

EAAGADS LIMITED

ANNOUNCEMENT OF AUDITED RESULTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

STATEMENT OF COMPREHENSIVE INCOME			
	31 March 2019		31 March 2018
	Kshs'000		Kshs'000
Revenue	179,615		83,696
Fair value (loss)/gain on biological assets	(3,212)		7,566
Cost of production	<u>(136,318)</u>		<u>(112,809)</u>
Gross profit	40,085		(21,547)
Net operating costs	<u>(38,357)</u>		<u>(30,311)</u>
Profit before taxation	1,728		(51,858)
Tax Credit / (charge)	<u>919</u>		<u>(10,669)</u>
Profit / (loss) for the period	2,647		(62,527)
Other comprehensive income, net of tax	<u>25,823</u>		<u>25,823</u>
Total comprehensive profit / (loss) for the year	<u>28,470</u>		<u>(36,704)</u>
Basic and Diluted earnings per share	<u>0.08</u>		<u>(1.94)</u>

STATEMENT OF FINANCIAL POSITION			
	31 March 2019		31 March 2018
	Kshs'000		Kshs'000
EQUITY			
Share capital	40,196		40,196
Revaluation reserve	645,080		626,867
Retained earnings	<u>161,642</u>		<u>149,102</u>
	846,918		816,165
Non-current liabilities	74,942		76,176
Current liabilities	<u>20,464</u>		<u>13,554</u>
Total equity and liabilities	<u>942,324</u>		<u>905,895</u>
REPRESENTED BY:-			
Non-current assets	799,434		786,967
Current assets	<u>142,890</u>		<u>118,928</u>
	942,324		905,895

	Share capital	Revaluation surplus	Retained earnings	Total
	Kshs'000	Kshs'000	Kshs'000	Kshs'000
At 1 April 2018	40,196	626,867	149,102	816,165
Total comprehensive income for the year	-	25,823	2,647	28,470
Transfer of excess depreciation	-	(7,610)	7,610	-
Deferred tax on transfer of excess depreciation	-	-	2,283	2,283
At 31 March 2019	40,196	645,080	161,642	846,918

	31 March 2019	31 March 2018
	Kshs'000	Kshs'000
Net cash generated from/(utilised in) operating activities	30,279	(286)
Net cash used in investing activities	(834)	-
Net cash used in financing activities	(1,067)	-
Net increase / (decrease) in cash and cash equivalents	28,378	(286)
Cash and cash equivalents at the beginning of the year	272	400
Effect of exchange rate changes on cash and cash equivalents	1,195	158
Cash and cash equivalents at the end of the year	29,845	272

RESULTS SUMMARY

The above are extracts of the Financial Statements that were approved by the Board of directors on 26 July 2019. These accounts were audited by Ernst & Young LLP, Certified Public Accountants and received an unqualified audit opinion.

PERFORMANCE

During the year under review, the company produced 419 tons of coffee compared with 154 tons in 2017/18. The increase was mainly attributed to favourable weather coupled by good agronomical practices. The company achieved sales of 416 tonnes of coffee compared with 252 tonnes in 2017/18. The average price realised during the year increased to USD 3.37 per kilogram from USD 3.32 per kilogram in the prior year.

The Company reported a profit before tax of KShs 1.7 million compared to a loss before tax of KShs 51.8 million in the previous financial year, largely due to the year on year increase in coffee revenues by 115 per cent. Revenue was KShs 179.6 million in 2018/19 compared to 83.7 million in 2017/18. The cost of production is directly correlated with production levels. Picking and wet processing costs went up by KShs 28 million. Crop commission charges increased by KShs 8.6 million, attributable to a crop sale commission of 2.75% levied, mainly due to timing of crop sales. Farm management fees remained at USD 7.5 per hectare.

The Company also revalued its freehold land (44 hectares) and this resulted in a revaluation gain of KShs 25.8 million, net of tax. The remaining land, is held on a leasehold basis and measures 341 hectares, is not subjected to a valuation, in compliance with the International Accounting Standards.

OUTLOOK

The company's coffee bushes are in good shape under the management of CMS. We have experienced severe drought from Jan to May 2019 with extreme high temperatures. Coffee is especially sensitive to such high temperatures, a factor that contributed to poor flowering of the crop. The initial expectation for 2019 crop was pegged at 350 tons but due to this factor we are expecting a significantly lower harvest. International coffee market prices have reached unprecedented low levels, currently having the New York benchmark market under USD 100 cents per pound, which is the lowest level for more than a decade. The coffee price decreased by more than 19% in the current financial year, from USD 118 cents per pound to USD 95 cents per pound. There can therefore be no certainty as to what prices will look like in the near future. Eaagads coffee continues to attract a premium in the market due to its quality, although it is still impacted by the International coffee prices.

DIVIDEND

The financial performance of the company improved during the current financial year, however the reserves of the company are still not substantial enough to warrant a distribution to shareholders, especially considering the adverse weather conditions experienced in early 2019 and the declining trend in international coffee prices. The board of directors therefore do not recommend payment of a dividend for the year ended 31 March 2019 (31 March 2018: Nil)

By the Order of the Board

Company Secretary

26 July 2019