EAAGADS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2006

Analyzed

1 Eaagads limited -- Kenya -- Periodicals

2 Coffee Industry -- Kenya -- Periodicals

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The directors submit their report together with the audited financial statements for the year ended 31 December 2006, which disclose the state of affairs of the company.

PRINCIPAL ACTIVITIES

The principal activity of the company is the growing and selling of coffee.

RESULTS AND DIVIDEND

The net profit for the year of Shs 5,075,000 has been added to retained earnings. During the year no interim dividend was paid. The directors recommend the approval of a final dividend of Shs 10,049,000 (2005: Nil).

DIRECTORS

The directors who held office during the year and to the date of this report were:

E J G Delbar	(Belgian)	
D C A Harries	(Kenyan)	
C J Coote	(British)	Resigned 30 June 2006
L A Omariba	(Kenyan)	Appointed 1 July 2006

In accordance with the provisions of the company's articles of association, D C A Harries retires by rotation and being eligible, offers himself for re-election.

AUDITOR

The company's auditor, PricewaterhouseCoopers, continues in office in accordance with Section 159(2) of the Companies Act.

By order of the Board

SECRETARY

23 March 2007

2008/1609

The Companies Act requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of its profit or loss. It also requires the directors to ensure that the company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the company. They are also responsible for safeguarding the assets of the company.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable estimates, in conformity with International Financial Reporting Standards and the requirements of 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 profit in accordance with International Financial Reporting Standards. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement.

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

Director

Director

23 March 2007

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF EAAGADS LIMITED

Report on the financial statements

We have audited the accompanying financial statements of Eaagads Limited set out on pages 5 to 25. These financial statements comprise the balance sheet at 31 December 2006, and the profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and with the requirements of the Kenyan Companies Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an independent opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform our audit to obtain reasonable assurance that the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the accompanying financial statements give a true and fair view of the state of the company's financial affairs at 31 December 2006 and of its profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Kenyan Companies Act.

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF EAAGADS LIMITED (continued)

Report on other legal requirements

The Kenyan Companies Act requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

ii) in our opinion proper books of account have been kept by the company, so far as appears from our examination of those books;

iii) the company's balance sheet and profit and loss account are in agreement with the books of account.

PricewaterhouseCoopers

Certified Public Accountants
Nairobi

23 March 2007

Profit and loss account

	Notes	Period ended 31 December 2006 (12 months) Shs'000	2005 (9 months) Shs'000
Revenue		68,081	9,762
Gain/(loss) arising from changes in fair value of biological assets		16,453	(3,983)
Cost of production		(64,574)	(7,577)
Gross profit/(loss)		19,960	(1,798)
Other operating income		4,372	2,175
Administrative expenses		(15,225)	(5,085)
Operating profit/(loss)	6	9,107	(4,708)
Interest expense		-	(5)
Profit/(loss) before income tax		9,107	(4,713)
Income tax (expense)/credit	8	(4,032)	2,751
Profit/(loss) for the period		5,075	(1,962)
Dividends:			
Proposed final dividend for the period	9	10,049	-
		Shs	**Shs**
Earnings/(loss) per share – basic and diluted	10	0.63	(0.24)

Balance sheet

	Notes	31 December 2006 Shs'000	31 December 2005 Shs'000
CAPITAL EMPLOYED			
Share capital	11	10,049	10,049
Revaluation surplus	12	74,687	51,877
Retained earnings		91,459	84,484
Shareholders' funds		176,195	146,410
Non-current liabilities			
Deferred income tax	13	44,112	33,300
Post-employment benefit obligations	15	2,973	3,156
		47,085	36,456
		223,280	182,866
REPRESENTED BY			
Non-current assets			
Property, plant and equipment	16	104,345	74,865
Biological assets	17	88,920	72,467
Prepaid operating lease rentals	18	217	218
		193,482	147,550
Current assets			
Inventories	19	20,862	31,582
Receivables and prepayments	20	10,372	4,566
Current income tax		620	620
Cash and cash equivalents	21	529	1,930
		32,383	38,698
Current liabilities			
Payables and accrued expenses	22	2,324	3,382
Provision for liabilities and charges	14	261	-
		2,585	3,382
Net current assets		29,798	35,316
		223,280	182,866

The financial statements on pages 5 to 25 were approved for issue by the board of directors on 23 March 2007 and signed on its behalf by:

Director

Director

Statement of changes in equity

	Notes	Share capital Shs'000	Revaluation surplus Shs'000	Retained earnings Shs'000	Total Shs'000
Period ended 31 December 2005					
At start of period					
-as previously stated		10,049	40,215	108,157	158,421
- prior year adjustment (see below)		-	13,086	(13,086)	-
As restated		10,049	53,301	95,071	158,421
Transfer of excess depreciation		-	(2,035)	2,035	-
Deferred income tax on transfer	13	-	611	(611)	-
Loss for the period		-	-	(1,962)	(1,962)
Dividends paid		-	-	(10,049)	(10,049)
At end of period		10,049	51,877	84,484	146,410
Year ended 31 December 2006					
At start of year					
-as previously stated		10,049	38,791	97,570	146,410
- prior year adjustment		-	13,086	(13,086)	-
		10,049	51,877	84,484	146,410
Revaluation surplus		-	31,490	-	31,490
Deferred income tax on surplus	13	-	(6,780)	-	(6,780)
Transfer of excess depreciation		-	(2,714)	2,714	-
Deferred income tax on transfer	13	-	814	(814)	-
Profit for the year		-	-	5,075	5,075
At end of year		10,049	74,687	91,459	176,195

A prior period transfer from retained earnings to revaluation surplus has been passed to reconcile the revaluation surplus to the difference between the carrying value of property, plant and equipment and the estimated carrying value of property, plant and equipment on a historical cost basis.

Notes

1 General information

Eaagads Limited is incorporated in Kenya under the Companies Act as a public limited liability company, and is domiciled in Kenya. The address of its registered office is:

LR No. 110/2
Ngenda Road
P.O. BOX 10 – 00232 Ruiru
Kenya.

The register of members and debenture holders is kept at
LR No. 209/7130
"Kirungii", Ring Road, Westlands
P.O. BOX 30029 – 00100 Nairobi
Kenya

The company's shares are listed on the Nairobi Stock Exchange (alternative investment market).

2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements are prepared in compliance with International Financial Reporting Standards (IFRS). The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below. The financial statements are presented in Kenya Shillings (Shs), rounded to the nearest thousand.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

Adoption of new and revised standards

In 2006 several new and revised standards and interpretations became effective for the first time and have been adopted by the company where relevant to its operations. The adoption of these new and revised standards and interpretations had no material effect on the company's accounting policies or disclosures.

Notes (continued)

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Standards, interpretations and amendments to published standards that are not yet effective

The following amendment to an existing standard and new standard will be mandatory for the Company's accounting periods beginning on or after 1 January 2007, but which the Company has not early adopted:

- *IAS 1 Amendment, Capital Disclosures.* The amendment to IAS 1 introduces disclosures about the level of the Company's capital and how it manages capital.

- *IFRS 7, Financial Instruments: Disclosures.* IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

(b) Revenue recognition

Revenue represents the fair value of the consideration receivable for sales of goods and services, and is stated net of value-added tax (VAT), rebates and discounts. Revenue is recognised as follows:

(i) Sales of goods other than by auction are recognised in the period in which the group delivers products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured. Sales by auction are recognised upon the fall of the hammer for confirmed bids.

(ii) Sales of services are recognised in the period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(iii) Interest income is recognised on a time proportion basis using the effective interest method. Dividends are recognised as income in the period in which the right to receive payment is established.

(c) Translation of foreign currencies

Transactions are recorded on initial recognition in Kenya Shillings, being the currency of the primary economic environment in which the company operates (the functional currency). Transactions in foreign currencies are converted into Kenya Shillings using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

(d) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

Notes (continued)

2 Summary of significant accounting policies (continued)

(e) Property, plant and equipment

All categories of property, plant and equipment are initially recorded at cost. Buildings and freehold land are subsequently shown at market value, based on triennial valuations by external independent valuers, less subsequent depreciation for buildings. All other property, plant and equipment is stated at historical cost less depreciation.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss account during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation are credited to a revaluation surplus reserve in equity. Decreases that offset previous increases of the same asset are charged against the revaluation surplus; all other decreases are charged to the profit and loss account. Each year the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to the profit and loss account) and depreciation based on the asset's original cost is transferred from the revaluation surplus to retained earnings.

Freehold land is not depreciated. Depreciation on other assets is calculated using the straight line method to write down their cost or revalued amounts to their residual values over their estimated useful life as follows:

Buildings	25 - 40 years
Plant and machinery	10 - 15 years
Equipment and motor vehicles	3 - 8 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amounts and are taken into account in determining operating profit. On disposal of revalued assets, amounts in the revaluation surplus relating to that asset are transferred to retained earnings.

Notes (continued)

2 Summary of significant accounting policies (continued)

(f) Biological assets

Biological assets are measured on initial recognition and at each balance sheet date at fair value less estimated point-of-sale costs. Any gains or losses arising on initial recognition of biological assets and from subsequent changes in fair value less estimated point-of-sale costs are recognised in the profit and loss account in the year in which they arise.

The fair value of coffee bushes and forestry is determined based on the net present values of expected future cash flows, discounted at current market-determined pre-tax rates.

All costs of planting, upkeep and maintenance of biological assets are recognised in the profit and loss account under cost of production/sales in the period in which they are incurred.

(g) Accounting for leases

Leases in which 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.

(h) Inventories

Agricultural produce at the point of harvest is measured at fair value less estimated point-of-sale costs. Any changes arising on initial recognition of agricultural produce at fair value less estimated point-of-sale costs are recognised in the profit and loss account in the year in which they arise.

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the first-in, first-out (FIFO) method. The cost of coffee (fully processed or work in progress) comprises the fair value less estimated point-of-sale costs of agricultural produce at the point of harvest, the cost of direct labour, and other direct costs and related production overheads, but excludes interest expense. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

The fair value less estimated point-of-sale costs of harvested coffee is determined based on the market prices of the final product, taking into account conversion costs.

Other inventories are stated at the lower of cost and net realisable value. Cost is determined by the weighted average method.

(i) Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. A provision for impairment of receivables is established when there is objective evidence that the company will not be able to collect all the amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the present value of expected cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the profit and loss account.

Notes (continued)

2 Summary of significant accounting policies (continued)

(j) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(k) Employee benefits

(i) Retirement benefit obligations

For unionised employees, the company has an unfunded obligation to pay terminal gratuities under its Collective Bargaining Agreement with the union. Employees who resign after completing at least two years of service are entitled to a minimum of 15 days pay for each completed year of service. The liability recognised in the balance sheet is the present value of the estimated future cash outflows, calculated annually by independent actuaries using the projected unit credit method. Any increase or decrease in the provision is taken to the profit and loss account.

The company operates a defined contribution post-employment benefit scheme for non-unionised employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. The company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The assets of the scheme are held in a separate trustee administered fund, which is funded by contributions from both the company and the employees. The company and all its employees also contribute to the statutory National Social Security Fund, which is a defined contribution scheme.

The company's contributions to both these defined contribution schemes are charged to the profit and loss account in the year in which they fall due.

(ii) Other entitlements

Employee entitlements to long service awards are recognised when they accrue to employees. A provision is made for the estimated liability for such entitlements as a result of services rendered by employees up to the balance sheet date.

The estimated monetary liability for employees' accrued annual leave entitlement at the balance sheet date is recognised as an expense accrual.

(l) Income tax

Income tax expense is the aggregate of the charge to the profit and loss account in respect of current income tax and deferred income tax.

Current income tax is the amount of income tax payable on the profit for the year determined in accordance with the Kenyan Income Tax Act.

Notes (continued)

2 Summary of significant accounting policies (continued)

(l) Income tax (continued)

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. However, if the deferred income tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

(m) Dividends

Dividends on ordinary shares are charged to equity in the period in which they are declared.

3 Financial risk management objectives and policies

The company's activities expose it to a variety of financial risks, including credit risk and the effects of changes in climatic conditions, prices for its agricultural produce, foreign currency exchange rates and interest rates.

The company's overall risk management programme focuses on the unpredictability of financial and agricultural markets and seeks to minimise potential adverse effects on its financial performance, but the company does not hedge any risks.

Financial risk management is carried out by management under guidelines provided by the Board of Directors. These guidelines provide principles for overall risk management covering areas such as commodity price risk, foreign exchange risk and interest rate risk.

The company has policies in place to ensure that sales are made to customers with an appropriate credit history.

Notes (continued)

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances.

(i) Critical accounting estimates and assumptions

Biological assets

Critical assumptions are made by the directors in determining the fair values of biological assets. The key assumptions are set out in Note 17.

Post-employment benefit obligations

Critical assumptions are made by the actuary in determining the present value of retirement benefit obligations. These assumptions are set out in Note 15.

Property, plant and equipment

Critical estimates are made by the directors in determining depreciation rates for property, plant and equipment. The rates used are set out in Note 2(e) above.

(ii) Critical judgements in applying the entity's accounting policies

In the process of applying the company's accounting policies, management has made judgements in determining whether assets are impaired.

5 Segment reporting

The directors consider the company to comprise one business segment, agriculture, and one geographical segment, Kenya. Hence no segment reporting is presented.

6 Operating profit

The following items have been charged/(credited) in arriving at operating profit:

	2006 Shs'000	2005 Shs'000
Depreciation on property, plant and equipment (Note 16)	5,084	3,717
Aggregate gain/(loss) arising on initial recognition of biological assets and agricultural produce at the point of harvest and from the change in fair value less estimated point-of-sale costs of biological assets	16,453	(3,983)
Employee benefits expense (Note 7)	21,745	14,993
Auditors' remuneration	550	588

Notes (continued)

15 Post employment benefit obligations (continued)

The amounts recognised in the profit and loss account for the year are as follows:

	2006 Shs'000	2005 Shs'000
Current service cost	297	443
Interest cost	316	325
Net actuarial losses recognised in the year	(604)	(864)
Gratuity payments	(192)	-
Net charge for the year included in staff costs	(183)	(96)

The principal actuarial assumptions used were as follows:

	2006	2005
- future salary increases	8%	8%
- discount rate	10%	10%

Notes (continued)

16 Property, plant and equipment

	Buildings & freehold land Shs'000	Plant & machinery Shs'000	Vehicles & equipment Shs'000	Total Shs'000
At 1 April 2005				
Cost or valuation	46,493	35,778	5,163	87,434
Accumulated depreciation	(1,350)	(3,578)	(3,924)	(8,852)
Net book amount	45,143	32,200	1,239	78,582
Period ended 31 December 2005				
Opening net book amount	45,143	32,200	1,239	78,582
Depreciation charge	(830)	(2,696)	(191)	(3,717)
Closing net book amount	44,313	29,504	1,048	74,865
At 31 December 2005				
Cost or valuation	46,493	35,778	5,163	87,434
Accumulated depreciation	(2,180)	(6,274)	(4,115)	(12,569)
Net book amount	44,313	29,504	1,048	74,865
Year ended 31 December 2006				
Opening net book amount	44,313	29,504	1,048	74,865
Additions	684	-	2,390	3,074
Revaluation	37,546	(6,056)	-	31,490
Depreciation charge	(1,103)	(3,577)	(404)	(5,084)
Closing net book amount	81,440	19,871	3,034	104,345
At 31 December 2006				
Cost or valuation	84,723	29,722	7,030	121,475
Accumulated depreciation	(3,283)	(9,851)	(3,996)	(17,130)
Net book amount	81,440	19,871	3,034	104,345

Notes (continued)

16 Property, plant and equipment (continued)

Buildings and freehold land were last revalued as at 31 December 2006, by C.B. Richard Ellis Limited, Nairobi, Kenya, independent valuers. Valuations were made on the basis of the open market value. The book values of the properties were adjusted to the revaluations and the resultant surplus net of deferred income tax was credited to the revaluation reserve in shareholders' equity.

If property, plant and equipment were stated on the historical cost basis, the amounts would be as follows:

	2006 Shs'000	2005 Shs'000
Net book amount	98,705	69,013

17 Biological assets

Changes in carrying amounts of biological assets comprise:

	Coffee bushes Shs'000	Forestry Shs'000	Total Shs'000
Period ended 31 December 2005			
At start of period	76,450	-	76,450
Losses arising from changes in fair value less estimated point-of-sale costs	(3,983)	-	(3,983)
At end of period	72,467	-	72,467
Year ended 31 December 2006			
At start of year	72,467	-	72,467
Gains arising from changes in fair value less estimated point-of-sale costs	16,216	237	16,453
At end of year	88,683	237	88,920

Notes (continued)

17 Biological assets (continued)

Coffee bushes and forestry are carried at fair value less estimated point-of-sale costs. The fair values were determined based on the discounted net present values of expected net cash flows from those assets, discounted at a current market-determined pre-tax rate. In determining the fair values, the directors have made certain assumptions about the yields and market prices in future years, and the costs of running the estates.

The key assumptions made concerning the future (projected over 30 years in respect of coffee bushes and 15 years in respect of forestry) are as follows:

- Climatic conditions will remain the same
- The market price of coffee, in constant price shilling terms, will be USD 2,994 (2005: USD 2,400) per ton.
- The market price of timber, in constant price shilling terms, will be Shs 3,000 (2005: Shs 3,000) per cubic metre.

The constant price discount rate applied to the expected net cash flows was 12.5% (2005: 10%) for coffee and 12.5% (2005: 12.5%) for timber.

The company has more than 160 hectares of mature coffee bushes and 32 hectares of immature coffee bushes located in the major coffee growing areas of the country. The company also has 2 hectares of forestry.

The company's coffee estates harvested 199,000 kgs of coffee berries with a fair value less estimated point-of-sale costs of Shs 45,934,470.

18 Prepaid operating lease rentals

	2006 Shs'000	2005 Shs'000
At start of period	218	218
Amortisation charge for the year	(1)	-
At end of period	217	218

The open market value of leasehold land based on a valuation carried out as at 31 December 2006, by C.B. Richard Ellis Limited, independent valuers is Shs 146,262,000.

19 Inventories

	2006 Shs'000	2005 Shs'000
Coffee	18,701	29,900
Consumables	2,161	1,682
	20,862	31,582

Notes (continued)

20 Receivables and prepayments

	2006 Shs'000	2005 Shs'000
Prepayments	81	288
Receivables from related companies (Note 26)	7,362	53
Other receivables	2,929	4,225
	10,372	4,566

The carrying amounts of the above receivables and prepayments approximate to their fair values.

21 Cash and cash equivalents

	2006 Shs'000	2005 Shs'000
Cash at bank and in hand	529	1,930

For the purposes of the cash flow statement, cash and cash equivalents comprise the above balances.

22 Payables and accrued expenses

	2006 Shs'000	2005 Shs'000
Amounts due to related companies (Note 26)	415	1,453
Other payables	1,909	1,929
	2,324	3,382

The carrying amounts of the above payables and accrued expenses approximate to their fair values.

23 Contingent liabilities

At 31 December 2006 the company had no contingent liabilities (2005: Nil).

24 Commitments

Capital commitments

Capital expenditure contracted for at the balance sheet date but not recognised in the financial statements is as follows:

	2006 Shs'000	2005 Shs'000
Property, plant and equipment	3,219	-

Notes (continued)

25 Cash generated from operations

Reconciliation of profit/(loss) before income tax to cash generated from operations:

	2006 Shs'000	2005 Shs'000
Profit/(loss) before income tax	9,107	(4,713)
Adjustments for:		
Depreciation (Note 16)	5,084	3,717
Amortisation of prepaid operating lease rentals	1	-
(Gains)/loss arising from changes in fair value less estimated point-of-sale costs of biological assets	(16,453)	3,983
Changes in working capital		
– receivables and prepayments	(5,806)	38,217
– inventories	10,720	(27,819)
– payables and accrued expenses	(1,058)	(1,484)
– post employment benefit obligations	(183)	(96)
– provisions for liabilities and charges	261	-
Cash generated from operations	1,673	11,805

26 Related party transactions

The company is controlled by Socfinaf Limited incorporated in Kenya. The ultimate parent of the company is Socfinal, incorporated in Luxembourg. There are other companies that are related to Eaagads Limited through common shareholdings or common directorships.

The following transactions were carried out with related parties:

i) Sales of goods and services	2006 Shs'000	2005 Shs'000
Socfinaf Company Limited	18,169	5,688
ii) Purchase of goods and services		
Garton Limited	362	71
Socfinaf Company Limited		
Marketing fees	494	221
Milling	895	415
Agency fees	5,297	2,330
Managing fees	2,667	2,618
Other services	-	31,895
iii) Directors' remuneration		
Fees for services as a director	240	144

Notes (continued)

26 Related party transactions (continued)

iv) Outstanding balances	2006 Shs'000	2005 Shs'000
Amounts due from:		
Socfinaf Company Limited	7,362	-
Garton Limited	-	53
	7,362	53
Amounts due to:		
Garton Limited	415	-
Socfinaf Company Limited	-	1,453
	415	1,453

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Principal shareholders

The ten major shareholdings in the company and the respective number of shares held at 31 December 2006 are as follows:

	Name of shareholder	Number of shares	% Shareholding
1.	Socfinaf Co Ltd	4,963,755	61.74
2.	Mrs Vivienne Mary Rogerson	891,000	11.08
3.	Mrs Arbella K D Illingworth	891,000	11.08
4.	Sally Clare Davey & Angela Mary Harrison	290,500	3.61
5.	CFCFS Nominees Limited	223,600	2.78
6.	Mahajans Enterprises Kenya Limited	186,400	2.32
7.	Satch Aly-Khan	91,200	1.13
8.	Mulchand Narshi Shah	57,405	0.71
9.	Alimohamed Adam	47,713	0.59
10.	Savitaben Velki Raichand Shah	38,794	0.48

Distribution of shareholders

	Number of shareholders	Number of shares	% Shareholding
Less than 10,000 shares	105	173,608	2.17
10,001 – 100,000 shares	12	419,387	5.21
100,001 – 1,000,000 shares	5	2,482,500	30.88
Over 1,000,000 shares	1	4,963,755	61.74
Total	**123**	**8,039,250**	**100**