacements have been made for the two and I wish both Messrs Stead and Fondo success in their future endeavours. However, Mr. Alfred Kithusi was seconded in June 2003 from the Sameer Group as General Manager to oversee operations of the Company. I also take this opportunity to thank Mr. Kithusi for his efforts in steering the company to profitability in a difficult business environment. Mr. Issa Timamy was appointed Company Secretary following Mr. Fondo's resignation.

SOCIAL CORPORATE RESPONSIBILITY

We continue to be an equal opportunity employer. We are pleased to report that one of our staff in the production department who was born totally blind retired in December after 36 years of service. We have subsequently replaced him with a visually impaired person whom we recruited with the assistance of Kenya Society for the Blind. Finally, I would like to express the Board's appreciation and gratitude to all our staff for the continued commitment and dedicaton throughout the year. I would also 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 - *Chairman*

Mwaka ulianza na matarajio mazuri kufuatia uchaguzi uliofanyika vizuri na serikali mpya.Tukiwa wafanyi biashara tulitegemea kufufuka kwa uchumi pamoja na kurejeshwa kwa misaada kutoka wafadhili wa Kenya katika mipango ya maendeleo. Mwaka ulivyosonga mbele matarajio hayo yalififia kwa kuwa hakukuweko ishara yakini ya kufufuka kwa uchumi. Hata hivyo ninafurahi kuwafahamisha kwamba licha na mabadiliko kidogo ya kufufuka kwa uchumi tuliweza kupata matokeo mazuri. Matokeo haya ni hatua kubwa katika mwelekeo wa kampuni kutoka kwenye hasara ya shilingi milioni 4.9 kabla ya kodi mwaka wa 2002 kufikia faida ya shilingi milioni 14 kabla ya kodi. Mauzo yetu yaliongezeka kwa 10.3% kufikia shilingi milioni 428.4 kutoka shilingi milioni 388 mwaka wa 2002. Kufuatana na matokeo haya, Bodi yenu imetangaza gawio la kwanza na la mwisho la 20% ambalo litakuwa ni shilingi 1.00 kwa kila hisa kulinganisha na senti 0.50 zilizolipwa mwaka 2002. Gawio hili litakuwa jumla ya shilingi milioni 20.25.

Matokeo haya mazuri yameletwa na kuzingatiwa vigezo vya upanuzi wa soko kwa kipindi cha mwaka huu. Vigezo hivyo vililenga kuiweka imara biashara yetu katika mazingira ya upungufu wa ujenzi; upungufu wa faida; kuongezeka bei za mali ghafi; ushindaniaji na faida kidogo katika mapato. Kutokana na riba ndogo iliyopatikana katika amana za serikali na akiba ya benki, tulipata kipato pungufu cha shilingi milioni 1.7 tukilinganisha na shilingi milioni 3.3 mwaka wa 2002 na ambapo kilele chake kilikuwa shilingi milioni15.8 mwaka 1999. Faida ya mwaka huu inatokana zaidi, na shughuli za matengenezo ya bidhaa. Hii inaonyesha ufanisi wa vigezo vya biashara vilivyotia mkazo zaidi shughuli ya kutengeneza bidhaa wakati ambapo mapato ya kutegemea riba yanapunguka. Tulishindania zabuni tatu za kampuni ya Kenya Power and Lighting Company (KP&LC) kuelekea mwisho wa mwaka wa 2003. Zabuni hizo ni za bidhaa za shaba na alumini. Zabuni za KP&LC zimekuwa za mashindano makali na zinapiganiwa na kampuni nyingi pamoja na nyingine za kutoka nje. Ninafurahi kuwafahamisha kwamba tumepata zabuni mbili za kuwauzia nyaya na vipuri vingine vya alumini mwaka wa 2004. Kwa sasa tunangojea matokeo ya zabuni ya tatu.

Siku za usoni

Matarajio ya mwaka wa 2004 yanatia moyo. Ninahisi kuna uwezekano wa kuimarika kwa uchumi wa nchi za kanda hii na ishara zake zinaonekana. Ninatumaini uchumi wa Kenya utakua kwa kiwango angalao kidogo baada ya miaka kadhaa ya kuzorota. Kuimarika kwa uchumi nako kutaleta kichocheo katika shughuli za ujenzi na mahitaji ya bidhaa zetu. Ithibati ya ISO 9001:2000 pamoja na alama zetu za ubora zitatuweka kwenye nafasi bora katika soko na tutaona kuongezeka kwa mahitaji ya bidhaa zetu. Soko la Afrika ya Kusini bado ni la kupiganiwa sana na kuna wapinzani wengi huko. Kwa vile bidhaa zetu zinalipiwa ushuru wa 15% bei zake huwa sio nafuu katika soko hilo ijapokuwa tunafikia kiwango cha udhabiti wanaoutaka. Bei ya madini katika soko la London Metal Exchange (LME) ziliendelea kupanda tangu Septemba 2003. Hili ni tatizo kubwa. Kuongezeka kwa bei ya chuma cha pua huenda kukaathiri shughuli za ujenzi na kwa hivyo kuathiri biashara yetu pia. Aidha, ubadilishanaji wa sarafu nao utakuwa ni tatizo jingine. Tunaelewa vizuri mathara ya matatizo haya kwa biashara yetu na hatua za kufaa zimeshachukuliwa kupambana na matatizo haya mara yatakapotokea.

Mabadiliko Ya Wakurugenzi na Katibu wa Kampuni

Katika kipindi cha mwaka huu kumetokea mabadiliko katika ngazi ya utekelezaji wa Kampuni. Bwana Francis Fondo aliyekuwa Mkurugenzi wa Mambo ya Fedha pamoja na Katibu wa Kampuni alijiuzulu mnamo mwezi Julai naye Bwana Geoffrey Stead, Meneja Mkurugenzi alijiuzulu mwezi Novemba. Nafasi hizo hazijajazwa. Ninawatakia kila la heri wote Bwana Stead na Bwana Fondo katika shughuli zao. Hata hivyo Bwana Alfred Kithusi alitumwa kutoka Sameer Group tangu Juni 2003 kushikilia nafasi ya Meneja Mkuu ili kusimamia shughuli za Kampuni. Ninachukua nafasi hii kumshukuru Bwana Kithusi kwa juhudi zake za kuiongoza Kampuni hata kufikia kupata faida katika mazingira magumu. Bwana Issa Timammy aliteuliwa kuwa Katibu wa Kampuni kufuatia kujiuzulu kwa Bwana Fondo.

Masilahi na Uwajibikaji wa Kampuni

Tunaendelea kuwa waajiri wenye kutoa nafasi sawa kwa wote. Tunafurahi kuarifu kuwa mmoja wa wafanyi kazi wetu katika idara ya uzalishaji ambaye alizaliwa akiwa kipofu alistaafu baada ya kutumikia kampuni kwa miaka 36. Nafasi yake imepewa mtu mwingine naye ambaye haoni kwa kushauriana na Chama cha Wasioona. Mwisho ningependa kutoa shukrani za Wakurugenzi wa Bodi kwa wafanyi kazi wote kwa bidii na uaminifu wao kwa mwaka wote. Ninapenda pia kuwashukuru wakurugenzi wenzangu kwa ushirikiano walionipa katika kipindi cha mwaka huu.

Steven G Smith
Mwenyekiti

Report of the independent Auditors

We have audited the financial statements set out on pages 17 to 31 for the year ended 31 December 2003. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit. The balance sheet of the company is in agreement with the books of account.

Respective Responsibilities of Directors and Independent Auditors

As stated on page 10, the directors are responsible for the preparation of financial statements that give a true and fair view of the financial position of the group and the company and of the group's operating results. Our responsibility is to express an opinion on the financial statements based on our audit.

Basis of Opinion

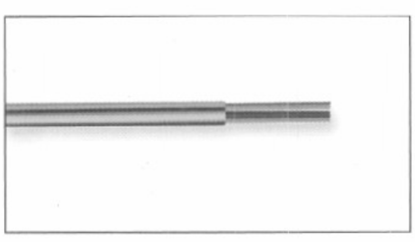
We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform our audit to obtain reasonable assurance that the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

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 financial position of the group and the Company at 31st December 2003 and of the group's operating results and cash flows for the year then ended and comply with International Financial Reporting Standards and the Kenyan Companies Act.

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

Date: 1st March, 2004



House & General wiring Cable
Size: 1.0 to 1000 mm^2
General low voltage house wiring and machine cubicle and cabinet low voltage wiring for control and power circuits

Taarifa ya Wakaguzi

Tumekagua taarifa za fedha na rasilmali za mwaka ulioshia tarehe 31 Desemba, 2003 jinsi zilivyoandikwa kutoka ukurasa wa 17 hadi wa 31.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.

Majukumu Mbalimbali ya Wakurugenzi na Wakaguzi

Ilivyoelezwa katika ukurasa wa kumi, 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 na Kampuni shiriki. Jukumu letu ni kutoa kauli juu ya taarifa hizo kutokana na uhasibu wetu.

Msingi wa Kauli

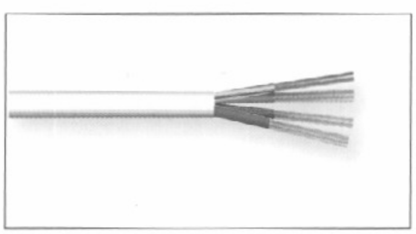
Tulifanya ukaguzi wetu kulingana na Kanuni za Uhasibu za Kimataifa (International Standards on Auditing). Kanuni hizo zinatuagiza tupange na kufanya uhasibu ili tupate uhakika wa kutosha kwamba taarifa hizo hazina dosari kubwa. Ukaguzi unaangalia na kuthibitisha uhakika wa taarifa hizo za fedha na rasilmali. 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.

Kauli

Kwa maoni yetu, vitabu vya hesabu viliandikwa vilivyo na taarifa za fedha na rasilmali zinaonyesha ukweli na usawa wa hali ya Kampuni na Kampuni shiriki ilivyokuwa hadi tarehe 31 Desemba, 2003. 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 na Sheria ya Kampuni, Kenya.

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

Tarehe: 1 Machi, 2004



Flexible Cable

Size: 0.5 to 95mm^2
Used for mobile installations e.g low voltage power supply to computers, fans, fridges, fence trimmers, drills, where the appliance does not become hot or generate heat

Directors, Officers and Administration

Directors

S.G. Smith*

(Chairman)

G.I. Stead**

(Managing Director - Resigned on 15th November 2003)

J. Schwartzman***

A.H. Butt

F.K. Fondo

(Resigned on 31st July 2003)

*American **South African *** Israeli

General Manager

Alfred Kithusi

Secretary

Issa Timmamy

Advocates

Shapley Barret and Co Advocates

P O Box 40286 - 00100 GPO Nairobi

Timmamy and Company Advocates

P O Box 87288 - 80100 GPO Mombasa

Auditors

KPMG Kenya

16th Floor, Lonrho Hse, Standard St, P. O. Box 40612 - 00100, GPO Nairobi

Registered Office & Principal Place of Business

East African Cables Limited

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

First American Bank of Kenya Ltd, Nyerere Road, P.O. Box 30691-00100 Nairobi.

Consolidated Profit and Loss Account

	Notes	2003	2002
		KShs '000	KShs '000
Revenue		**428,430**	**388,008**
Cost of sales		(288,324)	(259,174)
Gross profit		140,106	128,834
Other Income		4,115	707
Factory expenses		(33,401)	(31,732)
Administrative expenses		(54,436)	(56,966)
Distribution costs		(28,701)	(34,231)
Other operating expenses	3	(19,250)	(14,874)
Profit/(loss) from operations		**8,433**	**(8,262)**
Net finance income	4	5,589	3,308
Profit/(Loss) before tax	5	**14,022**	**(4,954)**
Income tax	6	(4,657)	(992)
Net profit/(loss) for the year		**9,365**	**(5,946)**
Basic and dilutive earnings/(loss) per share	7	**KShs 0.46**	**KShs (0.29)**
Dividend per share		**KShs 1.00**	**KShs 0.50**

The notes set out on pages 23 to 31 form an integral part of these financial statements.

Consolidated Balance Sheet

ASSETS	Notes	2003	2002
		KShs '000	KShs '000
Non current assets			
Property, plant and equipment	8	82,795	90,644
Prepaid operating lease rentals	9	324	331
		83,119	**90,975**
Current assets			
Stocks	11	112,553	87,042
Debtors	12	81,659	70,854
Related party balances	19(e)	968	1,927
Tax recoverable		-	61
Short term deposits		40,490	56,466
Cash and bank balances		37,112	23,214
		272,782	**239,564**
TOTAL ASSETS		**355,901**	**330,539**
EQUITY AND LIABILITIES			
Capital and Reserves			
Issued capital	14	101,250	101,250
Share premium		545	545
Revaluation reserve		35,572	36,208
Revenue reserves		91,392	97,889
Proposed dividends		20,250	10,125
		249,009	**246,017**
Non current liabilities			
Deferred tax liability	15	13,592	13,311
Provision for staff gratuity		9,232	8,555
		22,824	**21,866**
Current liabilities			
Creditors	16	79,431	61,608
Tax Payable		3,589	0
Unclaimed dividends		1,048	1,048
		84,068	**62,656**
TOTAL EQUITY AND LIABILITIES		**355,901**	**330,539**

The financial statements on pages 17 to 32 were approved by the Board of Directors on 1st March 2004 and were signed on its behalf by:

Steven Smith

Steven G. Smith (Chairman)

AHButt

A. H. Butt (Director)

The notes set out on pages 23 to 31 form an integral part of these financial statements.

Company Balance Sheet

ASSETS	Notes	2003	2002
		KShs '000	KShs '000
Non current assets			
Property, plant and equipment	8	82,795	90,644
Prepaid operating rentals	9	324	331
Investment in subsidiary company	10	-	-
		83,119	**90,975**
Current assets			
Stocks	11	113,363	71,561
Debtors	12	74,086	65,266
Related party balances	19(e)	9,720	18,299
Tax recoverable		-	61
Short term deposits		40,490	56,466
Cash and bank balances		36,297	19,943
		273,956	**231,596**
TOTAL ASSETS		**357,075**	**322,571**
EQUITY AND LIABILITIES			
Capital and Reserves			
Issued capital	14	101,250	101,250
Share premium		545	545
Revaluation reserve		35,572	36,208
Revenue reserves		92,841	103,102
Proposed dividends		20,250	10,125
		250,458	**251,230**
Non current liabilities			
Deferred tax liability	15	13,592	13,311
Provision for staff gratuity		9,232	8,555
		22,824	**21,866**
Current liabilities			
Creditors	16	79,156	48,427
Current tax		3,589	-
Unclaimed dividends		1,048	1,048
		83,793	**49,475**
TOTAL EQUITY AND LIABILITIES		**357,075**	**322,571**

The financial statements on pages 17 to 32 were approved by the Board of Directors on 1st March 2004 and were signed on its behalf by:

Steven G. Smith (Chairman) **A.H. Butt** (Director)

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The notes set out on pages 23 to 31 form an integral part of these financial statements.

Consolidated Cash Flow Statement

	Note	2003 KShs '000	2002 KShs '000
Cash flows from operating activities	18(a)	6,494	10,699
INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		1,280	422
Interest received		1,439	3,644
Purchase of plant and equipment		(1,166)	(13,333)
Cash flows from investing activities		**1,553**	**(9,267)**
FINANCING ACTIVITIES			
Dividends paid		(10,125)	(22,275)
Cash flows from financing activities		**(10,125)**	**(22,275)**
Net decrease in cash and cash equivalents	**18(b)**	**(2,078)**	**(20,843)**

The notes set out on pages 23 to 31 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

	Share capital KShs '000	Share premium KShs '000	Revaluation reserve KShs '000	Revenue reserve KShs '000	Proposed dividends KShs '000	Total KShs '000
Balance at 31st Dec, 2001	**101,250**	**545**	**36,844**	**113,521**	**22,275**	**274,435**
Net loss for the year	-	-	-	(5,946)	-	(5,946)
Dividends - 2001 paid	-	-	-	-	(22,275)	(22,275)
- 2002 proposed	-	-	-	(10,125)	10,125	-
Exchange adjustment	-	-	-	(197)	-	(197)
Excess depreciation transfer	-	-	(909)	909	-	-
Deferred tax on excess depreciation	-	-	273	(273)	-	-
Balance at 31st Dec 2002	**101,250**	**545**	**36,208**	**97,889**	**10,125**	**246,017**
Net profit for the year	-	-	-	9,365	-	9,365
Dividends - 2002 paid	-	-	-	-	(10,125)	(10,125)
- 2003 proposed	-	-	-	(20,250)	20,250	-
Exchange difference on translation of a subsidiary				4,219	-	4,219
Exchange adjustment	-	-	-	(467)	-	(467)
Excess depreciation transfer	-	-	(909)	909	-	-
Deferred tax on excess depreciation	-	-	273	(273)	-	-
Balance at 31st Dec 2003	**101,250**	**545**	**35,572**	**91,392**	**20,250**	**249,009**

The notes set out on pages 23 to 31 form an integral part of these financial statements.

Company Statement of Changes in Equity

	Share capital KShs '000	Share premium KShs '000	Revaluation reserve KShs '000	Revenue reserve KShs '000	Proposed dividends KShs '000	Total KShs '000
Balance at 31st Dec, 2001	**101,250**	**545**	**36,844**	**113,521**	**22,275**	**274,435**
Net loss for the year	-	-	-	(930)	-	(930)
Dividends - 2001 paid	-	-	-	-	(22,275)	(22,275)
- 2002 proposed	-	-	-	(10,125)	10,125	-
Excess depreciation transfer	-	-	(909)	909	-	-
Deferred tax on excess depreciation	-	-	273	(273)	-	-
Balance at 31st Dec, 2002	**101,250**	**545**	**36,208**	**103,102**	**10,125**	**251,230**
Net profit for the year	-	-	-	9,353	-	9,353
Dividends - 2002 paid	-	-	-	-	(10,125)	(10,125)
- 2003 proposed	-	-	-	(20,250)	20,250	-
Excess depreciation transfer	-	-	(909)	909	-	-
Deferred tax on excess depreciation	-	-	273	(273)	-	-
Balance at 31st Dec, 2003	**101,250**	**545**	**35,572**	**92,841**	**20,250**	**250,458**

The notes set out on pages 23 to 31 form an integral part of these financial statements.

Notes to the Financial Statements

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 Financial Reporting 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) Consolidation principles

The consolidated financial statements include the Company and its subsidiary in which the Group holds 100% of the voting rights. All inter-company balances and transactions, including unrealised inter-company profits, are eliminated on consolidation.

d) 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.

e) 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 Buildings	Over the lease period
• Plant, machinery and equipment	10%
• Furniture, fixtures, fittings, motor vehicles and computers	25%

f) Operating Leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as operating leases. Payments made under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease. Effective 1 January, 2001 all leasehold land previously reported under property, plant and equipment was reclassified to prepaid operating lease rentals.

g) Impairment

The carrying amounts of the group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indications exists, the asset's recoverable amount is estimated and an impairment loss recognised in the profit and loss account if the carrying amount exceeds its recoverable amount.

Notes to the Financial Statements

h) Stocks

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

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

i) Trade and other debtors

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

j) Employee benefits

i) Defined contribution plan

Non- unionisable employees of the company are eligible for retirement benefits under a defined contribution plan provided through a separate fund arrangement. Contributions to the defined contribution plan are charged to the income statement as incurred.

ii) Staff gratuity

Unionisable staff are eligible to a gratuity upon retirement based on 2.5 weeks pay for each year of service at current salary. A provision is made in the accounts for the estimated liability of such gratuity payable. Movements in the provision are accounted for in the profit and loss account.

k) 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 financial statements adjusted in accordance with tax legislation.

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

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

l) Cash and cash equivalents

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

m) Related party transactions

In the normal course of business, transactions have been entered with certain related parties. These transactions are at arm's length.

n) 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

	2003 KShs '000	2002 KShs '000
Direct labour	16,093	19,400
Administration salaries and wages	15,541	16,602
Distribution salaries and wages	12,063	11,723
Works salaries and wages	17,281	18,023
Pension contributions	2,636	3,860
	63,614	**69,608**

The average number of people engaged during the year was 105 (2002 - 133)

3. OTHER OPERATING EXPENSES

	2003 KShs '000	2002 KShs '000
Depreciation	9,015	9,042
Amortisation of long term lease prepayment	7	7
Management fees	10,228	5,825
	19,250	**14,874**

4. NET FINANCE INCOME

	2003 KShs '000	2002 KShs '000
Interest income	1,439	3,644
Gain/(Loss) on exchange	4,150	(336)
	5,589	**3,308**

5. PROFIT/LOSS BEFORE TAX

		2003 KShs '000	2002 KShs '000
Profit/(loss) before tax is arrived at after charging/(crediting):			
Depreciation expense		9,015	9,042
Amortisation of long term lease prepayment		7	7
Interest Income		(1,439)	(3,644)
Profit on diposal of property, plant and equipment		(1,280)	(422)
Directors emoluments -	Fees	922	1,103
	Other	8,286	12,869
Auditors remuneration -	Current	725	700

Notes to the Financial Statements

6. INCOME TAX

	2003 KShs '000	2002 KShs '000
Current tax expense	4,468	2,521
Previous year's overprovision	(92)	-
Deferred tax (Note 15)	281	(1,529)
	4,657	**992**

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

	2003 KShs '000	2002 KShs '000
Accounting profit/(loss)	14,022	(4,954)
Tax at the applicable rate	4,207	(1,486)
Previous year's overprovision	(92)	-
Non-deductible costs and non-taxable income	542	2,478
	4,657	**992**

7. BASIC AND DILUTIVE EARNINGS/(LOSS) PER SHARE

The calculation of basic and dilutive earnings/(loss) per share is based on:

	2003	2002
Profit/(loss) attributable to ordinary shareholders (KShs '000)	9,365	(5,946)
Number of ordinary shares outstanding during the year	20,250,000	20,250,000
Basic and dilutive earnings/(loss) per share	KShs 0.46	KShs (0.29)

8. PROPERTY, PLANT AND EQUIPMENT

Group & Company

	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	Construction work in progress KShs '000	Total KShs '000
Cost or valuation:							
At 1st January, 2003	14,156	43,000	69,399	24,184	7,719	9,473	167,931
Additions	175	-	719	-	156	116	1,166
Transfers	-	1,043	8,546	-	-	(9,589)	-
Disposals	-	-	-	(3,609)	-	-	(3,609)
At 31st December, 2003	14,331	44,043	78,664	20,575	7,875	-	165,488
Comprising:							
Cost	-	-	78,664	20,575	7,875	-	107,114
Valuation	14,331	44,043	-	-	-	-	58,374
	14, 331	44,043	78,664	20,575	7,875	-	165,488
Depreciation:							
At 1st January, 2003	493	4,300	49,561	17,179	5,754	-	77,287
Charge for the year	131	860	4,927	2,335	762	-	9,015
Disposals	-	-	-	(3,609)	-	-	(3,609)
At 31st December, 2003	624	5,160	54,488	15,905	6,516	-	82,693
Net book value :							
At 31st Dec, 2003	**13,707**	**38,883**	**24,176**	**4,670**	**1,359**	**-**	**82,795**
At 31st Dec, 2002	**13,663**	**38,700**	**19,838**	**7,005**	**1,965**	**9,473**	**90,644**

The 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. PREPAID OPERATING LEASE RENTALS

	2003 KShs'000	2002 KShs'000
Carrying value of leasehold land at 1st January	331	338
Amortisation for the year	(7)	(7)
Balance at 31st December	**324**	**331**

Notes to the Financial Statements

10. INVESTMENT IN SUBSIDIARY COMPANY

	2003 KShs'000	2002 KShs'000
Investment in Yana Trading SA (Proprietary) Limited	-	-

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

11. STOCKS

	2003 KShs'000	2002 KShs'000
Group		
Finished goods	32,731	42,169
Work in progress	18,819	11,306
Raw materials	51,396	21,944
Strategic spares and lubricants	9,607	11,623
	112,553	87,042
Company		
Finished goods	33,541	26,688
Work in progress	18,819	11,306
Raw materials	51,396	21,944
Strategic Spares and lubricants	9,607	11,623
	113,363	71,561

12. DEBTORS

	2003 KShs '000	2002 KShs '000
Group		
Trade debtors	66,397	56,734
Prepaid expenses	3,915	5,404
Sundry debtors	11,347	8,716
	81,659	70,854
Company		
Trade debtors	61,708	51,146
Prepaid expenses	3,915	5,404
Sundry debtors	8,463	8,716
	74,086	65,266

13. SHORT TERM DEPOSITS

The weighted average effective interest rate earned on the short term deposits during the year was 2.75% (2002 - 6.7%)

Notes to the Financial Statements

14. SHARE CAPITAL

	2003	2002
	KShs '000	KShs '000
Authorised, issued and fully paid		
20,250,000 Ordinary shares of KShs 5 each	101,250	101,250

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

15. DEFERRED TAX LIABILITIES

Movements during the year are as follows:-

	Balance at 31/12/02 KShs '000	Movement during the year KShs '000	Balance at 31/12/03 KShs '000
Staff gratuity provision	(2,567)	(203)	(2,770)
Property, plant and Equipment	15,878	484	16,362
	13,311	**281**	**13,592**

16. CREDITORS

	2003	2002
	KShs '000	KShs '000
Group		
Trade creditors	67,225	50,409
Other creditors and accrued expenses	12,206	11,199
	79,431	**61,608**
Company		
Trade creditors	66,950	37,228
Other creditors and accrued expenses	12,206	11,199
	79,156	**48,427**

17. RETIREMENT BENEFITS OBLIGATIONS

The company operates a defined contribution retirement benefits scheme for its non-unionisable employees. The scheme is administered independently by Alexander Forbes Insurance Brokers Limited and is funded by contributions from both the company and the employees. The scheme's funds are managed by Old Mutual Asset Managers (K) Limited. During the year, the company expensed KShs 2,636,086 in contributions payable (2002 - KShs 3,806,083).

Unionisable staff are eligible to a gratuity upon retirement based on 2.5 weeks pay for each year of service at current salary. A provision is made in the accounts for the estimated liability of such gratuity payable. At 31st December, 2003 the provision carried in the accounts amounted to KShs 9,232,270 (2002 -KShs 8,555,000).

18. Notes To The Cash Flow Statement

	2003 KShs '000	2002 KShs '000
a) Reconciliation of net profit/(loss) before tax to cash flow from operating activities		
Net profit/(loss) before tax	14,022	(4,954)
Adjustments for:		
Depreciation	9,015	9,042
Amortisation of long term lease prepayment	7	7
Profit on disposal of property, plant and equipment	(1,280)	(422)
Interest income	(1,439)	(3,644)
Foreign currency changes	3,752	(197)
Operating profit before working capital changes	**24,077**	**(168)**
Increase in stocks	(25,511)	(24,256)
(Increase)/decrease in debtors	(10,805)	2,960
Decrease in related party balances	959	408
Increase in creditors	18,500	32,172
Cash generated from operations	**7,220**	**11,116**
Income taxes paid	(726)	(417)
Cash inflow/(outflow) from operating activities	**6,494**	**10,699**

b) Movement in cash and cash equivalent	2003 KShs '000	2002 KShs '000	Change in Year KShs '000
Cash and bank balances	37,112	23,214	13,898
Short term deposits	40,490	56,466	(15,976)
	77,602	79,680	(2,078)

19. Related Party Transactions

The following transactions were carried out with related parties:

	2003 KShs '000	2002 KShs '000
a) Directors and executive officers		
The total remuneration of directors and executive officers is as follows:		
Directors (see note 5) - Fees	922	1,103
- Others	8,286	12,869
Executive officers	7,526	10,196
	16,734	**24,168**

b) **Management fees**

Management fee of KShs 10,227,500(See Note 3) was charged in the year by Sameer Management Limited for company secretarial and legal support services.

Notes to the Financial Statements

19. RELATED PARTY TRANSACTIONS (CONTINUED)

		2003 KShs '000	2002 KShs '000
c)	**Sales to related parties**		
	H. Young & Co. (East Africa) Ltd	7,677	8,204
	Ryce Motors Limited	559	634
	Firestone East Africa Limited	110	-
	Sasini Tea and Coffee	39	-
		8,385	**8,838**
d)	**Purchases from related parties**		
	Ryce Motors Limited	**172**	**147**
e)	**Balances due from related parties**		
	Group		
	H. Young & Co. (East Africa) Ltd	484	1,697
	Ryce Motors Limited	348	230
	Firestone East Africa Limited	87	-
	Sasini Tea and Coffee	49	-
		968	**1,927**
	Company		
	Yana Trading SA (Proprietary) Limited	8,752	16,372
	H. Young & Co. (East Africa) Ltd	484	1,697
	Ryce Motors Limited	348	230
	Firestone East Africa Limited	87	-
	Sasini Tea and Coffee	49	-
		9,720	**18,299**
f)	**Balances due to related parties**		
	Ryce Motors Limited	**127**	**18**

20. ULTIMATE HOLDING COMPANY

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

21. SUBSEQUENT EVENTS

On 12th March 2004, Trans - Century Limited acquired from Yana Trading Limited all the shares in Cables Holding (Kenya) Limited, which in turn holds 75.625% of the shares in East African Cables Limited.

22. INCORPORATION

The company is incorporated in Kenya under the Companies Act.

23. CURRENCY

The financial statements are presented in Kenya Shillings.

CMA - LIBRARY

Company Profit and Loss Account

	2003 KShs '000	2002 KShs '000
Revenue	**406,292**	**402,577**
Cost of sales	(266,264)	(273,490)
Gross profit	140,028	129,087
Other Income	4,115	422
Factory expenses	(33,401)	(31,732)
Administrative expenses	(52,436)	(51,916)
Distribution costs	(26,820)	(34,231)
Other operating expenses	(19,250)	(14,874)
Profit/(loss) from operations	12,236	(3,244)
Net finance income	1,774	3,306
Profit before tax	**14,010**	**62**
Income tax	(4,657)	(992)
Net profit/(loss) for the year	**9,353**	**(930)**
Basic and dilutive earnings/(loss) per share	**KShs 0.46**	**KShs (0.05)**
Dividend per share	**KShs 1.00**	**KShs 0.50**

Five Year Financial Record

PROFIT AND LOSS SUMMARY	1999	2000	2001	2002	2003
			Restated	Consolidated	Consolidated
	KShs' 000	KShs' 000	KShs' 000	KShs' 000	KShs' 000
Sales	370,219	399,255	358,161	388,008	428,430
Profit/(loss) Before Tax	32,842	46,698	24,112	(4,954)	14,022
Tax	(10,993)	(16,304)	(8,176)	(992)	(4,657)
Profit/(loss) After Tax	21,849	30,394	15,936	(5,946)	9,365
Dividends	(91,125)	(22,275)	(22,275)	(10,125)	(20,250)
Retained profit/(loss)	(69,276)	8,119	(6,339)	(16,071)	(10,885)
Earnings/(loss) Per Share (KShs)	1.08	1.50	0.79	(0.29)	0.46
Dividend Per Share (KShs)	4.50	1.10	1.10	0.50	1.0
BALANCE SHEET					
Non-current assets					
Property, plant and equipment	101,186	96,682	86,353	90,644	82,795
Long term lease prepayment	-	-	338	331	324
	101,186	96,682	86,691	90,975	83,119
Current assets					
Stocks	79,905	74,737	62,786	87,042	112,553
Debtors	93,966	59,712	73,814	70,854	81,659
Related party balances	-	-	2,335	1,927	968
Tax recoverable	-	-	2,165	61	-
Investment in Treasury Bills	-	-	29,570	-	-
Short term deposits	125,466	118,817	56,045	56,466	40,490
Cash and bank balances	15	10,629	14,908	23,214	37,112
	299,352	263,895	241,623	239,564	272,782
TOTAL ASSETS	**400,538**	**360,577**	**328,314**	**330,539**	**355,901**
Equity and Liabilities					
Share capital	101,250	101,250	101,250	101,250	101,250
Reserves	173,210	165,665	150,910	134,642	127,509
Proposed dividends	91,125	22,275	22,275	10,125	20,250
	365,585	289,190	274,435	246,017	249,009
Non- current liabilities					
Deferred tax liability	4,506	19,090	14,840	13,311	13,592
Provision for staff gratuity	-	-	7,689	8,555	9,232
	4,506	19,090	22,529	21,866	22,824
Current Liabilities					
Borrowings	3,130	-	-	-	-
Creditors	24,784	49,296	31,350	61,608	79,431
Taxation	2,533	3,001	-	-	3,589
Unclaimed dividends	-	-	-	1,048	1,048
	30,447	52,297	31,350	62,656	84,068
TOTAL EQUITY AND LIABILITIES	**400,538**	**360,577**	**328,314**	**330,539**	**355,901**

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 39th Annual General Meeting of the said Company to be held at 11.00 a.m. on Friday 23rd April, 2004 and at any adjournment thereof:

Signed this ____________________ day of ____________________ 2004.

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 39 wa kampuni hii, utakaofanyika saa tano asubuhi Ijumaa Aprili 23, 2004 ama siku nyingine ikiwa Mkutano huo utaahirishwa.

Hati hii imetiwa sahihi hivi leo tarehe ____________________ mwezi wa ____________________ 2004.

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