

**Deloitte
& Touche**

EAAGADS LIMITED

FINANCIAL STATEMENTS

31 MARCH 2003



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EAAGADS LIMITED

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2003

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11/1/2005



EAAGADS LIMITED

DIRECTORS AND PROFESSIONAL ADVISERS

DIRECTORS

A M Michaelides *
R S McLellan CA (SA)
D C A Harries

* Greek

SECRETARY

J L G Maonga
P O Box 30029
Nairobi

REGISTERED OFFICE

P O Box 10
Ruiru
Kenya

AUDITORS

Deloitte & Touche
Certified Public Accountants (Kenya)
"Kirungii", Ring Road, Westlands
P O Box 40092
Nairobi

BANKERS

Standard Chartered Bank Kenya Limited
P O Box 30001
Nairobi

LAWYERS

Kaplan & Stratton
Queensway House
Kaunda Street
P O Box 40111
Nairobi

EAAGADS LIMITED

REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements for the year ended 31 March 2003.

ACTIVITIES

The principal activity of the company is the cultivation of coffee.

RESULTS

	Sh'000
Loss before taxation	(19,783)
Taxation credit	23,198
Net profit for the year	3,415
	=====

PRODUCTION

The coffee crop harvested during the year amounted to a poor 287 tonnes or a yield of 1.486 tonnes per hectare, and compares unfavourably to the 5 year average crop (years ended March 1998 to March 2002) of 383 tonnes or a yield of 1.982 tonnes per hectare. This poor result is mainly attributed to unseasonal rainfall in January and March 2002 thereby inhibiting flower bug formation. Added to that, too much reduction of fertilisation was made the previous year when a better than realised crop was harvested.

DIVIDEND

The directors do not recommend the payment of a dividend in respect of the year ended 31 March 2003.

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 and Deloitte & Touche are operating names of the same practice. At the request of the auditors and the approval of the directors, the audit report for the financial year ended 31 March 2003 has been signed using the name Deloitte & Touche.

The auditors, having expressed their willingness, continue in office in accordance with the provisions of section 159 (2) of the Companies Act.

FUTURE PROSPECTS

Having just concluded the poor 2002/2003 season crop due to the adverse weather conditions, an average crop is expected for the 2003/2004 season assuming normal weather conditions.

World coffee prices remain at a very low level. Management is aware that operating costs incurred in the production of the crop must be kept at the lowest possible levels, without jeopardising future crop prospects as had happened during the 2001/2002 season.

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

J L G MAONGA

Secretary

Nairobi

1 July 2003

EAAGADS LIMITED

CORPORATE GOVERNANCE STATEMENT

Corporate Governance is the process and structure used to direct and manage business affairs of the company towards enhancing prosperity and corporate accounting with the ultimate objective of realizing shareholders long term value while taking into account the interest of other stakeholders.

The company is committed to business integrity and professionalism in all its activities. As part of this commitment, the Board fully supports issues articulated by the Capital Markets Authority so as to bring the level of Governance in the line with International trends.

We confirm that we are governed by the Rules and Regulations as issued by both Nairobi Stock Exchange (NSE) and the Capital Markets Authority (CMA).

BOARD OF DIRECTORS

The full Board meets at least once every quarter. The directors are given appropriate and timely information so that they can make well informed and balanced business decisions as well as planning for the future and growth of the Company. The Managing Director runs the affairs of the company on a day to day basis assisted by a team of able Managerial staff.

INTERNAL CONTROLS

The Board is responsible for the company's system of internal controls and for reviewing their effectiveness. The company has defined procedures and financial controls to ensure the reporting of complete and accurate accounting information.

The systems in place are designed to ensure that authority is obtained for any major transaction and that the company complies with all Kenya Laws and regulations, including those that govern sound financial management. Procedures are in place to ensure that all assets are subject to proper physical controls.

COMMUNICATION WITH SHAREHOLDERS

The company places a great deal of importance on communication with its shareholders and publishes in the local dailies its financial statements on half year basis. The full report and accounts are distributed to all shareholders on an annual basis.

MAJOR SHAREHOLDERS

The top 5 shareholders are:

Name	No of shares	Percentage shareholding
Socfinaf Company Limited	4,963,755	61.7
Mrs Vivienne Mary Rogerson	891,000	11.1
Mrs Arbella K D Illingworth	891,000	11.1
Apollo Insurance Company Ltd	615,807	7.7
Mrs Carin Maria Parfit	290,500	3.6
	7,652,062	95.2
Others	387,188	4.8
Total	8,039,250	100
	=====	=====

EAAGADS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The 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 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 at any time the financial position of the company. They are also responsible for safeguarding the assets of the company.

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 conformity with International Financial Reporting Standards, except for International Accounting Standard No 17, and in the manner required by the 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 company and of its operating results. 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 will not remain a going concern for at least the next twelve months from the date of this statement.

D C A Harries
Director

R S McLellan
Director

1 July 2003

REPORT OF THE AUDITORS TO THE MEMBERS OF EAAGADS LIMITED

1. We have audited the financial statements on pages 8 to 21 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

2. As described on page 6, 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

3. 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 statements presentation. We believe that our audit provides a reasonable basis for our opinion.

Qualification

4. Leasehold land is presented in the financial statements under property, plant and equipment at market value based on valuations performed by external independent valuers which is not in accordance with International Accounting Standard No 17 - Leases. This Standard requires that a premium paid for leasehold land, whose title is not expected to pass to the lessee by the end of the lease term, be presented as a pre-paid operating lease rental at cost and that the cost should be amortised over the lease term in accordance with the pattern of benefits provided. This standard does not permit the carrying of leasehold land at valuation. The effect of this non-compliance is that property, plant and equipment are overstated by Sh 35,428,000, with the revaluation reserve being overstated by Sh 35,188,000. A prepaid operating lease rental asset amounting to Sh 229,000 would be disclosed in place of these items. Finally, the net profit for the year is overstated by Sh 11,000 due to the non amortisation of leasehold land.

Opinion

5. In our opinion,
 - (a) proper books of account have been kept by the company and the company's balance sheet is in agreement therewith;
 - (b) except for the matter referred to in paragraph 4 above, the financial statements give a true and fair view of the state of affairs of the company at 31 March 2003 and of the profit and cash flows of the company for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act.

DELOITTE & TOUCHE

Nairobi

1 July 2003

EAAGADS LIMITED

INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2003

	Note	2003 Sh'000	2002 Sh'000
TURNOVER		48,852	82,037
COST OF SALES		(59,234)	(68,386)
GROSS (LOSS)/PROFIT		(10,382)	13,651
ADMINISTRATION EXPENSES		(9,603)	(8,219)
OPERATING (LOSS)/PROFIT	2	(19,985)	5,432
NET FINANCE INCOME	4	202	959
(LOSS)/ PROFIT BEFORE TAXATION		(19,783)	6,391
TAXATION CREDIT/ (CHARGE)	5	23,198	(2,530)
NET PROFIT FOR THE YEAR		3,415	3,861
EARNINGS PER SHARE - Basic	6	0.42	0.48
- Diluted	6	0.42	0.48
DIVIDEND PER SHARE	7	-	0.50

EAAGADS LIMITED

BALANCE SHEET 31 MARCH 2003

	Note	2003 Sh'000	2002 Sh'000
ASSETS			
Non current assets			
Property, plant and equipment	8	126,762	131,181
Current assets			
Inventories	9	10,061	24,963
Deferred upkeep charges	10	10,486	6,490
Trade and other receivables	11	3,601	9,161
Taxation recoverable		574	376
Short term deposits	12	15,320	7,834
Bank and cash balances		7,746	22,670
		47,788	71,494
Total assets		174,550	202,675
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	13	10,049	10,049
Revaluation reserve		74,732	77,102
Revenue reserve		73,184	67,399
Proposed dividend		-	4,020
		157,965	158,570
Non current liabilities			
Deferred income taxes	14	11,483	34,681
Provision for service gratuity	15	1,930	1,227
		13,413	35,908
Current liabilities			
Payables	16	2,228	1,251
Amount due to parent company	17	944	6,946
		3,172	8,197
Total equity and liabilities		174,550	202,675

The financial statements on pages 8 to 21 were approved by the board of directors on 1 July 2003 and were signed on its behalf by:

D C A Harries)
) Directors
 R S McLellan)

EAAGADS LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2003

	Share capital Sh'000	Revaluation reserve Sh'000	Revenue reserve Sh'000	Proposed dividends Sh'000	Total Sh'000
At 31 March 2001	10,049	76,439	67,558	4,020	158,066
Net profit for the year	-	-	3,861	-	3,861
Dividend paid - 2001	-	-	-	(4,020)	(4,020)
Proposed dividend - 2002	-	-	(4,020)	4,020	-
Deferred taxation	-	663	-	-	663
At 31 March 2002	10,049	77,102	67,399	4,020	158,570
Net profit for the year	-	-	3,415	-	3,415
Dividend paid - 2002	-	-	-	(4,020)	(4,020)
Transfer of excess depreciation:					
- prior years' adjustment	-	(828)	828	-	-
- current year	-	(2,203)	2,203	-	-
Deferred tax on excess depreciation for the current year	-	661	(661)	-	-
At 31 March 2003	10,049	74,732	73,184	-	157,965

EAAGADS LIMITED

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2003

	Note	2003 Sh'000	2002 Sh'000
OPERATING ACTIVITIES			
Cash (used in)/generated from operations	18(a)	(3,476)	15,256
Taxation paid		(198)	(2,129)
Interest received		238	723
Net cash (used in)/generated from operating activities		(3,436)	13,850
INVESTING ACTIVITIES			
Purchase of plant and equipment		-	(1,721)
Proceeds from disposal of plant and equipment		18	-
Net cash generated from/(used in) investing activities		18	(1,721)
FINANCING ACTIVITIES			
Dividends paid		(4,020)	(4,020)
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(7,438)	8,109
CASH AND CASH EQUIVALENTS AT 1 APRIL		30,504	22,395
CASH AND CASH EQUIVALENTS AT 31 MARCH	18(b)	23,066	30,504
		=====	=====

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2003

1 ACCOUNTING POLICIES

The financial statements are prepared in accordance with International Financial Reporting Standards except for non compliance with certain provisions of International Accounting Standard No 17. The principal accounting policies adopted in the preparation of the financial statements, remain unchanged from the previous year and are set out below:

Basis of accounting

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

Revenue recognition

Revenue, which represents coffee sales to customers during the year, is recognised when the coffee has been sold at the Nairobi Coffee Exchange.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Property, plant and equipment

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

The bases of valuation are as follows:

Land and coffee development – open market value for the existing use

Other assets – depreciated replacement cost.

The resulting valuation surpluses/(deficits) are dealt with in the revaluation reserve. Each year, the difference between depreciation based on the revalued carrying amount of an asset (the depreciation charged to the income statement) and depreciation based on the asset's original cost is transferred from the revaluation reserve to revenue reserve.

Depreciation

No depreciation is provided on freehold land and coffee development expenditure. Also, leasehold land is not depreciated as, in the directors' opinion, leasehold land with lease periods over 900 years are considered to be freehold in all respects.

Other plant and equipment are depreciated on a straight line basis to write off the cost or valuation over their estimated useful lives.

The annual rates generally in use are as follows:

Other immovables	2.0% to 7.5%
Rolling stock	10% to 20%

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 ACCOUNTING POLICIES (Continued)

Coffee development

Coffee development represents the cost of establishing mature coffee bushes. The cost of new planting on estates is capitalised. No provision is made for amortisation as the costs of replanting, infilling and upkeep are charged against revenue, and the assets are revalued at periodic intervals.

Investments

Investments are stated at cost less any provision for impairment.

Impairment

At each balance sheet date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Inventories

Coffee inventories are stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price less all estimated costs to be incurred in marketing, selling and distribution.

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

Goods in transit are stated at cost.

Deferred upkeep charges

Deferred upkeep charges represent crop husbandry costs incurred on growing crop. These costs are capitalised and charged to the income statement in the period when the related crop is harvested and sold.

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.

Deferred income tax assets are recognised for tax loss carry forwards only to the extent that it is probable that future taxable income will be sufficient to utilise these losses.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 ACCOUNTING POLICIES (Continued)

Retirement benefit obligations

The company makes contributions to a defined contribution scheme for eligible employees under the parent company, Socfinaf Company Limited Staff Retirement Benefits Scheme. Contributions to the group plan are determined by the rules of the plan.

The company also makes contributions to unregistered non-contributory schemes for senior management.

The company 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 200 per month per employee. The company's contributions are charged to the income statement in the year to which they relate.

Its obligations under staff retirement benefit plans are charged to the income statement as they fall due.

Provision for employee entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave accrued at the balance sheet date.

The company's unionisable staff who resign or whose services are terminated are entitled to service gratuity, based on the wages or salary at the time of such resignation or termination of services, as provided for in the trade union agreement. An employee who is dismissed or terminated for gross misconduct is not entitled to gratuity. The service gratuity is provided for in the financial statements as it accrues to each employee.

The unrecognised service gratuity liability as at 31 March 1999 arising from the adoption of International Accounting Standard No. 19 is being recognised over a period of five years, with effect from the year ended 31 March 2000 in line with the transitional provisions of International Accounting Standard No. 19. (See note 15).

Financial instruments

Financial assets and liabilities are recognised on the company's balance sheet when the company has become a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables are carried at anticipated realisable value. An estimate is made for doubtful receivables based on the review of all outstanding amounts at the year end. Bad debts are written off when all reasonable steps to recover them have failed.

Bank borrowings

Interest bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges including premiums payable on settlement or redemption, are accounted for on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period they arise.

Trade payables

Trade payables are stated at their nominal value.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 ACCOUNTING POLICIES (Continued)

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 on the dates of the transactions. Gains and losses on exchange are dealt with in the income statement.

Cash and cash equivalents

For the purpose of the cash flow statement, cash equivalents include short term liquid investments which are readily convertible into known amounts of cash and which are within three months to maturity when acquired, less advances from banks repayable within three months from the dates of the advances.

	2003 Sh'000	2002 Sh'000
2 OPERATING (LOSS)/PROFIT		
The operating (loss)/profit is arrived at after charging:		
Depreciation	4,395	4,231
Staff costs (Note 3)	22,623	22,373
Auditors' remuneration	452	470
Loss on disposal of plant and equipment	6	-
	=====	=====
3 STAFF COSTS		
Wages and salaries	20,276	21,556
Social security costs (NSSF)	1,015	384
Pension costs – defined contribution plan	117	61
Service gratuity	746	372
Leave pay provision	469	-
	=====	=====
	22,623	22,373
	=====	=====
	No.	No.
The average number of persons employed by the company during the year was:		
Permanent	181	214
Seasonals	323	365
	=====	=====
	504	579
	=====	=====
4 NET FINANCE INCOME		
	2003 Sh'000	2002 Sh'000
Interest on fixed deposits and bank balances	238	723
Exchange (losses)/gains	(36)	236
	=====	=====
	202	959
	=====	=====

EAAGADS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

		2003 Sh'000	2002 Sh'000
5	TAXATION		
	(a) TAX (CREDIT)/CHARGE		
	Current taxation based on taxable profit at 30%	-	1,998
	Deferred tax (credit)/ charge – Note 14	(23,198)	532
		<u>(23,198)</u>	<u>2,530</u>
		=====	=====
	(b) RECONCILIATION OF EXPECTED TAX BASED ON ACCOUNTING (LOSS)/PROFIT TO TAX (CREDIT)/CHARGE		
	Accounting(loss)/ profit before taxation	(19,783)	6,391
		=====	=====
	Tax at the applicable rate of 30%	(5,935)	1,917
	Tax effect of expenses not deductible for tax purposes	393	613
	Reversal of overprovision in prior years	(17,656)	-
		<u>(23,198)</u>	<u>2,530</u>
		=====	=====
	(c) DEFERRED TAX RELATING TO ITEMS (CREDITED)/ DEBITED TO CAPITAL RESERVE		
	Deferred taxation on revaluation surpluses on property, plant and equipment-Note 14	-	663
		=====	=====

6 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the number of ordinary shares in issue during the year.

	2003	2002
Net profit attributable to shareholders (Sh'000)	3,415	3,861
Number of ordinary shares (thousands)	8,039	8,039
Basic earnings per share	0.42	0.48

The diluted earnings per share is the same as basic earnings per share as there were no potentially dilative shares outstanding at 31 March 2003 or 31 March 2002.

7 DIVIDENDS

The directors do not recommend the payment of a dividend in respect of the year ended 31 March 2003 (2002 – Sh 4,019,625 or Sh 0.50 per share).

Payment of dividends is subject to withholding tax at the rate of 5% for residents and 10% for non residents.

EAAGADS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8 PROPERTY, PLANT AND EQUIPMENT

	Freehold land and development Sh'000	Long leasehold land and development Sh'000	Other immovables Sh'000	Rolling stock Sh'000	Total Sh'000
COST OR VALUATION					
At 1 April 2002	4,571	81,072	58,164	14,966	158,773
Disposals	-	-	(58)	-	(58)
At 31 March 2003	4,571	81,072	58,106	14,966	158,715
Comprising:					
Cost	-	10,643	27,938	6,513	45,094
Valuation -1994	4,571	70,429	30,168	8,453	113,621
	4,571	81,072	58,106	14,966	158,715
DEPRECIATION					
At 1 April 2002	-	-	17,424	10,168	27,592
Charge for the year	-	-	2,903	1,492	4,395
Disposal	-	-	(34)	-	(34)
At 31 March 2003	-	-	20,293	11,660	31,953
NET BOOK VALUE					
At 31 March 2003	4,571	81,072	37,813	3,306	126,762
At 31 March 2002	4,571	81,072	40,740	4,798	131,181
NET BOOK VALUE(cost basis)					
At 31 March 2003	31	22,684	23,518	740	46,973
At 31 March 2002	31	22,684	25,086	1,387	49,188

Included in property, plant and equipment are assets with an original cost of Sh 16,000 (2002- 16,000) which are fully depreciated and whose normal depreciation charge for the year would have been Sh 2,000 (2002 -Sh 2,000).

Land, buildings, development, machinery and equipment were revalued as at 31 March 1994 by Lloyd Masika Limited, registered valuers and estate agents.

EAAGADS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

		2003 Sh'000	2002 Sh'000
9	INVENTORIES		
	Coffee	2,692	13,482
	Consumables	7,369	11,481
		<u>10,061</u>	<u>24,963</u>
		=====	=====
10	DEFERRED UPKEEP CHARGES		
	At 1 April	6,490	5,049
	Incurred during the year	26,255	27,625
	Income statement charge	(22,259)	(26,184)
		<u>10,486</u>	<u>6,490</u>
		=====	=====
11	TRADE AND OTHER RECEIVABLES		
	Trade receivables	16	3,427
	Other receivables	56	70
	V.A.T recoverable	3,475	5,495
	Staff receivables	54	169
		<u>3,601</u>	<u>9,161</u>
		=====	=====
12	SHORT TERM DEPOSITS		
	Maturing within 30 days:		
		US\$	KES equivalent Sh'000
	At 31 March 2003	200,000	15,320
		<u>200,000</u>	<u>15,320</u>
		=====	=====
	At 31 March 2002	100,369	7,834
		<u>100,369</u>	<u>7,834</u>
		=====	=====

All short term deposits mature within 30 days. The effective interest rate on deposits for the year was 1.7% (2002 – 5.12%).

		2003 Sh'000	2002 Sh'000
13	SHARE CAPITAL		
	Authorised:		
	10,000,000 ordinary shares of of Sh 1.25 each	12,500	12,500
		<u>12,500</u>	<u>12,500</u>
		=====	=====
	Issued and fully paid:		
	8,039,250 ordinary shares of Sh 1.25 each	10,049	10,049
		<u>10,049</u>	<u>10,049</u>
		=====	=====

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14 DEFERRED INCOME TAXES

	2003 Sh'000	2002 Sh'000
The net deferred taxation liability is attributable to the following items:		
Accelerated capital allowances	3,323	3,586
Provision for service gratuity	(579)	(368)
Unrealised exchange gain	-	69
Coffee developments	6,733	6,733
Deferred upkeep charges	3,146	1,947
Revaluation surplus	5,058	22,714
Leave pay provision	(141)	-
Losses available for future relief	(6,057)	-
At 31 March	11,483	34,681

The movement on the deferred tax account is as follows:

At 1 April	34,681	34,812
Income statement (credit/charge – Note 5(a))	(23,198)	532
Revaluation reserve credit – Note 5(c)	-	(663)
At 31 March	11,483	34,681

15 PROVISION FOR SERVICE GRATUITY

Unrecognised service gratuity at 1 April 1999	565	847
Amounts to be recognised in future periods	(283)	(565)
Amounts recognised in the year	282	282
Balance brought forward- 1 April	1,227	855
Provision for current year	464	90
Paid in the year	(43)	-
Recognised service gratuity at 31 March	1,930	1,227

16 PAYABLES

Other payables and accruals	1,581	1,081
Unclaimed dividends	178	170
Leave pay provision	469	-
	2,228	1,251

EAAGADS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2003 Sh'000	2002 Sh'000
17 RELATED PARTIES		
Transactions carried out with Socfinaf Company Limited, the parent company, during the year were:		
Agency fees	3,754	3,876
Purchase of services and spares	5,801	16,834
Marketing fees	1,437	-
Milling	2,465	-
	=====	=====
Amounts due to Socfinaf Company Limited at 31 March	944	6,946
	=====	=====

The related parties transactions were carried out at arms length and in the normal course of business.

18 NOTES TO THE CASH FLOW STATEMENT

	2003 Sh'000	2002 Sh'000
(a) RECONCILIATION OF OPERATING (LOSS)/PROFIT TO CASH (USED IN)/GENERATED FROM OPERATIONS		
Operating (loss)/ profit	(19,985)	5,432
Depreciation	4,395	4,231
Loss on disposal of plant and equipment	6	-
Exchange (loss)/ gain	(36)	236
	-----	-----
Operating (loss)/profit before working capital changes	(15,620)	9,899
Decrease in inventories	14,902	6,560
Decrease/(increase) in trade and other receivables	5,560	(2,323)
Increase in trade and other payables	977	53
(Decrease)/increase in parent company balance	(6,002)	2,136
Increase in provision for service gratuity	703	372
Increase in deferred upkeep charges	(3,996)	(1,441)
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Cash (used in)/generated from operations	(3,476)	15,256
	=====	=====
(b) ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	7,746	22,670
Short term deposits	15,320	7,834
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	23,066	30,504
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