EAAGADS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

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The directors submit their report together with the audited financial statements for the year ended 31 December 2007, which disclose the state of affairs of the company.

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDEND

The net loss for the year of Shs 1,508,000 (2006: profit of Shs 5,075,000) has been deducted from retained earnings. During the year no interim dividend was paid. The directors do not recommend the payment of a final dividend (2006: Shs 10,049,000).

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)
L A Omariba	(Kenyan)

In accordance with the provisions of the company's articles of association, D C A Harries and L A Omariba retired by rotation and were re-elected during the 2007 Annual General Meeting.

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

8 May 2008

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 loss 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

18 May 2008

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 27. These financial statements comprise the balance sheet at 31 December 2007, 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 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 2007 and of its loss 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

8 Dec 2008

Profit and loss account

	Notes	Year ended 31 December 2007 Shs'000	2006 Shs'000
Revenue	5	51,050	72,344
Gain arising from changes in fair value of biological assets		3,223	16,453
Cost of production		(47,776)	(64,574)
Gross profit		6,497	24,223
Other operating income		442	109
Administrative expenses		(9,821)	(15,225)
Operating (loss)/profit	7	(2,882)	9,107
Interest expense		(10)	-
(Loss)/profit before income tax		(2,892)	9,107
Income tax credit/(expense)	9	1,384	(4,032)
(Loss)/profit for the period		(1,508)	5,075
Dividends:			
Proposed final dividend for the period	10	-	10,049
		Shs	**Shs**
(Loss)/earnings per share – basic and diluted	11	(0.19)	0.63

Balance sheet

	Notes	31 December 2007 Shs'000	31 December 2006 Shs'000
CAPITAL EMPLOYED			
Share capital	12	10,049	10,049
Revaluation surplus	13	71,244	74,687
Retained earnings		81,693	91,459
Shareholders' funds		162,986	176,195
Non-current liabilities			
Deferred income tax	14	42,020	44,112
Post-employment benefit obligations	16	2,260	2,973
		44,280	47,085
		207,266	223,280
REPRESENTED BY			
Non-current assets			
Property, plant and equipment	17	100,875	104,345
Biological assets	18	92,143	88,920
Prepaid operating lease rentals	19	217	217
		193,235	193,482
Current assets			
Inventories	20	19,412	20,862
Receivables and prepayments	21	3,534	10,372
Current income tax		620	620
Cash and cash equivalents	22	532	529
		24,098	32,383
Current liabilities			
Payables and accrued expenses	23	10,013	2,324
Provision for liabilities and charges	15	54	261
		10,067	2,585
Net current assets		14,031	29,798
		207,266	223,280

The financial statements on pages 5 to 27 were approved for issue by the board of directors on 8 May 2008 and signed on its behalf by:

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 2006					
At start of year		10,049	51,877	84,484	146,410
Revaluation surplus	17	-	31,490	-	31,490
Deferred income tax on surplus		-	(6,780)	-	(6,780)
Transfer of excess depreciation		-	(2,714)	2,714	-
Deferred income tax on transfer		-	814	(814)	-
Profit for the year		-	-	5,075	5,075
At end of year		10,049	74,687	91,459	176,195
Year ended 31 December 2007					
At start of year		10,049	74,687	91,459	176,195
Revaluation surplus	17	-	(2,360)	-	(2,360)
Deferred income tax on surplus	14	-	708	-	708
Transfer of excess depreciation		-	(2,558)	2,558	-
Deferred income tax on transfer	14	-	767	(767)	-
Dividends paid		-	-	(10,049)	(10,049)
Loss for the year		-	-	(1,508)	(1,508)
At end of year		10,049	71,244	81,693	162,986

Cash flow statement

	Notes	Year ended 31 December 2007 Shs'000	2006 Shs'000
Operating activities			
Cash generated from operations	26	12,487	1,673
Income tax paid		-	-
Net cash from operating activities		12,487	1,673
Investing activities			
Purchase of property, plant and equipment	17	(2,735)	(3,074)
Proceeds from disposal of property, plant and equipment		300	-
Net cash used in investing activities		(2,435)	(3,074)
Financing activities			
Dividends paid		(10,049)	-
Net cash used in financing activities		(10,049)	-
Increase/(decrease) in cash and cash equivalents		3	(1,401)
Movement in cash and cash equivalents			
At start of period		529	1,930
Increase/(decrease)		3	(1,401)
At end of period	22	532	529

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 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 certain critical accounting estimates. 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 2007, the following 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 comparative figures have been restated as required, in accordance with the relevant requirements.

- *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 relating to financial instruments. This standard does not have any impact on the classification or measurement of the Company's financial instruments.

Notes (continued)

2 Summary of significant accounting policies

(a) Basis for preparation

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

The following amendment to an existing standard and new standard and interpretations will be mandatory for the Company's accounting periods beginning on or after 1 January 2008, but which the Company has not early adopted:

- *IFRIC 11 – Group and Treasury Share Transactions* – from 1 January 2008
- *IFRIC 12 – Service Concession Arrangements* – from 1 January 2008
- *IFRS 8 – Operating segments* – from 1 January 2009
- IAS 23 – Borrowing costs (revised) – from 1 January 2009.

The Directors have assessed the relevance of these amendments and interpretations with respect to the Company's operations and concluded that they are not relevant to the Company.

(b) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is shown net of value-added tax (VAT), returns, rebates and discounts. Revenue is recognised as follows:

(i) Sales of produce other than by auction are recognised in the period in which the Company 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.

(c) Functional currency and 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.

Notes (continued)

(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 service within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

(e) Property, plant and equipment

All categories of property, plant and equipment are initially recorded at cost. Buildings, freehold land and plant and machinery are subsequently shown at market value, based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings. All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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 lives, 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

Notes (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 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 coffee at the point of harvest 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

Notes (continued)

(j) Payables

Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(k) Share capital

Ordinary shares are classified as equity.

(l) 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.

(m) 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

Notes (continued)

(n) 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 taxable profit for the year determined in accordance with the relevant tax legislation.

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 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 payable to the Company's shareholders are charged to equity in the period in which they are declared. Proposed dividends are shown as a separate component of equity until declared.

3 Financial risk management objectives and policies

The company's activities expose it to a variety of financial risks, including credit risk, foreign currency exchange rates and interest rates. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance, but the company does not hedge any risks.

Market risk

(i) Foreign exchange risk

The Company is exposed to foreign exchange risks arising from various currency exposures, primarily with respect to the US dollar.

The sales of the Company are in US dollars and the main expenses are in local currency (Kenya shilling). There are no forward sales of US dollars. The US dollars are sold on a daily basis to meet obligations in shillings.

At 31 December 2007, if the Shilling had weakened/strengthened by 5% against the US dollar with all other variables held constant, the impact on pre tax loss for the year would have been insignificant.

Notes (continued)

3 Financial risk management (continued)

Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks, as well as trade and other receivables.

The Company sells its coffee in US dollars mainly through the Coffee Board of Kenya's auction. However, the coffee market was liberalized in 2006 and the Company is also able to sell its coffee through direct sales.

When the coffee is sold through the auction, the sales proceeds should be paid within 14 days to the Marketing Agent. The Marketing Agent of the Company does not release the coffee warrants, that is, title of coffee, before receiving the sales proceeds from the buyer.

Bad debts are monitored closely and are minimal and when occurring are fully provided for by the Company.

The Company has no significant concentrations of credit risk.

The amount that best represents the company's maximum exposure to credit risk is made up as follows:

	2007 Shs'000	2006 Shs'000
Cash equivalents	532	529
Amounts due from related parties	-	7,362
Other receivables	3,416	2,929
	3,948	10,820

No collateral is held for any of the above assets. All receivables that are neither past due nor impaired are within their approved credit limits, and no receivables have had their terms renegotiated.

An aged profile of the trade and other receivables is as follows:

	2007 Shs'000	2006 Shs'000
Past due but not impaired:		
- between 1 – 30 days	3,081	2,848
- between 31 – 60 days	335	81
Total past due but not impaired	3,416	2,929

Notes (continued)

3 Financial risk management (continued)

Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, and the availability of funding from an adequate amount of committed credit facilities. Due to the nature of the business, management maintains flexibility in funding by maintaining available facilities under committed credit lines.

Management monitors rolling forecasts of the company's liquidity reserve on the basis of expected cash flow at the group level. The expected cash flows are updated by Treasury and reported to management and the directors on a monthly basis. Every week the liquidity position is updated and reported to the management and the Directors showing the receipts and the payments within the week.

The trade payables are amounts owed to the suppliers of goods and services of the Company. The list of payables is closely monitored and updated weekly by the management.

The table below analyses the Company's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 year	Between 1 - 2 years	Between 2 - 5 years	Total
	Shs'000	Shs'000	Shs'000	Shs'000
At 31 December 2007:				
- payables and accrued expenses	9,811	12	190	10,013
- provision for liabilities and charges	54	-	-	54
	9,865	12	190	10,067
At 31 December 2006:				
- payables and accrued expenses	2,134	-	190	2,324
- provision for liabilities and charges	261	-	-	261
	2,395	-	190	2,585

Capital risk management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the company may limit the amount of dividends paid to shareholders.

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 18.

(i) Critical accounting estimates and assumptions (continued)

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 16.

(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 Analysis of revenue by category

	2007 Shs'000	2006 Shs'000
Sale of coffee	48,245	68,081
Auctioneering services	2,805	4,263
	51,050	72,344

6 Segmental reporting

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

7 Operating (loss)/profit

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

	2007 Shs'000	2006 Shs'000
Depreciation on property, plant and equipment (Note 17)	3,845	5,084
Aggregate gain arising on initial recognition of biological assets and agricultural produce at the point of harvest		

Notes (continued)

8 Employee benefits expense

The following items are included within employee benefits expense:

	2007 Shs'000	2006 Shs'000
Post-employment benefits costs:		
- Retirement benefit obligations (Note 16)	(292)	9
- National Social Security Fund	510	579

9 Income tax expense

	2007 Shs'000	2006 Shs'000
Deferred income tax (Note 14)	(1,384)	4,032

The tax on the company's (loss)/profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:

	2007 Shs'000	2006 Shs'000
(Loss)/profit before income tax	(2,892)	9,107
Tax calculated at the statutory income tax rate of 30% (2006 – 30%)	(868)	2,732
Tax effect of expenses not deductible for tax purposes	6	93
Under/(over) provision of deferred income tax in prior years	(522)	1,207
Income tax expense	(1,384)	4,032

10 Dividends

No interim dividend was paid during the year. The directors do not recommend the payment of a final dividend.

Payment of dividends is subject to withholding tax at a rate of either 5% or 10% depending on the residence of the respective shareholders.

Notes (continued)

11 Earnings per share

	2007	2006
(Loss)/profit attributable to equity holders of the Company (Shs'000)	(1,508)	5,075
Weighted average number of ordinary shares in issue (thousands)	8,039	8,039
Basic (loss)/earnings per share (Shs)	(0.19)	0.63

There were no potentially dilutive shares outstanding at 31 December 2007 or 2006. Diluted earnings per share are therefore the same as basic earnings per share.

12 Share capital

	Number of shares (Thousands)	Ordinary shares Shs'000
Balance at 1 January 2006, 31 December 2006 and 31 December 2007	8,039	10,049

The total authorised number of ordinary shares is 10,000,000 with a par value of Shs 1.25 per share. All issued shares are fully paid.

13 Revaluation surplus

The revaluation surplus represents solely the surplus on the revaluation of buildings, freehold land, and plant and machinery net of deferred income tax, and is non-distributable.

14 Deferred income tax

Deferred income tax is calculated using the enacted tax rate of 30% (2006: 30%). The movement on the deferred income tax account is as follows:

	2007 Shs'000	2006 Shs'000
At start of period	44,112	33,300
Charge to profit and loss account (Note 9)	(1,384)	4,032
Tax effect of revaluations	(708)	6,780
At end of period	42,020	44,112

Notes (continued)

14 Deferred income tax (continued)

Deferred income tax assets and liabilities, deferred income tax charge/(credit) in the profit and loss account, and deferred income tax charge/(credit) in equity are attributable to the following items:

	1 January 2007 Shs'000	Charged/ (credited) to P/L Shs'000	Charged/ (credited) to equity Shs'000	31 December 2007 Shs'000
Property, plant and equipment:				
- on historical cost basis	(882)	389	-	(493)
- on revaluation surpluses	24,018	(767)	(708)	22,543
Biological assets	26,676	599	-	27,275
Provisions	(1,807)	380	-	(1,427)
Tax losses carried forward	(3,893)	(1,985)	-	(5,878)
Net deferred income tax liability	44,112	(1,384)	(708)	42,020

Deferred income tax of Shs 767,000 (2006: Shs 814,000) was transferred within shareholders' equity from revaluation reserves to retained earnings. This represents deferred income tax on the difference between the actual depreciation on the property and the equivalent depreciation based on the historical cost of the property.

15 Provisions for liabilities and charges

	Long service awards Shs'000
At start of year	261
Utilised during the year	(261)
Additional provisions	54
At end of year	54

The group pays an award of one, one and a half, and two months' salary on completion by employees of 10, 20 and 30 years service respectively.

Notes (continued)

16 Retirement benefit obligations

The movement in the present value of the unfunded obligations for service gratuities is as follows:

	2007 Shs'000	2006 Shs'000
At start of period	2,973	3,156
Net (credit)/charge for the year included in staff costs (Note 8)	(292)	9
Less: gratuities paid	(421)	(192)
At end of period	2,260	2,973

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

	2007 Shs'000	2006 Shs'000
Current service cost	194	297
Past service cost	(867)	-
Interest cost	371	316
Net actuarial losses recognised in the year	10	(604)
Net (credit)/charge for the year included in staff costs	(292)	9

The principal actuarial assumptions used were as follows:

	2007	2006
- future salary increases	8%	8%
- discount rate	13%	10%

Notes (continued)

17 Property, plant and equipment

	Buildings & freehold land Shs'000	Plant & machinery Shs'000	Vehicles & equipment Shs'000	Total Shs'000
At 1 January 2006				
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 1 January 2007				
Cost or valuation	84,723	29,722	7,553	121,998
Accumulated depreciation	(3,283)	(9,851)	(4,519)	(17,653)
Net book amount	81,440	19,871	3,034	104,345
Year ended 31 December 2007				
Opening net book amount	81,440	19,871	3,034	104,345
Additions	121	-	2,614	2,735
Revaluation surplus	-	(2,360)	-	(2,360)
Depreciation charge	(1,667)	(1,529)	(649)	(3,845)
Closing net book amount	79,894	15,982	4,999	100,875
At 31 December 2007				
Cost or valuation	84,844	27,362	10,167	122,373
Accumulated depreciation	(4,950)	(11,380)	(5,168)	(21,498)
Net book amount	79,894	15,982	4,999	100,875

Buildings, freehold land and plant and machinery 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.

Notes (continued)

17 Property, plant and equipment (continued)

In the prior year, an error was made by the independent valuers which resulted in an overstatement of the revaluation surplus by Shs 2,360,000. This error has been adjusted in the revaluation reserve and the resultant surplus net of deferred income tax was debited 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:

	Buildings Shs'000	Plant & machinery Shs'000	Total Shs'000
Year ended 31 December 2006			
Cost	2,872	8,768	11,640
Accumulated depreciation	(415)	(4,367)	(4,782)
Net book amount	2,457	4,401	6,858
Year ended 31 December 2007			
Cost	2,872	10,982	13,854
Accumulated depreciation	(471)	(4,829)	(5,300)
Net book amount	2,401	6,153	8,554

18 Biological assets

Changes in carrying amounts of biological assets comprise:

	Coffee bushes Shs'000	Forestry Shs'000	Total Shs'000
Year ended 31 December 2006			
At start of period	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 period	88,683	237	88,920
Year ended 31 December 2007			
At start of year	88,683	237	88,920
Gains/(losses) arising from changes in fair value less estimated point-of-sale costs	3,261	(38)	3,223

Notes (continued)

18 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 dollar terms, will be US$ 3,051 (2006: US$ 2,994) per ton;
- Expected yields from existing coffee bushes will increase progressively from 1.5 ton of clean coffee per ha to reach 2.2 tons in 2022;
- No coffee bushes will be uprooted in the next 30 years;
- The sales proceeds are converted into Kenya Shillings at Shs 67.38 to the US$;
- The market price of timber, in constant price shilling terms, will be Shs 3,000 (2006: Shs 3,000) per cubic metre;
- Forest density is 1,333, 400 and 333 trees per ha for new, coppiced and old trees respectively; and
- Expected yields from existing trees is 0.09, 0.45 and 0.5 cubic meters for new, coppiced and old trees respectively.

The constant price discount rate applied to the expected net US dollar cash flows was 13% (2006: 12.5%) for coffee and to the shilling, cash flows was 17% (2006: 12.5%) for timber.

The company has 169 hectares of mature coffee bushes and 17 hectares of immature coffee bushes located in the major coffee growing areas of the country. The company also has 7 hectares of forestry.

The company's coffee estates harvested 189,000 kgs (2006: 199,000 kgs) of coffee berries with a fair value less estimated point-of-sale costs of Shs 33,509,511 (2006: Shs 45,934,470).

19 Prepaid operating lease rentals

	2007 Shs'000	2006 Shs'000
At start of period	217	218
Amortisation charge for the year	-	(1)
At end of period	217	217

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.

Notes (continued)

20 Inventories

	2007 Shs'000	2006 Shs'000
Coffee	17,314	18,701
Consumables	2,098	2,161
	19,412	20,862

21 Receivables and prepayments

	2007 Shs'000	2006 Shs'000
Prepayments	118	81
Receivables from related companies (Note 27 (iv))	-	7,362
VAT recoverable	2,997	2,929
Other receivables	419	-
	3,534	10,372

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

22 Cash and cash equivalents

	2007 Shs'000	2006 Shs'000
Cash at bank and in hand	532	529

23 Payables and accrued expenses

	2007 Shs'000	2006 Shs'000
Amounts due to related companies (Note 27 (iv))	8,712	415
Other payables	1,301	1,909
	10,013	2,324

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

24 Contingent liabilities

At 31 December 2007 the company had no contingent liabilities (2006: Nil).

Notes (continued)

25 Commitments

Capital commitments

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

	2007 Shs'000	2006 Shs'000
Property, plant and equipment	-	3,219

26 Cash generated from operations

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

	2006 Shs'000	2007 Shs'000
(Loss)/profit before income tax	(2,892)	9,107
Adjustments for:		
Gain on disposals	(300)	-
Depreciation (Note 17)	3,845	5,084
Amortisation of prepaid operating lease rentals (Note 19)	-	1
Gains arising from changes in fair value less estimated point-of-sale costs of biological assets (Note 18)	(3,223)	(16,453)
Changes in working capital		
– receivables and prepayments	6,838	(5,806)
– inventories	1,450	10,720
– payables and accrued expenses	7,689	(1,058)
– Retirement benefit obligations	(713)	(183)
– provisions for liabilities and charges	(207)	261
Cash generated from operations	12,487	1,673

27 Related party transactions

The company is controlled by Socfinaf Company 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:

	2007 Shs'000	2006 Shs'000
i) Sales of goods and services		

Notes (continued)

27 Related party transactions (continued)	2007 Shs'000	2006 Shs'000
ii) Purchase of goods and services		
Garton Limited	112	362
Socfinaf Company Limited		
- Marketing fees	267	494
- Milling	942	895
- Agency fees	6,126	5,297
- Managing fees	3,211	2,667
iii) Directors' remuneration		
Fees for services as a director	240	240
iv) Outstanding balances		
Amounts due from:		
Socfinaf Company Limited	-	7,362
Amounts due to:		
Garton Limited	440	415
Socfinaf Company Limited	8,712	-
	9,152	415

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Principal shareholders

The ten largest shareholdings in the company and the respective number of shares held at 31 December 2007 are as follows:

	Name of shareholder	Number of shares	% Shareholding
1.	Socfinaf Company 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**