

EAAGADS LIMITED

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2000

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EAAGADS LIMITED

DIRECTORS AND PROFESSIONAL ADVISERS

DIRECTORS	A M Michaelides R S McLellan CA (SA) D C A Harries	British Kenyan Kenyan
SECRETARY	J L G Maonga P O Box 30029 Nairobi	
REGISTERED OFFICE	P O Box 10 Ruiru Kenya	
AUDITORS	Gill & Johnson "Kirungii", Ring Road, Westlands P O Box 40092 Nairobi	
BANKERS	Standard Chartered Bank Kenya Limited P O Box 30001 Nairobi	

EAAGADS LIMITED

REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements for the year ended 31 March 2000.

These accounts have been prepared in compliance with International Accounting Standards as required by Kenyan accounting regulations. This has required changes in accounting policies with regard to deferred tax and to the treatment of retirement benefit obligations. The effect of these changes has been to reduce current income before tax by Sh 282,000 caused by retirement benefit obligations arising in prior years, and to increase the current year tax charge by Sh 9,646,000 because of deferred tax liabilities. No changes have been made to comparative figures relating to prior years.

RESULTS

	Sh'000
Profit before taxation	3,115
Taxation	11,649
	<hr/>
Net loss for the year transferred to revenue reserve	(8,534)
	<hr/>

PRODUCTION

The coffee crop harvested during the year amounted to a respectable 477 tonnes or a yield of 2.297 tonnes per hectare, and compares favourably to the 5 year average crop (years ended March 1995 to March 1999 of 346 tonnes or a yield of 1.961 tonnes per hectare).

The results were achieved despite a very dry and difficult year.

DIVIDEND

In the light of poor results for the year ended March 2000 and of bleak future prospects, the directors do not consider it prudent to declare a dividend.

DIRECTORS

The directors who held office during the year are shown on page 2.

In accordance with the provisions of the company's Articles of Association, A M Michaelides retires by rotation and, being eligible, offers himself for re-election.

AUDITORS

Gill & Johnson, having expressed their willingness, continue in office in accordance with section 159 (2) of the Companies Act.

FUTURE PROSPECTS

An average crop is expected for the forthcoming crop for the year ending March 2001. Extremely dry conditions currently prevailing could however reduce the crop on the trees due to lack of power and water restrictions in force which would in turn make fertilisation of the trees impossible. The forthcoming crop is estimated at 400 tonnes or a yield of 2.055 tonnes per hectare.

World prices of coffee remain at a very low level and together with the extremely adverse weather conditions, very hard times can be expected in the coffee industry in the forthcoming year.

EAAGADS LIMITED

REPORT OF THE DIRECTORS (Continued)

EMPLOYEES

Again, it is our pleasure to record the appreciation of the directors to all employees for their continued loyalty and dedication to their work.

BY ORDER OF THE BOARD

A handwritten signature in dark ink, appearing to be 'John M. Njoroge', written over a horizontal line.

Secretary

Nairobi

18 September 2000

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law 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 company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

REPORT OF THE AUDITORS TO THE MEMBERS OF EAAGADS LIMITED

We have audited the financial statements on pages 7 to 19 and have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

Respective responsibilities of directors and auditors

As described on page 5, the directors are responsible for the preparation of the financial statements. Our responsibility is to express an opinion on those 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 the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the directors, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, proper books of account have been kept by the company and the financial statements, which are in agreement therewith, give a true and fair view of the state of affairs of the company at 31 March 2000 and of its loss and cash flows for the year then ended in accordance with International Accounting Standards and comply with the Companies Act.

Gill & Johnson

19 September 2000

EAAGADS LIMITED

INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2000

	Note	2000 Sh'000	1999 Sh'000
TURNOVER		61,154	54,861
COST OF SALES		(61,513)	(49,559)
GROSS (LOSS)/PROFIT		(359)	5,302
ADMINISTRATION EXPENSES		(4,571)	(4,286)
OPERATING (LOSS)/PROFIT	2	(4,930)	1,016
FINANCE INCOME	4	8,045	8,746
PROFIT BEFORE TAXATION		3,115	9,762
TAXATION	5	(11,649)	(2,434)
NET (LOSS)/PROFIT FOR THE YEAR		(8,534)	7,328
(LOSS)/EARNINGS PER SHARE	6	(1.33)	1.14

BALANCE SHEET
31 MARCH 2000

The financial statements on pages 7 to 19 were approved by the board of directors on 18 September 2000 and were signed on its behalf by:

and were signed on its behalf by:

John L. Williams)
) Directors
07/11)

EAAGADS LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2000

	Share capital Sh'000	Capital reserve Sh'000	Revenue reserve Sh'000	Total Sh'000
At 1 March 1998	8,039	99,816	76,247	184,102
Net profit for the year	-	-	7,328	7,328
Proposed dividend	-	-	(8,039)	(8,039)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 1999	8,039	99,816	75,536	183,391
Net loss for the year	-	-	(8,534)	(8,534)
Proposed dividend	-	-	-	-
Deferred taxation	-	(23,980)	-	(23,980)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2000	<u>8,039</u>	<u>75,836</u>	<u>67,002</u>	<u>150,877</u>

EAAGADS LIMITED

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2000

	Note	2000 Sh'000	1999 Sh'000
OPERATING ACTIVITIES			
Cash (used in)/generated from operations	15(a)	(11,854)	11,763
Taxation paid		(2,415)	(10,116)
Interest received		1,038	5,392
		<hr/>	<hr/>
Net cash (used in)/generated from operating activities		(13,231)	7,039
		<hr/>	<hr/>
INVESTING ACTIVITIES			
Purchase of plant and equipment		-	(18,325)
Proceeds from disposal of plant and equipment		54	-
		<hr/>	<hr/>
Net cash generated from/(used in) investing activities		54	(18,325)
		<hr/>	<hr/>
FINANCING ACTIVITIES			
Dividends paid		(8,039)	(30,695)
		<hr/>	<hr/>
DECREASE IN CASH AND CASH EQUIVALENTS		(21,216)	(41,981)
CASH AND CASH EQUIVALENTS AT 1 APRIL		45,430	87,411
		<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT 31 MARCH	15(b)	<u>24,214</u>	<u>45,430</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2000

1 ACCOUNTING POLICIES

The financial statements are prepared in accordance with and comply with International Accounting Standards (IAS) which have been adopted with effect from this accounting period. Previously, the financial statements were prepared under Kenyan Accounting Standards. The change to IAS has been effected following the adoption of IAS by the Institute of Certified Public Accountants of Kenya with a requirement that the change be effected for accounting periods commencing on or after 1 January 1999.

With the exception of the effects of adoption of IAS 12 on income taxes (Revised), and IAS 19 on employee benefits, no other accounting policy changes arising from adoption of IAS have a significant effect on the current year financial statements.

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

BASIS OF ACCOUNTING

The financial statements are prepared under the historical basis of accounting as modified to include revaluation of certain property, plant and equipment.

TURNOVER

Turnover represents proceeds of coffee sales during the year.

TAXATION

Current taxation is provided on the basis of the results for the year, as shown in the financial statements, adjusted in accordance with tax legislation.

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income tax.

This represents a change in accounting policy to comply with International Accounting Standard No 12 (Revised). Previously, deferred income tax was provided for when, in the opinion of the directors, a liability or asset was expected to crystallise in the foreseeable future. The change in policy has been applied retrospectively as explained in Note 11 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost or valuation less depreciation.

DEPRECIATION

Depreciation is calculated to write off the cost or valuation of property, plant and equipment in equal annual instalments over their estimated useful lives. The annual rates in use are:

Freehold land and developments	Nil
Long leasehold land and developments	Nil
Other immovables	2.0% to 7.5%
Rolling stock	10%

The cost of new planting on the estate is capitalised. Infilling expenditure together with the cost of upkeep of mature areas is charged to revenue.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 ACCOUNTING POLICIES (Continued)

INVENTORIES

Coffee stocks are valued at the lower of growing and handling costs and net realisable value.

Consumable stores are valued at the lower of weighted average cost and net realisable value.

FOREIGN CURRENCIES

Assets and liabilities expressed in foreign currencies are translated into Kenya Shillings at the rates of exchange ruling at the balance sheet date. Transactions during the year are translated at the rates ruling at the dates of the transactions. Gains and losses on exchange are dealt with in the income statement.

RETIREMENT BENEFIT OBLIGATIONS

The group operates a defined contribution pension scheme for eligible non-unionisable employees. The scheme is administered by the company and is funded by contributions from both the company and employees.

The group also contributes to the statutory National Social Security Fund. This is a defined contribution scheme registered under the National Social Security Act. The company's obligations under the scheme are limited to specific contributions legislated from time to time and are currently limited to a maximum of Sh 80 per employee per month.

The group's unionisable staff who retire or resign on old age or whose services are terminated for reasons other than gross misconduct are entitled to gratuity payments in accordance with the prevailing trade union agreement.

The company's obligations to these retirement benefit plans are charged to the income statement as they fall due.

The unrecognised service gratuity liability as at 31 March 1999 arising from adoption of International Accounting Standard No. 19 will be recognised over a period of five years, with effect from the current financial year, in line with the transitional provisions of International Accounting Standard No. 19.

	2000 Sh'000	1999 Sh'000
2 OPERATING (LOSS)/PROFIT		
The operating (loss)/profit is arrived at after charging:		
Depreciation	4,133	4,155
Directors' emoluments:		
Fees	-	-
Other emoluments	-	-
Staff costs (Note 3)	26,308	21,382
Auditors' remuneration	410	410
Loss in carrying value of investment	-	63
Loss on disposal of plant and equipment	22	-
Bad debts	-	130
	=====	=====

EAAGADS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

		2000 Sh'000	1999 Sh'000
3	STAFF COSTS		
	Wages and salaries	25,796	20,900
	Social security costs (NSSF)	476	452
	Pension costs – defined contribution plan	36	30
		<u>26,308</u>	<u>21,382</u>
		=====	=====
		No.	No.
	The average number of persons employed by the company during the year was:		
	Permanent	229	245
	Seasonals	393	283
		<u>622</u>	<u>528</u>
		=====	=====
4	FINANCE INCOME		
		2000 Sh'000	1999 Sh'000
	Interest on fixed deposits and bank balances	1,038	5,392
	Exchange gains	7,007	3,354
		<u>8,045</u>	<u>8,746</u>
		=====	=====
5	TAXATION		
	(a) TAX CHARGE		
	Current taxation based on taxable profit at 30% (1999 – 32.5%)	2,003	2,320
	Deferred tax charge	9,646	-
	Prior year underprovision	-	114
		<u>11,649</u>	<u>2,434</u>
		=====	=====

EAAGADS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2000 Sh'000	1999 Sh'000
5 TAXATION (Continued)		
(b) RECONCILIATION OF EXPECTED TAX BASED ON ACCOUNTING PROFIT TO TAX CHARGE		
Accounting profit before taxation	3,115	9,762
Tax at the applicable rate of 30% (1999 – 32.5%)	935	3,173
Tax effect of expenses not deductible for tax purposes	603	-
Prior year underprovision	-	114
Tax effect of reduction in tax rate	(843)	-
Deferred tax in respect of prior periods	10,954	(853)
	<u>11,649</u>	<u>2,434</u>
(c) DEFERRED TAX RELATING TO ITEMS DEBITED TO CAPITAL RESERVE		
Deferred taxation on revaluation surpluses on property, plant and equipment	<u>23,980</u>	<u>-</u>

6 (LOSS)/EARNINGS PER SHARE

(Loss)/earnings per share has been calculated on the net loss after taxation of Sh 8,534,000 (1999 – profit of Sh 7,328,000) divided by the number of shares in issue during the year of 6,431,400 (1999 – 6,431,400).

EAAGADS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7 PROPERTY, PLANT AND EQUIPMENT

	Freehold land and developments Sh'000	Long leasehold land and developments Sh'000	Other immovables Sh'000	Rolling stock Sh'000	Total Sh'000
COST OR VALUATION					
At 1 April 1999	4,571	81,072	56,758	13,376	155,777
Disposals	-	-	-	(170)	(170)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2000	4,571	81,072	56,758	13,206	155,607
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Comprising:					
Cost	-	10,643	26,590	4,753	41,986
Valuation in 1994	4,571	70,429	30,168	8,453	113,621
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	4,571	81,072	56,758	13,206	155,607
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
DEPRECIATION					
At 1 April 1999	-	-	8,791	6,782	15,573
Charge for the year	-	-	2,817	1,316	4,133
Eliminated on disposals	-	-	-	(94)	(94)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2000	-	-	11,608	8,004	19,612
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
NET BOOK VALUE					
At 31 March 2000	<u>4,571</u>	<u>81,072</u>	<u>45,150</u>	<u>5,202</u>	<u>135,995</u>
At 31 March 1999	<u>4,571</u>	<u>81,072</u>	<u>47,967</u>	<u>6,594</u>	<u>140,204</u>

EAAGADS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

		2000 Sh'000	1999 Sh'000
8	INVENTORIES		
	Coffee	20,190	12,958
	Consumables	10,060	10,887
		<u>30,250</u>	<u>23,845</u>
9	TRADE AND OTHER RECEIVABLES		
	Trade	8,184	5,340
	Other	2,024	417
		<u>10,208</u>	<u>5,757</u>
10	SHARE CAPITAL		
	Authorised:		
	10,000,000 ordinary shares of of Sh 1.25 each	<u>12,500</u>	<u>12,500</u>
	Issued and fully paid:		
	6,431,400 ordinary shares of of Sh 1.25 each	<u>8,039</u>	<u>8,039</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11 DEFERRED INCOME TAXES

	2000 Sh'000	1999 Sh'000
The net deferred taxation liability is attributable to the following items:		
Accelerated capital allowances	2,987	-
Service gratuity	(167)	-
Unrealised exchange gains	93	-
Coffee developments	6,733	-
Revaluation surplus	23,980	-
	<u>33,626</u>	<u>-</u>
	=====	=====

The movement on the deferred tax account is as follows:

At 1 April	-	-
Income statement charge	9,646	-
Capital reserve debit	23,980	-
	<u>-</u>	<u>-</u>
At 31 March	33,626	-
	=====	=====

Deferred tax has been accounted for using the allowed alternative treatment by IAS 8 (net profit or loss for the period, fundamental errors and changes in accounting policy). This treatment allows any resulting adjustment arising from a change in accounting policy with respect to deferred income taxes to be included in the determination of the net profit or loss for the current period, except the deferred tax on revaluation surplus which is debited directly to the capital revenue account as permitted by IAS 12.

Had deferred income taxes been accounted for using the benchmark treatment, recommended in IAS 8 which requires the change in accounting policy to be applied retrospectively with any adjustment relating to prior years being made against the opening balance of retained earnings, the resultant balances in the accounts affected by the change would be as shown in (a) to (c) below:

	2000 Sh'000	1999 Sh'000
a) Deferred income taxes		
Accelerated capital allowances	2,987	2,788
Service gratuity	(167)	-
Unrealised exchange gains	93	873
Coffee developments	6,733	7,293
Revaluation surplus	23,980	26,599
	<u>33,626</u>	<u>37,553</u>
	=====	=====
b) Tax (credit)/charge		
Current taxation at 30% (1999 – 32.5%)	2,003	2,320
Deferred tax (credit)/charge	(2,081)	853
Adjustment in respect of prior year	-	114
	<u>(78)</u>	<u>3,287</u>
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11 DEFERRED INCOME TAXES (Continued)

	Capital Sh'000	Revenue Sh'000
c) Reserves		
1 April 1998		
- As previously reported	99,816	76,247
- Prior year adjustment	(27,555)	(9,145)
	<hr/>	<hr/>
- As restated	72,261	67,102
Net profit for the year	-	6,475
Proposed dividend	-	(8,039)
	<hr/>	<hr/>
At 31 March 1999	72,261	65,538
Net profit for the year	-	3,193
Movement in deferred tax	1,846	-
	<hr/>	<hr/>
At 31 March 2000	74,107	68,731
	<hr/>	<hr/>
	2000	1999
	Sh'000	Sh'000
12 RETIREMENT BENEFIT OBLIGATIONS		
Unrecognised service gratuity at 1 April 1999	1,411	-
Amounts to be recognised in future periods	(1,129)	-
	<hr/>	<hr/>
	282	-
Provision for current year	274	-
	<hr/>	<hr/>
Recognised service gratuity at 31 March 2000	556	-
	<hr/>	<hr/>
13 TRADE AND OTHER PAYABLES		
Trade	39	15
Other	11,319	9,187
Unclaimed dividends	165	165
	<hr/>	<hr/>
	11,523	9,367
	<hr/>	<hr/>
14 RELATED PARTIES		
The following transactions were carried out with the parent company during the year:		
Purchase of services from Soefinaf Company Limited	3,825	13,767
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2000 Sh'000	1999 Sh'000
15	NOTES TO THE CASH FLOW STATEMENT	
(a)	RECONCILIATION OF OPERATING (LOSS)/PROFIT TO CASH (USED IN)/GENERATED FROM OPERATIONS	
	Operating (loss)/profit	(4,930) 1,016
	Depreciation	4,133 4,156
	Loss on disposal of plant and equipment	22 -
	Loss in carrying value of investment	- 63
	Exchange gains	7,007 3,354
		<hr/>
	Operating profit before working capital changes	6,232 8,589
		<hr/>
	Increase in inventories	(6,405) (6,620)
	Increase in trade and other receivables	(4,451) (3,518)
	Increase in trade and other payables	2,156 3,821
	(Decrease)/increase in parent company balance	(9,942) 9,491
	Increase in retirement benefit obligations	556 -
		<hr/>
	Cash (used in)/generated from operations	(11,854) 11,763
		<hr/>
(b)	ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS	
	Short term deposits, bank and cash balances	24,214 45,430
		<hr/>

16 RETIREMENT BENEFIT OBLIGATIONS

The company makes contributions to a defined contribution scheme and to a statutory defined pension scheme, the National Social Security Fund. Contributions to the company plan are determined by the rules of the plan and totalled Sh 36,000 (1999 – Sh 30,000) in the year. Contributions to the statutory scheme are determined by local statute. For the year ended 31 March 2000, the company contributed Sh 476,000 (1999 – Sh 452,000) to the statutory scheme.

17 COUNTRY OF INCORPORATION

The company is incorporated in Kenya under the Companies Act.

18 ULTIMATE HOLDING COMPANY

The ultimate holding company is Intercultures S.A, a company incorporated in Luxembourg.

19 CURRENCY

These financial statements are presented in Kenya Shillings Thousands (Sh'000).