EAAGADS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

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The directors submit their report together with the audited financial statements for the year ended 31 December 2008, which disclose the state of affairs of the company.

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDEND

The net profit for the year of Shs 29,686,000 (2007: loss of Shs 1,508,000) 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 10,049,063 (2007: Nil).

DIRECTORS

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

D C A Harries	(Kenyan)
Fabian Philippart	(Belgian)
J G Cobbaert	(Belgian) (appointed 12 August 2008)
E J G Delbar	(resigned 12 August 2008)
Lucas Omariba	(resigned 12 August 2008)

AUDITOR

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

By order of the Board

J L G MAONGA
SECRETARY

8 May 2009

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**

7th May 2009

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 30. These financial statements comprise the balance sheet at 31 December 2008, 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 2008 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; and

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 May 2009

Profit and loss account

	Notes	Year ended 31 December 2008 Shs'000	2007 Shs'000
Revenue	5	71,259	51,050
Gains arising from changes in fair value less estimated point-of-sale costs of biological assets	18	26,064	3,223
Cost of production		(41,248)	(47,776)
Gross profit		56,075	6,497
Other income	6	1,678	442
Administrative expenses		(14,818)	(9,821)
Finance income/(costs)	7	25	(10)
Profit/(loss) before income tax	8	42,960	(2,892)
Income tax (expense)/credit	10	(13,274)	1,384
Profit/(loss) for the year		29,686	(1,508)
Earnings/(loss) per share (Shs per share) – basic	12	3.69	(0.19)
– diluted	12	1.85	(0.09)

Balance sheet

	Notes	31 December 2008 Shs'000	31 December 2007 Shs'000
EQUITY			
Share capital	13	10,049	10,049
Revaluation surplus	14	70,329	71,244
Retained earnings		112,294	81,693
Total equity		192,672	162,986
Non-current liabilities			
Deferred income tax	15	55,294	42,020
Post-employment benefit obligations	16	3,217	2,260
		58,511	44,280
		251,183	207,266
REPRESENTED BY			
Non-current assets			
Property, plant and equipment	17	98,328	100,875
Biological assets	18	118,207	92,143
Prepaid operating lease rentals		217	217
		216,752	193,235
Current assets			
Inventories	19	53,120	19,412
Receivables and prepayments	20	5,772	3,534
Current income tax		543	620
Cash and cash equivalents	21	602	532
		60,037	24,098
Current liabilities			
Payables and accrued expenses	22	25,518	10,013
Provision for liabilities and charges	26	88	54
		25,606	10,067
Net current assets		34,431	14,031
		251,183	207,266

The financial statements on pages 5 to 30 were approved for issue by the board of directors on 7 May 2009 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
Year ended 31 December 2007					
At start of year		10,049	74,687	91,459	176,195
Revaluation surplus	14	-	(2,360)	-	(2,360)
Deferred income tax on surplus	15	-	708	-	708
Transfer of excess depreciation		-	(2,558)	2,558	-
Deferred income tax on transfer	15	-	767	(767)	-
Net (losses)/gains recognised directly in equity		-	(3,443)	1,791	(1,652)
Loss for the year		-	-	(1,508)	(1,508)
Total recognised income for 2007		-	(3,443)	283	(3,160)
Dividends paid		-	-	(10,049)	(10,049)
At end of year		10,049	71,244	81,693	162,986
Year ended 31 December 2008					
At start of year		10,049	71,244	81,693	162,986
Transfer of excess depreciation		-	(1,307)	1,307	-
Deferred income tax on transfer	15	-	392	(392)	-
Net (losses)/gains recognised directly in equity		-	(915)	915	-
Profit for the year		-	-	29,686	29,686
Total recognised income for 2008		-	(915)	30,601	29,686
At end of year		10,049	70,329	112,294	192,672

Cash flow statement

	Notes	Year ended 31 December 2008 Shs'000	2007 Shs'000
Operating activities			
Cash generated from operations	25	447	12,487
Net cash generated from operating activities		447	12,487
Investing activities			
Purchase of property, plant and equipment	17	(3,530)	(2,735)
Proceeds from disposal of property, plant and equipment		3,153	300
Net cash used in investing activities		(377)	(2,435)
Financing activities			
Dividends paid		-	(10,049)
Net cash used in financing activities		-	(10,049)
Increase in cash and cash equivalents		70	3
Movement in cash and cash equivalents			
At start of year		532	529
Increase		70	3
At end of year	21	602	532

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.

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 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 3.

Interpretations effective in 2008

In 2008, the following new interpretations became effective for the first time but have not had an impact on the company's financial statements:
- IFRIC 11 – IFRS 2 - Group and treasury share transactions
- IFRIC 12 – Service Concession Arrangements
- IFRIC 14 – IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction
- IAS 39 and IFRS 7 – Reclassification of financial assets

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

One new standard (IFRS 8 – Operating Segments) and numerous amendments to existing standards and new interpretations have been published and will be effective for the company's accounting periods beginning on or after 1 January 2009, but the company has not early adopted any of them.

Notes (continued)

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

The Directors have assessed the relevance of the new standard and interpretations, and amendments to existing standards with respect to the company's operations and concluded that they will not have any impact on the company's financial statements, other than for the amendments to IAS 1 - Presentation of Financial Statements, which will require non-owner changes in equity to be presented in a 'Comprehensive Statement of Income'.

(b) 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.

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

(c) 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), rebates and discounts. Revenue is recognised as follows:

The company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the company and when specific criteria have been met for each of the company's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(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 collectability 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.

Notes (continued)

2 Summary of significant accounting policies (continued)

(d) Functional currency and translation of foreign currencies

(i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').The financial statements are presented in Kenya Shillings, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency 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.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit and loss account within 'finance income or cost'. All other foreign exchange gains and losses are presented in the profit and loss account within 'other (losses)/gains-net'.

(e) Property, plant and equipment

All categories of property, plant and equipment are initially recorded at cost. Buildings and 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 allocate their cost or revalued amounts less their residual values over their estimated useful lives, as follows:

Buildings	25 - 50 years
Plant and machinery	10 - 15 years
Equipment and motor vehicles	3 - 8 years

Notes (continued)

2 Summary of significant accounting policies (continued)

(e) Property, plant and equipment

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 included in the profit and loss account. On disposal of revalued assets, amounts in the revaluation surplus relating to that asset are transferred to retained earnings.

(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 finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity), but excludes borrowing costs.

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.

Notes (continued)

2 Summary of significant accounting policies (continued)

(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.

(j) Payables

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

(k) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method; any differences between proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(l) Share capital

Ordinary shares are classified as 'share capital' in equity.

(m) 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.

(n) Employee benefits

(i) Post-employment benefit obligations

For its unionised employees, the company has an unfunded obligation to pay terminal gratuities under its Collective Bargaining Agreement with the union. Employees who voluntarily resign after serving the employer for ten years and above shall be entitled to service gratuity at the rate of ten days pay for every 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 employees service in the current and prior periods.

Notes (continued)

2 Summary of significant accounting policies (continued)

(n) Employee benefits (continued)

The assets of the scheme are held in separate trustee administered funds, which is funded by contributions from both the company and 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.

(o) 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. Tax is recognised in the profit and loss account unless it relates to items recognised directly in equity, in which case it is also recognised directly in equity. Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the Kenyan Income Tax Act.

Deferred income tax is recognised, 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, the deferred income tax is not accounted for if it 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. 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.

(p) 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.

Notes (continued)

3 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 carrying amounts of the biological assets and key assumptions made in estimating these amounts are set out in Note 13.

Post-employment benefit obligations

Critical assumptions are made by the actuary in determining the present value of retirement benefit obligations. The carrying amount of the provision and the key assumptions made in estimating the provision 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:

- the classification of financial assets and leases
- whether assets are impaired.

4 Financial risk management objectives and policies

The company's activities expose it to a variety of financial risks: currency risk, credit risk and liquidity risk. 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 2008, if the Shilling had weakened/strengthened by 5% against the US dollar with all other variables held constant, the impact on pre tax profit for the year would have been insignificant.

(ii) Price risk

The company does not hold any financial instruments subject to price risk.

(iii) Cash flow and fair value interest rate risk

The company has borrowings in Shillings. The loan from Socfinaf Limited, the parent company, is interest free and had no fixed repayment period.

Notes (continued)

4 Financial risk management objectives and policies

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 mainly through the Coffee Board of Kenya's auction. However, the coffee market was liberalised 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 7 and 14 days to the marketing agent and final grower respectively. The marketing agent of the company does not release the coffee warrants, that is, title of the coffee, before receiving the sales proceeds from the buyer.

Bad debts are monitored closely and are minimal and when they occur are fully provided 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 at 31 December 2008 is made up as follows:

	2008 Shs'000	2007 Shs'000
Cash at bank	585	532
Receivables from related companies	344	-
Other receivables	5,428	3,534
	6,357	4,066

None of the above assets are either past due or impaired. No collateral is held for any of the above assets. The company does not grade the credit quality of receivables. All receivables that are neither past due nor impaired are within their approved credit limits, and no receivables have had their terms renegotiated.

None of the above assets are either past due or impaired. The customers under the fully performing category are paying their debts as they continue trading. The default rate is low.

Notes (continued)

4 Financial risk management objectives and policies (continued)

Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash balances, and the availability of funding from an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, 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 payments within the week.

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
	Shs'000
At 31 December 2008:	
- payables and accrued expenses	25,518
- provision for liabilities and charges	88
	25,606
At 31 December 2007:	
-payables and accrued expenses	10,013
-provision for liabilities and charges	54
	10,067

Capital 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)

5 Revenue

Analysis of sales by category:

	2008 Shs'000	2007 Shs'000
Sales of coffee	68,742	48,245
Auctioneering income	2,517	2,805
	71,259	51,050

6 Other income

	2008 Shs'000	2007 Shs'000
Gain on disposal of property, plant and equipment	618	300
Sundry Incomes	1,060	142
	1,678	442

7 Finance income/(costs)

	2008 Shs'000	2007 Shs'000
Net foreign exchange gains/(losses) on cash and cash equivalents	25	(10)
Net finance costs	25	(10)

8 Expenses by nature

The following items have been charged in arriving at the profit before income tax:

	2008 Shs'000	2007 Shs'000
Depreciation on property, plant and equipment (Note 17)	3,542	3,845
Gains arising from the change in fair value less estimated point-of-sale costs of biological assets (Note 18)	26,064	3,223
Employee benefits expense (Note 9)	16,427	18,735
Auditor's remuneration	614	589

Notes (continued)

9 Employee benefits expense

	2008 Shs'000	2007 Shs'000
The following items are included within employee benefits expense:		
Retirement benefits costs:		
- Defined benefit scheme (Note 16)	1,237	(292)
- National Social Security Fund	553	510
	1,790	218

10 Income tax expense/(credit)

	2008 Shs'000	2007 Shs'000
Deferred income tax (Note 15)	13,274	(1,384)
Income tax expense/(credit)	13,274	(1,384)

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

	2008 Shs'000	2007 Shs'000
Profit/ (loss) before income tax	42,960	(2,892)
Tax calculated at the statutory income tax rate of 30% (2007 - 30%)	12,888	(868)
Tax effect of:		
Expenses not deductible for tax purposes	17	6
Under provision of deferred tax in prior years	369	(522)
Income tax expense/(credit)	13,274	(1,384)

11 Dividends

No interim dividend was paid during the year. At the next annual general meeting, a final dividend in respect of the year ended 31 December 2008 of Shs 0.625 (2007: Nil) per share amounting to a total of Shs 10,049,063 (2007: Nil) is to be proposed. These financial statements do not reflect this dividend payable.

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)

12 Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year (Note 13).

	2008	2007
Profit/(loss) attributable to equity holders of the company (Shs'000)	29,686	(1,508)
Weighted average number of ordinary shares in issue (thousands)	8,039	8,039
Basic earnings/(loss) per share (Shs per share)	3.69	(0.19)

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume the bonus issue (Note 13).

	2008	2007
Profit/(loss) attributable to equity holders of the company (Shs'000)	29,686	(1,508)
Weighted average number of ordinary shares in issue (thousands)	8,039	8,039
Adjustment for bonus issue (thousands)	8,039	8,039
Weighted average number of ordinary shares for diluted earnings per share (thousands)	16,078	16,078
Diluted earnings/(loss) per share (Shs per share)	1.85	(0.09)

Notes (continued)

13 Share capital

	Number of shares (Thousands)	Ordinary shares Shs'000	Share premium Shs'000
Balance at 1 January 2007, 31 December 2007 and 31 December 2008	8,039	10,049	-

The total authorised number of ordinary shares is 20,000,000 with a par value of Shs 1.25 per share. This is after a resolution passed at an extraordinary general meeting held on 22 December 2008 to increase the authorised share capital from Shs 12,500,000 divided into 10,000,000 ordinary shares of Shs 1.25 each to Shs 25,000,000 by the creation of an additional 10,000,000 new ordinary shares of Shs 1.25 each to rank pari passu in all respects with the existing ordinary shares in the capital of the company.

All issued shares are fully paid.

A resolution was also passed at the extraordinary general meeting held on 22 December 2008 to issue bonus shares by capitalisation of Shs 10,049,063 of the retained earnings as at 31 December 2007. The amount is to be applied to full payment of 8,039,250 additional shares of Shs 1.25 each to be issued to ordinary shareholders in the proportion of one new ordinary share for every one ordinary share held. The new shares would rank pari passu in all respects with the existing ordinary shares in the capital of the company. This was subject to Capital Markets Authority (CMA) approval before issue and allotment.

The company received CMA approval on 12 March 2009. Hence these financial statements do not reflect this bonus issue. However, the bonus shares will qualify for payment of the proposed dividend set out in Note 11.

14 Revaluation surplus

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

Notes (continued)

15 Deferred income tax

Deferred income tax is calculated using the enacted income tax rate of 30% (2007: 30%). The movement on the deferred income tax account is as follows:

	2008 Shs'000	2007 Shs'000
At start of year	42,020	44,112
Charge/(credit) to profit and loss account (Note 10)	13,274	(1,384)
Tax effect of revaluations	-	(708)
At end of year	55,294	42,020

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

Year ended 31 December 2008	1.1.2008 Shs'000	Charged/ (credited) to P/L Shs'000	Charged/ (credited) to equity Shs'000	31.12.2008 Shs'000
Deferred income tax liabilities				
Property, plant and equipment:				
- on historical cost basis	(493)	(1,667)	-	(2,160)
- on revaluation surpluses	22,543	1,312	-	23,855
Biological assets	27,275	8,106	-	35,381
Unrealised exchange gains/losses	-	7	-	7
	49,325	7,758	-	57,083
Deferred income tax assets				
Provisions and retirement benefit obligations	(1,427)	(351)	-	(1,778)
Tax losses carried forward	(5,878)	5,867	-	(11)
	(7,305)	5,516	-	(1,789)
Net deferred income tax liability	42,020	13,274	-	55,294

Notes (continued)

15 Deferred income tax (continued)

Year ended 31 December 2007	1.1.2007 Shs'000	Charged/ (credited) to P/L Shs'000	Charged/ (credited) to equity Shs'000	31.12.2007 Shs'000
Deferred income tax liabilities				
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
	49,812	221	(708)	49,325
Deferred income tax assets				
Provisions and retirement benefit obligations	(1,807)	380	-	(1,427)
Tax losses carried forward	(3,893)	(1,985)	-	(5,878)
	(5,700)	(1,605)	-	(7,305)
Net deferred income tax liability	44,112	(1,384)	(708)	42,020

Deferred income tax of Shs 392,000 (2007: Shs 767,000) 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.

Notes (continued)

16 Post-employment benefit obligations

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

	2008 Shs'000	2007 Shs'000
At start of year	2,260	2,973
Net charge/(credit) for the year included in employee benefit expense (see below)	1,237	(292)
Less: gratuities paid	(280)	(421)
At end of year	3,217	2,260

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

	2008 Shs'000	2007 Shs'000
Current service cost	272	194
Interest cost	237	371
Net actuarial losses recognised in the year	140	10
Past service costs	588	(867)
Total included in employee benefit expense/(credit) (Note 9)	1,237	(292)

The principal actuarial assumptions used were as follows:

	2008	2007
- discount rate	10.5%	13%
- future salary increases	8%	8%

Five year summary:

	2008 Shs'000	2007 Shs'000	2006 Shs'000	2005 Shs'000	2004 Shs'000
Present value of defined benefit obligation	3,217	2,260	2,973	3,156	1,943
Experience adjustments on plan liabilities	140	10	(604)	(864)	-

Notes (continued)

17 Property, plant and equipment

	Buildings and freehold land Shs'000	Plant and machinery Shs'000	Vehicles and equipment Shs'000	Capital work in progress Shs'000	Total Shs'000
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	-	104,34
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
Year ended 31 December 2008					
Opening net book amount	79,894	15,982	4,999	-	100,875
Reclassifications	2,925	(3,663)	(3)	741	-
Additions	28	-	3,502	-	3,530
Transfers	741	-	-	(741)	-
Disposals	-	-	(2,535)	-	(2,535)
Depreciation charge	(1,733)	(1,140)	(669)	-	(3,542)
Closing net book amount	81,855	11,179	5,294	-	98,328
At 31 December 2008					
Cost or valuation	85,647	13,454	7,848	-	106,949
Accumulated depreciation	(3,792)	(2,275)	(2,554)	-	(8,621)
Net book amount	81,855	11,179	5,294	-	98,328

Notes (continued)

17 Property, plant and equipment (continued)

Buildings and freehold land and plant and machinery were last revalued during 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 surplus 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 and Machinery Shs'000	Total Shs'000
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
Year ended 31 December 2008			
Cost	2,900	9,615	12,515
Accumulated depreciation	(528)	(3,173)	(3,701)
Net book amount	2,372	6,442	8,814

18 Biological assets

	Coffee bushes Shs'000	Forestry Shs'000	Total Shs'000
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
At end of year	91,944	199	92,143
Year ended 31 December 2008			
At start of year	91,944	199	92,143
Gains arising from changes in fair value less estimated point-of-sale costs	26,017	47	26,064
At end of the year	117,961	246	118,207

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 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$ 3,384 (2007: US $ 3,051) per ton;
- Expected yields from existing coffee bushes will increase progressively from 1.90 ton clean per mature hectare to an average of 2.0 tons as from 2010.
- No coffee bushes will be uprooted in the next 30 years;
- The sales proceeds are converted into Kenya Shillings at an exchange rate of 71.9175 (2007 67.38) to the US$;
- The market price of timber, in constant price shilling terms, will be Shs 3,000 (2007: Shs 3,000) per cubic metre;
- Forest density is 1,333,400 and 333 trees per ha for new, coppiced and old trees respectively;
- 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 10.5% (2007: 10%) for coffee, and to the shilling cash flows was 17% (2007: 17%) for timber.

The company has 183 hectares of mature coffee bushes and 10 hectares of immature coffee bushes located in the major coffee growing areas of the country. The company also has 5 hectares of forestry.

19 Inventories

	2008	2007
	Shs'000	Shs'000
Coffee	51,598	17,314
Consumables	1,522	2,098
	53,120	19,412

The cost of inventories recognised as an expense and included in 'cost of sales' amounted to Shs 33,708,000.

Notes (continued)

20 Receivables and prepayments

	2008 Shs'000	2007 Shs'000
Receivables from related companies (Note 27)	344	-
VAT recoverable	7,725	2,997
Less: Provision for impairment losses	(2,360)	-
	5,365	2,997
Other receivables and prepayments	63	537
	5,772	3,534

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

21 Cash and cash equivalents

	2008 Shs'000	2007 Shs'000
Cash at bank and in hand	602	532

22 Payables and accrued expenses

	2008 Shs'000	2007 Shs'000
Trade payables	1,466	-
Amounts due to related companies (Note 27)	23,022	8,712
Accrued expenses and other payables	1,030	1,301
	25,518	10,013

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

23 Contingent liabilities

As at 31 December 2008 the company had no contingent liabilities (2007: Nil).

24 Commitments

Capital commitments

There was no capital expenditure contracted for as at the balance date.

Notes (continued)

25 Cash generated from operations

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

	2008 Shs'000	2007 Shs'000
Profit/(loss) before income tax	42,960	(2,892)
Adjustments for:		
Depreciation (Note 17)	3,542	3,845
Gains arising from changes in fair value less estimated point-of-sale costs	(26,064)	(3,223)
Gain on disposal of property, plant and equipment	(618)	(300)
Changes in working capital		
– receivables and prepayments	(2,161)	6,838
– inventories	(33,708)	1,450
– payables and accrued expenses	15,505	7,689
– retirement benefit obligations	957	(713)
– provision for liabilities and charges	34	(207)
Cash generated from operations	447	12,487

26 Provisions for liabilities and charges (long service awards)

	2008 Shs'000	2007 Shs'000
At start of year	54	261
Utilised during the year	(54)	(261)
Additional provisions	88	54
At end of year	88	54

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:

i) Sale of goods and services	2008 Shs'000	2007 Shs'000
Socfinaf Company Limited	2,034	24,080
Garton Limited	1,119	87
	3,153	24,167

Notes (continued)

27 Related party transactions (continued)

ii) Purchase of goods and services

	2008 Shs'000	2007 Shs'000
Socfinaf Company Limited:		
Marketing fees	-	267
Milling charges	962	942
Agency fees	4,664	6,126
Managing fees	4,194	3,211
	9,820	10,546
Oaklands Coffee Marketing Limited :		
Marketing fees	481	-
Garton Limited	2,417	112
	12,718	10,658

iii) Directors' remuneration

	2008 Shs'000	2007 Shs'000
Fees for services as a director	240	240

iv) Outstanding balances

	2008 Shs'000	2007 Shs'000
Amounts due from:		
Oaklands Coffee Marketing Limited	344	-
Amounts due to:		
Socfinaf Company Limited	21,976	8,272
Garton Limited	1,046	440
	23,022	8,712

No provision for impairment losses is required in 2008 for any related party receivables.

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Principal shareholders

The ten largest shareholdings in the company and the respective number of shares held at 31 December 2008 are as follows:

Name of shareholder	Number of Shares	% Shareholding
1. Socfinal Company Limited	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. Mulchand Narshi Shah	267,605	3.33
5. Angela Mary Harrison	145,250	1.81
6. Sally Clare Davey	145,250	1.81
7. Satchu Aly-Khan	74,600	0.93
8. Secumart Investments Limited	61,200	0.76
9. Invesco Assurance Company Limited	54,500	0.68
10. Alimohamed Adam	47,713	0.59

Distribution of shareholders

	Number of Shareholders	Number of shares	% Shareholding
Less than 500 shares	67	9,833	0.12
500 – 5,000 shares	83	135,875	1.69
5,001 – 10,000 shares	17	113,569	1.41
10,001 – 100,000 shares	16	476,113	5.92
100,001 – 1,000,000 shares	5	2,340,105	29.11
Over 1,000,000 shares	1	4,963,755	61.74
Total	**189**	**8,039,250**	**100**