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EAAGADS LIMITED

FINANCIAL STATEMENTS

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31 MARCH 2001

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EAAGADS LIMITED

FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2001

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EAAGADS LIMITED

DIRECTORS AND PROFESSIONAL ADVISERS

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

## EAAGADS LIMITED

### REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements for the year ended 31 March 2001.

#### RESULTS

	Sh'000
Profit before taxation	5,663
Taxation	(2,611)
	<hr/>
Profit after taxation	3,052
	<hr/> <hr/>

#### PRODUCTION

The coffee crop harvested during the year amounted to a respectable 479 tonnes or a yield of 2.460 tonnes per hectare, and compares favourably to the 5 year average crop (years ended March 1996 to March 2000) of 363 tonnes or a yield of 2.006 tonnes per hectare.

#### DIVIDEND

The director's recommend the payment of a first and final dividend of Sh 0.5 (fifty cents) per share in respect of the year ended 31 March 2001.

#### BONUS ISSUE

At an Extraordinary General Meeting of the company held on 22 February 2001, a resolution was passed to capitalise Sh 2,009,812.50 out of revenue reserve account and effect a bonus issue in the proportion of one new ordinary share for every four ordinary shares held at the close of business on 20 February 2001.

#### DIRECTORS

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

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

#### AUDITORS

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

#### FUTURE PROSPECTS

Having just ended the 2000/2001 seasons crop very well despite the extremely dry conditions, the forthcoming season's crop is rather dismal. This has been caused by un-seasonal rains in January and February 2001 which produced much leaf and unfortunately did not allow adequate time for the bearing wood to stress itself in order to produce an acceptably good late crop.

World prices of coffee remain at a very low level. With better weather, the quality should improve and hopefully with it, the price.

If it is any consolation, the coffee trees are in an excellent condition which should produce a bumper early crop for the forthcoming 2002/03 seasons crop, under normal weather conditions.

EAAGADS LIMITED

REPORT OF THE DIRECTORS (Continued)

EMPLOYEES

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

BY ORDER OF THE BOARD

J L G MAONGA

Secretary

Nairobi

22 June 2001

## EAAGADS LIMITED

### STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

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

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

Certified Public Accountants (Kenya)

"Kirungii",

Ring Road, Westlands

P.O. Box 40092

Nairobi

Kenya

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Dropping Zone Box No. 92

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**Gill &  
Johnson**

## REPORT OF THE AUDITORS TO THE MEMBERS OF EAAGADS LIMITED

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We have audited the financial statements on pages 7 to 18 and have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

### **Respective responsibilities of directors and auditors**

As described on page 5, the directors are responsible for the preparation of the financial statements. Our responsibility is to express an opinion on those financial statements based on our audit.

### **Basis of opinion**

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the directors, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

### **Opinion**

In our opinion, proper books of account have been kept by the company and the financial statements, which are in agreement therewith, give a true and fair view of the state of affairs of the company at 31 March 2001 and of its profit and cash flows for the year then ended in accordance with International Accounting Standards and comply with the Companies Act.

GILL & JOHNSON

25 June 2001

EAAGADS LIMITED

INCOME STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2001

	Note	2001 Sh'000	2000 Sh'000
TURNOVER	1	64,378	61,154
COST OF SALES		(65,393)	(61,513)
GROSS LOSS		(1,015)	(359)
OTHER INCOME		240	-
ADMINISTRATION EXPENSES		(5,514)	(4,571)
OPERATING LOSS	2	(6,289)	(4,930)
FINANCE INCOME	4	2,296	8,045
EXCEPTIONAL ITEM	5	9,656	-
PROFIT BEFORE TAXATION		5,663	3,115
TAXATION	6	(2,611)	(11,649)
NET PROFIT/(LOSS) FOR THE YEAR		3,052	(8,534)
EARNINGS/(LOSS) PER SHARE	7	0.38	(1.06)
DIVIDEND PER SHARE	8	0.50	-

EAAGADS LIMITED

BALANCE SHEET  
31 MARCH 2001

	Note	2001 Sh'000	2000 Sh'000
<b>ASSETS</b>			
<b>Non current assets</b>			
Property, plant and equipment	9	133,691	135,995
<b>Current assets</b>			
Inventories	10	31,523	30,250
Trade and other receivables	11	6,838	10,208
Taxation recoverable		245	-
Short term deposits, bank and cash balances		22,395	24,214
		61,001	64,672
<b>Total assets</b>		<u>194,692</u>	<u>200,667</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	12	10,049	8,039
Revaluation reserve		76,439	75,836
Revenue reserve		64,024	67,002
Proposed dividend		4,020	-
		154,532	150,877
<b>Non current liabilities</b>			
Deferred income taxes	13	33,297	33,626
Provision for service gratuity	14	855	556
		34,152	34,182
<b>Current liabilities</b>			
Trade and other payables	15	1,198	11,523
Taxation payable		-	260
Amount due to parent company	16	4,810	3,825
		6,008	15,608
<b>Total equity and liabilities</b>		<u>194,692</u>	<u>200,667</u>

The financial statements on pages 7 to 18 were approved by the board of directors on 22 June 2001 and were signed on its behalf by:

A M MICHAELIDES      )

) Directors

R S MCLELLAN      )

**EAAGADS LIMITED**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MARCH 2001**

	Share capital Sh'000	Revaluation Reserve Sh'000	Revenue reserve Sh'000	Proposed dividends Sh'000	Total Sh'000
At 1 April 1999	8,039	99,816	75,536	8,039	191,430
1999 dividend paid	-	-	-	(8,039)	(8,039)
Net Loss for the year	-	-	(8,534)	-	(8,534)
Deferred taxation	-	(23,980)	-	-	(23,980)
	=====	=====	=====	=====	=====
At 31 March 2000	8,039	75,836	67,002	-	150,877
Net profit for the year	-	-	3,052	-	3,052
Proposed dividend	-	-	(4,020)	4,020	-
Deferred taxation	-	603	-	-	603
Bonus share issue	2,010	-	(2,010)	-	-
	=====	=====	=====	=====	=====
At 31 March 2001	10,049	76,439	64,024	4,020	154,532
	=====	=====	=====	=====	=====

**EAAGADS LIMITED**

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2001**

	Note	2001 Sh'000	2000 Sh'000
<b>OPERATING ACTIVITIES</b>			
Cash generated from/(used in) operations	17(a)	1,805	(11,854)
Taxation paid		(2,842)	(2,415)
Interest received		905	1,038
		=====	=====
Net cash used in operating activities		(132)	(13,231)
		=====	=====
<b>INVESTING ACTIVITIES</b>			
Purchase of plant and equipment		(1,927)	-
Proceeds from disposal of plant and equipment		240	54
		=====	=====
Net cash (used in)/generated from investing activities		(1,687)	54
		=====	=====
<b>FINANCING ACTIVITIES</b>			
Dividends paid		-	(8,039)
		=====	=====
DECREASE IN CASH AND CASH EQUIVALENTS		(1,819)	(21,216)
CASH AND CASH EQUIVALENTS AT 1 APRIL		24,214	45,430
		=====	=====
CASH AND CASH EQUIVALENTS AT 31 MARCH	17(b)	22,395	24,214
		=====	=====

# EAAGADS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2001

### 1 ACCOUNTING POLICIES

The financial statements are prepared in accordance with and comply with International Accounting Standards. The principal accounting policies adopted in the preparation of the financial statements are set out below:

#### BASIS OF ACCOUNTING

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

#### TURNOVER

Turnover represents proceeds of coffee sold during the year.

#### TAXATION

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

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

#### PROPERTY, PLANT AND EQUIPMENT

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

#### DEPRECIATION

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

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

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

#### INVENTORIES

Coffee stocks are valued at the lower of growing and handling costs and net realisable value. Consumable stores are valued at the lower of weighted average cost and net realisable value.

# EAAGADS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 1 ACCOUNTING POLICIES (Continued)

#### FOREIGN CURRENCIES

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

#### RETIREMENT BENEFIT OBLIGATIONS

The company's obligations to staff retirement benefit plans, including service gratuity for unionisable staff, are charged to the income statement as they fall due.

The unrecognised service gratuity liability as at 31 March 1999 arising from adoption of International Accounting Standard No. 19 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.

	2001 Sh'000	2000 Sh'000
2 OPERATING LOSS		
The operating loss is arrived at after charging:		
Depreciation	4,231	4,133
Directors' emoluments:		
Fees	-	-
Other emoluments	-	-
Staff costs (Note 3)	26,602	26,864
Auditors' remuneration	431	410
Profit/(loss) on disposal of plant and equipment	240	(22)
	=====	=====

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

		2001 Sh'000	2000 Sh'000
<b>3</b>	<b>STAFF COSTS</b>		
	Wages and salaries	25,789	25,796
	Social security costs (NSSF)	473	476
	Pension costs – defined contribution plan	41	36
	Service gratuity	299	556
		<hr/>	<hr/>
		26,602	26,864
		<hr/> <hr/>	<hr/> <hr/>
		No.	No.
	The average number of persons employed by the company during the year was:		
	Permanent	216	229
	Seasonals	369	393
		<hr/>	<hr/>
		585	622
		<hr/> <hr/>	<hr/> <hr/>
<b>4</b>	<b>FINANCE INCOME</b>		
		2001 Sh'000	2000 Sh'000
	Interest on fixed deposits and bank balances	905	1,038
	Exchange gains	1,391	7,007
		<hr/>	<hr/>
		2,296	8,045
		<hr/> <hr/>	<hr/> <hr/>
<b>5</b>	<b>EXCEPTIONAL ITEM</b>		

The exceptional item relates to a write back to income of prior year provisions for land rates payable to Thika Municipal Council, following the approval and subsequent Gazetting of new rates by the Minister for Local Government on agricultural land in the year under review. The prior year provisions had been made based on demand notes from the Municipal council at a rate in excess of the newly approved rates.

# EAAGADS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

		2001 Sh'000	2000 Sh'000
<b>6</b>	<b>TAXATION</b>		
(a)	<b>TAX CHARGE</b>		
	Current taxation based on taxable profit at 30%	2,337	2,003
	Deferred tax charge	274	9,646
		<hr/>	<hr/>
		2,611	11,649
		<hr/>	<hr/>
(b)	<b>RECONCILIATION OF EXPECTED TAX BASED ON ACCOUNTING PROFIT TO TAX CHARGE</b>		
	Accounting profit before taxation	5,663	3,115
		<hr/>	<hr/>
	Tax at the applicable rate of 30%	1,699	935
	Tax effect of expenses not deductible for tax purposes	912	603
	Tax effect of reduction in tax rate	-	(843)
	Deferred tax in respect of prior periods	-	10,954
		<hr/>	<hr/>
		2,611	11,649
		<hr/>	<hr/>
(c)	<b>DEFERRED TAX RELATING TO ITEMS (CREDITED)/ DEBITED TO CAPITAL RESERVE</b>		
	Deferred taxation on revaluation surpluses on property, plant and equipment	(603)	23,980
		<hr/>	<hr/>

## 7 EARNINGS/(LOSS) PER SHARE

Earnings/(loss) per share has been calculated on the net profit after taxation of Sh 3,052,000 (2000 – Loss of Sh 8,534,000) divided by the number of shares in issue.

## 8 DIVIDENDS

The directors have proposed the payment of a first and final dividend of Sh 0.50 per share amounting to a total of Sh 4,019,625 (2000 – nil).

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

EAAGADS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9 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
<b>COST OR VALUATION</b>					
At 1 April 2000	4,571	81,072	56,758	13,206	155,607
Additions	-	-	1,406	521	1,927
Disposals	-	-	-	(482)	(482)
	=====	=====	=====	=====	=====
At 31 March 2001	4,571	81,072	58,164	13,245	157,052
	=====	=====	=====	=====	=====
Comprising:					
Cost	-	10,643	27,996	4,792	43,431
Valuation -1994	4,571	70,429	30,168	8,453	113,621
	=====	=====	=====	=====	=====
	4,571	81,072	58,164	13,245	157,052
	=====	=====	=====	=====	=====
<b>DEPRECIATION</b>					
At 1 April 2000	-	-	11,608	8,004	19,612
Charge for the year	-	-	2,908	1,323	4,231
Eliminated on disposals	-	-	-	(482)	(482)
	=====	=====	=====	=====	=====
At 31 March 2001	-	-	14,516	8,845	23,361
	=====	=====	=====	=====	=====
<b>NET BOOK VALUE</b>					
At 31 March 2001	4,571	81,072	43,648	4,400	133,691
	=====	=====	=====	=====	=====
At 31 March 2000	4,571	81,072	45,150	5,202	135,995
	=====	=====	=====	=====	=====

EAAGADS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

		2001 Sh'000	2000 Sh'000
10	INVENTORIES		
	Coffee	22,191	20,190
	Consumables	9,332	10,060
		<hr/>	<hr/>
		31,523	30,250
		<hr/>	<hr/>
11	TRADE AND OTHER RECEIVABLES		
	Trade	3,097	8,184
	Other	3,741	2,024
		<hr/>	<hr/>
		6,838	10,208
		<hr/>	<hr/>
12	SHARE CAPITAL		
	Authorised:		
	10,000,000 ordinary shares of of Sh 1.25 each	12,500	12,500
		<hr/>	<hr/>
	Issued and fully paid:		
	8,039,250 ( 2000 – 6,431,400) ordinary shares of of Sh 1.25 each	10,049	8,039
		<hr/>	<hr/>

# EAAGADS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 13 DEFERRED INCOME TAXES

	2001 Sh'000	2000 Sh'000
The net deferred taxation liability is attributable to the following items:		
Accelerated capital allowances	3,450	2,987
Provision for service gratuity	(257)	(167)
Unrealised exchange(loss) /gain	(6)	93
Coffee developments	6,733	6,733
Revaluation surplus	23,377	23,980
	<hr/>	<hr/>
At 31 March	33,297	33,626
	<hr/> <hr/>	<hr/> <hr/>

The movement on the deferred tax account is as follows:

At 1 April	33,626	-
Income statement charge	274	9,646
Revaluation reserve (credit)/debit	(603)	23,980
<hr/>		
At 31 March	33,297	33,626
	<hr/> <hr/>	<hr/> <hr/>

### 14 PROVISION FOR SERVICE GRATUITY

Unrecognised service gratuity at 1 April 2000	1,129	1,411
Amounts to be recognised in future periods	(847)	(1,129)
<hr/>		
Balance brought forward	282	282
Provision for current year	556	-
	17	274
<hr/>		
Recognised service gratuity at 31 March 2001	855	556
	<hr/> <hr/>	<hr/> <hr/>

### 15 TRADE AND OTHER PAYABLES

Trade	-	39
Other	1,033	11,319
Unclaimed dividends	165	165
<hr/>		
	1,198	11,523
	<hr/> <hr/>	<hr/> <hr/>

### 16 RELATED PARTIES

Transactions carried out with Socfinaf Company Limited, the parent company, during the year	10,549	11,089
<hr/> <hr/>		
Amounts due from Socfinaf Company Limited at 31 December	4,810	3,825
<hr/> <hr/>		

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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

		2001 Sh'000	2000 Sh'000
17	NOTES TO THE CASH FLOW STATEMENT		
(a)	RECONCILIATION OF OPERATING LOSS TO CASH GENERATED FROM/(USED IN) OPERATIONS		
	Operating loss	(6,289)	(4,930)
	Depreciation	4,231	4,133
	(Profit)/loss on disposal of plant and equipment	(240)	22
	Exchange gains	1,391	7,007
	Exceptional item	9,656	-
		<hr/>	<hr/>
	Operating profit before working capital changes	8,749	6,232
	Increase in inventories	(1,273)	(6,405)
	Decrease/(increase) in trade and other receivables	3,370	(4,451)
	(Decrease)/increase in trade and other payables	(10,325)	2,156
	Increase/(decrease) in parent company balance	985	(9,942)
	Increase in provision for service gratuity	299	556
		<hr/>	<hr/>
	Cash generated from/(used in) operations	1,805	(11,854)
		<hr/> <hr/>	<hr/> <hr/>
(b)	ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
	Short term deposits, bank and cash balances	22,395	24,214
		<hr/> <hr/>	<hr/> <hr/>
18	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 41,000 (2000 – Sh 36,000) in the year. Contributions to the statutory scheme are determined by local statute and are currently restricted to Sh 80 per employee per month. For the year ended 31 March 2001, the company contributed Sh 473,000(2000 – Sh 476,000) to the statutory scheme.

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

## 19 COUNTRY OF INCORPORATION

The company is incorporated in Kenya under the Companies Act.

## 20 ULTIMATE HOLDING COMPANY

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

## 21 CURRENCY

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