EAAGADS LIMITED

ANNUAL REPORT

AND

FINANCIAL STATEMENTS

31 MARCH 2016

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DIRECTORS

Evans Monari	-	Chairman - Appointed on 3 September 2015
Stephen M. Kamau	–	General Manager
Elijah N. Ndogo		
Andrew Rowell*	-	Appointed on 11 August 2015
Frances E. Holliday*	-	Appointed on 11 August 2015

* British

SECRETARY
Coulson Harney Advocates
ICEA Lion centre
Riverside Park Chiromo
P. O. Box 10643-00100
Nairobi, Kenya.

REGISTERED OFFICE
LR NO. 110/2
Ngenda Road
P. O. Box 10 – 00232
Ruiru, Kenya.

BANKERS
Standard Chartered Bank Kenya Limited
Kenyatta Avenue Branch
P. O. Box 40310 - 00100
Nairobi, Kenya.

LAWYERS
Coulson Harney Advocates
ICEA Lion centre
Riverside Park Chiromo
P. O. Box 10643-00100
Nairobi, Kenya

Kaplan & Stratton Advocates
Williamson House
4th Ngong Avenue
P. O. Box 40111 – 00100
Nairobi, Kenya.

Karanja Njenga Advocates
Surveyors court, Woodvale Grove, Westlands
P. O. Box 1775 – 00606
Nairobi, Kenya.

AUDITORS
Ernst & Young LLP
Kenya-Re Towers, Upper hill
Off Ragati Road
P.O. Box 44286-00100
Nairobi, Kenya.

The directors submit their annual report together with the audited financial statements for the year ended 31 March 2016, which show the state of affairs of Eaagads Limited ('' the Company'').

1. PRINCIPAL ACTIVITY
   The principal activity of the Company is growing and selling of coffee beans.

2. RESULTS
   The results of the Company are shown on page 14 in the financial statements.

3. DIVIDEND
   The directors do not recommend the payment of a dividend for the year ended 31 March 2016 (2015: Nil).

4. DIRECTORS
   The directors who served during the year and to the date of this report are set out on page 1.

5. AUDITORS
   Ernst & Young LLP have expressed their willingness to continue in office in accordance with Section 159(2) of the Kenyan Companies Act (Cap 486).

By order of the Board

……………………………………
Secretary

………………………………………
Date

Dear Shareholder,

On behalf of the Board of Directors of Eaagads Limited, I am pleased to present to you the Annual Report and Financial Statements of the Company for the year ended 31 March 2016.

Operating Environment

The world economy experienced subdued growth for another year in 2015 with an estimated growth of 3.1%. The projected growth rate for 2016 and 2017 is however more optimistic at 3.4% and 3.6% respectively. Africa's economic growth rate is projected at 4.3% in 2016 and 4.7% in 2017.

On the domestic front, the country maintained a stable macroeconomic environment despite challenges of financing the new devolved system of governance. The economy grew by 5.6% in 2015 and is projected to grow by 5.9% in 2016. This growth is attributable to increased government and private consumption, low oil prices, increase in export of goods and services and stability of the Kenya Shilling against major currencies (despite slight depreciation against the US dollar). The agricultural sector contributed 5.6% to the economic growth in 2015. Performance of the agricultural sector was affected by insufficient long rains in parts of the country. In 2016 performance in the agricultural sector is likely to remain close to 2015 due to over-reliance on rain fed water. The rate of inflation increased from 6.8% in 2014 to 7.1% in 2015. This increase is attributable to increase in the cost of several food and non-food items which outweighed notable falls in the cost of electricity and petroleum products including petrol, diesel and kerosene. The government is however committed to bringing costs of doing business down key among them reduction in power costs as well as increase area under irrigation.

Early in the year, Brazil suffered one of its worst droughts, leading the International Coffee Organisation (ICO) composite to jump from under US$178.96 cents/lb in April 2014 to a low of US $119.77 cents in July 2015. Based on organisation information currently available, estimated world coffee production during the season 2014/2015 crop year stood at 149.5 million bags. Production in Africa stood at 6.9% or 16.1million bags. Of this, an estimated 10.4 million bags were expected to be produced by just two countries (Ethiopia and Uganda) while Kenya stood at 850,000 bags. Africa produced 9.2 million bags of Arabica coffee compared to 7 million bags of Robusta coffee over the same period.

Despite Kenya having established herself as a supplier of high quality coffee over time, the country's production trend has spiralled downwards from a high of 130 thousand tons in 1987/88 to a low of 36 thousand tons in 2010/11. In recent times, Kenya's production can only be described as erratic, oscillating between 36 thousand Mt to 57 thousand Mt in the last 10 years. Presently, coffee output is also characterized by declining quality. Some of the reasons that can explain these trends include: volatile world market prices, high input costs, erratic weather, low productivity, poor governance, pest and diseases. Competition from alternative enterprises especially real estate development has also led to decline in coffee production.

Average prices at the Nairobi coffee exchange have increased over the recent past. In 2015, the average price at Nairobi coffee exchange rose to a high of US$3.1 /kg in October 2015 as compared to the world's leading exchange in New York selling US$ 2.5 /kg over the same period.

Eaagads' commitment to producing the highest quality coffee and continued commitment to enhance production and increase its yields remains firm. Traceability of supply has become a global concern and in addition to the already existing certifications by Utz, Rain Forest Alliance and 4C, management is continuously looking for ways to differentiate and position Eaagad's coffee at the market. We are constantly on the lookout for better and more efficient ways to address the high cost of production while at the same time maintaining the quality and increasing output yields per acreage.

On the social front, Eaagads has continuously maintained a harmonious relationship with the workers and the union at large making sure that the collective bargaining agreements are honoured and looking at ways to improve the workers welfare. Our social responsibility is not limited to statutory requirements but also extends to other corporate social responsibilities that are in place for the benefit of the workers as well as the neighbouring communities.

Financial Performance

During the year under review, the Company's coffee operations produced 264.57 tons of coffee compared with 250.6 tons in 2014/15. The increase is attributed to replanting of ten hectares of coffee which has since matured.

Sales during the year were 264.57 tonnes compared with 247 tonnes in 2014/15. The average price realized during the year increased to USD 3.9496 per kilogram compared with USD 4.514 per kilogram in 2014/2015.

During the period under review, the Company made an after tax profit of Shs.3.6 million as compared to a loss of Shs.27.3 million in the previous financial year. Most of the profit in prior year was contributed by change in tax bases for land, plant and equipment which gave rise to deferred tax credit.

Despite the drop in profitability, which was occasioned by change in tax basis and low international market price, the Company remains well-positioned for even stronger growth in the year ahead, with a strong management team which remains focused on our vision of being world-class pioneer in the Kenyan coffee industry. The management team will continue to drive the innovations of the last years focus on the fifteen-year replanting programme which is aimed at introducing better yielding and pest resistant crops, thereby increasing the coffee trees density and efficient use of our land resources.

Dividend

In light of the financial performance recorded during the current financial year, the board of directors does not recommend payment of a dividend.

Outlook

The Company's coffee bushes are in good shape and we expect that production levels will be sustained. Coffee futures charts in the international market indicate a slow trend in coffee price recovery.

Appreciation

I would like to express my gratitude to you shareholders as well as my colleagues in the Board of Eaagads for your continued support to the Company. I also recognize the great contribution of the management team and employees towards realizing the vision of the Company.
God bless you.

Stephen M. Kamau

General Manager

.....................................July 2016

CODE OF CONDUCT AND ETHICS

The Company is committed to business ethics, integrity and professionalism in all its activities. As part of this commitment, members of the Board of Directors of the Company have pledged to uphold the tenets of good corporate governance by being accountable, efficient, effective, responsible, transparent, persons of integrity and exercise fairness in all their dealings.

We confirm that we are guided by the rules and regulations as issued by the Nairobi Securities Exchange (NSE); Corporate Governance Guidelines issued by the Capital Markets Authority (CMA) and international best practices.

BOARD OF DIRECTORS' COMPOSITION

Appointment and re-election of directors is guided by the Articles of Association of the Company. The current Board of Directors comprises five directors, three of whom are non-executive and their names are shown on page 1. One of the non-executive director is the Chairman of the Board. All the directors possess varied expertise required in the business.

ORIENTATION AND PROFESSIONAL DEVELOPMENT OF DIRECTORS

All directors are required to update their skills relevant to the Company's business. Whenever it is deemed necessary, directors may undergo specific training programmes offered by accredited institutions at the Company's expense. This requirement applies to all directors of the Company.

RESPONSIBILITIES OF THE BOARD

The directors always act in the best interest of the Company in a manner based on the principles of transparency, integrity, efficiency, effectiveness and accountability so as to achieve prosperity for the Company and its stakeholders.

The Board of Directors is accountable to the shareholders and is responsible for formulation of strategy, identification of risk, selection and compensation of senior management, integrity of financial statements and legal compliance. It provides leadership and vision of the Company in a way that maximises shareholder value and ensures sustainable development and growth of the Company.

The Board collectively retains full and effective control over the Company by monitoring the management in implementing strategic plans, review of management accounts and capital expenditure.

There is an established management structure that clearly defines roles, responsibilities and reporting lines. The division of responsibilities between the Chairman and the Chief Executive Officer are well defined.

CHAIRMAN'S ROLE

The Chairman of the Board leads the Board in the determination of strategy and is responsible for organising the business of the Board including ensuring its effectiveness in discharging its functions. He is not involved in the day-to-day operations of the Company.

CHIEF EXECUTIVE OFFICER'S ROLE

The General Manager/Chief Executive Officer is responsible to the Board for the day-to-day financial and operational performance as well as legal compliance of the Company. Management is tasked with the responsibility of executing the strategies of the Board.

BOARD PERFORMANCE AND EVALUATION

Each member of the Board, including the Chairman, conducts a peer as well as a self-evaluation of the board's performance. Among the key performance indicators used in the evaluation is the members' attendance in meetings and participation in the deliberations of the Board.

INTERNAL CONTROLS

The Board is responsible for the Company's systems of internal control and reviews their effectiveness regularly. There exists an Internal Audit department that provides regular management reports recommending improvements to the systems. In addition, the external auditors independently and objectively review management's approach to financial reporting.

INFORMATION TO THE BOARD

All directors receive regular reports and information, which enables them to review the company's performance. These reports and information are circulated in a timely manner to facilitate preparation for meetings. The directors are entitled to suggest additional topics for discussion at Board meetings and are also entitled to seek independent professional advice with respect to discharge of their duties at the company's expense.

DIRECTORS' REMUNERATION

The remuneration for directors consists of an annual retainer for their services in connection with Board engagements. During the year, a decision was made by the directors not to remunerate themselves for the services they offer the Company.They are also not eligible for pension or gratuity. There were no loans advanced to directors during the year. The disclosure information relating to directors' emoluments is shown on page 55 in the financial statements.

RELATED PARTY TRANSACTIONS

The Company recognizes that related party transactions arise where there is a relationship by virtue of shareholding, common shareholding or directorship. All transactions with related parties are disclosed on pages 54 and 55 in the financial statements.

COMMITTEES OF THE BOARD

The full Board meets at least once every quarter. The directors are given appropriate and timely information so that they can make well-informed and balanced business decisions as well as planning for the future growth of the Company. There is currently no existing standing Committee of the Board.

SHARE CAPITAL

The authorized and issued share capital of the Company consists of ordinary shares as disclosed in note 20 of the financial statements.

RIGHTS OF THE SHAREHOLDERS

The rights and obligations attached to the shares are set out in the Articles of Association of the Company, which can only be varied at a General Meeting of the shareholders. All shareholders are entitled to receive notice of such meetings together with reports and financial statements, which are to be discussed at the meeting. All shareholders are entitled to attend meetings either in person or through proxy and may speak and vote. On a poll, each shareholder is entitled to one vote for each share held. There are no shares carrying special rights.

DISTRIBUTION OF SHAREHOLDING

The top ten largest shareholders of the Company are shown on page 11 of this report. The number of shareholders and shares held within each band is also shown on page 11.

COMPANY SECRETARY

The particulars of the Company Secretary are shown on page 1. The Company Secretary is a member of the Institute of Certified Public Secretaries (ICPSK) and holds a valid practising certificate. He is responsible for ensuring that meetings procedures are adhered to and monitors corporate governance processes. All directors have access to services of the Company Secretary.

SHAREHOLDERS' REGISTER MANAGEMENT

The particulars of the Shares Registrar are shown on page 11. The registrar maintains an up-to-date register of shareholders and attends to all enquiries received from shareholders.

We recognize the importance of being socially responsible by upholding values, principles and aspirations that meet the expectations of the stakeholders that we interact with during the course our business dealings.

GUIDING PRINCIPLES

We respect the community in which we operate and maintain open dialogue to ensure that we provide necessary support based on our abilities. We respond to all queries and acknowledge feedback from our stakeholders.

OUR STAKEHOLDERS

Community

We support the local community through various initiatives including giving preference in employment to persons from the immediate local community who are suitably qualified, whenever a vacancy arises. In addition, the Company has constructed a dispensary within its plantation which is managed by a government enrolled nurse and accessible to children of employees as well as those from the neighbouring community.

Employees

There is a clear employment policy and terms of employment for all levels of employees are well defined. In line with international labour standards, we do not employ children.

The Company is a member of an employers' association through which it has signed a recognition agreement with the workers' trade union, Kenya Plantation and Agricultural Workers' Union (KPAWU). The Company has fully implemented all terms of the Collective Bargaining Agreement (CBA) in existence.

The Company also contributes towards its employees' social welfare by providing the following amongst other services:

- A well-stocked medical clinic on site in which all employees and their dependents receive free basic medical treatment
- Free housing and potable water for all employees and their families who live in the plantation
- Provision of a crèche facility where parents leave their young children to be taken care of free of charge while they work
- Facilitation of free counselling and other awareness campaigns on areas such as HIV / AIDS and drug abuse
- Occupational Safety and Health awareness for a healthy and safe workforce in a safe working environment. We believe that a safe and healthy employee is more productive at work while a safe and healthy workplace adds value to the business by saving on unnecessary litigation and insurance premiums when risks of accidents are reduced or prevented. We have a functional Occupational Health and Safety Programme whose implementation is continuously monitored
- Gender Parity – We give equal opportunities in employment, occupation, benefits, in obligations as well as in other social responsibilities. We also promote equality between men and women at all levels as way of putting gender aspects of human rights into work programs for decent work.
- We prohibit all kinds of sexual harassment and any form of violations of human rights in terms of physical harm, psychological harm, or any suffering to any gender including threats of such acts, coercion, arbitrary deprivation of liberty in workplaces or any other related form of harassment. We also condemn all forms of societal, cultural, customary, racial or religious practices or other forms of prejudices, which can promote gender discrimination at the work place.

ENVIRONMENT

We take conscious measures to minimize any adverse effects on the environment. All products used in the plantation are certified and recommended as safe by both the government and international agencies. We conduct annual self-environmental audits to ensure that our operations meet the national standards. We are also certified by *UTZ,* an international accreditation agency.

INVESTORS AND REGULATORS

We are open and honest in all our communications with regulators and investors.

PRINCIPAL SHAREHOLDERS

The ten largest shareholders in the Company and the respective number of shares held as at 31 March 2016 were as follows:

	Name of Shareholder	No. of Shares	% Shareholding
1.	Kofinaf Company Limited (Socfinaf Company Ltd)	19,855,020	61.7
2.	Mrs Arbella Kathryn Deirdre Illingworth	3,337,900	10.4
3.	Vivienne Mary Rogerson	3,321,800	10.3
4.	BID Plantations Ltd	791,700	2.5
5.	Mr. Minesh Mulchand Shah	437,900	1.4
6.	Bijal Mulchand Shah	267,600	0.8
7.	Best Investment Decisions Ltd	214,200	0.7
8.	Alimohamed Adam	190,852	0.6
9.	Mrs. Savitaben Velji Raichand Shah	155,176	0.5
10.	Dr. Minesh M. Shah	129,922	0.4
		28,702,070	89.3
11.	Others	3,454,930	10.7
	Total issued shares	32,157,000	100

Distribution of Shareholders

Range	Number of Shareholders	Number of Shares	% Shareholding
1 to 1,000 Shares	379	140,606	0.4
1,001 to 10,000 Shares	193	685,144	2.1
10,001 to 100,000 Shares	78	2,280,780	7.1
100,001 to 1,000,000 Shares	10	2,535,750	7.9
1,000,001 to 10,000,000 Shares	2	6,659,700	20.7
Over 10,000,000 Shares	1	19,855,020	61.7
	663	32,157,000	100

Directors Shareholding

SHAREHOLDERS' REGISTER

The Register of Members and Debenture Holders is kept at Dantrust Services Limited at Jadala Place 3rd floor Ngong Lane, Ngong Road, P.O Box 73248 - 00200 Nairobi.

The Kenyan 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 operating results for that year. 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 and prudent judgements and estimates, in conformity with International Financial Reporting Standards and the requirements of the Kenyan 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 operating results. 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 adequate systems of internal financial control.

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

………………………………………………
Date

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Eaagads Limited, which comprise the statement of financial position as at 31 March 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 18 to 61.

Directors' responsibility for the financial statements

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these 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 the audit to obtain reasonable assurance about whether 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 judgment, 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 entity'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 audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Eaagads Limited as at 31 March 2016 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act.

REPORT ON OTHER LEGAL REQUIREMENTS

As required by the Kenyan Companies Act we report to you, based on our audit, 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 statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account.

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Joseph Cheboror Practising Certificate No. 1145.

Nairobi,

………………………………………………..2016

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2016

	Notes	2016	2015
			Restated*
		Shs.'000	Shs.'000
SALES	6	126,012	101,468
GAIN/(LOSS) ARISING FROM CHANGES IN FAIR VALUE OF BIOLOGICAL ASSETS	14	3,487	(3,272)
COST OF PRODUCTION	7	(89,082)	(74,533)
GROSS INCOME		40,417	23,663
OTHER INCOME	8	671	328
ADMINISTRATIVE EXPENSES	9	(31,428)	(33,313)
NET FOREIGN EXCHANGE GAIN		31	17
PROFIT/ (LOSS) BEFORE TAX	10	9,691	(9,305)
TAX (CHARGE)/CREDIT	11(a)	(9,214)	30,460
PROFIT FOR THE YEAR		477	21,155
OTHER COMPREHENSIVE INCOME NOT TO BE RECLASSIFIED TO THE PROFIT OR LOSS IN SUBSEQUENT PERIOD, NET OF TAX:			
REVALUATION OF PROPERTY, PLANT AND EQUIPMENT		52,037	185,491
DEFERRED TAX ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT		(15,611)	(9,275)
TOTAL OTHER COMPREHENSIVE INCOME NET OF TAX		36,426	176,216
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		36,903	197,371
EARNINGS PER SHARE	12	0.01	0.66

*Certain amounts shown here do not correspond to the financial statements for the year ended 31 March 2015 and reflect adjustments made. Refer to note 15.

EAAGADS LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2016

	Notes	2016 Shs.'000	2015 Restated* Shs.'000	2014 Restated* Shs.'000
NON-CURRENT ASSETS				
Property, plant and equipment	13	644,566	599,487	420,943
Prepaid operating lease	16	215	215	215
		644,781	599,702	421,158
CURRENT ASSETS				
Biological assets	14	93,155	89,668	92,940
Inventories	17	1,395	3,236	3,977
Trade and other receivables	18	8,608	6,762	9,127
Due from related parties	19	3,265	17,051	6,492
Corporation tax recoverable	11(c)	8,949	12,955	12,955
Cash and bank balances	27	1,012	3,174	450
		116,384	132,846	125,941
TOTAL ASSETS		761,165	732,548	547,099
EQUITY AND LIABILITIES				
EQUITY				
Share capital	20	40,196	40,196	40,196
Revaluation reserve	21	478,004	442,995	278,402
Retained earnings	22	173,736	171,417	149,270
		691,936	654,608	467,868
NON-CURRENT LIABILITIES				
Deferred tax liabilities	23	44,257	23,863	34,416
Retirement benefit obligations	24	4,601	5,300	6,823
Long service awards	25	54	54	54
		48,912	29,217	41,293
CURRENT LIABILITIES				
Retirement benefit obligations	24	865	627	1,224
Long service awards	25	348	348	348
Due to related parties	19	17,659	45,803	34,352
Trade and other payables	26	1,445	1,945	2,014
		20,317	48,723	37,938
TOTAL EQUITY AND LIABILITIES		761,165	732,548	547,099

*Certain amounts shown here do not correspond to the financial statements for the year ended 31 March 2015 and reflect adjustments made. Refer to note 15.

The financial statements were approved and authorised for issue by the Board of Directors on .... 2016 and signed on its behalf by:

....

Director Director

EAAGADS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2016

	Share capital Shs.'000 (Note 20)	Revaluation reserve Shs.'000 (Note 21)	Retained earnings Shs.'000 (Note 22)	Total Shs.'000
At 1 April 2014	40,196	278,402	41,854	360,452
Effects of retrospective application of amendments to IAS 16 and IAS 41 (note 15)	-	-	107,416	107,416
At 1 April 2014 (Restated)*	40,196	278,402	149,270	467,868
Profit for the year as reported in 2015 financial statements	-	-	8,163	8,163
Effects of retrospective application of amendments to IAS 41(Note 15)	-	-	12,992	12,992
Restated profit for the year	-	-	21,155	21,155
Other comprehensive income		176,216	-	176,216
Total comprehensive income for the year (Restated*)	-	176,216	21,155	197,371
Deferred tax effect on revaluation reserve on freehold land as at 1 April 2014 (note 23)	-	(10,631)	-	(10,631)
Transfer of excess depreciation	-	(1,417)	1,417	-
Deferred income tax on transfer	-	425	(425)	-
At 31 March 2015	40,196	442,995	171,417	654,608
At 1 April 2015	40,196	442,995	171,417	654,608
Profit for the year	-	-	477	477
Other comprehensive income	-	36,426	-	36,426
Total comprehensive income for the year	-	36,426	477	36,903
Transfer of excess depreciation	-	(1,417)	1,417	-
Deferred income tax on transfer	-	-	425	425
At 31 March 2016	40,196	478,004	173,736	691,936

The retained earnings represent accumulated surplus arising from other normal operating activities. These reserves are available for dividend distribution to the shareholders of the Company except for surplus arising from fair valuation of biological assets in line with IAS 41-Agriculture of Shs. 20,527,000 (2015 –Shs. 25,717,000).

*Certain amounts shown here do not correspond to the financial statements for the year ended 31 March 2015 and reflect adjustments made. Refer to note 15.

	Notes	2016 Shs.'000	2015 Shs.'000
Cash flow from operating activities			
Profit /(Loss) before tax		9,691	(9,305)
Depreciation of property, plant and equipment	13	6,958	6,948
Foreign exchange difference		31	17
Decrease in retirement benefit obligations		(461)	(2,120)
(Gains) /loss arising from changes in fair value of biological assets less estimated costs to sell	14	(3,487)	3,272
Cash flows from/ (used in) operating activities before changes in working capital		12,732	(1,188)
(Increase)/decrease in trade and other receivables	18	(1,846)	2,365
(Increase)/decrease in related party balances		(14,358)	892
Decrease in inventories		1,841	741
Decrease in trade and other payables		(500)	(69)
Cash (used in)/generated from operations		(2,131)	2,741
Net cash (used in)/generated from operating activities		(2,131)	2,741
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(2,131)	2,741
NET FOREIGN EXCHANGE DIFFERENCE		(31)	(17)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		3,174	450
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	27	1,012	3,174

1. GENERAL INFORMATION

The Company's main business is the growing and selling of coffee beans.

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation of financial statements

The financial statements are prepared in compliance with International Financial Reporting Standards (IFRS) and Interpretations of those Standards as adopted by the International Accounting Standards Board. The financial statements are presented in thousands of Kenya Shillings (Shs '000) and are prepared on a historical cost basis except land, buildings, plant and machinery, and biological assets that have been measured at fair value.

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.

(b) Change in accounting policies and disclosures

Accounting for bearer plants (coffee bushes)

On 1 April 2015, the Company elected early adopt amendments to IAS 16 and IAS 41: Bearer plants.

These amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 Accounting for Government Grants and Disclosure of Government Assistance will apply. The amendments are to be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted.

After initial recognition, the Company uses cost model, whereby coffee bushes will continue to be measured at cost less any subsequent accumulated depreciation. The Company applied this change in accounting policy for coffee bushes retrospectively. The impact of this change is material and has been disclosed in note 15.

(c) New and amended standards, interpretations and improvements

Standards effective for annual periods beginning on or after 1 January 2015

Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions*
IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. This amendment is not relevant to the Company, since the Company does not have a defined benefit plan.

Annual Improvements 2010-2012 Cycle
With the exception of the improvement relating to IFRS 2 Share-based Payment applied to share-based payment transactions with a grant date on or after 1 July 2014, all other improvements are effective for accounting periods beginning on or after 1 July 2014. The Company has applied these improvements for the first time in these financial statements. They include:

IFRS 2 Share-based Payment
This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions. These amendments did not impact the Company's financial statements or accounting policies since it does not have share based payments.

IFRS 3 Business Combinations
The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IAS 39. This amendment did not impact the Company's accounting policy.
IFRS 8 Operating Segments
The amendments are applied retrospectively and clarify that:
An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar' The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities. This amendment is not applicable as the Company has only one operating segment

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets
The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset. This amendment did not have any impact on the financial statements of the Company

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) New and amended standards, interpretations and improvements (continued)

IAS 24 Related Party Disclosures
The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is not relevant for the Company as it does not receive key management personnel services from other entities.

Annual Improvements 2011-2013 Cycle
These improvements are effective from 1 July 2014 and the Company has applied these amendments for the first time in these financial statements. They include:

IFRS 3 Business Combinations
The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that: Joint arrangements, not just joint ventures, are outside the scope of IFRS 3.This scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The Company is not in a joint arrangement, and thus this amendment is not relevant.

IFRS 13 Fair Value Measurement
The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IAS 39. The Company does not apply the portfolio exception in IFRS 13.

IAS 40 Investment Property
The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or a business combination. In previous periods, the Company has relied on IFRS 3, not IAS 40, in determining whether an acquisition is of an asset or is a business acquisition. Thus, this amendment did not impact the accounting policy of the Company.

Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

IFRS 14 Regulatory Deferral Accounts
IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since the Company is an existing IFRS preparer, this standard would not apply.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) New and amended standards, interpretations and improvements (continued)

Standards issued but not yet effective

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests
The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not re-measured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.
The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets.
The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Company given that the Company has not used a revenue-based method to depreciate its non-current assets.

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants
The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. The Company has early adopted these amendments. Refer to note 1 (b). The effect of this change is disclosed in note 15.

Amendments to IAS 27: Equity Method in Separate Financial Statements
The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively.
For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the Company's financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) New and amended standards, interpretations and improvements (continued)

Standards issued but not yet effective (continued)

Annual Improvements 2012-2014 Cycle
These improvements are effective for annual periods beginning on or after 1 January 2016. The amendments are not expected to have any impact on the Company. They include:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
Assets (or disposal Company's) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment must be applied prospectively.

IFRS 7 Financial Instruments: Disclosures

(i) Servicing contracts
The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

(ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements
The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment must be applied retrospectively.

IAS 19 Employee Benefits
The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment must be applied prospectively.

IAS 34 Interim Financial Reporting
The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment must be applied retrospectively.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) New and amended standards, interpretations and improvements (continued)

Standards issued but not yet effective (continued)

Amendments to IAS 1 Disclosure Initiative
The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Company.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception
The amendments address issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

These amendments must be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Company's accounting policy.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) New and amended standards, interpretations and improvements (continued)

Standards issued but not yet effective (continued)

IFRS 15 Revenue from Contracts with Customers
IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Company plans to adopt the new standard on the required effective date using the full retrospective method. During 2015, the Company performed a preliminary assessment of IFRS 15, which is subject to changes arising from a more detailed ongoing analysis. Furthermore, the Company is considering the clarifications issued by the IASB in an exposure draft in July 2015 and will monitor any further developments.

IFRS 9 Financial Instruments
In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Company plans to adopt the new standard on the required effective date. Overall, the Company expects no significant impact on its statement of financial position and equity except for the effect of applying the impairment requirements of IFRS 9. The Company expects a higher loss allowance resulting in a negative impact on equity and will perform a detailed assessment in the future to determine the extent.

a) Classification and measurement
The Company does not expect a significant impact on its statement of financial position or equity on applying the classification and measurement requirements of IFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value. Debt securities are expected to be measured at fair value through OCI under IFRS 9 as the Company expects not only to hold the assets to collect contractual cash flows but also to sell a significant amount on a relatively frequent basis. Trade and other receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal. Thus, the Company expects that these will continue to be measured at amortised cost under IFRS 9. However, the Company will analyse the contractual cash flow characteristics of those instruments in more detail before concluding whether all those instruments meet the criteria for amortised cost measurement under IFRS 9.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) New and amended standards, interpretations and improvements (continued)

Standards issued but not yet effective (continued)

IFRS 9 Financial Instruments (continued)

b) *Impairment*
IFRS 9 requires the Company to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Company expects to apply the simplified approach and record lifetime expected losses on all trade receivables. The Company expects a significant impact on its equity due to unsecured nature of its loans and receivables, but it will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of the impact.

IAS 7 Disclosure Initiative – Amendments to IAS 7
The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The new standard is effective for annual periods beginning on or after 1 January 2017. Early application is permitted. The Company will make the necessary disclosures when it becomes effective.

IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12
The IASB issued the amendments to IAS 12 Income Taxes to clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explains in which circumstances taxable profit may include the recovery of some assets for more than their carrying amount.

The new standard is effective for annual periods beginning on or after 1 January 2017. Early application is permitted. This amendment is not expected to have an impact to the Company since it is not expected to recognise deferred tax assets.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) New and amended standards, interpretations and improvements (continued)

Standards issued but not yet effective (continued)

IFRS 16 Leases
The IASB issued IFRS 16 Leases on 13 January 2016. The scope of the new standard includes leases of all assets, with certain exceptions. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

Key features

The new standard requires lessees to account for all leases under a single on-balance sheet model (subject to certain exemptions) in a similar way to finance leases under IAS 17. Lessees recognise a liability to pay rentals with a corresponding asset, and recognise interest expense and depreciation separately.

The new standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computer) and short-term leases (i.e., leases with a lease term of 12 months or less).

Reassessment of certain key considerations (e.g., lease term, variable rents based on an index or rate, discount rate) by the lessee is required upon certain events.Lessor accounting is substantially the same as today's lessor accounting, using IAS 17's dual classification approach.

The new standard is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. The new standard permits a lessee to choose either a full retrospective or a modified retrospective transition approach. Management is assessing the impact of this new standard prior to the effective date.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (Board of Directors). Directors allocate resources to and assess the performance of the operating segments of the Company. The operating segments are based on the Company's management and internal reporting structure.

The directors consider the Company to comprise one business segment, agriculture, and one geographical segment, Kenya.

(e) Revenue recognition

Revenue comprises their 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 specific of each arrangement.

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.

EAAGADS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2016

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) 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. All the values are rounded to the nearest thousand (Shs. '000), except where otherwise indicated.

(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 profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

(g) Current versus non-current classification

The Company presents assets and liabilities in statement of financial position based on current/non-current classification.

An asset is classified as current when it is:
- Expected to be realised or intended to sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is classified as current when:
- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Fair value measurement

The Company's non-financial assets such as property and equipment and biological are stated at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- ☐ In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.
The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External valuers are involved in the valuation of significant assets, such as properties and equipment and freehold land. The valuations are carried out after every three years by external valuers, in line with the Company's policies. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

Management adopts the principles of IAS 41 when assessing the fair values of its biological assets. This assessment is conducted continuously.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Fair value measurement (continued)

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

(i) Property, plant and equipment

All property, plant and equipment including coffee bearer plants are initially recorded at cost.
After initial recognition, coffee bearer plants are measured at accumulated cost (before maturity) and using the cost model (after maturity), which is estimated at 4 years from planting date. Buildings, land and plant and machinery are subsequently shown at their revalued amounts based on valuations by external independent valuers, less accumulated depreciation and any accumulated impairment losses, if any. The revaluations are carried out after every three years, by external independent valuers. All other property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

All costs of planting, upkeep and maintenance of coffee bearer plants after maturity are recognised in profit or loss under cost of production in the period in which they are incurred.

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 profit or loss during the financial period in which they are incurred.

Any increase arising on the revaluation of land and buildings and plant and machinery is recognised in other comprehensive income, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings and plant and machinery is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Depreciation on 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	20 years
Plant and machinery	5 years
Motor vehicles and equipment	3 – 8 years
Bearer plants	65 Years

Freehold land is not depreciated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Property, plant and equipment (continued)

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate. As at 31 March 2016, management assessed the useful lives of all items of plant and machinery to be 5 years.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss when the asset is derecognised.

(j) Biological assets

Biological assets are measured on initial recognition and at each end of the reporting period at fair value less costs to sell. Any gains or losses arising on initial recognition of biological assets and from subsequent changes in fair values less costs to sell are recognised in profit or loss in the year in which they arise. The fair value of coffee berries is determined based on 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 profit or loss under cost of production in the period in which they are incurred.

(k) Leasehold land

Determination
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Company as a lessee

Finance leases that transfer substantially all the risks and benefits incidental to ownership of the leased item to the Company, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Payments to acquire leasehold interests in land are treated as prepaid lease rentals and amortised over the period of the lease. The amortisation is recognised as an operating expense in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Inventories

Agricultural produce at the point of harvest is measured at fair value less costs to sell at the point of harvest. Any changes arising on initial recognition of agricultural produce at fair value less costs to sell as a result of harvesting are recognised in profit or loss in the year in which they arise.

Inventories, such as milled coffee, are stated at the lower of cost and net realisable value. Cost is determined using 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. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

The fair value less costs to sell 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, such as chemicals and fertilizers are stated at the lower of cost and net realisable value. Cost is determined by the weighted average method.

(m) Tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in in accordance with the Kenyan Income Tax Act.

Current income tax relating to items recognised outside profit or loss is recognised outside profit or loss and not in profit or loss. The tax is recognised in other comprehensive income or equity accordingly. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax
Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Valued Added Tax (VAT)

Expenses and assets are recognised net of the amount of value added tax, except:

- When the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the valued added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- When receivables and payables are stated with the amount of valued added tax included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement
Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Initial recognition and measurement
Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

The Company's financial assets include cash and bank balances, trade and other receivables and amounts due from related parties.

Subsequent measurement

(i) Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39. The Company has not designated any financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the profit or loss.

The Company did not have any financial assets at fair value through profit or loss during the years ended 31 March 2016 and 31 March 2015.

(ii) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost. The losses arising from impairment are recognised in the profit or loss in other operating expenses.

This category generally applies to cash and bank balances, trade and other receivables and amounts due from related parties.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Financial instruments (continued)

Financial assets (continued)

Subsequent measurement (continued)

(iii) Held to maturity investments
Financial assets with fixed or determinable payments and fixed maturity where the Company has the positive intent and ability to hold to maturity other than loans and receivables originated by the Company.

The losses arising from impairment are recognised in profit or loss as finance costs. The Company did not have any held-to-maturity investments during the years ended 31 March 2016 and 31 March 2015.

(iv) Available-for-sale (AFS) financial assets
AFS financial investments include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as neither held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealised gains or losses recognised in other comprehensive income and credited in the AFS reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the profit or loss in finance costs. The Company did not have available for sale financial assets during the years ended 31 March 2016 and 31 March 2015.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment and uncollectability of financial assets

At the end of each reporting period, all financial assets are subject to review for impairment. If it is probable that the Company will not be able to collect all amounts due (principal and interest) according to the contractual terms of loans and receivables, or held-to-maturity investments carried at amortised cost, an impairment or bad debt loss has occurred. The carrying amount of the asset is reduced to its estimated recoverable amount either directly or through use of an allowance account. The amount of the loss incurred is included in profit or loss for the year. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statement of profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Financial instruments (continued)

Financial assets (continued)

Impairment and uncollectability of financial assets (continued)

If a loss on an available-for-sale financial asset carried at fair value (recoverable amount is significantly below original acquisition cost) or for a prolonged period has been recognised directly in other comprehensive income, the cumulative net loss that had been recognised in other comprehensive income is removed from other comprehensive income and recognised in profit or loss for the period even though the financial asset has not been derecognised.

Financial liabilities
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, directly attributable transaction costs.

The Company's financial liabilities include trade and other payables and amounts due to related parties.

Subsequent measurement
Trade payables and amounts due to related parties are carried at amortised cost which is measured at the fair or contracted value of the consideration to be paid in future in respect of goods and services supplied by the suppliers, whether billed or not, to the Company.

Derecognition
A financial liability is derecognised when its contractual obligations are redeemed or otherwise extinguished.

Offsetting
Financial instruments are set off and the net amount reported in the statement of financial position when there is a currently enforceable legal right to set off the amounts and there is an intention to settle on a net basis or to realise the assets and settle the liability simultaneously.

(o) Employee benefits

(i) Post-employment benefit obligations

For its unionised employees, the Company has an unfunded obligation to pay service 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 statement of financial position is the present value of the estimated future cash outflows, calculated annually by independent actuaries using the projected unit credit method. The Company classifies these post-employment benefit obligations as other long-term employee benefits.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Employee benefits (continued)

(i) Post-employment benefit obligations (continued)

Re-measurements, comprising of actuarial gains and losses are recognised immediately in the statement of financial position with a corresponding debit or credit to profit or loss in the period in which they occur.

(ii) Staff termination benefits

The Company from time to time offers its staff the option of voluntary early retirement. These costs are computed based on the Collective Bargaining Agreement (CBA) in force at the time of retirement and are charged to profit or loss at the time of payment.

(iii) Statutory contributions to defined contribution scheme

The Company also contributes to a statutory defined contribution pension scheme, the National Social Security Fund (NSSF). Contributions are determined by local statute and are currently limited to a maximum of Shs. 1,700 per employee per month.

The Company's contributions to the scheme are charged to profit or loss in the year in which they fall due.

(iv) Other entitlements

Long service awards
Employee entitlements to long service awards are recognised when they accrue to employees. These long service awards are specified lump sum cash rewards paid to employees based on the length of service served. Employees qualify for the long service awards on reaching the 10th, 20th, 30th, 40th and 50th anniversary with the Company.

Employees who have not reached any of the anniversaries or are dismissed from service due to misconduct are not entitled to any benefit under the arrangement.

The expense accruals are recognised in profit or loss and the liability recognised in the statement of financial position. 2016 nil (2015 Nil)

Leave entitlement
Employee benefits in the form of annual leave entitlements are provided for when they accrue to employees with reference to services rendered up to the reporting date. Employees are entitled to carry forward a maximum of 15 leave days per annum which should be fully utilised by end of March the following year. The estimated monetary liability for employees' accrued annual leave entitlement at the end of the reporting period is recognised as an expense accrual.

(p) Dividends

Dividends payable are charged to equity in the period in which they are declared. Proposed dividends are not accrued until they have been ratified at the Annual General Meeting.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, net of bank overdrafts.

(r) Provisions for liabilities and other charges

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation.

(s) Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.
In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.
The Company bases its impairment calculation on valuations conducted by independent valuers. These valuations generally cover a period of three years.
Impairment losses of continuing operations, including impairment on inventories, are recognised in profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Company's accounting policies, management has made estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. These are dealt with below.

Revaluation of certain class of property, plant and equipment

The Company carries certain classes of property, plant and equipment at fair value, with changes in fair value being recognised in other comprehensive income. The Company's land was last valued as at 31 December 2014 by Jones Lang LaSalle (JLL), an accredited independent valuer. The Company's buildings, and plant and machinery were last revalued on 31 March 2016 by Axis Real Estate Limited, an accredited independent valuer. The fair value of these properties was determined by using market comparable method or the depreciated replacement cost where market comparable method was not appropriate.

Further details on property, plant and equipment are given in Note 13.

Post-employment benefits

The cost and the present value of the obligation of the post-employment benefits obligations are determined using actuarial valuations by an independent actuarial valuer. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, the obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The post-employment benefits are classified as other long term employee benefits.

In determining the appropriate discount rate, the actuary considers the interest rates of the government bond market. The actuary also considers the mean terms of the yield of the bond and the liabilities. The mortality rate is based on publicly available mortality tables for the specific countries. Future salary increases and pension increases are based on expected future inflation rates for the respective countries.

Further details about post-employment benefits obligations are given in Note 24.

Employees' entitlements to long service awards are recognised when they accrue to employees, usually after serving for at least 20 years. A provision is made for the estimated liability for such entitlements as a result of services rendered by employees up to the end of the reporting period. The carrying amount of long service awards is disclosed in note 25.

Biological assets

In determining the fair value of biological assets, the Company uses the present value of expected cash flows from the asset, discounted at a market determined pre tax rate. The objective of the calculation of the present value of expected net cash flows is to determine the fair value of a biological asset in its present location and condition. The Company considers this in determining an appropriate discount rate to be used and in estimating expected net cash flows. Management uses estimates based on historical data relating to yields, prices of coffee and exchange rates. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed on a regular basis to reduce any differences between estimates and actual experience.

Further details biological assets are given in Note 14.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Impairment losses

At each reporting date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Impairment exists when the carrying amount of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use.

The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

In assessing whether there is any indication that the tangible and intangible assets may be impaired, the Company considers the following indications:

(a) there are observable indications that the asset's value has declined during the period significantly more than would be expected as a result of the passage of time or normal use.

(b) significant changes with an adverse effect on the entity have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the entity operates or in the market to which an asset is dedicated.

(c) market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

(d) the carrying amount of the net assets of the entity is more than its market capitalisation.

(e) evidence is available of obsolescence or physical damage of an asset.

(f) significant changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite

(g) evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

Further details on property, plant and equipment are given in Note 13.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Useful lives and residual values of property, plant and equipment
The Company reviews the estimated useful lives and residual values of property, plant and equipment at the end of each reporting period. In reviewing the useful lives of property, plant and equipment, the Company considers the remaining period over which an asset is expected to be available for use by Company. Management also looks at the number of production or similar units expected to be obtained from the property, plant and equipment. Judgment and assumptions are required in estimating the remaining useful period and estimates of the number of production or similar units expected to be obtained from the property, plant and equipment.

During the financial year, the directors determined the useful lives of buildings and plant and machinery to be 20 and 5 years respectively. Further details on property, plant and equipment are given in Notes 2 (i) and 13.

4. CAPITAL RISK MANAGEMENT POLICIES

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. The Company has no formal capital management policy.

As at 31 March 2016 and 31 March 2015, the Company had no borrowings. The constitution of capital managed by the Company is as follows:

	2016 Shs.'000	2015 Shs.'000
Share capital	40,196	40,196
Revaluation surplus	478,004	442,995
Retained earnings	173,736	171,417
Equity	691,936	654,608

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks: market 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.

The carrying amounts of the Company's foreign currency denominated monetary assets at the end of the reporting period are as follows:

	2016 Shs.'000	2015 Shs.'000
Assets	246	287

At 31 March 2016, if the Shilling had weakened/strengthened by 5% against the US dollar with all other variables held constant, the impact on pre-tax profit and on equity for the years would have been insignificant.

(ii) Price risk

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

(iii) Interest rate risk

The Company does not hold any financial instruments subject to interest rate risk.

Credit risk

Credit risk arises from cash and cash equivalents, balances due from related parties, 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 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 to the coffee, before receiving the sales proceeds from the buyer.

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

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The amount that best represents the Company's maximum exposure to credit risk at 31 March 2016 is made up as follows:

Classification of credit risk bearing assets:

	Fully performing Shs. '000	Past due Shs. '000	Impaired Shs. '000	Total Shs. '000
At 31 March 2016				
Cash at bank	1,012	-	-	1,012
Trade and other receivables	8,608	-	-	8,608
Related party receivables	3,265	-	-	3,265
Total	12,885	-	-	12,885
At 31 March 2015				
Cash at bank	3,174	-	-	3,174
Trade and other receivables	6,762	-	64	6,826
Related party receivables	17,051	-	-	17,051
Total	26,987	-	64	27,051

Credit risk

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

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 flows for the Company. 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.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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 end of the reporting period 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 amounts, as the impact of discounting is not significant.

	Within 12 Months Shs. '000	Over 12 Months Shs. '000	Total Shs. '000
At 31 March 2016			
Trade payables	1,445	-	1,445
Due to related companies	17,659	-	17,659
	19,104	-	19,104
At 31 March 2015			
Trade payables	1,945	-	1,945
Due to related companies	45,803	-	45,803
	47,748	-	47,748

Financial risks arising from involvement in agricultural activity

The Company is exposed to financial risks arising from changes in coffee prices. The Company does not anticipate that coffee prices will decline significantly in the foreseeable future and, therefore, has not entered into derivative or other contracts to manage the risk of a decline in coffee prices. The Company reviews its outlook for coffee prices regularly in considering the need for active financial risk management.

6. SALES

	2016 Shs.'000	2015 Shs.'000
Direct Sales	60,289	20,092
Auction sales	65,723	81,376
	126,012	101,468

7. COST OF PRODUCTION

	2016	2015
Coffee upkeep costs	33,319	30,387
Workshop upkeep costs	70	85
Crop charges	30,579	24,134
Renovations	174	81
Direct labour costs	7,134	10,529
Office Expenses	9,069	5,040
Coffee levies	7,113	5,484
Variation in coffee stocks	1,624	(1,207)
	89,082	74,533

8. OTHER INCOME

	2016	2015
Rent	71	10
Firewood, grass and timber	600	318
	671	328

9. ADMINISTRATIVE EXPENSES

	2016	2015
Administration staff costs	7,528	10,836
Depreciation	6,958	6,948
Agency fees	10,905	9,492
Insurance	378	520
Auditors' remuneration	839	750
Legal and professional fees	2,231	1,409
Stock listing fees	1,422	775
Directors' fees	-	240
Gratuity expenses (Note 24)	188	1,635
Other operating expenses	979	708
	31,428	33,313

	2016	2015
Staff costs comprise:		
Salaries-		
Managing staff	2,786	3,723
Administration salaries	2,013	1,922
Allowances	1,066	1,115
Leave fare	-	(53)
Leave provision	229	84
Other staff benefits	107	552
Staff termination benefits	-	2,894
NSSF-defined contribution plan expense	1,327	599
	7,528	10,836

10 PROFIT / (LOSS) BEFORE TAX

Profit / (loss) before tax is arrived at after charging:	2016 Shs.'000	2015 Shs.'000
Depreciation on property and equipment (Note 13)	6,958	6,948
Direct labour costs (Note 7)	7,134	10,529
Amortization (Note 16)	-	-
Staff costs (Note 9)	7,528	10,836
Directors' remuneration:		
Fees – Non executive	-	80
– Executive	-	160
Auditors' remuneration (Note 9)	839	750
And after crediting:		
Foreign exchange gains	31	17

11 TAX

a) PROFIT OR LOSS	2016 Shs.'000	2015 Shs.'000
Current tax based on taxable profit at 30%	4,006	-
Deferred tax expense / (credit) (Note 23)	5,158	(30,460)
	9,214	(30,460)

b) RECONCILIATION OF TAX CREDIT TO THE EXPECTED TAX BASED ON ACCOUNTING PROFIT

	2016	2015
Accounting profit / (loss) before tax	9,691	(9,305)
Tax calculated at the applicable rate of 30%	2,907	(2,792)
Tax effect of expenses not deductible for tax purposes	6,307	2,318
Accelerated capital allowances	-	(29,986)
	9,214	(30,460)

c) CORPORATION TAX RECOVERABLE	(12,955)	(12,955)
Charge to profit or loss	4,006	-
	8,949	12,955

12. EARNINGS PER SHARE

Earnings per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2016 Shs.'000	2015 Shs.'000
Profit attributable to equity holders of the Company	477	21,155
Weighted average number of ordinary shares in issue	32,157	32,157
Basic and diluted earnings per share	0.01	0.66

There were no potentially dilutive shares outstanding at 31 March 2016 and at 31 March 2015.

13 (a) PROPERTY, PLANT AND EQUIPMENT

YEAR ENDED 31 MARCH 2016	Land and buildings	Plant and machinery	Motor vehicles and equipment	Bearer Plant Coffee	Total
COST OR VALUATION	Shs.'000	Shs.'000	Shs.'000	Shs.'000	Shs.'000
At 1 April 2015	472,365	17,463	7,761	216,852	714,441
Revaluation surplus	39,731	23,951	-	-	63,682
Impairment Loss	(11,645)	-	-	-	(11,645)
Accumulated Depreciation	(8,264)	(5,660)	-	-	(13,924)
At 31 March 2016	492,187	35,754	7,761	216,852	752,554
ACCUMULATED DEPRECIATION					
At 1 April 2015	6,201	4,326	6,329	98,098	114,954
Charge for the year	2,063	1,334	638	2,923	6,958
Eliminated on revaluation	(8,264)	(5,660)	-	-	(13,924)
At 31 March 2016	-	-	6,967	101,021	107,988
NET CARRYING AMOUNT					
At 31 March 2016	492,187	35,754	794	115,831	644,566
YEAR ENDED 31 MARCH 2015					
COST OR VALUATION					
At 1 April 2014	286,874	17,463	7,761	216,852	528,950
Revaluation Surplus	185,491	-	-	-	185,491
At 31 March 2015	472,365	17,463	7,761	216,852	714,441
ACCUMULATED DEPRECIATION					
At 1 April 2014	4,135	2,954	5,742	95,175	108,006
Charge for the year	2,066	1,372	587	2,923	6,948
At 31 March 2015	6,201	4,326	6,329	98,098	114,954
NET CARRYING AMOUNT					
At 31 March 2015	466,164	13,137	1,432	118,754	599,487

13 (a) PROPERTY, PLANT AND EQUIPMENT (continued)

In 2016, the impairment loss of Shs 11,645,000 represented the write-down of certain buildings to their recoverable amount as a result of poor state of repair and abandonment. This was recognised in OCI. The recoverable amount of Shs 17,553,200 as at 31 March 2016 was based on depreciated replacement cost and was determined at the asset level.

NET CARRYING AMOUNT (COST BASIS)

	Free hold land and buildings	Plant and machinery	Total
	Shs.'000	Shs.'000	Shs.'000
At 31 March 2016	782	5,414	6,196
At 31 March 2015	782	6,748	7,530

Freehold land was last revalued on 31 December 2014. The fair value of the land was determined by Jones Lang LaSalle (JLL) as at 31 December 2014 using the comparable sales method of valuation whereby the attributes of the property are compared with those of similar properties in order to arrive at the market value of the land. The land measures 44 Hectares. The land is located on LR No. 295/15 in Thika District. The carrying amounts of the properties were adjusted to the revalued amounts and the resultant surplus net of deferred income tax was credited to the revaluation surplus in equity.

Buildings, plant and machinery were last revalued as at 31 March 2016 by Axis Real Estate Limited. The fair value of the buildings, plant and machinery was determined by using market comparable method or the depreciated replacement cost where the information for applying the market comparable method was not available. The buildings are located on LR No. 295/15 in Thika District.

Included in the net carrying amount of property, plant and equipment are freehold land and buildings amounting to Shs. 398,095,000 and Shs. 94,092,000, respectively. The Company does not have any contractual commitments for the purchase of property, plant and equipment.

There are no contingent rents recognised as an expense in the period related to the freehold land. Additional disclosures on the valuation of the properties are provided in Note 28.

(b) RECONCILIATION OF FAIR VALUE OF REVALUED PLANT, PROPERTY AND EQUIPMENT

	2016	2015
	Shs.'000	Shs.'000
As at 1 April	489,828	304,337
Revaluation surplus recognized in other comprehensive income	63,682	185,491
Impairment loss recognized in equity	11,645	-
	565,155	489,828

13 PROPERTY, PLANT AND EQUIPMENT (continued)

(c) IMPACT OF THE ENACTMENT OF THE LAND REGISTRATION ACT NO. 3 2012 OF THE COMPANY'S LAND HOLDING STATUS

The current Constitution, enacted on 27 August 2010, introduced significant changes in the landholding by non-citizens. The Constitution no longer allows foreigners and foreign bodies to own freehold land and leasehold land in excess of 99 years. Freehold land and leasehold land of more than 99 years owned by foreigners and foreign bodies automatically becomes 99 year leases upon enactment of the required legislation under Articles 65(4) of the constitution. These changes in the landholding took effect on 2 May 2012 upon the enactment of the Land Registration Act No. 3 of 2012.

As per the definition of Articles 65(3) of the constitution, the Company is a non-citizen since its ultimate holding Company is a non-citizen. Therefore, the status of its freehold land changes to 99 years lease.

Under the revised International Accounting standards No. 17 (IAS 17), a 99 year lease qualifies for a finance lease classification if the lessor transfers significantly risks and rewards incidental to the ownership of the land to the Company.

Accordingly, the new 99 year lease would qualify as a finance lease. The Company currently accounts for its land classified as freehold in a similar manner to finance leases.

The Company is waiting for the National Land Commission to issue guidelines that will operationalise the provisions of the constitution and the revised land laws. The Company will continue to reassess the impact of the revised land laws to the financial statements as the guidelines are issued.

14. BIOLOGICAL ASSETS

	Coffee Berries	Forestry	Total
	Shs.'000	Shs.'000	Shs.'000
At 1 April 2014	112,664	646	113,310
Effects of adoption of amendments to IAS 16 and IAS 41	(20,370)	-	(20,370)
At 1 April 2014 (Restated*)	92,294	646	92,940
Gains arising from changes in fair value (Restated)	(3,248)	(24)	(3,272)
At 31 March 2015 (Restated*)	89,046	622	89,668
At 1 April 2015 (Restated*)	89,046	622	89,668
Gains arising from changes in fair value	3,442	45	3,487
At 31 March 2016	92,488	667	93,155

*Certain amounts shown here do not correspond to the financial statements for the year ended 31 March 2015 and reflect adjustments made. Refer to note 15.

14. BIOLOGICAL ASSETS (Continued)

Coffee berries and forestry are carried at fair value less estimated costs to sell. 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.

The key assumptions and significant unobservable valuation input made concerning the future (projected over 6 months in respect of coffee berries 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$ 3,594 (2014: US$ 4,058) per ton;
- Expected yields from existing coffee bearer plants will reasonably compare with the agronomist's flowering charts /budgets.
- The sales proceeds are converted into Kenya Shillings at an exchange rate of Shs. 101.5299 (2015: Shs. 92.00) to the US$.
- The market price of timber, in constant price shillings terms, will be Shs. 3,000 (2015: Shs. 3,000) per cubic metre;
- Forest density is 1,333 per ha for Eucalyptus(new), 400 per ha for the coppiced and 333 trees per ha old trees respectively;
- Expected yield from existing trees is 0.09, 0.45 and 0.5 cubic metres for new, coppiced and old trees respectively.

The constant price discount rate applied to the expected net US dollar cash flows was 11.914% (2015: 11.914%) for coffee berries, and to the shilling cash flows was 13.95% (2015: 13.95%) for timber.

The Company has 205.82 (2015: 205.82) hectares of mature coffee bushes and nil (2015: nil) hectares of immature coffee bushes located in the major coffee growing areas of the country. The Company also has 5 (2015: 5) hectares of forestry. The expected quantity of berries on the coffee bushes at 31 March 2016 was 280 tons.

Significant increases / (decreases) of the above key assumptions and / or significant unobservable valuation input in isolation would result in a significantly higher (lower) fair value. The Company has no biological assets whose title is restricted or biological assets pledged as security for liabilities. The Company has no commitments for the development or acquisition of biological assets.

Financial risk management strategies

The Company is exposed to financial risks arising from changes in prices. The Company does not anticipate that coffee prices will decline significantly in the foreseeable future and, therefore, has not entered into derivative or other contracts to manage the risk of a decline in coffee prices. The Company reviews its outlook for coffee prices regularly in considering the need for active financial risk management.

15. EFFECT OF ADOPTION OF AMENDMENTS TO IAS 16 AND IAS 41: BEARER PLANTS

In June 2014, the IASB issued amendments to IAS 16 and IAS 41 which were applicable for annual periods beginning on or after 01 January 2016. These amendments require that an entity determine and account for bearer plants and produce separately. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41. Instead IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). These amendments are to be applied retrospectively in accordance with IAS 8. The Company has early adopted the amendments to IAS 41 and IAS 16 in the financial statements for the year ended 31 March 2016 and has measured the bearer plants at cost as at 1 April 2014.

The financial statements for the years ended 31 March 2015 and 31 March 2014 have been restated in compliance with the amendments to IAS 16 and IAS 41. The effects of the retrospective application of the amendments is summarised below;

Impact on equity (increase / (decrease) in equity)

	31 March 2015 Shs'000	1 April 2014 Shs'000
Property, plant and equipment - coffee bearer plants	(2,923)	121,676
Biological assets- Coffee berries (Note 14)	18,738	(20,370)
Total assets	15,815	101,306
Deferred tax credit	(2,823)	6,144
Net impact on equity	12,992	107,450

Impact on profit or loss (increase / (decrease) in profit)

	31 March 2015 Shs '000'
Depreciation expense (Note 13)	(2,923)
Change in fair value of biological assets	18,738
Deferred tax credit	(2,823)
Net impact on profit for the year	12,922

16. PREPAID OPERATING LEASE RENTALS

	2016 Shs.'000	2015 Shs.'000
COST		
At beginning and at the end of the year	229	229
AMORTISATION		
At the beginning of the year	14	14
Charge for the year*	-	-
At the end of the year	14	14
NET CARRYING AMOUNT	215	215

The land measures 385 HA and is valued at approximately Shs. 3.85 Billion.

*Amounts involved are less than Shs. 1,000 and convert to zero on rounding.

EAAGADS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2016

17. INVENTORIES

	2016 Shs.'000	2015 Shs.'000
Coffee	-	1,623
Consumables	1,395	1,613
	1,395	3,236

18. TRADE AND OTHER RECEIVABLES

	2016	2015
VAT recoverable	8,505	6,314
Less: provision for impairment losses	(64)	(64)
	8,441	6,250
Other receivables and prepayments	167	512
	8,608	6,762

19. RELATED PARTY BALANCES AND TRANSACTIONS

(a) Nature of related party relationships

The Company is controlled by Kofinaf Company Limited incorporated and domiciled in Kenya. There are other companies that are related to Eaagads Limited through common shareholding. The ultimate holding Company is East African Real Estate Holdings Limited (previously RG African Land Limited), which is incorporated and domiciled in Bermuda.

(b) Due from related companies

The amount due from Oaklands Coffee Marketing Limited is in respect of coffee sales proceeds received on behalf of the Company.

	2016 Shs.'000	2015 Shs.'000
Oaklands Coffee Marketing Limited (related through common ownership)	1,668	17,051
Kofinaf Company Limited (immediate parent)	1,597	-
	3,265	17,051

(c) Due to related companies

	2016	2015
Kofinaf Company Limited (parent Company)	16,239	44,495
Garton Limited (related through common ownership)	1,420	1,308
	17,659	45,803

19. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

The following transactions were carried out with related parties:

i) Purchase of goods and services	2016 Shs.'000	2015 Shs.'000
Kofinaf Company Limited:		
Milling charges	3,214	2,054
Management fees *	11,071	9,489
	14,285	11,543
Oaklands Coffee Marketing Limited:		
Marketing fees	1,991	1,407
	16,276	12,950

- These relate to shared management services provided by Kofinaf

Terms and conditions of transactions with related parties

Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

For the year ended 31 March 2016, the Company has not recorded any impairment of receivables relating to amounts owed by related parties (2015: 'Shs. Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Directors' remuneration

	2016 Shs.'000	2015 Shs.'000
Fees for services as a director	-	240

There were no material contracts involving directors' interests for the year ended 31 March 2016 and 31 March 2015.

The Company obtains other key management personnel services from Kofinaf Company Limited, which is the controlling Company.

EAAGADS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2016

20. SHARE CAPITAL

	2016 Shs.'000	2015 Shs.'000
Authorized:		
40,000,000 ordinary shares of Shs. 1.25 each	50,000	50,000
Issued and fully paid:		
32,157,000 ordinary shares of Shs. 1.25 each	40,196	40,196

21. REVALUATION RESERVE

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

22. RETAINED EARNINGS

The retained earnings represent accumulated surplus arising from normal operating activities. These reserves are available for dividend distribution to the shareholders of the Company except for surplus arising from fair valuation of biological assets in line with IAS 41 Agriculture of Shs. 20,527,000 (2015 –Shs. 25,717,000).

23. DEFERRED TAX

Deferred income tax is provided using the liability method on all temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date, using the enacted income tax rate of 30% (2015 - 30%), except for revaluation surplus on freehold land, which has been provided for using the capital gains tax rate of 5%. Deferred income tax assets and liabilities, deferred income tax charge in profit or loss, other comprehensive income and statement of changes in equity are attributable to the following items:

Capital Gains Tax (CGT) was re-introduced effective 1st January 2015. CGT is a final tax and cannot be offset against other income taxes.

	31.3.2015 Restated* Shs.'000	Profit or loss Shs.'000.	Other comprehensive income Shs.'000.	Statement of changes in equity Shs.'000.	Total 31.3.2016 Shs.'000.
Property, plant and equipment	(421)	21	-	-	(400)
Biological assets	26,900	1,046	-	-	27,946
Unrealized exchange gains	5	(14)	-	-	(9)
Long service awards provisions	(120)	-	-	-	(120)
Leave provision	(80)	11	-	-	(69)
General bad debt provision	(19)	-	-	-	(19)
Staff gratuity	(1,778)	138	-	-	(1,640)
Tax losses	(20,530)	4,006	-	-	(16,524)
Deferred tax on transfer of excess depreciation	-	-	-	(425)	(425)
Deferred tax on revaluation surplus	19,906	-	15,611	-	35,517
	23,863	5,208	15,611	(425)	44,257

23. DEFERRED TAX (CONTINUED)

	1.4.2014 Restated* Shs.'000	Profit or loss Restated* Shs.'000	Other comprehensive income Shs.'000.	Statement of changes in equity Shs.'000.	Total 31.3.2015 Restated* Shs.'000
Property, plant and equipment	29,198	(29,619)	-	-	(421)
Biological assets	27,882	(982)	-	-	26,900
Unrealized exchange gains	1	4	-	-	5
Long service awards provisions	(120)		-	-	(120)
Leave provision	(54)	(26)	-	-	(80)
General bad debt provision	(19)	-	-	-	(19)
Staff gratuity	(2,414)	636	-	-	(1,778)
Tax losses	(20,057)	(473)	-	-	(20,530)
Deferred tax on revaluation reserve on freehold land during the year	-	-	9,275	-	9,275
Deferred tax on revaluation reserve on freehold land as at 1 April 2014	-	-	-	10,631	10,631
	34,417	(30,460)	9,275	10,631	23,863

24. RETIREMENT BENEFIT OBLIGATIONS - SERVICE GRATUITY

The provisions for service gratuity represent entitlements that accrue as a result of services offered the unionisable employees, based on the collective bargaining agreement for the years 2013 and 2014. These are classified as other long term employee benefits.

The level of benefits provided depends on the member's length of service and salary at retirement age. The cost and the present value of the obligation of the service gratuity are determined using actuarial valuations conducted by ActServe, who are independent actuarial consultants. The valuations involves making estimates on the projected benefits that will become payable to each individual in each future year based on valuation probability assumptions. The valuations are conducted annually as at the reporting date. The last valuation was carried out on 31 March 2016.

24. RETIREMENT BENEFIT OBLIGATIONS - SERVICE GRATUITY (continued)

The following table summarizes the components of net benefit expense recognized in the statement of profit or loss and other comprehensive income and the amounts recognized in the statement of financial position for the plan:

	2016 Shs.'000	2015 Shs.'000
Opening employee benefit obligation	5,927	8,047
Current Service cost	315	359
Interest cost	835	922
Actuarial loss	53	355
Past service cost	(1,015)	-
Amount charged profit or loss - administration costs (Note 9)	188	1,635
Benefits and expenses paid	(649)	(3,756)
Closing employee benefit obligation	5,466	5,927
Categorised as:		
Current portion	865	627
Non-current portion	4,601	5,300
	5,466	5,927

24. RETIREMENT BENEFIT OBLIGATIONS - SERVICE GRATUITY (continued)

The principal assumptions used in determining service post-employment benefit obligations for the Company's plan are shown below:

	2016 %	2015 %
- Discount rate (% p.a.)	14.7	14.5
- Future salary increases (% p.a.)	10	10
- Mortality assumptions	A1945-52	A1945-52
-Weighted average duration of post-employment benefit obligations	12.2	8.9

A quantitative sensitivity analysis for significant assumptions as at 31 March 2016 is as shown below:

	Scenario -1 Discount rate increased by 1%	Scenario -2 Salary rate increased by 1%	Scenario -3 Discount rate decreased by 1%	Scenario -4 Salary rate decreased by 1%	Scenario -5 Demographic assumptions increased by 10%
Discount rate	15.71%	14.71%	13.71%	14.71%	14.71%
Salary increase	10%	11%	10%	9%	10%
Demographic assumptions	No change	No change	No change	Increased by 10%	Increased by 10%
Opening employee benefit obligation	5,927	5,927	5,927	5,927	5,927
Net expense recognised in the profit or loss	106	169	168	104	136
Actuarial (gain)/loss recognised in profit or loss	(384)	560	547	(401)	71
Benefits and expenses paid	(649)	(649)	(649)	(649)	(649)
Closing employee benefit obligation	5,000	6,007	5,994	4,981	5,485

Discount rate
IAS 19 requires the discount rate to be determined by reference to the market yields, on the reporting date, on high quality corporate bonds, or in the countries where there is no deep market in such bonds, the market yields on government bonds. The currency and term of the corporate or government bonds should be consistent with the currency and estimated term of the post-employment benefit obligation.

In Kenya, the bond selected to match the liabilities outstanding had a term of approximately 9.5 years and with a yield of 12.8% per annum. At this yield, the bond and the liabilities had discounted mean terms of 5.5 years and 5.68 years respectively the yield is thus considered appropriate discount rate.

24. RETIREMENT BENEFIT OBLIGATIONS - SERVICE GRATUITY (continued)

The principal assumptions used in determining service gratuity and long service awards obligations for the Company's plans are shown below:

Mortality rate
Benefits will decrease or cease when the individual dies. It is, therefore, essential that the actuary, in his projections, takes into account the mortality of the employees. Mortality is expressed as the probability of death within the next year for an individual of a specific age. Different mortality rates are set for each age - group.

The mortality table used for the current employees was A1945-52 as published by the Institute of Actuaries.

Salary increases
Salaries can generally increase as a result of inflation, merit increases and promotions. Assumptions are made on future salary increases as the actual benefits payable to an employee on retirement date will be dependent on his current salary as at the retirement date. As retirement benefits are directly linked to the salary, the higher the assumption, the higher the liabilities.

As there is a link between general inflation in a country and the salary increases granted to employees, expectations on general inflation have been used in determining the salary inflation assumption. Given the past experience in inflation variations, a salary increase of 10% p.a. has been assumed on average over the future working lifetimes of the scheme members. This is also in agreement with the Collective Bargaining Agreement (CBA) for the years 2013 and 2014.

25. LONG SERVICE AWARDS

	2016 Shs.'000	2015 Shs.'000
At the beginning and end of the year	402	402
Categorised as:		
Non-Current portion	54	54
Current portion	348	348
	402	402

These long service awards are recognised based on the length of service served by the employees. Employees are paid specific defined amounts as long service awards on reaching the 10th, 20th, 30th, 40th and 50th anniversary with the Company. Employees who have not reached any of the anniversaries or are dismissed from service due to misconduct are not entitled to any benefit under the arrangement. There were no provisions for long service award in the current year as they will only be material in the next three years.

26. TRADE AND OTHER PAYABLES

	2016	2015
	Shs.'000	Shs.'000
Trade payables	364	357
Accrued expenses and other payables	89	668
Unclaimed dividends	654	654
Leave provision	338	266
	1,445	1,945

27. ANALYSIS OF CASH AND CASH EQUIVALENTS

	2016	2015
Cash at bank	902	3,114
Cash in hand	110	60
	1,012	3,174

28. FAIR VALUE HIERARCHY

The table below shows an analysis of all assets and liabilities measured at fair value in the financial statements or for which fair values are disclosed in the financial statements by level of the fair value hierarchy. These are grouped into levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1- fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 -fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as a price) or indirectly (i.e. derived from prices);and
- Level 3 -fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs)

	Level 1	Level 2	Level 3
31 March 2016	Shs.'000	Shs.'000	Shs.'000
Freehold land and buildings	-	-	492,187
Plant and machinery	-	-	35,754
Biological assets	-	-	93,155

	Level 1	Level 2	Level 3
31March 2015	Shs.'000	Shs.'000	Shs.'000
Freehold land and buildings	-	-	472,365
Plant and machinery	-	-	17,463
Biological assets	-	-	89,668

28. FAIR VALUE HIERARCHY (continued)

The Company's freehold land was last revalued on 31 December 2014. The valuations were based on market values. The property was inspected on 26th November 2014 by Jones Lang LaSalle (JLL), independent external property valuers.

The Company's buildings, plant, and machinery were last revalued on 31 March 2016 by Axis Real Estate Limited. The valuations were based on market value. Fair value of the properties was determined by using market comparable method or the depreciated replacement cost where market comparable was not available. This means that valuations performed by the valuer are based on active market prices, significantly adjusted for difference in the nature, location or condition of the specific property. The depreciated replacement cost is the cost of acquiring, and installing a new or modern substitute asset having the same production capacity as that applied to assets which are part of an operating concern and assumes adequate profitability.

Description of valuation techniques used and key inputs to valuation of assets and liabilities

LEVEL 3

	Valuation technique	Significant unobservable inputs	Range (weighted average)
Freehold land	Market Comparable Approach	Price per acre	Shs. 910/m2 –Shs. 183/m2
	Market Comparable Approach	Location and type of soil in the area	-
Buildings	Depreciated replacement cost	Costs to construct a replica of the building at current costs	-
Plant and machinery	Depreciated replacement cost for plant and machinery	Capital expenditure for a model plant	-
Biological assets	Discounted cash flow method	Details in Note 14	Details in Note 14

The significant unobservable inputs used in the fair value measurement of the Company's property and equipment are price per acre, and capital expenditure for a model plant at above capacity and the replacement cost of similar buildings in that area. Details for the unobservable inputs used in the fair value measurement of biological assets are disclosed in Note 14.

Significant increases/decreases in any of the inputs used in the valuation of biological assets in isolation would result in a significantly lower / higher fair value measurement.

29. SEGMENT INFORMATION

The principal activity of the company is growing and selling coffe beans. Therefore, the company has one operating segment.

The directors consider the Company to comprise one major product, coffee, and one geographical area, Kenya.

Information about products and about geographical areas
The Company's main product is coffee which is sold at the auction. The customers' necessary details including geographical areas at the auction are not available as majority of them are intermediaries. The Company has therefore not made the disclosures as relates to segmental information about the products and services and geographical areas and customers.

30. CONTINGENT LIABILITIES

The Company had no contingent liabilities as at 31 March 2016 and 31 March 2015.

31. COMMITMENTS

There was no capital expenditure contracted as at 31 March 2016 and 31 March 2015.

32. EVENTS AFTER THE REPORTING PERIOD

No material events or circumstances have arisen between the reporting date and the date of this report.

33. COUNTRY OF INCORPORATION

The Company is incorporated and domiciled in Kenya under the Companies Act.

34. ULTIMATE HOLDING COMPANY

The major shareholder of the Company is Kofinaf Company Limited, incorporated and domiciled in Kenya while the ultimate parent company of Kofinaf Company Limited is East African Real Estate Holdings Limited (previously RG African Land Limited), incorporated and domiciled in Bermuda.