Deloitte & Touche

EAAGADS LIMITED

FINANCIAL STATEMENTS

31 MARCH 2004

EAAGADS LIMITED

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2004

CONTENTS

EAAGADS LIMITED

DIRECTORS AND PROFESSIONAL ADVISERS

DIRECTORS	E G Delbar D C A Harries
GENERAL MANAGER	J Coote
SECRETARY	J L G Maonga P O Box 30029 Nairobi
REGISTERED OFFICE	P O Box 10 Ruiru Kenya
BANKERS	Standard Chartered Bank Kenya Limited P O Box 30001 Nairobi
LAWYERS	Kaplan & Stratton Queensway House Kaunda Street P O Box 40111 Nairobi
AUDITORS	Deloitte & Touche Certified Public Accountants (Kenya) "Kirungii", Ring Road, Westlands P O Box 40092 Nairobi

REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements for the year ended 31 March 2004.

ACTIVITIES

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

RESULTS

	Sh'000
Loss before taxation	(2,760)
Taxation credit	1,326
Net loss for the year	(1,434)

PRODUCTION

The coffee crop harvested during the year amounted to 288 tonnes or a yield of 1.490 tonnes per hectare, and compares unfavourably to the 5 year average crop (years ended March 1999 to March 2003) of 384 tonnes or a yield of 1.976 tonnes per hectare. This poor result is mainly attributed to stumping of about 36% of the coffee bushes during the year.

DIVIDEND

The directors do not recommend the payment of a dividend in respect of the year ended 31 March 2004.

DIRECTORS

The present members of the Board of Directors shown on page 2.

Mr E Delbar was appointed to the board on 1 September 2003.

Mr R S McLellan resigned on 30 August 2003 and Mr A M Michaelides retired on 31 March 2004.

FUTURE PROSPECTS

Important decisions were taken in November 2003 in order to minimize costs and maximize quality within the next two years and return the Company to profitable operations.

During the cost cutting exercise, the workforce was reduced from 172 to 106 labourers. In addition 36 % of the planted area was stumped after picking of late crop. A balanced 5 year cycle, already applied on another group company, now appears to be the best guarantee for crop quality and cost minimization.

As from January 2004, the prices obtained at the Nairobi Auction have increased steadily. Eaagads coffee sold during the period fetched an average price of US$1,960 per ton. The demand for quality Kenyan coffee remains high and this has attracted a good premium over other coffee.

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.

AUDITORS

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

BY ORDER OF THE BOARD

Secretary

Nairobi

28 June 2004

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 the 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 General Manager 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 Kenyan 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 press its financial statements on a 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 Parfitt	290,500	3.6%
	7,652,062	95.2%
Others	387,188	4.8%
Total	8,039,250	100%

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 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.

Director

Director

23/6/ 2004

Deloitte

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EAAGADS LIMITED

We have audited the financial statements on pages 8 to 22 for the year ended 31 March 2004 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 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
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 2004 and of its loss and cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Kenya Companies Act.

Deloitte & Touche

Nairobi

29 June 2004

Audit . Tax . Consulting . Financial Advisory .

A member firm of
Deloitte Touche Tohmatsu

Partners: D.M. Ndonye H. Gadhoke* D.C. Hodges* J.M. Kiarie M.M. Kisuu S.O. Onyango J.W. Wangai
*British

EAAGADS LIMITED

INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2004

	Note	2004 Sh'000	2003 (Restated) Sh'000
REVENUE FROM SALE OF COFFEE		34,946	48,852
FAIR VALUE OF COFFEE PRODUCED		37,946	39,418
GAINS ARISING FROM CHANGES IN FAIR VALUE OF BIOLOGICAL ASSETS	9	9,855	15,296
COFFEE PROCESSING AND TRANSPORT INCOME		1,473	554
OPERATING INCOME	2(a)	49,274	55,268
COST OF PRODUCTION		(42,099)	(52,439)
GROSS PROFIT		7,175	2,829
ADMINISTRATION EXPENSES		(9,255)	(9,603)
OPERATING LOSS	2(b)	(2,080)	(6,774)
NET FINANCE (COSTS)/INCOME	4	(680)	202
LOSS BEFORE TAXATION		(2,760)	(6,572)
TAXATION CREDIT	5	1,326	2,299
NET LOSS FOR THE YEAR		(1,434)	(4,273)
		Sh	Sh
LOSS PER SHARE - Basic	6	(0.18)	(0.53)
- Diluted	6	(0.18)	(0.53)

EAAGADS LIMITED

BALANCE SHEET
31 MARCH 2004

	Note	2004 Sh'000	2003 (Restated) Sh'000
ASSETS			
Non current assets			
Property, plant and equipment	7	85,465	45,690
Prepaid operating lease rentals	8	218	229
Biological assets	9	73,338	63,483
		159,021	109,402
Current assets			
Inventories	10	14,582	11,972
Trade and other receivables	11	4,323	3,601
Due from parent company	12	8,515	-
Taxation recoverable		599	574
Short term deposits	13	-	15,320
Bank and cash balances		1,283	7,746
		29,302	39,213
Total assets		188,323	148,615
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	14	10,049	10,049
Revaluation reserve		57,905	33,852
Revenue reserve		85,992	78,973
Shareholders' funds		153,946	122,874
Non current liabilities			
Deferred income taxes	15	30,982	20,639
Provision for service gratuity	16	1,096	1,930
		32,078	22,569
Current liabilities			
Payables	17	2,299	2,228
Amount due to parent company	12	-	944
		2,299	3,172
Total equity and liabilities		188,323	148,615

The financial statements on pages 8 to 22 were approved by the board of directors on 28th June 2004 and were signed on its behalf by:

) Directors

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2004

	Share capital Sh'000	Revaluation reserve Sh'000	Revenue reserve Sh'000	Proposed dividends Sh'000	Total Sh'000
At 1 April 2002					
As previously stated	10,049	77,102	67,399	4,020	158,570
Prior year adjustment: IAS 41					
Fair value adjustment	-	-	19,254	-	19,254
Deferred tax adjustment	-	-	(5,777)	-	(5,777)
Prior year adjustment: IAS 17					
Reversal of revaluation surplus on Leasehold land	-	(58,400)	-	-	(58,400)
Reversal of deferred tax on revaluation surplus	-	17,520	-	-	17,520
As restated at 1 April 2002	10,049	36,222	80,876	4,020	131,167
Net loss for the year	-	-	(4,273)	-	(4,273)
Dividend paid - 2002	-	-	-	(4,020)	(4,020)
Transfer of excess depreciation:					
- prior year	-	(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	33,852	78,973	-	122,874
At 1 April 2003 as previously stated	10,049	74,732	73,184	-	157,965
Prior year adjustments : IAS 41					
Fair value adjustment	-	-	30,554	-	30,554
Deferred tax adjustment	-	-	(9,156)	-	(9,156)
Inventory fair value adjustment	-	-	1,911	-	1,911
Prior year adjustments - IAS 17					
Reversal of revaluation surplus on leasehold land	-	(58,400)	-	-	(58,400)
Reversal of deferred tax on revaluation surplus	-	17,520	(17,520)	-	-
As restated - At 1 April 2003	10,049	33,852	78,973	-	122,874
Rolling stock revaluation surplus adjustment	-	(8,453)	8,453	-	-
Net loss for the year	-	-	(1,434)	-	(1,434)
Surplus on revaluation of - freehold land	-	5,276	-	-	5,276
- other immovables	-	38,899	-	-	38,899
Deferred tax on revaluation surplus	-	(11,669)	-	-	(11,669)
At 31 March 2004	10,049	57,905	85,992	-	153,946

Revaluation reserve is not distributable.

The prior year adjustments relate to:

(i) Leasehold land in line with the provisions of IAS 17 on leases;

(ii) Changes in the fair value of coffee inventories and coffee bushes following the adoption of International Accounting Standard 41 on agriculture during the year.

EAAGADS LIMITED

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2004

	Note	2004 Sh'000	2003 (Restated) Sh'000
OPERATING ACTIVITIES			
Cash used in operations	18(a)	(21,783)	(3,476)
Taxation paid		-	(198)
Interest received		-	238
Net cash used in operating activities		(21,783)	(3,436)
INVESTING ACTIVITIES			
Proceeds from disposal of plant and equipment		-	18
FINANCING ACTIVITIES			
Dividends paid		-	(4,020)
DECREASE IN CASH AND CASH EQUIVALENTS		(21,783)	(7,438)
CASH AND CASH EQUIVALENTS AT 1 APRIL		23,066	30,504
CASH AND CASH EQUIVALENTS AT 31 MARCH	18(b)	1,283	23,066

ACCOUNTING POLICIES

The financial statements are prepared in accordance with International Financial Reporting Standards The principal accounting policies adopted in the preparation of these financial statements, which are set out below, remain unchanged from previous years except for the implementation of the provisions of International Accounting Standards (IAS)No.41 – Agriculture; and the full implementation of IAS No 17 - leases

Basis of accounting

The financial statements are prepared under the historical cost convention as modified to include revaluation of certain assets.

Adoption of International Accounting Standard No 41 on agriculture

Following the adoption of IAS 41 on agriculture during the year, the biological assets (coffee bushes) and agricultural produce (harvested coffee berries) have been stated at fair values less estimated point-of-sale costs. Previously, the company's biological assets were stated at valuation determined by independent professional valuers.

The fair value of coffee bushes is determined based on the present value of expected net cash flows from the coffee bushes discounted at a current market-determined pre-tax rate. The fair value of coffee berries is determined based on the prices existing in the market for made coffee berries less processing income and point of sale costs. Changes in fair value are recognised in the income statement.

The costs of replanting, infilling and upkeep are recognised as an expense in the income statement.

Immature coffee bushes are valued at cost which approximate fair value.

The change in valuation of biological assets and agricultural produce has been applied retrospectively by adjusting the opening balance of revenue reserves as at 1 April 2002. Where applicable, comparative figures have been restated accordingly.

Revenue recognition

Income attributable to harvested coffee berries is recognised at fair value at the point of harvest. Fair value of coffee berries is determined based on the milled coffee prices existing in the market less income attributable to coffee processing and point of sale costs.

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 – open market value for the existing use

Other assets – depreciated replacement cost.

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

1 ACCOUNTING POLICIES (Continued)

Depreciation

No depreciation is provided on freehold land.

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%

Leasehold land

Payments to acquire interest in leasehold land are treated as prepaid operating lease rentals and amortised over the period of the lease.

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

Milled coffee is stated at lower of cost and net realizable value. Cost comprises fair value of coffee berries at the point of harvest plus actual costs incurred in processing coffee from unmilled coffee berries.

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

Goods in transit are stated at cost.

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.

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 16).

Financial instruments

Financial assets and liabilities are recognised 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.

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.

Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year. In particular, comparative figures have been adjusted for changes in presentation to ensure compliance with International Accounting Standard No. 41, Agriculture and International Accounting Standard 17, Leases.

		2004	2003 (Restated)
		Sh'000	Sh'000
2(a)	RECONCILIATION OF REVENUE FROM SALE OF COFFEE TO OPERATING INCOME:		
	Revenue from sale of coffee	34,940	48,852
	Fair value adjustment on biological assets	9,855	15,296
	Net increase/(decrease) in coffee stocks at fair value	4,479	(8,880)
	Operating income	49,274	55,268
2(b)	The operating loss is arrived at after charging:		
	Depreciation	4,400	4,395
	Staff costs (Note 3)	19,860	22,623
	Auditors' remuneration	475	452
	Loss on disposal of plant and equipment	-	6
	Amortisation of prepaid operating leases	11	-
3	STAFF COSTS		
	Wages and salaries	19,166	20,276
	Social security costs (NSSF)	496	1,015
	Pension costs – defined contribution plan	130	117
	Service gratuity	153	746
	Leave pay provision	(325)	469
	Staff retrenchment costs	240	-
		19,860	22,623
		No.	No.
	The average number of persons employed by the company during the year was:		
	Permanent	161	181
	Seasonals	240	323
		401	504

4 NET FINANCE (COST)/INCOME

	2004 Sh'000	2003 (Restated) Sh'000
Interest received on fixed deposits and bank balances	-	238
Exchange losses	(680)	(36)
	(680)	202

5 TAXATION

(a) TAX CREDIT

	2004	2003
Current taxation based on taxable profit at 30%	-	-
Deferred tax credit – (Note 15)	(1,326)	(2,299)
	(1,326)	(2,299)

(b) RECONCILIATION OF EXPECTED TAX BASED ON ACCOUNTING LOSS TO TAX CREDIT

	2004	2003
Accounting loss before taxation	(2,760)	(6,572)
Tax at the applicable rate of 30%	(828)	(1,972)
Tax effect of expenses not deductible for tax purposes	661	661
Tax adjustment for item disallowed in prior year	(3,146)	-
Reversal of overprovision in prior years	1,987	(988)
	(1,326)	(2,299)

6 EARNINGS PER SHARE

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

	2004	2003 (Restated)
Net loss attributable to shareholders (Sh'000)	(1,434)	(4,273)
Number of ordinary shares (thousands)	8,039	8,039
Basic loss per share (Sh)	(0.18)	(0.53)

The diluted loss per share is the same as basic loss per share as there were no potentially dilutive shares outstanding at 31 March 2004 or 31 March 2003.

7 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 2003					
as previously stated	4,571	81,072	58,106	14,966	158,715
Reversal of revaluation surplus	-	(58,400)	-	-	(58,400)
Reclassification to prepaid					
Operating lease rental	-	(229)	-	-	(229)
Transferred to biological assets	-	(22,443)	-	-	(22,443)
As restated at 1 April 2003	4,571	-	58,106	14,966	77,643
Revaluation surplus	5,276	-	38,899	-	44,175
Write off of accumulated depreciation	-	-	(23,196)	-	(23,196)
Reversal of revaluation surplus	-	-	-	(8,453)	(8,453)
At 31 March 2004	9,847	-	73,809	6,513	90,169
Comprising:					
Cost	-	-	-	6,513	6,513
Valuation – 2004	9,847	-	73,809	-	83,656
	9,847	-	73,809	6,513	90,169
DEPRECIATION					
At 1 April 2003	-	-	20,293	11,660	31,953
Charge for the year	-	-	2,903	1,497	4,400
Reversal of depreciation on revaluation	-	-	(23,196)	-	(23,196)
Written back to revenue reserves	-	-	-	(8,453)	(8,453)
At 31 March 2004	-	-	-	4,704	4,704
NET BOOK VALUE					
At 31 March 2004	9,847	-	73,809	1,809	85,465
At 31 March 2003	4,571	-	37,813	3,306	45,690
NET BOOK VALUE (cost basis)					
At 31 March 2004	31	-	5,155	1,809	6,964
At 31 March 2003	31	-	6,723	2,460	9,214

The prior year adjustments relate to:

(i) the recognition of costs incurred on biological assets in the income statement and reversal of related revaluation surplus following the change in accounting policy. Biological assets are now carried at fair value and are disclosed separately on the balance sheet in accordance with IAS 41.

(ii) the recognition of leasehold land at cost and reversal of related revaluation surplus following the change in accounting policy in accordance with IAS 17.

Property, plant and equipment excluding rolling stock were revalued as at 31 March 2004 by CB Richard Ellis, registered professional valuers and estate agents. The valuation was based on net replacement cost basis. The resulting revaluation surplus was credited to the revaluation reserve. Included in property, plant and equipment are motor vehicles with an original cost of Sh 16,000 (2003- 16,000) which are fully depreciated and whose normal depreciation charge for the year would have been Sh 2,000 (2003 – Sh 2,000).

		2004 Sh'000	2003 (Restated) Sh'000
8	PREPAID OPERATING LEASES		
	Cost		
	At 1 April	229	-
	Transfer from property and equipment	-	229
	At 31 March	229	229
	Amortisation		
	At 1 April	-	-
	Charge for the year	11	-
	At 31 March	11	-
	Net carrying value	218	229
9	BIOLOGICAL ASSETS		
	Carrying value at 1 April	63,483	48,187
	Gain arising from changes in fair value attributed to physical changes	9,855	15,296
	Gain arising from changes in fair value attributed to price changes	-	-
	Carrying value at 31 March	73,338	63,483

All gains arising in fair value are attributable to physical changes, since the prices are expected to remain constant.

Significant assumptions made in determining the fair value of biological assets and agricultural produce are:

- Coffee bushes will remain productive for a minimum life of 30 years.
- The expected market value of coffee will remain constant.
- A discount rate of 10% per annum is applied to the expected net cash flows from the asset for the next 30 productive years.
- Based on the biological transformation which the coffee bushes and coffee berries undergo, 65% of future cash flows less point of sale costs are discounted to determine the fair value of the coffee bushes. The remaining 35% of the net market value is assigned to the regeneration of coffee berries and is recognised in year of harvest.

		2004 Sh'000	2003 Sh'000
10	INVENTORIES		
	Coffee	9,081	4,602
	Consumables	5,501	7,370
		14,582	11,972

		2004 Sh'000	2003 Sh'000
11	TRADE AND OTHER RECEIVABLES		
	Trade receivables	-	79
	Other receivables	203	56
	VAT recoverable	4,015	3,475
	Staff receivables	168	54
	Provision for bad debts (due from KPCU)	(63)	(63)
		4,323	3,601

12 RELATED PARTIES

Transactions carried out with Socfinaf Company Limited, the parent company, during the year were:

	2004 Sh'000	2003 Sh'000
Agency fees	2,565	3,754
Purchase of services and spares	16,551	5,801
Marketing fees	1,349	1,437
Milling	1,774	2,465
Amounts due from/(to) Socfinaf Company Limited at 31 March	8,515	(944)

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

13 SHORT TERM DEPOSITS

	US$	KES equivalent Sh'000
At 31 March 2004	-	-
At 31 March 2003	200,000	15,320

All short term deposits mature within 30 days. The effective interest rate on deposits for the year was nil (2003 – 1.7%).

		2004 Sh'000	2003 Sh'000
14	SHARE CAPITAL		
	Authorised:		
	10,000,000 ordinary shares of of Sh 1.25 each	12,500	12,500
	Issued and fully paid:		
	8,039,250 ordinary shares of Sh 1.25 each	10,049	10,049

12 DEFERRED INCOME TAXES

Deferred income taxes are calculated on all temporary differences under the liability method using the enacted tax rate of 30%.

	2004	2003 (Restated)
	Sh'000	Sh'000
The net deferred income tax liability is attributable to the following items:		
Deferred tax liabilities:		
Accelerated capital allowances	3,655	3,323
Revaluation surplus	15,856	5,059
Fair value adjustment - coffee bushes and trees	22,001	19,045
- coffee inventories	416	-
	41,928	27,427
Deferred tax assets:		
Unrealised foreign exchange losses	(204)	(11)
Provision for gratuity	(329)	(579)
Leave pay provision	(43)	(141)
Provision for other salary costs	(340)	-
Tax losses	(10,030)	(6,057)
	(10,946)	6,788
	30,982	20,639

	2004	2003 (Restated)
The movement on the deferred income tax account is as follows:		
At 1 April		
As previously stated	11,484	34,681
Prior year adjustments: IAS 17		
Reversal of deferred tax on revaluation surplus on land	-	(17,520)
Prior year adjustment : IAS 41		
Reversal of deferred tax on deferred crop charges	(3,146)	(1,947)
Deferred tax liability on biological assets	12,312	7,724
Deferred tax asset on foreign exchange loss omitted in prior year	(11)	-
At 1 April as restated	20,639	22,938
Deferred tax on revaluation surplus	11,669	-
Income statement credit (note 5 (a))	(1,326)	(2,299)
	30,982	20,639

NOTES TO THE FINANCIAL STATEMENTS (Continued)

		2004 Sh'000	2003 Sh'000
16	**PROVISION FOR SERVICE GRATUITY**		
	Unrecognised service gratuity brought forward	283	565
	Amounts to be recognised in future periods	-	(283)
	Amounts recognised in the year	283	282
	Recognised service gratuity brought forward at 1 April	1,930	1,227
	Provision for current year	(130)	464
	Paid in the year	(987)	(43)
	Recognised service gratuity at 31 March	1,096	1,930
17	**PAYABLES**		
	Other payables and accruals	1,977	1,581
	Unclaimed dividends	178	178
	Leave pay provision	144	469
		2,299	2,228

18 NOTES TO THE CASH FLOW STATEMENT

(a) RECONCILIATION OF OPERATING LOSS TO CASH USED IN OPERATIONS

	2004 Sh'000	2003 (Restated) Sh'000
Operating loss	(2,080)	(6,774)
Depreciation	4,400	4,395
Amortization of prepaid operating leases	11	-
Loss on disposal of plant and equipment	-	6
Exchange loss	(680)	(36)
Fair value adjustment	(9,855)	(15,296)
Operating loss profit before working capital changes	(8,204)	(17,705)
(Increase)/decrease in inventories	(2,610)	12,991
(Increase)/decrease in trade and other receivables	(722)	5,560
Increase in due from parent company	(8,515)	-
Increase in taxation recoverable	(25)	-
Increase in trade and other payables	71	977
Decrease in due to parent company balance	(944)	(6,002)
(Decrease)/increase in provision for service gratuity	(834)	703
Cash used in operations	(21,783)	(3,476)

(b) ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS

	2004	2003
Bank and cash balances	1,283	7,746
Short term deposits	-	15,320
	1,283	23,066

...ES TO THE FINANCIAL STATEMENTS (Continued)

19 STAFF RETIREMENT BENEFITS

The company makes contributions to a defined contribution scheme and to a statutory defined contribution scheme, the National Social Security Fund. Contributions to the company plan are determined by the rules of the plan and totalled Sh 130,000 (2003 – Sh 117,000) in the year. Contributions to the statutory scheme are determined by local statute and are currently restricted to Sh 200 per employee per month. For the year ended 31 March 2004, the company contributed Sh 496,000 (2003 – Sh 1,015,000) to the statutory scheme.

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

21 SEGMENTAL REPORTING

The company is involved in the coffee business and all income is derived locally. Segmental reporting is therefore not considered necessary.

22 COUNTRY OF INCORPORATION

The company is incorporated in Kenya under the Companies Act.

23 ULTIMATE HOLDING COMPANY

The ultimate holding company is Compagnie International De Culturers, 'Intercultures', S.A., a company incorporated in Luxembourg.

24 CURRENCY

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