



**ANNUAL REPORT AND  
FINANCIAL STATEMENTS**

**For the year ended**

**31 MARCH**

**2024**



**EAAGADS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2024**

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**EAAGADS LIMITED**  
**CORPORATE INFORMATION**  
**FOR THE YEAR ENDED 31 MARCH 2024**

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**DIRECTORS**

<b>Name</b>	<b>Designation</b>
Dr. Joseph Kimemia	Chairman, Non- Executive Director
Mr. George Kapanadze *	Non- Executive Director
Mr. Nicholas Kathiari	Independent, non - Executive Director
Amb. Harry Mutuma Kathurima	Independent, non - Executive Director
Ms. Muthoni Runji-Pertet	Independent, non - Executive Director

\*Georgian

**SECRETARY**

Winniefred Jumba  
Certified Public Secretary (Kenya)

Stamford Corporate Services LLP  
5th Floor, West Wing, ICEA Lion  
Riverside Park, Chiromo Road  
P. O. Box 10643 - 00100  
Nairobi

**REGISTERED OFFICE**

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

**BANKERS**

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

Equity Bank Kenya PLC  
Ruiru Branch  
P.O. Box 690-00232  
Ruiru, Kenya

**LAWYERS**

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

**AUDITORS**

Deloitte & Touche LLP  
Deloitte Place  
Off Waiyaki Way, Muthangari Drive  
P.O. Box 40092 – 00100  
Nairobi

# **EAAGADS LIMITED**

## **REPORT OF THE DIRECTORS**

### **FOR THE YEAR ENDED 31 MARCH 2024**

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The directors submit their report together with the audited financial statements for the year ended 31 March 2024.

#### **1. INCORPORATION**

The company is domiciled in Kenya where it is incorporated as a public limited company limited by shares under the Kenyan Companies Act, 2015. The address of the registered office is set out on page 2.

#### **2. PRINCIPAL ACTIVITY**

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

#### **3. RESULTS**

The results of the company are shown on page 26 in the financial statements.

#### **4. RECOMMENDED DIVIDEND**

The directors do not recommend payment of a dividend for the year ended 31 March 2024 (2022: Nil).

#### **5. DIRECTORS**

The directors who served during the year and to the date of this report are set out on page 2.

#### **6. BUSINESS REVIEW**

The review of business environment, key financial performance indicators and comprehensive analysis of the development of business of the company during the year has been outlined in the chairman report on page 5-6.

##### **Operating model and agency delivery models**

Our operating model is a product driven model, where all our functions work together with a unitary goal of offering a high-quality product to the market. An agency delivery model defines how work adds value and relates to the business by incorporating the experts in coffee farming. Coffee Management Services (CMS) are the appointed agents entrusted to manage the coffee. At Eaagads Limited, we operate a flexible and aligned agency delivery model that ensures that stakeholders' value is maximized in a cost-effective way. Our agency delivery model is also aimed at ensuring we deliver the best product to the market at the same time aiming at creating shareholder value. We create shareholder value by focusing on several core areas, underpinned by our commitment to creating and maintaining a sustainable business. These are:

##### a. Products

Our operating model includes a comprehensive and fully embedded agronomy risk management process which assists us in identifying and managing risks and opportunities to deliver the farm strategy and the other essential elements of our business model. During the year under review, the company's coffee operations produced 332 tons of coffee compared with 348 tons in 2023.

##### b. Income and assets

Land is a major factor of production in coffee farming. Our goal is to ensure that we achieve optimal sustainable production without degrading our land resource (205 hectares) under coffee production. Growing revenue and lowering unit costs enables us to drive our profit and further invest in growing our business. We derive our income through prudent coffee management practices and ambitious operational plan to ensure we achieve an optimum production level of 2.0 metric tonnages per hectare. Our focus in setting such targets is to achieve sustainable performance over the short and long term.

We create value for our shareholders by efficiently managing the coffee bushes and strong management of the company as a whole.

##### c. Employees and leadership

Employees play the key role in delivering the company's strategic objectives and goals. The company is among the largest agricultural coffee growing estates in the industry with highly trained, skilled, motivated and remunerated employees. The company has continued to invest in employee training, development and coaching. Eaagads Limited through its managing agents, CMS, has a strong managerial team, with strong leadership skills which has long embraced and practised strategic thinking and co-operative entrepreneurship spirit.

**6. BUSINESS REVIEW (continued)**

**Operating model and agency delivery models (continued)**

d. Procurement

Eaagads Limited spends a significant amount of its financial resources on procuring various inputs, works and services to facilitate the discharge of its mandate and mission. This is done by following uniform and cost-effective procedures that ensure that value is achieved when procuring agri-inputs, services and works.

The procurement process is conducted in a transparent manner to bring competition, fairness and elimination of arbitrariness in the system under the following principles;

(i) Value for money: This is the trade-off between price and performance that provides the greatest overall benefit under the specified selection criteria.

(ii) Fairness: To achieve best value for money, the procurement process must protect the farm from proscribed practices such as fraud, corruption, collusion and other unethical practices.

(iii) Integrity and transparency: The manner in which the procurement process is undertaken must provide all internal and external stakeholders with assurance that the process is fair and transparent and that integrity has been maintained.

(iv) Effective competition: By fostering effective competition among vendors, Eaagads Limited operationalizes the Coffee Management Services standard operational manual which applies the principles of fairness, integrity and transparency to achieve best value for money.

(v) Best interests: Undertaking procurement in the best interest means carrying out procurement activities in a manner that enables Eaagads attain its general and specific objectives in compliance with applicable procurement procedures.

**7. DIRECTORS' STATEMENT AS TO INFORMATION GIVEN TO AUDITORS**

Each of the persons who is a Director at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

**8. AUDITORS**

Deloitte & Touche LLP were appointed as the company's statutory auditors during the year, and having expressed their willingness, continue in office in accordance with the provisions of section 721 (2) of the Kenyan Companies Act, 2015. The Directors monitor the effectiveness, objectivity and independence of the auditor. The Directors also approve the annual audit engagement contract, which sets out the terms of the auditor's appointment and the related fees.

By order of the Board



Secretary

26 July 2024

# **EAAGADS LIMITED**

## **CHAIRMAN'S REPORT**

### **FOR THE YEAR ENDED 31 MARCH 2024**

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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 2024.

#### **OPERATING ENVIRONMENT**

The countrywide total estimated area under coffee increased by 2.3 per cent to 111.9 thousand hectares in 2022/2023 from 109 thousand hectares in previous year. This was achieved through seedlings distribution program by the national government through the Coffee Directorate and coffee revitalisation program introduced two years ago. The coffee production decreased by 6.2 per cent from 51.9 thousand tonnes to 48.7 thousand tonnes during the crop year 2022/23, as a result of harsh weather conditions that favoured the spread of Coffee Berry Disease and elevated temperatures.

Consumption in coffee year 2022/23 did not faithfully follow the established pattern due to the impact of the high cost of living, falling disposable incomes and a long stocks drawdown. Volumes of unroasted Coffee Exports stood at 34,612.50 metric tons (MT) of coffee in 2023 earning 24.52 billion shillings as compared to 2022 Exports that stood at 42,857MT earning 34.37 billion shillings. Coffee prices declined from KSh 768.7 per kilogram in 2022 to KSh 708.4 per kilograms in 2023. Kenyan coffee industry has traditionally focused on quality rather than quantity, commanding a premium price in international markets. The country's coffee exports are primarily managed through the Nairobi Coffee Exchange, where auctions are held to sell coffee to international buyers. Kenya is the fifth largest producer of coffee in the African continent with an average of 860,000 bags of coffee annually. The largest producers being Ethiopia (8.2 million 60 kg bags), Uganda (6.5 million bags), Cote d'Ivoire (1.25 million bags) and Tanzania (1.12 million bags).

The coffee sub sector has a new regulatory framework that includes initiatives to streamline the value chain, enhance quality control, increase farmer earnings, and attract more investment. Key reforms have focused on issues such as direct sales by farmers, transparency in auction processes, subsidizing coffee production and stricter quality standards to maintain Kenya's reputation for producing high-quality Arabica coffee. This has seen the number of licensed coffee brokers increase from 6 to 15 in 2023.

#### **EAAGADS FINANCIAL PERFORMANCE**

In the year under review, the company produced 332 tons of coffee compared with 347 tons produced in the year ended March 2023. This is a drop of 15 tons attributed largely to elevated temperatures. In the period under review, the company achieved sales of 272 tonnes of coffee compared with 348 tonnes in March 2023. The average price reduced during the year ended 31 March 2024 to USD 4.68 per kilogram from USD 5.36 per kilogram in the previous year.

The Company reported a profit before tax of KShs 7.07 million compared to a profit before tax of KShs 11.3 million in the previous financial year. Sales proceed from the sale of coffee stood at KShs 190.6 million in the year compared to 234.2 million in the previous year. The cost of production is directly correlated with production levels. Coffee upkeep costs, picking costs and wet processing costs reduced by KShs 59.2 million. Crop commission charges also reduced by KShs 1.3 million. Farm management fees remained at USD 90 per hectare.

#### **MARKETING**

Kenya has two coffee harvests in a year. The late crop is harvested between September to December, and the early crop is harvested between March and August. Eaagads coffee is marketed by Licensed brokers. Kenyan coffee is sold through either auction or direct sales. Direct sales usually achieve a premium over prices obtained through the auction. During the year, the company achieved sales of 266 tonnes of coffee through direct sales, valued at KShs 183.3 million compared to 115.6 tons in the previous year, valued at KShs 78.2 million in 2023. The auction sales for the year were 5.8 tonnes compared to 232.6 tons previous year, valued at KShs 7.3 million and KShs 156.05 million, respectively.

**EAAGADS LIMITED**  
**CHAIRMAN'S REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2024**

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**CONSUMPTION**

Domestic coffee consumption in Kenya has remained relatively low. The low consumption is attributed to the predominant tea drinking culture and non-affordability of coffee due to low purchasing power for the majority of the population. However, in the recent past, the coffee drinking culture has taken shape, especially amongst the middle-income groups. Coffee houses are now conveniently located in shopping malls and town centres, further boosting local coffee consumption.

**OUTLOOK**

The future of the farm looks promising as evidenced by the good flowering exhibited on the trees for 2024/25 production season. The company is on course towards achieving its early crop harvest of 200 tons and a late crop harvest of 150 tons. Although the weather forecasts indicate near average rainfall patterns, Eaagads farm management continues to put in place measures to ensure attainment of the crop projections. To mitigate climate change, the management has commenced digging of basins in strategic locations within the farm for optimal surface water harvesting. According to International Coffee Organisation, Production for 2023-24 coffee season is expected to be lower than the demand mainly due to reduced production cycle in the South America coffee buffer zones. Looking ahead, the prices are likely to remain attractive as the world economies recovers from inflation . Eaagads coffee continues to attract a premium in the market due to its superior coffee quality. The farm continues to be managed by Coffee Management Services Limited.

**DIVIDEND**

The board of directors do not recommend payment of a dividend.

**SOCIAL RESPONSIBILITY**

On the social front, Eaagads has 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.

**APPRECIATION**

I would like to express my gratitude to the shareholders as well as my colleagues on the board of Eaagads for their continued support to the company.



Dr. Kimemia  
Chairman

26 July 2024

# EAAGADS LIMITED

## STATEMENT OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 31 MARCH 2024

### 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.

### THE BOARD OF DIRECTORS



Dr. Joseph Kimemia, PhD, HSC, MBS  
Non-Executive Director and Chairman

Age: 67

Nationality: Kenyan

Appointed: 19/11/2021

Skills and experience:

Dr. Kimemia is the Director, Planning, Performance Management and Quality Control at the Kenya Agriculture and Livestock research Organization (KALRO) Secretariat. He holds a PhD in crop science from University of Nairobi, an MSc Agronomy from Andra Pradesh Agricultural University/International Crops Research Institute for Semi-Arid Tropics (ICRISAT) and a BSc Agriculture from the University of Nairobi.

He has worked at Coffee Research Foundation for over the last 30 years, 10 of which he was the CEO/Director of Research. Previously, he worked as a Farming Systems Agronomist in the arid and semi-arid lands of ASAL of Kenya for six years and Agronomist for High Altitude maize program in Kenya for two years. He has extensive experience carrying out research in farming systems for dry lands of Kenya and introduced the whole farm approach to research for the dry lands.

Dr Kimemia is also conversant in coffee certification programmes and has been instrumental in the development and release of the disease resistant Arabica Coffee variety Batian that has been adopted by farmers.

He is currently a board member of the African Fine Coffee Association (AFCA).



CPA Nicholas Kathiari  
Independent, Non-Executive Director

Age: 52

Nationality: Kenyan

Appointed: 05/09/2022

Skills and experience:

Nicholas holds a Master of Business Administration and a Bachelor of Commerce (finance option) both from the university of Nairobi. He is a Certified Public Accountant and a practising member of the Institute of Certified Public Accountants of Kenya (ICPAK). He has over 25 years' experience in audit, financial reporting, risk management and strategic finance advisory in the sectors of banking, insurance, manufacturing (including agro-processing), energy and telecommunications.

He is currently a partner at FEKAN Howell LLP in charge of audit & assurance related service line and also leads the corporate finance advisory services. He began his accounting and auditing career at Ernst and Young LLP and served for 23 years, before joining FEKAN Howell LLP.

He is the Chairperson of the Board Audit and Risk Committee of the Eaagads Board. He also serves in the Board of Crown Paints Kenya Plc as a Non-Executive Director.

**EAAGADS LIMITED**  
**STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2024**

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**THE BOARD OF DIRECTORS (CONTINUED)**



Amb. Harry Mutuma Kathurima, EBS  
Independent, Non-Executive Director

Age: 71

Nationality: Kenyan

Appointment: 05/09/2022

Skills and experience :

Kathurima studied humanities at the University of Nairobi and graduated in 1976. In 1982 he completed a degree in Public Administration from the University of Birmingham. In the late 1970s, he worked as a district officer in Malindi District, after which he worked until 1982 in the office of the provincial council in Mombasa. In 1985, he moved to the Office of the President where he worked as an Assistant Secretary. This was followed by a post as secretary of state from 1991 to 1997, where he worked as chief of protocol. He subsequently held positions in Urban Ministry and the Ministry of Co-development. In 2004 he was appointed to the Foreign Service and served as High Commissioner in New Delhi. During the two-year stay in India Kathurima was also accredited to Bangladesh, Singapore and Sri Lanka. From August 2005 to September 2010, he served as Kenyan ambassador to Germany.

He has also supported presidential campaigns in previous general elections



Ms. Muthoni Runji-Pertet  
Independent, Non-Executive Director

Age: 42

Nationality: Kenyan

Appointed: 05/09/2022

Skills and experience:

Muthoni is a Partner at Ronn Law. She is an advocate of the High Court of Kenya and practices as a real estate & finance lawyer. She is especially good at handling complex real estate developments, project structuring, commercial sales, commercial leasing and has worked with several commercial developers in some of Kenya's innovative development projects.

Muthoni is a Commissioner for Oaths and a Notary Public. She is also a Certified Public Secretary (CS) and a qualified governance auditor

She is the Chairperson of the Board Nominations and Governance Committee of the Eaagads Board

**EAAGADS LIMITED**  
**STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2024**

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**THE BOARD OF DIRECTORS (CONTINUED)**



Mr. George Kapanadze  
Non-executive Director

Age: 38  
Nationality: Georgian  
Appointed: 20/05/2021

Skills and experience :

George is an experienced financial executive who has held diverse roles across Europe, Africa, and CIS, covering financial management in various environments, from business start-ups to restructurings. He is currently the Group Chief Financial Officer, Rendevour.

Prior to joining Rendevour in 2014, George worked at Renaissance Group and Renaissance Capital supporting the Asset Management, Investment Management, and Private Equity business units. From 2008-2012, George worked at PwC as an auditor in financial services and banking division.

George holds a Bachelor's degree in Business Administration from Tbilisi State University and is a Chartered Certified Accountant.



Ms. Winniefred Jumba  
Company Secretary

Age: 52  
Nationality: Kenyan  
Appointed: 24/10/2023

Skills and experience:

Winnie has over twenty-five years of experience as a practicing Certified Public Secretary and a Corporate Governance expert. She is an experienced and dedicated Company Secretary with additional specializations in Corporate Governance services, Legal and Governance audits and Bond Trustee/ Security agency services and general compliance matters.

She is a holder of a Bachelor of Commerce and a Masters in Business Administration from University of Nairobi. She is a Certified Public Secretary and an Accredited Governance Auditor.

**EAAGADS LIMITED**  
**STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2024**

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**STATEMENT ON GOOD GOVERNANCE**

The Company is devoted to good corporate governance and to complying with applicable laws, regulations and codes of industry and international best practice. In a bid to promote and ensure good corporate governance within the Company and the Board of Directors of the Company has adopted the Capital Markets Authority Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015 (the CMA Code).

The Board regularly reviews corporate governance policies and the Company's corporate governance practices against the requirements of both the Companies Act 2015, the CMA Code and best practice.

**THE ROLE AND RESPONSIBILITIES OF THE BOARD**

The primary roles and key responsibilities of the Board include:

- ◇ Defining the Company's mission, goals, strategy, objectives, and risk policy plans.
- ◇ Approving of the Company's annual budgets.
- ◇ Overseeing the Company's management and operations, management accounts, major capital, expenditures and review corporate performance.
- ◇ Approving the organisational structure.
- ◇ Approving major capital expenditures.
- ◇ Reviewing the Company's performance at least on a quarterly basis.
- ◇ Identifying business opportunities and principal risks in its operating environment.
- ◇ Implementing of appropriate measures to manage risks or anticipated changes in the Company's operating environment.
- ◇ Development staffing and reviewing remuneration policies for the General Manager and senior employees of the Company.
- ◇ Approving, periodically reviewing, and maintaining a clear succession plan for the members of the Board, General Manager and senior Management of the Company.
- ◇ Reviewing on a regular basis, the adequacy and integrity of the Company's internal control systems and management information systems including compliance with applicable laws, regulations, rules, and guidelines; and Association
- ◇ Establishing and implementing a system that provides necessary information to the shareholders including shareholder communication policy for the Company.
- ◇ Monitoring the effectiveness of the corporate governance practices under which the Company operates and propose revisions as may be required from time to time.
- ◇ Ensuring availability of adequate resources for the achievement of the organisation's objectives.
- ◇ Abiding by statutory, fiduciary, and common law duties and all legal obligations relevant to the Board of a public limited and listed company.

**DIVISION OF RESPONSIBILITIES**

The Chairman and the General Manager have distinct and clearly defined duties and responsibilities. The separation of the functions of the Chairman (a Non-Executive Director) and the General Manager supports and ensures the independence of the Board and Management. The balance of power, increased accountability, clear definition of responsibilities and improved decision-making are attained through a clear distinction between the non-executive and executive roles. The Board is assisted by a qualified and competent Company Secretary who is a member, in good standing, of the Institute of Certified Secretaries (ICS).

**EAAGADS LIMITED**  
**STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2024**

**DIVISION OF RESPONSIBILITIES (CONTINUED)**

A summary of each role is provided below:

Chairman	General Manager (Agronomy)
<ul style="list-style-type: none"> <li>• Providing overall leadership to the Board;</li> <li>• Plays a key role in determining the agenda of Board meetings.</li> <li>• Acting as the chair of all Board and shareholders' general meetings.</li> <li>• Guiding the decision-making process at Board meetings and general meetings and, where it is extremely necessary, use the casting vote.</li> <li>• Encouraging board members to participate fully in Board deliberations.</li> <li>• Harnessing the collective skills of the Board and its committees.</li> <li>• Monitoring the performance of the General Manager and the senior management and lead in evaluation of their performance.</li> <li>• Ensuring effective induction of new Board members in accordance with the agreed induction programme.</li> <li>• Ensuring training and skills development for the Board members.</li> <li>• Maintaining a close independent working relationship with the County Head.</li> <li>• Acting as the information link between the Board, management, and the shareholders.</li> </ul>	<ul style="list-style-type: none"> <li>• Formulating strategies and policies for Board approval.</li> <li>• Ensuring a clear flow of information between management and the Board in order to facilitate both quantitative and qualitative evaluation and appraisal of the Company's performance.</li> <li>• Implementing and communicating policies and strategies approved by the Board.</li> <li>• Preparing budgets, business proposals and submissions for Board approval.</li> <li>• Achieving the Company's financial and operating goals and objectives.</li> <li>• Ensuring continuous improvement in the quality and value of the products and services provided by the Company.</li> <li>• Overseeing personnel matters including hiring and firing of senior staff and ensuring that the Company has an effective management team structure and succession plan.</li> <li>• Maintaining proper internal controls.</li> <li>• Maintaining a conducive work environment for attracting, retaining and motivating staff.</li> <li>• Nurturing a corporate culture that promotes ethical practice.</li> </ul>

**COMPANY SECRETARY**

The Company Secretary, Ms Winniefred Jumba is a member in good standing with the Institute of Certified Secretaries of Kenya (ICS), Reg No 1468. Her role includes:

- ◊ Enabling and maintaining good Board and shareholder meeting practices.
- ◊ Attending to compliance and reporting requirements with the Registrar of companies, the Capital Markets Authorities and other regulators.
- ◊ Advising the Board on corporate governance matters.
- ◊ Coordinating the Company's key governance processes such as governance audit, legal & compliance audit, Board evaluation, etc.

**MANAGEMENT'S ROLE**

Management is responsible to the board for the day-to-day financial and operational performance of the company. It is also tasked with the responsibility of executing the strategies of the Board.

**EAAGADS LIMITED**  
**STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2024**

**MANAGEMENT'S ROLE (CONTINUED)**

**Board size, composition, independence, and appointments**

The Board is comprised of five (5) members. All of whom are non-executive with varied experience and expertise aligned to the needs of the business. The current members of the Board are as follows

Name	Designation	Date of Appointment
Dr. Joseph Kimemia	Chairman, Non- Executive Director	19/11/2021
Mr. George Kapanadze	Non- Executive Director	20/05//2021
Mr. Nicholas Kathiari	Independent, non - Executive Director	05/09/2022
Amb. Harry Mutuma Kathurima	Independent, non - Executive Director	05/09/2022
Ms. Muthoni Runji-Pertet	Independent, non - Executive Director	05/09/2022

The Board determines its size and composition, subject to the Company's Articles of Association, Board Charter, relevant policies, applicable law, and best practices.

The Board on the recommendation of the Nomination and Governance Committee, has the power from time to time, to appoint any person to the position of Director either to fill a casual vacancy or as an addition to the existing

Directors, subject to shareholder approval at the next Annual General Meeting. All appointments, including those of alternates, should be considered by the Nominations and Governance Committee prior to tabling the proposed directors to the Board.

At every AGM, at least one-third of the nonexecutive Directors must retire from the Board and where eligible, stand for re-election. In accordance with the Articles of Association of the Company, all Non-Executive Directors offer themselves for re-election at regular intervals, subject to continued satisfactory performance and commitment. The term of office of the Board members shall be organised in a manner that ensures that there is a smooth transition. During the AGM held on 22nd September 2023, Mr. George Kapanadze and Mr. Nicholas Kathiari retired and being eligible offered themselves for re-election and were each re-elected by the shareholders to continue serving as Directors on the Board.

**Activities of the Board in 2023/2024**

During the year, the key areas of focus for the Board's activities and topics discussed were on the following matters:

- ◇ Approval of the half-year and full year results and issuance of a profit warning.
- ◇ Review of the reports from the Committees.
- ◇ Approved the financial year's budget.
- ◇ Review of farm operations.
- ◇ Review of the operating model.
- ◇ Approved various Board policies, Board charter and Committees' Terms of Reference.

A summary of the attendance of the members is summarized below:

	31.05.23	28.07.23	21.09.23	28.11.23	27.03.24
Dr. Joseph Kimemia	(a)	✓	✓	✓	✓
Mr. Nicholas Kathiari (Committee chairperson)	✓	(a)	✓	✓	✓
Amb. Harry Mutuma Kathurima	(a)	✓	✓	✓	✓
Ms. Muthoni Runji-Pertet	✓	✓	✓	✓	✓
Mr. George Kapanadze	✓	✓	✓	✓	✓

\*(a) = absent with apology

**EAAGADS LIMITED**  
**STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2024**

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**MANAGEMENT'S ROLE (CONTINUED)**

**Director induction**

Newly appointed directors are provided with necessary orientation in the area of the Company's business in order to enhance their effectiveness in the Board. The Chairperson of the Board and the Company Secretary are responsible for ensuring that newly appointed directors have been properly oriented.

**Corporate Governance Assessment Report**

During the year 2023/2024, the Capital Markets Authority assessed the CMA Code's implementation status by the Company for the year ended 31 March 2023. The assessment was based on a review of commitment to good corporate governance; board operations and control; rights of shareholders; stakeholder relations; ethics and social responsibility; accountability, risk management and internal control; and transparency and disclosure.

The overall rating awarded to the Company was a fair rating of 48%. The Board is working towards closing out the pending governance items in order to attain a better score in the upcoming CMA Governance Assessment.

**Conflict of interest**

The Directors are obligated to fully disclose to the Board any real or potential conflict of interest which comes to any Director's attention, whether direct or indirect. All business transactions with all parties, Directors or their related parties are carried out at arm's length. An acknowledgement that, should it come to the attention of a Director that a matter concerning the Company may result in a conflict of interest, obligates the Director to declare the same and exclude himself/herself from any discussion or decision over the matter in question.

The Board has formal procedures for managing conflicts of interest. The directors complete an annual independence declaration. A related party transactions policy was approved during the year. Declaration of conflicts of interest is also a standard agenda item addressed at the onset of each Board and Committee meeting. The Board also requires all Directors to disclose, on appointment and annually, any circumstance which may give rise to an actual or potential conflict of interest with their roles as Directors.

**BOARD COMMITTEES**

The Board has two standing committees: an Audit and Risk Committee and a Nominations and Governance Committee. Each committee has formal and approved terms of reference.

**Audit and Risk Committee**

The Audit and Risk Committee reviews the half-yearly and year-end financial statements, monitors the integrity of the financial statements, assesses the Company's risk management process and internal financial controls systems, makes recommendations to the Board on the appointment of the external auditor and reviews their independence, objectivity, and effectiveness. It has authority to review the adequacy, scope, functions, and resourcing of the internal audit function.

The Audit and Risk Committee is comprised of four (4) non-executive directors. The Committee is chaired by an independent director and reports to the Board after every committee meeting.

**EAAGADS LIMITED**  
**STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2024**

**BOARD COMMITTEES (CONTINUED)**

**Audit and Risk Committee (Continued)**

During the year under review, the Committee discussed the following matters:

- Management accounts and financial results.
- Budget for the financial year 2023/2024.
- Impact of Coffee regulations 2019 on the operating model.
- Approval of the audit plan.
- Policy Reviews.
- External audit plans.
- Profit warning announcement.
- Change of external auditor.

A summary of the Board Audit and Risk Committee meetings held in the year under review include:

	13.04.23	27.07.23	28.07.23	28.11.23	25.03.24
Mr. Nicholas Kathiari (Committee chairperson)	✓	✓	(a)	✓	✓
Amb. Harry Mutuma Kathurima	(a)	✓	✓	(a)	✓
Ms. Muthoni Runji-Pertet	✓	✓	✓	✓	✓
Mr. George Kapanadze	✓	✓	✓	✓	✓

\*(a) = absent with apology

**External auditor**

During the year, the Board recommended the appointment of Messrs. Deloitte & Touche LLP as the Company's external auditor in place of Ernst and Young LLP. The decision to change auditors aligned with the parent company's rotation policy. The change aimed to enhance the commitment to transparency, independence, and the highest standards of financial reporting. The Board will be seeking shareholders' ratification at the Company's 2024 Annual General meeting.

**Nominations and Governance Committee**

The Nominations and Governance Committee is mandated with reviewing the structure, size, and composition of the Board, reviewing the functions and responsibilities of the Board and Committees, making recommendations to the Board for the appointment and removal of Directors, assessing the independence of the independent directors, developing the Board policy and procedure for the selection and appointment of directors as well as conducting a critical evaluation of the activities of the Board and Board Committees on an annual basis.

The Nominations and Governance Committee is comprised of four (4) non-executive directors. The Committee is chaired by an independent director and reports to the Board after every committee meeting.

During the year under review, the Committee discussed the following matters:

- Monitored implementation of the requirements of the CMA Code.
- Board Evaluation.
- Approval of Board Governance Policies, Board Charter, and Terms of Reference.
- Review of various governance reports.
- Review of directors' remuneration policy.
- AGM preparations.

**EAAGADS LIMITED**  
**STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2024**

**BOARD COMMITTEES (CONTINUED)**

**Nominations and Governance Committee (Continued)**

A summary of the Nominations and Governance Committee meetings held in the year under review include:

	29.05.23	14/07/23	25.03.24
Ms. Muthoni Runji-Pertet (Committee chairperson)	✓	✓	✓
Mr. Nicholas Kathiari	✓	✓	✓
Amb. Harry Mutuma Kathurima	(a)	(a)	✓
Mr. George Kapanadze	✓	(a)	✓

\*(a) = absent with apology

**GOVERNANCE POLICIES**

Eaagads Limited as part of implementation of best corporate governance practices and in compliance with the regulatory requirements, has in place policies and practices to promote a culture of compliance, honesty, and ethical behaviour. The policies stipulate the obligations of the organization to different stakeholders and apply to all employees, directors, and other stakeholders.

The Capital Markets Authority mandated policies which were reviewed and approved within the year were: Remuneration Policy; Related Party Policy; Induction Policy; Appointment and Removal Policy; Diversity Policy; Communication Policy and Voting Policy.

The Board in carrying out its mandate is also guided by the policies in place which include but are not limited to the following:

**Board Charter**

This Board Charter serves to institutionalize the principles of good corporate governance in the entire organization. The Board Charter is designed to assist senior management and the Board members to fully understand the Company's corporate governance structure and policies.

**Board Remuneration Policy**

The Remuneration Policy sets out the overall principles and structure for the remuneration of the Directors of the Company and to describe the decision-making process followed for the determination, review, and its implementation. The policy is in place to ensure fairness and transparency in how Directors are compensated and how pay decisions are made and to align the Company's performance with the remuneration of Non-Executive Directors.

**Communication Policy**

The purpose of the Communication Policy is to ensure that communication across the Company is consistent, well-coordinated, effectively managed, and responsive to the diverse information needs of the public. It is aimed at fostering effective internal and external communication among Eaagads employees and other stakeholders.

**Voting Policy**

The objective of this policy is to establish clear guidelines and procedures for voting activities within the Company promoting transparency, fairness, and democratic decision-making processes and compliance with legal requirements in all voting processes. This policy applies to all voting events conducted by Eaagads Limited, including General meetings, Board meetings, Committee meetings and other significant voting matters.

**EAAGADS LIMITED**  
**STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2024**

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**GOVERNANCE POLICIES (CONTINUED)**

**Board Diversity Policy**

The Diversity Policy sets out the approach to diversity on the Board of Directors. Eaagads Limited recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at Board level as an essential element in maintaining a competitive advantage.

**Related Party policy**

Eaagads Limited recognises that related party transactions can present a potential or actual conflict of interest which may be against the best interest of the company and its shareholders. The objective of the policy is to ensure related party transactions are properly reviewed, approved, and disclosed in accordance with the legal and regulatory requirements. Additionally, the policy ensures the Company, and the Board are protected from any conflicts of interest that may arise between the Company and its Related Parties.

**Induction Policy**

This policy seeks to ensure that new members of the Board of Directors of Eaagads Limited are provided with all the information and training necessary to enable them to contribute appropriately to the operations of the Board from the time of their election.

**Appointment and Removal Policy**

The policy provides principles, criteria and procedures for the appointment to the Board of Directors and promotes Board continuity and ensures that the Board comprises of individuals who possess the necessary skills, qualities and experience to collectively contribute to effective board governance.

**STAKEHOLDERS**

**Community**

Eaagads Limited supports 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, the Company does 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. The Company believes 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. The Company has a functional Occupational Health and Safety Programme whose implementation is continuously monitored.

**EAAGADS LIMITED**  
**STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2024**

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**STAKEHOLDERS (CONTINUED)**

**Employees (Continued)**

- Gender parity – Eaagads Limited gives equal opportunities in employment, occupation, benefits, in obligations as well as in other social responsibilities. The Company also promote equality between men and women at all levels as a way of putting gender aspects of human rights into work programs for decent work.
- Prohibiting 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. Eaagads condemns all forms of societal, cultural, customary, racial or religious practices or other forms of prejudices, which can promote gender discrimination at the workplace.

**Investors and Regulators**

Eaagads Limited is committed to ensuring regular interaction and communication with its stakeholders, including shareholders, investors the financial markets, among others. The Board has mapped all its stakeholders and ensures they receive full and timely information about the Company's performance. This is achieved by releasing the half-year and annual results and distributing annual reports.

The Annual General Meeting provides a useful opportunity for shareholder engagement, particularly for the Chairman to articulate the Company's progress and receive and answer questions from investors. The Board believes there is an active and regular interaction with all its stakeholders. In addition to information on the Company's activities, the various documents are readily available to stakeholders on the Company's website <https://www.eaagads.co.ke/>.

**Environment**

The Company takes conscious measures to minimize any adverse effects on the environment. All products used in the plantations are certified and recommended as safe by both the government and international agencies. The Company conducts annual self-environmental audits to ensure that our operations meet the national standards. Eaagads Limited is also certified by UTZ, an international accreditation agency.

**Governance Audit and the Legal and Compliance Audit**

The Company is in the process of onboarding governance audit and legal and compliance auditors as stipulated in the CMA Code.

**Directors' Shareholding**

Directors can purchase or sell shares of the Company in the open market. None of the Directors as at the end of financial year under review held shares in their individual capacity of more than 1% of the Company's total equity.

**EAAGADS LIMITED**  
**STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2024**

**STAKEHOLDERS (CONTINUED)**

**Shareholders**

The ten largest shareholders as at 31st March 2024

	Name of shareholder	No. of shares	% shareholding
1	Kofinaf Company Limited	19,855,020	61.74
2	Vivienne Mary Rogerson	3,321,800	10.33
3	Mrs Arbella Kathryn Deirdre Illingworth	3,284,700	10.21
4	BID Plantations Ltd	975,400	3.03
5	Mr. Minesh Mulchand Shah	558,122	1.74
6	Bijal Mulchand Shah	267,600	0.83
7	Habwe,Robert Barack & Owino,James Edwin Zalo	240,000	0.75
8	Best Investment Decisions Ltd	214,700	0.67
9	Alimohamed Adam	190,852	0.59
10	Mrs Savitaben Velji Raichand Shah	155,176	0.48
	Total	29,063,370	90.38
11	Others	3,093,630	9.62
	Total issued shares	32,157,000	100

Range	Number of shareholders	Number of shares	% shareholding
1 to 1,000 Shares	595	170,810	0.53
1,001 to 10,000 Shares	177	623,092	1.94
10,001 to 100,000 Shares	64	2,018,028	6.28
100,001 to 1,000,000 Shares	11	2,883,550	8.97
1,000,001 to 10,000,000 Shares	2	6,606,500	20.54
Over 10,000,000 Shares	1	19,855,020	61.74

**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.

**Going Concern**

The Board confirms the financial statements are prepared on a going concern basis and is satisfied that the company has adequate resources to continue in business for the foreseeable future. In making this assessment, the directors consider a wide range of information relating to present and anticipated future conditions, including future projections of profitability, cash flows, capital, and other resources.

This Corporate Governance Statement is current as at 26 July 2024 and has been approved by the Board of Eaagads Limited.

**EAAGADS LIMITED**  
**STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2024**

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**DIRECTORS' REMUNERATION REPORT**

**ANNUAL STATEMENT BY THE CHAIRMAN OF THE BOARD NOMINATIONS AND REMUNERATION COMMITTEE**

Dear Shareholder

As the Chairman of the Board Nominations and Remuneration Committee, I am pleased to present the Directors' remuneration report for the year ended 31 March 2024.

This Report complies with regulations contained in the Companies Act 2015 ("the Act") in relation to quoted companies and the Capital Markets Code of Corporate Governance for Issuers of Securities ("The CMA Code").

**REMUNERATION POLICY HIGHLIGHTS**

**Role of the Committee**

The members of the Nominations and Remuneration Committee during the year were Ms. Muthoni Runji-Pertet, Mr. George Kapanadze, Mr. Nicholas Kathiari and Amb. Harry Mutuma Kathurima.

The Committee has specific terms of reference which are placed on the Company's website at <https://www.eaagads.co.ke/>. It considers and recommends to the Board the Directors' remuneration policy.

**Our remuneration principles**

The Remuneration Policy sets out the overall principles and structure for the remuneration of the Directors of the Company.

The key objectives of the Remuneration Policy are as follows:

- i. To ensure fairness and transparency in how Directors are compensated and how pay decisions are made.
- ii. To align the Company's performance with the remuneration of Non-Executive Directors.

**Key Principles of the Remuneration Policy**

The principles which underpin the remuneration of the Non-Executive Directors are as follows:

- a. The Company should remunerate its directors' fairly and responsibly.
- b. The remuneration shall be sufficient to attract, incentivise and retain Directors with the skill and experience necessary to deliver the Company's business strategy.
- c. The remuneration should support the delivery of the Company's business strategy, alignment with the long-term interests of stakeholders, and the creation of long-term sustainable value.
- d. The remuneration should reflect the Directors' responsibilities, expertise, and the complexity of the Company's activities.

The components of the Non-executive Directors' Remuneration include an annual fee which is benchmarked on market practice at companies of a similar size and complexity and a sitting allowance for every meeting attended.

Non-executive directors are provided with support and reasonable travelling expenses. Where these have been incurred, reimbursement for all reasonable travelling and subsistence expenses including any relevant tax incurred in carrying out their duties will be made upon request and submission of relevant documentation.

Non-executive directors have the benefit of indemnity in relation to liability incurred in their capacity as a Director of the Company.

Management has the role for formulating and proposing the Non-Executive Directors' fee quantum and the fee structure for consideration. Management may engage a consultant to obtain the requisite information in arriving at the recommendation.

**EAAGADS LIMITED**  
**STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2024**

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**OTHER EMPLOYEES**

The Company considers the remuneration policy in the context of all employees.

Base salaries of employees are bench marked to the relevant market practice in which the individual is employed.

In addition:

- All employees are eligible to receive a bonus dependent upon performance and their contractual position.
- Core benefits are provided to all employees based on prevailing regulations and competitive practice. These include retirement benefits, medical insurance, life assurance and annual leave;
- The Company is keen that an element of each employee's total compensation is performance related. The proportion of this variable compensation is delivered through bonus.

Service contracts and policy on payment for loss of office

The directors are issued with service contracts. The contracts terminate at the end of a tenure and do not provide for payment for loss of office.

Payments to past Directors

There was no payment of Directors' fees to past directors during the year.

Commentary on Significant Changes to Directors Remuneration

The Board undertakes a review on the adequacy of the policy each year to ensure that it supports the Company's Strategy.

During the year, the Board approved the Directors' Remuneration policy and partial implementation of the compensation scale. The payment of the sitting allowance took effect from 1st April 2022 while the payment of an annual fee was put on hold for the time being.

The Board is satisfied that the current remuneration policy continues to be appropriate for the Company and will support the implementation of the Company's short term and long-term objectives and therefore there were no significant changes to the Directors Remuneration.

Statement of Voting on the Directors Remuneration Report at the previous Annual General Meeting.

A remuneration policy had not been put in place during the financial year ended 31 March 2023. Accordingly, there was no resolution tabled at the Annual General Meeting held on 22nd September 2023 to approve a Directors' Remuneration policy and Directors' Remuneration Report for the year ended 31 March 2023.

At the Annual General Meeting to be held in September 2024, the shareholders will also consider the Directors' Remuneration Report for the year ended 31 March 2024.

Approval by shareholders

As per section 681 (4) of the Companies Act, 2015, the Directors Remuneration Report has been presented to the members for approval.

The following table shows a single figure remuneration for the Directors in respect of qualifying services for the year ended 31 March 2024.

**EAAGADS LIMITED**  
**STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2024**

The aggregate Directors' emoluments are shown in note 19 of the audited financial statements.

For the year ended 31 March 2024	Salary	Fees	Bonuses	Expense allowances	Loss of office/ Termination	Estimated value for non-cash benefits**	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Dr. Joseph Kimemia	-	600	-	-	-	-	600
Mr. Nicholas Kathiari (Committee chairperson)	-	400	-	-	-	-	400
Amb. Harry Mutuma Kathurima	-	400	-	-	-	-	400
Ms. Muthoni Runji-Pertet	-	500	-	-	-	-	500
Mr. George Kapanadze	-	-	-	-	-	-	-

The Annual Remuneration Report will be put forward for your consideration and approval by vote at the AGM to be held on September 2024.

We were pleased to receive a strong vote in favour of our remuneration policy and report last year. I highly value the engagement from our shareholders and look forward to welcoming you and receiving your support again at the AGM this year.

On behalf of the Board of Directors

Ms. Muthoni Runji-Pertet  
Chairman, Nomination and Remuneration Committee

26 July 2024

# **EAAGADS LIMITED**

## **STATEMENT OF SOCIAL RESPONSIBILITY**

### **FOR THE YEAR ENDED 31 MARCH 2024**

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#### **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 a 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.

#### **INVESTORS AND REGULATORS**

We ensure our business is in compliance with various regulations that govern us and seek to maximise our investors return on investment. We engage and respond to our investors and shareholders through annual general meetings, media briefing and by having our performance and strategy information on our website. We are open and honest in all our communications with regulators and investors.

#### **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.

**EAAGADS LIMITED**  
**STATEMENT OF DIRECTORS' RESPONSIBILITIES**  
**FOR THE YEAR ENDED 31 MARCH 2024**

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The Kenyan Companies Act, 2015 requires the directors to prepare financial statements for each financial year that give a true and fair view of the financial position of the company as at the end of the financial year and of their profit or loss for that year. It also requires the directors to ensure that the company maintains proper accounting records that are sufficient to show and explain the transactions of the company and disclose, with reasonable accuracy, the financial position of the company. The directors are also responsible for safeguarding the assets of the company, and for taking reasonable steps for the prevention and detection of fraud and error.

The directors accept responsibility for the preparation and presentation of these financial statements in accordance with the IFRS Accounting Standards as issued by the International Accounting Standards Board and in the manner required by the Kenyan Companies Act, 2015. They also accept responsibility for:

- i. designing, implementing and maintaining such internal control as they determine necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error;
- ii. selecting suitable accounting policies and applying them consistently; and
- iii. making accounting estimates and judgements that are reasonable in the circumstances.

Having made an assessment of the company's ability to continue as a going concern, the directors are not aware of any material uncertainties related to events or conditions that may cast doubt upon the company's ability to continue as a going concern.

The directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibilities.



.....  
George Kapanadze



.....  
Dr. Kimemia

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

**Opinion**

We have audited the accompanying financial statements of Eaagads Limited ("the company") set out on pages 26 to 62, which comprise the statement of financial position as at 31 March 2024, 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 notes to the financial statements, including material accounting policies and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of the company as at 31 March 2024 and of its financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Kenyan Companies Act, 2015.

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), together with the other ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. We have determined that there are no key audit matters to report.

**Other Information**

The other information comprises the corporate information, report of the directors, chairman's report, statement of corporate governance, statement of social responsibility and statement of directors' responsibilities which we obtained prior to the date of this auditor's report, but does not include the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in this report, we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information we have received prior to the date of this auditor's report we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Responsibilities of the directors and those charged with governance for the Financial Statements**

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the Accounting Standard Board and the requirements of the Kenyan Companies Act, 2015, 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.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of material accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on other matters prescribed by the Kenyan Companies Act, 2015**

**Report of the Directors**

In our opinion the information given in the Report of the Directors on pages 3 to 4 is consistent with the financial statements.

**Directors' Remuneration Report**

In our opinion the auditable part of the Directors' Remuneration report presented on pages 18 to 20 has been properly prepared in accordance with the Kenyan Companies Act, 2015.

The engagement partner responsible for the audit resulting in this independent auditor's report is **CPA David Waweru, Practicing Certificate No. 2204.**



**For and on behalf of Deloitte & Touche LLP  
Certified Public Accountants (Kenya)  
Nairobi**

**26 July 2024**

**EAAGADS LIMITED****STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 MARCH 2024**

	Notes	2024	2023
		KShs'000	KShs'000
Revenue	6	190,615	234,296
Gain arising from changes in fair value of biological assets at fair value less costs to sell	15	762	14,290
Cost of production	7	<u>(123,575)</u>	<u>(182,777)</u>
Gross profit		67,802	65,809
Other income	8	435	1,230
Administrative expenses	9	(46,842)	(41,702)
Selling and distribution expenses	10	(5,057)	(11,058)
Finance costs	19(c)	(10,928)	(2,622)
Net foreign exchange gain/(loss)		<u>1,659</u>	<u>(382)</u>
Profit before tax	11	7,069	11,275
Tax credit/(charge)	12(a)	<u>2,093</u>	<u>(391)</u>
Profit for the year		<b>9,162</b>	<b>10,884</b>
Other comprehensive income			
Other comprehensive income not to be reclassified to the profit or loss in subsequent period			
Revaluation of property, plant and equipment	14(a)	288,849	111,484
Deferred tax on revaluation of property, plant and equipment	23	(43,328)	(114,577)
Remeasurement of post-employment benefit obligations			
Actuarial gain/(loss)	24	2,212	(719)
Deferred tax to remeasurement of post-employment benefit obligations	23	<u>(664)</u>	<u>216</u>
Total other comprehensive income/(loss), net of tax		<u>247,069</u>	<u>(3,596)</u>
Total comprehensive income for the year		<b><u>256,231</u></b>	<b><u>7,288</u></b>
Earnings per share – basic and diluted (KShs)	13	<u>0.29</u>	<u>0.34</u>

**EAAGADS LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2024**

		<b>2024</b>	<b>2023</b>
	<b>Notes</b>	<b>KShs'000</b>	<b>KShs'000</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	14(a)	1,543,242	1,257,825
Right of use asset	16	<u>213</u>	<u>213</u>
		<u>1,543,455</u>	<u>1,258,038</u>
<b>CURRENT ASSETS</b>			
Biological assets	15	115,451	114,689
Inventories	17	37,123	5,821
Amounts due from related parties	19(b)	-	1,267
Trade and other receivables	18	45,316	31,644
Corporation tax recoverable	12(c)	1,260	1,273
Cash and bank balances	27	<u>14,545</u>	<u>8,562</u>
		<u>213,695</u>	<u>163,256</u>
<b>TOTAL ASSETS</b>		<b><u>1,757,150</u></b>	<b><u>1,421,294</u></b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	20	40,196	40,196
Revaluation reserve	21	1,228,348	991,688
Retained earnings	22	<u>167,955</u>	<u>148,384</u>
<b>Total equity</b>		<b><u>1,436,499</u></b>	<b><u>1,180,268</u></b>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities	23	240,308	198,431
Retirement benefit obligations	24	14,102	15,109
Long service awards	25	<u>402</u>	<u>402</u>
		<u>254,812</u>	<u>213,942</u>
<b>CURRENT LIABILITIES</b>			
Retirement benefit obligations	24	3,168	3,115
Amounts due to related parties	19(c)	21,402	19,668
Crop debenture short term loan	19(c)	28,015	-
Trade and other payables	26	<u>13,254</u>	<u>4,301</u>
		<u>65,839</u>	<u>27,084</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>1,757,150</u></b>	<b><u>1,421,294</u></b>

The financial statements on pages 26 to 62 were approved and authorised for issue by the Board of Directors on 26 July 2024 and signed on its behalf by:

  
 .....  
 George Kapanadze

  
 .....  
 Dr. Kimemia

**EAAGADS LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 MARCH 2024**

	Share Capital	Revaluation reserve	Retained earnings	Total
	KShs'000	KShs'000	KShs'000	KShs'000
	(Note 20)	(Note 21)	(Note 22)	
At 1 April 2022	40,196	1,003,639	129,145	1,172,980
Profit for the year	-	-	10,884	10,884
Other comprehensive income	-	(3,093)	(503)	(3,596)
Total comprehensive income for the year	-	(3,093)	10,381	7,288
Transfer of excess depreciation	-	(8,858)	8,858	-
At 31 March 2023	<b><u>40,196</u></b>	<b><u>991,688</u></b>	<b><u>148,384</u></b>	<b><u>1,180,268</u></b>
At 1 April 2023	40,196	991,688	148,384	1,180,268
Profit for the year	-	-	9,162	9,162
Other comprehensive income	-	245,521	1,548	247,069
Total comprehensive income for the year	-	245,521	10,710	256,231
Transfer of excess depreciation	-	(8,861)	8,861	-
At 31 March 2024	<b><u>40,196</u></b>	<b><u>1,228,348</u></b>	<b><u>167,955</u></b>	<b><u>1,436,499</u></b>

The retained earnings represent accumulated surplus arising from other normal operating activities.

**EAAGADS LIMITED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 MARCH 2024**

		<b>2024</b>	<b>2023</b>
	<b>Notes</b>	<b>KShs'000</b>	<b>KShs'000</b>
<b>OPERATING ACTIVITIES</b>			
Profit before tax		7,069	11,275
Depreciation	14(a)	13,745	12,835
Foreign exchange loss/(gain)		238	(740)
Increase in retirement benefit obligations	24	3,118	2,755
Depreciation on right-of-use assets	16	-	1
Provision for bad debt			
Interest expense	19 (c)	10,928	2,622
Gain arising from changes in fair value of biological assets less estimated costs to sell	15	(762)	(14,290)
Operating profit before working capital changes		34,336	14,558
Retirement benefits paid	24	(1,860)	-
Increase in trade and other receivables		(13,672)	(8,307)
Increase in amounts due to related companies		1,734	934
Decrease/(increase) in amounts due from related companies		1,267	(1,267)
(Increase)/decrease in inventories		(31,302)	1,530
Increase in trade and other payables		8,953	1,978
Cash (used in)/generated from operations		(544)	9,326
Income tax paid	12(c)	(9)	(10)
Net cash (used in)/generated from operating activities		(553)	9,316
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	14(a)	(10,313)	(5,405)
Net cash used in investing activities		(10,313)	(5,405)
<b>FINANCING ACTIVITIES</b>			
Interest paid	19(c)	(10,928)	(2,622)
Advances from Coffee Management Services	19(c)	139,896	119,715
Repayment of advances from Coffee Management Services	19(c)	(111,881)	(122,859)
Net cash generated from/(used in) financing activities		17,087	(5,766)
Net increase/(decrease) in cash and cash equivalents		6,221	(1,855)
Cash and cash equivalents at the beginning of the year		8,562	9,677
Effect of exchange rate changes on cash and cash equivalents		(238)	740
Cash and cash equivalents at the end of the year	27	<u>14,545</u>	<u>8,562</u>

# EAAGADS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2024

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#### 1. GENERAL INFORMATION

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

#### 2. MATERIAL ACCOUNTING POLICIES

The material 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 of Eaagads Limited for the year ended 31 March 2024 have been prepared in accordance with IFRS Accounting Standards as issued by the Accounting Standards Board and the requirements of the Kenyan Companies Act, 2015.

The financial statements are presented in thousands of Kenya Shillings (KShs '000) and are prepared on a historical cost basis except for land and biological assets that have been carried 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) New and amended standards, interpretations and improvements

(i) New and amended IFRS Accounting Standards that are effective for the year ended 31 March 2024

In the current year, the company has applied a number of amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2023. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

##### IFRS 17 Insurance Contracts

The company has adopted IFRS 17 and the related amendments for the first time in the current year. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts. IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach. The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

The company does not have any contracts that meet the definition of an insurance contract under IFRS 17 thus the adoption of the standard had no impact on the company's financial statements.

##### Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2- Making Materiality Judgements—Disclosure of Accounting Policies

The company has adopted the amendments to IAS 1 for the first time in the current year. The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

**EAAGADS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2024**

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**2. MATERIAL ACCOUNTING POLICIES (continued)**

**(b) New and amended standards, interpretations and improvements (continued)**

(i) New and amended IFRS Accounting Standards that are effective for the year ended 31 March 2024  
(Continued)

Amendments to IAS 12 Income Taxes—Deferred Tax related to Assets and Liabilities arising from a single transaction

The company has adopted the amendments to IAS 12 for the first time in the current year. The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting profit nor taxable profit. Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.

International Tax Reform – Pillar Two Model Rules - Amendments to IAS 12

The amendments clarify that IAS 12 applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organization for Economic Cooperation and Development (OECD), including tax law that implements qualified domestic minimum top-up taxes. Such tax legislation, and the income taxes arising from it, are referred to as 'Pillar Two legislation' and 'Pillar Two income taxes', respectively.

The amendments require an entity to disclose that it has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes. An entity is required to separately disclose its current tax expense (income) related to Pillar Two income taxes, in the periods when the legislation is effective. V c1

The amendments require, for periods in which Pillar Two legislation is (substantively) enacted but not yet effective, disclosure of known or reasonably estimable information that helps users of financial statements understand the entity's exposure arising from Pillar Two income taxes. To comply with these requirements, an entity is required to disclose qualitative and quantitative information about its exposure to Pillar Two income taxes at the end of the reporting period.

The directors do not expect that the adoption of the amendment will have a material impact on the financial statements of the company.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates

The company has adopted the amendments to IAS 8 for the first time in the current year. The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The definition of a change in accounting estimates was deleted.

(ii) New and revised IFRS Accounting Standards in issue but not yet effective

At the date of authorisation of these financial statements, the company has not applied the following new and revised IFRS Accounting Standards that have been issued but are not yet effective.

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture  
Amendments to IAS 1 Classification of Liabilities as Current or Non-current  
Amendments to IAS 1 Non-current Liabilities with Covenants  
Amendments to IAS 7 and IFRS 7 Supplier Finance Arrangements  
Amendments to IFRS 16 Lease Liability in a Sale and Leaseback  
Introduction of IFRS 18 Presentation and Disclosure in Financial Statements  
Introduction of IFRS 19 Subsidiaries without public accountability

**EAAGADS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2024**

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**2. MATERIAL ACCOUNTING POLICIES (continued)**

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the company in future periods, except if indicated below.

**(b) New and amended standards, interpretations and improvements (continued)**

(ii) New and revised IFRS Accounting Standards in issue but not yet effective (Continued)

Amendments to IAS 1 Presentation of Financial Statements—Classification of Liabilities as Current or Non-current

The amendments to IAS 1 published in January 2020 affect only the presentation of liabilities as current or noncurrent in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2024, with early application permitted. The IASB has aligned the effective date with the 2022 amendments to IAS 1. If an entity applies the 2020 amendments for an earlier period, it is also required to apply the 2022 amendments early.

The directors of the parent company anticipate that the application of these amendments may have an impact on the company's consolidated financial statements in future periods.

Amendments to IAS 1 Presentation of Financial Statements—Non-current Liabilities with Covenants  
The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or noncurrent).

Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date (e.g. a covenant based on the entity's financial position at the reporting date that is assessed for compliance only after the reporting date).

The IASB also specifies that the right to defer settlement of a liability for at least twelve months after the reporting date is not affected if an entity only has to comply with a covenant after the reporting period. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period.

This would include information about the covenants (including the nature of the covenants and when the entity is required to comply with them), the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants. The amendments are applied retrospectively for annual reporting periods beginning on or after 1 January 2024.

Earlier application of the amendments is permitted. If an entity applies the amendments for an earlier period, it is also required to apply the 2020 amendments early.

The directors of the parent company anticipate that the application of these amendments may have an impact on the company's consolidated financial statements in future periods.

**EAAGADS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2024**

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**2. MATERIAL ACCOUNTING POLICIES (continued)**

**(b) New and amended standards, interpretations and improvements (continued)**

(ii) New and revised IFRS Accounting Standards in issue but not yet effective (Continued)

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures—Supplier Finance Arrangements

The amendments add a disclosure objective to IAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, IFRS 7 was amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk.

The term 'supplier finance arrangements' is not defined. Instead, the amendments describe the characteristics of an arrangement for which an entity would be required to provide the information.

To meet the disclosure objective, an entity will be required to disclose in aggregate for its supplier finance arrangements:

- The terms and conditions of the arrangements
- The carrying amount, and associated line items presented in the entity's statement of financial position, of the liabilities that are part of the arrangements
- The carrying amount, and associated line items for which the suppliers have already received payment from the finance providers
- Ranges of payment due dates for both those financial liabilities that are part of a supplier finance arrangement and comparable trade payables that are not part of a supplier finance arrangement
- Liquidity risk information

The amendments, which contain specific transition reliefs for the first annual reporting period in which an entity applies the amendments, are applicable for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted.

Amendment to IFRS 16 Leases—Lease Liability in a Sale and Leaseback

The amendments to IFRS 16 add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments require the seller-lessee to determine 'lease payments' or 'revised lease payments' such that the seller-lessee does not recognise a gain or loss that relates to the right of use retained by the seller-lessee, after the commencement date.

The amendments do not affect the gain or loss recognised by the seller-lessee relating to the partial or full termination of a lease. Without these new requirements, a seller-lessee may have recognised a gain on the right of use it retains solely because of a remeasurement of the lease liability (for example, following a lease modification or change in the lease term) applying the general requirements in IFRS 16. This could have been particularly the case in a leaseback that includes variable lease payments that do not depend on an index or rate.

As part of the amendments, the IASB amended an Illustrative Example in IFRS 16 and added a new example to illustrate the subsequent measurement of a right-of-use asset and lease liability in a sale and leaseback transaction with variable lease payments that do not depend on an index or rate. The illustrative examples also clarify that the liability, that arises from a sale and leaseback transaction that qualifies as a sale applying IFRS 15, is a lease liability.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted. If a seller-lessee applies the amendments for an earlier period, it is required to disclose that fact.

A seller-lessee applies the amendments retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application, which is defined as the beginning of the annual reporting period in which the entity first applied IFRS 16.

**EAAGADS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2024**

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**2. MATERIAL ACCOUNTING POLICIES (continued)**

**(b) New and amended standards, interpretations and improvements (continued)**

(ii) New and revised IFRS Accounting Standards in issue but not yet effective (Continued)

Amendments to IAS 21 - Lack of Exchangeability

The amendment is effective for annual periods beginning on or after 1 January 2025.

An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.

The directors do not expect that the adoption of the amendment will have a material impact on the financial statements of the company.

IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the IASB released IFRS 18 Presentation and Disclosure in Financial Statements (IFRS 18) which includes presentation and disclosure requirements for all entities applying IFRS Accounting Standards. When effective, IFRS 18 supersedes IAS 1 Presentation of Financial Statements. Entities will continue to apply IAS 7 Statement of Cash Flows, although there are certain limited amendments to IAS 7 as a result of IFRS 18. The standard will not impact the recognition or measurement of items in the financial statements but will impact how companies present and disclose financial performance.

Entities will be required to classify income and expenses in the following categories:

- operating,
- investing,
- financing,
- income taxes and discontinued operations.

These categories apply to all entities, with some modification for entities whose main business activities relate to investments in assets (e.g., insurers and investment entities) or provision of financing to customers (e.g., banks). In addition to these categories, the standard requires two new defined subtotals to be presented in the financial statement, operating profit and profit before financing and income taxes. Enhanced principles on the aggregation and disaggregation of information have been included in IFRS 18. Supporting application guidance will assist in determining whether information about transactions should be included in the primary financial statements or notes. Most entities report alternative performance measures. IFRS 18 defines management-defined performance measures (MPMs). Entities are required to present MPMs in a single note to the financial statements and disclose reconciliations between the MPMs and totals or subtotals required by IFRS 18 or other IFRS Accounting Standards.

The requirements will be applied retrospectively. The standard is applicable for period beginning on or after 1 January 2027. Earlier application is permitted.

(iii) Early adoption of standards

The company did not early adopt any new or amended standards and interpretations in 2024.

**(c) 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 and no separate segment information has been provided.

**EAAGADS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2024**

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**2. MATERIAL ACCOUNTING POLICIES (continued)**

**(d) Revenue recognition**

The company is in the business of growing and selling coffee beans. Revenue from contracts with customers is recognized when control of the goods is transferred to the customer at an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods. The company has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods before transferring them to the customer, which represent fulfilment of performance obligation as per contract with customer.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the company's activities.

Revenue is shown net of value-added tax (VAT), rebates and discounts. Revenue is recognised as follows:

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

Sales of produce are recognised at a point in time when the control of the promised goods transfers to the customer and the entity has satisfied its performance obligations under the contract with the customer. The point of transfer of control for sales other than by auction is determined as the date the company delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured. For auction it is determined upon the fall of the hammer for confirmed bids.

**(e) 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 (KShs '000), except where otherwise indicated.

**(ii) Transactions and balances**

Foreign currency transactions are translated to the functional currency using the exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Foreign exchange gains and losses resulting from the settlement of such transactions and translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates 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).

**(f) Current versus non-current classification**

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

**EAAGADS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2024**

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**2. MATERIAL ACCOUNTING POLICIES (continued)**

**(f) Current versus non-current classification (Continued)**

An asset is classified as current when it is:

- Expected to be realised or intended to be 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.

**(g) Fair value measurement**

The company's non-financial assets; Freehold Land, buildings, plant & machinery and biological assets 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 the company's freehold land, buildings, plant and machinery. The valuation of freehold land is done annually whereas that of buildings, plant and machinery is carried out every four years, in line with the company's policy. Management has determined this as sufficient frequency to ensure that the carrying amount does not differ materially from its fair value. The last valuation of freehold land was done in December 2023.

**EAAGADS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2024**

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**2. MATERIAL ACCOUNTING POLICIES (continued)**

**(g) Fair value measurement (continued)**

C B Richard Ellis (CBRE), independent external property values are involved in the annual valuation process of the company's land. The Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The valuation of buildings, plant and machinery was carried out on 31 March 2021 by Africa and Beyond Valuers Limited.

Management adopts the principles of IAS 41 when assessing the fair values of its biological assets. This assessment is conducted at each reporting date

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.

**(h) 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 at cost, net of accumulated depreciation and accumulated impairment losses, if any (after maturity), which is estimated at 4 years from planting date. Capitalization of costs ceases when the bearer plants reach maturity, which is when coffee beans can be commercially harvested.

Freehold Land, buildings, plant & machinery are subsequently shown at its revalued amounts based on valuations by external independent valuers, less accumulated depreciation and accumulated impairment losses, if any. The revaluations are carried out after every four years by external independent valuers. All other property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. 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 costs are charged to profit or loss during the financial period in which they are incurred.

Any increase arising on the revaluation of Freehold Land, buildings, plant & 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.

**EAAGADS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2024**

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**2. MATERIAL ACCOUNTING POLICIES (continued)**

**(h) 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. 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.

**(i) Biological assets**

Coffee berries growing on the coffee bearer plants are accounted for as biological assets until the point of harvest. 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. At the time of harvest, coffee berries are measured at fair value less costs to sell and are transferred to inventories.

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.

**(j) Leasehold land / Right of use asset**

The Company assesses, at contract inception, whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the lease term.

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Company as a lessor

Leases where the company does not transfer substantially all the risks and benefits incidental to ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Lease income from operating leases shall be recognised in income on a straight-line basis over the lease term. Contingent rents are recognised as revenue in the period in which they are earned.

The company has a canteen which it has let out. The amount is considered to be low value and short term in nature.

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.

**EAAGADS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2024**

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**2. MATERIAL ACCOUNTING POLICIES (continued)**

**(k) Inventories (Continued)**

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.

**(l) Taxation**

Income tax expense represents the sum of the tax currently payable and net deferred tax charge for the year.

**Current tax**

The tax currently recoverable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

**Deferred tax**

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

**Current and deferred tax for the year**

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

**EAAGADS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2024**

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**2. MATERIAL ACCOUNTING POLICIES (continued)**

**(l) Taxation (Continued)**

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.

**(m) 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 subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in note 2 (d) Revenue recognition.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding.

Subsequent measurement

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Company. The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and,
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes trade and other receivables and cash and bank balances.

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, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash at bank and cash in hand as defined above as they are considered an integral part of the Company's cash management.

**EAAGADS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2024**

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**2. MATERIAL ACCOUNTING POLICIES (continued)**

**(m) Financial instruments (Continued)**

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a company of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) 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.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Impairment of financial assets

For trade receivables and bank balances, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company's sales are expected to be paid within 7 days after an invoice has been raised. The Company has not made any significant provision for the expected credit losses in the books given the nature of the business.

The Company considers a financial asset in default when contractual payments are 30 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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, net of directly attributable transaction costs.

The company's financial liabilities include trade and other payables, short-term loans and amounts due to related parties.

Subsequent measurement

Trade payables, short-term loan and amounts due to related parties are carried at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

**EAAGADS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2024**

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**2. MATERIAL ACCOUNTING POLICIES (continued)**

**(n) 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.

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 when the company can no longer withdraw the offer of those benefits. The company did not make any provision for staff termination benefits during the year.

(iii) Statutory contributions to defined contribution scheme

The company also contributes to a statutory defined contribution pension scheme, the National Social Security Fund (NSSF).

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.

Due to the marginal returns on the financial performance of the company, the last such incentive was paid out to members of staff in January 2008 and as a result, the accrual of this incentive was frozen.

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.

**(o) Dividends**

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

**(p) 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.

**EAAGADS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2024**

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**2. MATERIAL ACCOUNTING POLICIES (continued)**

**(q) Impairment of non-financial assets**

The carrying amounts of the company's non-financial assets other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell.

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. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**(r) Comparatives**

Where necessary, comparative figures are restated to conform to changes in presentation in the reporting period.

**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 2023 by CB Richard Ellis (CBRE), an accredited independent valuer. In the director's assessment, the value of the land was not significantly different as at year end 31 March 2024. The company's buildings, and plant and machinery were last revalued on 31 March 2021 by Africa and Beyond valuers limited, an accredited independent valuer. The fair values of these property, plant and equipment were 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 14.

**Biological assets**

In determining the fair value of biological assets (coffee berries growing on coffee bushes), 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.

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

In determining the bearer plant is mature the company considers when the growing berries on bearer plant can be commercially harvested. This normally takes 4 – 7 years depending on when it begins to bear the coffee beans (cherries) in clusters from planting date. This represents the point at which the company ceases capitalisation of costs and the coffee bushes are reclassified as mature coffee bearer plant.

Further details biological assets are given in Note 15.

**Bearer plants**

The valuation of bearer plants involves significant judgement and estimations, which include the determination of number of coffee trees in an estate, the cost per plant and the useful lives of the plants. The management uses historical data and industry practice to determine the useful lives of the plants. Cost per plant is based on management's analysis of costs from planting to maturity. Further details on bearer plants are given in notes 2 (h) and 14.

**4. CAPITAL MANAGEMENT**

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the company may limit the amount of dividends paid to shareholders. The company has no formal capital management policy.

The operations of the company are subject to regulatory requirement by Nairobi Securities Exchange (NSE) where it is listed in AIM segment of minimum authorized issued and fully paid up ordinary share capital of twenty million shillings. The company has complied with the same.

The company has no debt related externally imposed capital requirements.

As at 31 March 2024, the company had a balance of KShs 28,015,000 on the crop debenture arrangement (31 March 2023: Kshs nil). The constitution of capital managed by the company is as follows:

	<b>2024</b>	<b>2023</b>
Share capital	40,196	40,196
Revaluation surplus	1,228,348	991,688
Retained earnings	<u>167,955</u>	<u>148,384</u>
Equity	<b><u>1,436,499</u></b>	<b><u>1,180,268</u></b>
Debt	28,015	-
Less :Cash and Bank balances	<u>(14,545)</u>	<u>(8,562)</u>
Net debt	<b><u>13,470</u></b>	<b><u>(8,562)</u></b>
Gearing	<b><u>0.94%</u></b>	<b><u>0.73%</u></b>

**EAAGADS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2024**

**5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The company's financial liabilities comprise trade payables, short-term borrowing and amounts due to related companies. The main purpose of these financial liabilities is to raise finance for the company's operations. The company's financial assets include trade and other receivables and cash and bank balances, which arise directly from its operations.

Financial instruments by category	2024 KShs'000	2023 KShs'000
Financial assets measured at amortised cost		
Cash and cash equivalents	14,545	8,562
Amounts due from related companies	-	1,267
Trade and other receivables	7,044	2,187
	<u>21,589</u>	<u>12,016</u>
Financial liabilities measured at amortised cost		
Trade and other payables	13,159	4,212
Crop debenture short term loan	28,015	-
Amounts due to related companies	21,402	19,668
	<u>62,576</u>	<u>23,880</u>

The amounts in the table above are the carrying amounts of the financial instruments at the reporting date. All the financial assets are classified financial assets measured at amortized cost. All financial liabilities are classified financial liabilities measured at amortized cost.

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 currency exposures, 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:

	2024 KShs'000	2023 KShs'000
Bank balances	<u>7,659</u>	<u>3,535</u>

At 31 March 2024, if the Kenya 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 KShs' 383,000 ( 2023 : KShs' 177,000) and KShs' 268,000 (2023 : KShs' 124,000) respectively.

**EAAGADS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2024**

**5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

ii. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The company is not exposed to the risk of changes in market interest rates primarily to its only short-term debt obligation because the interest rate has been contractually fixed at inception.

iii. Credit risk

Credit risk arises from cash and bank balances and trade and other receivables. The company initially used to sell 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 3 and 7 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.

When coffee is being sold directly to customers, title to the coffee is only transferred when sales proceeds are received from the buyer.

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

For cash with bank institution, the company has policy to have cash with bank placed on financial institutions which have a strong credit rating. Management monitors the institution with which it has bank balances to ensure they continue being of good credit.

Credit risk on related party balances arises from transactions with other companies in the group. Management approves and monitor these transactions and ensures timely settlement of the same.

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

Classification of credit risk bearing assets:

	<b>Fully performing</b>	<b>Past due</b>	<b>Impaired</b>	<b>Total</b>
	<b>KShs '000</b>	<b>KShs '000</b>	<b>KShs '000</b>	<b>KShs '000</b>
At 31 March 2024				
Cash at bank	14,545	-	-	14,545
Trade and other receivables	<u>7,044</u>	<u>-</u>	<u>-</u>	<u>7,044</u>
Total	<b><u>21,589</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>21,589</u></b>
At 31 March 2023				
Cash at bank	8,562	-	-	8,562
Due from related companies	1,267	-	-	1,267
Trade and other receivables	<u>2,187</u>	<u>-</u>	<u>-</u>	<u>2,187</u>
Total	<b><u>12,016</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>12,016</u></b>

**EAAGADS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2024**

**5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

iii. Credit risk (continued)

No collateral is held for any of the above assets. The company does not grade the credit quality of receivables due to nature of its business as title is only released when sales proceeds are received from a customer. 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.

iv. 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. As at 31 March 2024, the company had utilised Kshs 28,015,000 of its crop debenture loan from its coffee marketing and managing agent, Coffee Management Services (31 March 2023: nil).

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.

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.

	<b>Within 12 months</b>	<b>Over 12 months</b>	<b>Total</b>
	<b>KShs '000</b>	<b>KShs '000</b>	<b>KShs '000</b>
At 31 March 2024			
Trade payables	7,790	-	7,790
Crop debenture loan	28,015	-	28,015
Other payables	5,369	-	5,369
Due to related companies	21,402	-	21,402
Long Service Awards	-	402	402
Retirement Benefits	<u>3,168</u>	<u>14,102</u>	<u>17,270</u>
	<b><u>65,744</u></b>	<b><u>14,504</u></b>	<b><u>80,248</u></b>
At 31 March 2023			
Trade payables	1,947	-	1,947
Other payables	2,265	-	2,265
Due to related companies	19,668	-	19,668
Long Service Awards	-	402	402
Retirement Benefits	<u>3,115</u>	<u>15,109</u>	<u>18,224</u>
	<b><u>26,995</u></b>	<b><u>15,511</u></b>	<b><u>42,506</u></b>

**EAAGADS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2024**

**5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

iii. Liquidity risk (continued)

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. REVENUE**

	<b>2024</b>	<b>2023</b>
	<b>KShs'000</b>	<b>KShs'000</b>
Coffee direct sales	183,310	78,240
Coffee auction sales	<u>7,305</u>	<u>156,056</u>
	<b><u>190,615</u></b>	<b><u>234,296</u></b>

**7. COST OF PRODUCTION**

Coffee upkeep costs	91,418	148,183
Coffee harvesting costs	29,278	31,730
Renovations	<u>2,879</u>	<u>2,864</u>
	<b><u>123,575</u></b>	<b><u>182,777</u></b>

**8. OTHER INCOME**

	<b>2024</b>	<b>2023</b>
	<b>KShs'000</b>	<b>KShs'000</b>
Rent	74	24
Firewood	341	1,272
Inventory adjustment	-	(66)
Insurance recoveries on all risks	<u>20</u>	<u>-</u>
	<b><u>435</u></b>	<b><u>1,230</u></b>

**EAAGADS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2024**

**9. ADMINISTRATIVE EXPENSES**

	<b>2024</b>	<b>2023</b>		
	<b>KShs'000</b>	<b>KShs'000</b>		
Administration staff costs	7,167	6,900		
Directors Allowances	1,900	-		
Depreciation (Note 14)	13,745	12,835		
Management fees (Note 19 (c))	2,686	2,247		
Insurance	1,946	1,428		
Auditors' remuneration	1,900	1,875		
Legal and professional fees	8,558	7,501		
Gratuity expenses (Note 24)	3,118	2,754		
Office expenses	3,266	3,610		
Other operating expenses	<u>2,556</u>	<u>2,552</u>		
	<b><u>46,842</u></b>	<b><u>41,702</u></b>		
Staff costs comprise:				
Salaries:				
General workers (included under cost of production)	14,118	13,974		
Other staff benefits (included under cost of production)	<u>167</u>	<u>87</u>		
	<b><u>14,285</u></b>	<b><u>14,061</u></b>		
Managing staff	4,607	4,467		
Allowances	1,181	1,441		
Training	266	26		
Medical benefits	572	637		
Other staff benefits	400	242		
NSSF-defined contribution plan expense	<u>141</u>	<u>87</u>		
	<b><u>7,167</u></b>	<b><u>6,900</u></b>		
Categorisation by Employee contract				
	31-Mar-24	31-Mar-23		
Permanent	63	68		
Contracted	<u>4</u>	<u>4</u>		
	<b><u>67</u></b>	<b><u>72</u></b>		
Categorisation by Gender	31-Mar-24	31-Mar-23		
	Male	Female	Male	Female
Senior leadership	100%	0%	100%	0%
Section heads	33%	67%	41%	59%
Overall	81%	19%	71%	29%

**EAAGADS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2024**

	2024	2023
	KShs'000	KShs'000
<b>10. SELLING AND DISTRIBUTION EXPENSES</b>		
Coffee marketing commission (Note 19 (c))	157	4,831
Crop commission (Note 19 (c))	<u>4,900</u>	<u>6,227</u>
	<b><u>5,057</u></b>	<b><u>11,058</u></b>
<b>11. PROFIT BEFORE TAX</b>		
Profit before tax is arrived at after charging:		
Depreciation on property, plant and equipment (Note 14)	13,745	12,835
Staff costs (Note 9)	7,167	6,900
Auditors' remuneration (Note 9)	1,900	1,875
Foreign exchange loss	(382)	(1,406)
<b>12. TAX (CREDIT)/CHARGE</b>		
a) PROFIT OR LOSS		
Current tax based on taxable profit at 30%	22	9
Deferred tax (credit)/charge (Note 23)	(2,115)	382
	<u>(2,093)</u>	<u>391</u>
b) RECONCILIATION OF EXPECTED TAX BASED ON ACCOUNTING PROFIT/ (LOSS)		
	<b>2024</b>	<b>2023</b>
	<b>KShs'000</b>	<b>KShs'000</b>
Accounting profit before tax	<b><u>7,069</u></b>	<b><u>11,275</u></b>
Tax calculated at the applicable rate of 30% (2023:30%)	2,121	3,383
Tax effect on items not deductible for tax purposes	819	117
Deferred tax not recognised	<u>(5,033)</u>	<u>(3,109)</u>
	<b><u>(2,093)</u></b>	<b><u>391</u></b>
c) TAX RECOVERABLE		
At the beginning of the year	1,273	1,272
Tax paid during the year	9	10
Charge to profit or loss	<u>(22)</u>	<u>(9)</u>
	<b><u>1,260</u></b>	<b><u>1,273</u></b>
<b>13. EARNINGS PER SHARE</b>		
Profit attributable to equity holders of the company	9,204	10,884
Weighted average number of ordinary shares in issue	32,157	32,157
Basic and diluted (loss)/ earnings per share	0.29	0.34

**EAAGADS LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2024****14. (a) PROPERTY, PLANT AND EQUIPMENT**

	Land	Buildings	Plant and machinery	Motor Vehicles and equipment	Bearer plants coffee	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Year ended 31 March 2024						
Cost or valuation						
At 1 April 2023	1,089,998	60,924	30,503	9,955	216,852	1,408,232
Additions	-	-	1,928	8,385	-	10,313
Revaluation gain	<u>288,849</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>288,849</u>
At 31 March 2024	<u>1,378,847</u>	<u>60,924</u>	<u>32,431</u>	<u>18,340</u>	<u>216,852</u>	<u>1,707,394</u>
Accumulated depreciation						
At 1 April 2023	-	5,950	12,198	8,299	123,960	150,407
Charge for the year	-	3,107	6,390	912	3,336	13,745
At 31 March 2024	<u>-</u>	<u>9,057</u>	<u>18,588</u>	<u>9,211</u>	<u>127,296</u>	<u>164,152</u>
Carrying amount						
At 31 March 2024	<b><u>1,378,847</u></b>	<b><u>51,867</u></b>	<b><u>13,843</u></b>	<b><u>9,129</u></b>	<b><u>89,556</u></b>	<b><u>1,543,242</u></b>
Year ended 31 March 2023						
Cost or valuation						
At 1 April 2022	978,514	57,453	30,503	8,021	216,852	1,291,343
Additions	-	3,471	-	1,934	-	5,405
Revaluation gain	<u>111,484</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>111,484</u>
At 31 March 2023	<u>1,089,998</u>	<u>60,924</u>	<u>30,503</u>	<u>9,955</u>	<u>216,852</u>	<u>1,408,232</u>
Accumulated depreciation						
At 1 April 2022	<u>-</u>	2,875	6,099	7,974	120,624	137,572
Charge for the year	<u>-</u>	<u>3,075</u>	<u>6,099</u>	<u>325</u>	<u>3,336</u>	<u>12,835</u>
At 31 March 2023	<u>-</u>	<u>5,950</u>	<u>12,198</u>	<u>8,299</u>	<u>123,960</u>	<u>150,407</u>
Carrying amount						
At 31 March 2023	<b><u>1,089,998</u></b>	<b><u>54,974</u></b>	<b><u>18,305</u></b>	<b><u>1,656</u></b>	<b><u>92,892</u></b>	<b><u>1,257,825</u></b>
Cost or valuation						
Carrying amount (cost basis)						
At 31 March 2024	<u>11</u>	<u>2,949</u>	<u>-</u>	<u>9,129</u>	<u>89,556</u>	<u>101,645</u>
At 31 March 2023	<u>11</u>	<u>3,123</u>	<u>-</u>	<u>1,656</u>	<u>92,892</u>	<u>97,682</u>

## EAAGADS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2024

#### 14. (a) PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Freehold land was last revalued by C B Richard Ellis (CBRE) as at 31 December 2023 using the comparable sales method 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 revalued on 31 March 2021 by Africa and Beyond Valuers Limited an accredited independent valuer, 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 KShs 1,378,847,000 and KShs 51,867,000 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

	Land and buildings	Plant and Machinery	Total
Cost or valuation	KShs'000	KShs'000	KShs '000
Year 2023			
At 1 April 2023	1,150,922	30,503	1,181,425
Additions	-	1,928	1,928
Revaluation adjustment	<u>288,849</u>	<u>-</u>	<u>288,849</u>
At 31 March 2024	<u>1,439,771</u>	<u>32,431</u>	<u>1,472,202</u>
Accumulated depreciation	<u>(9,057)</u>	<u>(18,588)</u>	<u>(27,645)</u>
At 31 March 2024	<u><b>1,430,714</b></u>	<u><b>13,843</b></u>	<u><b>1,444,557</b></u>
Year 2022			
At 1 April 2022	1,035,967	30,503	1,066,470
Additions	3,471	-	3,471
Revaluation adjustment	<u>111,484</u>	<u>-</u>	<u>111,484</u>
At 31 March 2023	<u>1,150,922</u>	<u>30,503</u>	<u>1,181,425</u>
Accumulated depreciation	<u>(5,950)</u>	<u>(12,198)</u>	<u>(18,148)</u>
At 31 March 2023	<u><b>1,144,972</b></u>	<u><b>18,305</b></u>	<u><b>1,163,277</b></u>

**14. 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.

The Company has assessed the impact of the amended land laws, and concluded that they do not impact significantly on these financial statements. The Company currently accounts for its land classified as freehold in a similar manner to accounting for the purchase of the land by applying IAS 16 Property, Plant and Equipment, rather than by applying IFRS 16.

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.

**15. BIOLOGICAL ASSETS**

	<b>Coffee</b>	<b>Forestry</b>	<b>Total</b>
	<b>KShs'000</b>	<b>KShs'000</b>	<b>KShs'000</b>
At 1 April 2023	114,049	640	114,689
Decrease due to value of coffee harvested	(91,376)	-	(91,376)
Increase in value due to growth	91,376	-	91,376
Gain/(loss) arising from changes in fair value	<u>855</u>	<u>(93)</u>	<u>762</u>
At 31 March 2024	<b><u>114,904</u></b>	<b><u>547</u></b>	<b><u>115,451</u></b>
At 1 April 2022	99,723	676	100,399
Decrease due to value of coffee harvested	(102,173)	-	(102,173)
Increase in value due to growth	102,173	-	102,173
Gain/(loss) arising from changes in fair value	<u>14,326</u>	<u>(36)</u>	<u>14,290</u>
At 31 March 2023	<b><u>114,049</u></b>	<b><u>640</u></b>	<b><u>114,689</u></b>

The company's biological assets consisting of 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 company has made certain assumptions about the yields and market prices in future years.

**Valuation process**

The company has a team within the agronomy department that performs the valuation of biological assets. When considering the appropriate prices for coffee beans to use, the team reviews available information, including: the quantity of coffee beans growing on the coffee bushes; the budding patterns; expected yield from historical patterns; current weather condition and their effect on health of coffee bushes on which they grow; current market prices for coffee bean in Nairobi Coffee Exchange; expected viticulture and harvest costs through to harvest; and the expected timing of harvest.

**EAAGADS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2024**

**15. BIOLOGICAL ASSETS (CONTINUED)**

The valuation policies and procedures, as well as changes in the fair value measurements are reviewed by the finance manager annually. The finance manager is responsible for internal valuation team. The company's internal valuation team comprises group of agronomists who hold relevant professional qualifications and are experienced in valuations in the coffee industry.

The key assumptions made and significant unobservable valuation inputs used made concerning the future (projected over 12 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 will be US\$ 4,4676 (2023: US\$ 4,454) per ton; The price has been determined by taking year average prices at Nairobi coffee exchange (NCE) market and adjusted with differential between the NCE public price and entity actual prices in the same period.
- Expected yields from existing coffee bearer plants will reasonably compare with the agronomist's flowering charts /budgets.
- Cost to sale based on historical trend of 4.95% of the gross sale proceed.
- The sales proceeds are converted into Kenya Shillings at an exchange rate of KShs 131.80 (2022: KShs 132.33) to the US\$.
- The market price of timber, in constant price shillings terms, will be KShs 3,000 (2022: KShs 3,000) per cubic metre;
- Forest density is 1,333 per ha for Eucalyptus (new), 333 per ha for the coppiced and 267 trees per ha for old trees, respectively; and,
- Expected yield from existing trees is 0.12, 0.81 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 16.9% (2023: 10.783%) for coffee berries, and to the shilling cash flows was 18.39% (2023: 12.5%) for timber.

The company has 205.82 (2022: 205.82) hectares of mature coffee bushes and nil (2022: nil) hectares of immature coffee bushes located in the major coffee growing areas of the country. The company also has 5 (2022: 5) hectares of forestry. The expected quantity of berries on the coffee bushes at 31 March 2024 was 158 tons (2022: 157 tons).

Sensitivity analysis

Significant increases/ (decreases) of the above key assumptions and/or significant unobservable valuation inputs 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.

Significant unobservable input	Variance	Estimated increase / (decrease) in fair value	
		2024	2023
		KShs	KShs
Average annual yield	+/- 5 %	6,116,151	5,926,892
Average cost to sale	+/- 5 %	(325,293)	(315,227)
Coffee market prices	+/- 5 %	6,116,151	5,926,892

Eaagads Limited has no encumbrances on its parcels of land. There is no title restriction on any carrying amounts of the biological assets. The 2024/2025 budget allocation for the management of biological assets to maintain the current state of coffee bushes is KShs 84.1 million (pruning- KShs 15.3 million, weed control – KShs 7.1 million, fertilizers and soil improvements – KShs 25.3 million, field irrigation- KShs 10.8 million, pests and disease control – KShs 21.7 million, infilling, mulching and shade planting and maintenance -KShs 3.2 million).

**EAAGADS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2024**

**15. BIOLOGICAL ASSETS (CONTINUED)**

The business has an agronomy risk management tool to mitigate on the crop production risks

- i. Smart climate change agriculture; planting of shade trees, mulching and irrigation rounds to combat adverse weather conditions. Eaagads Limited has a Rain Forest Alliance certification due to its forest cover area.
- ii. Relational agency model; ensuring there are onsite agricultural extension services through CMS to avert production risk. CMS guarantees best market pricing of the coffee beans through direct sales integration and auction sales to mitigate the market and price risk. This agency model has also ensured there is soft loan advances through a deed of assignments of coffee proceeds to tame the liquidity risk.
- iii. Insurance policy to cater for workers welfare (WIBA), fidelity guarantees insurance policy, burglary and fire on the coffee stocks.
- iv. Governance; management through an independent board who have wealthy of experience in coffee sub-sector. Compliance to regulatory bodies (NEMA, KRA, CMA, AFFA-Coffee Directorate etc.)
- v. Integrated coffee varieties farming; Eaagads has also adopted improved coffee varieties, Ruiru 11 (85.2 Ha) which are resistant to Coffee Berry Diseases and early maturing crop varieties. This is an ongoing process in a move to replace the SL varieties (120Ha).

**16. RIGHT OF USE ASSETS**

	<b>2024</b>	<b>2023</b>
	<b>KShs'000</b>	<b>KShs'000</b>
Cost		
At the beginning	214	214
	<u>214</u>	<u>214</u>
At 31 March		
Amortisation		
At the beginning of the year	1	-
Charge for the year	-	1
	<u>1</u>	<u>1</u>
At 31 March		
Net carrying amount	<u><b>213</b></u>	<u><b>213</b></u>

The carrying amount of the right of use asset is stated at cost less accumulated amortization. The land measures 341 Ha and was last revalued on 31 December 2023 by CBRE, independent external property valuers. The land is valued at approximately KShs 10.6 billion (2023: KShs 8.4 billion).

**17. INVENTORIES**

	<b>2024</b>	<b>2023</b>
	<b>KShs'000</b>	<b>KShs'000</b>
Coffee stock	29,497	779
Consumables	<u>7,626</u>	<u>5,042</u>
	<u><b>37,123</b></u>	<u><b>5,821</b></u>

**EAAGADS LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2024****18. TRADE AND OTHER RECEIVABLES**

Trade receivables	64	64
Less: provision for impairment losses	<u>(64)</u>	<u>(64)</u>
	<u>-</u>	<u>-</u>
Prepayments and other receivables	<u>7,044</u>	<u>2,187</u>
	<u>7,044</u>	<u>2,187</u>
VAT recoverable	7,377	9,550
VAT claim filed	<u>30,895</u>	<u>19,907</u>
	<u>38,272</u>	<u>29,457</u>
	<u><b>45,316</b></u>	<u><b>31,644</b></u>

Trade and other receivables are non-interest bearing and are generally on terms of 30 to 90 days

**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. Oaklands Coffee Marketing Limited and Garton Limited are related to Eaagads Limited through common shareholding. The ultimate holding company is Rendevour Holding Limited, incorporated and domiciled in Bermuda.

## b. Amounts due from related companies

	<b>2024</b>	<b>2023</b>
	<b>KShs'000</b>	<b>KShs'000</b>
Coffee Management Services Limited	<u>-</u>	<u>1,267</u>

## c. Amounts due to related companies

The amount due to Kofinaf Company Limited as at 31 March 2024 was in respect of payroll costs paid on behalf of the company and other field expenses.

	<b>2024</b>	<b>2023</b>
	<b>KShs'000</b>	<b>KShs'000</b>
Kofinaf Company Limited	<u>21,402</u>	<u>19,668</u>

The following transactions were carried out with related parties:

Kofinaf Company Limited:

Payroll costs	<u>1,734</u>	<u>934</u>
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**19. RELATED PARTY BALANCES AND TRANSACTIONS (CONTINUED)**

## c. Amounts due to related companies (continued)

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 received or provided for any related party receivables or payables.

During the year ended 31 March 2024, the company did not have any impairment of receivables relating to amounts owed by related parties (2023: Nil). No amount was outstanding as at year end. 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

	<b>2024</b>	<b>2023</b>
	<b>KShs'000</b>	<b>KShs'000</b>
Fees for services as a director	<u>1,900</u>	<u>-</u>

There were no material contracts involving directors' interests for the year ended 31 March 2024.

The company obtains other key management personnel services from Coffee Management Services Limited, which is the outsourced managing entity. Coffee Management Services (CMS) Limited are the appointed agents entrusted to manage the coffee estates owned by Eaagads Limited.

	<b>2024</b>	<b>2023</b>
	<b>KShs'000</b>	<b>KShs'000</b>
Management fees paid to CMS		
Management fees (Note 9)	2,686	2,247
Professional fees for staff seconded	2,867	2,317
Crop commissions (Note 10)	4,900	6,227
Coffee marketing commission (Note 10)	157	4,831
Finance costs	<u>10,928</u>	<u>2,622</u>
	<u><b>21,538</b></u>	<u><b>18,244</b></u>

Management fees are charged at USD 90 per Ha per year for 205 Ha under CMS management, the same has performance-based component for production above 1500 kg per Ha i.e. USD 20 per Ha for 500 kg more, USD 100 for 2,001 – 2500 kg/ Ha and USD 120 for >2500 kg/Ha.

Crop commissions paid to CMS on gross coffee proceeds at 2.75%. Coffee marketing commission is paid on gross coffee proceeds at 2.3% on auction sales and 2% on direct sales.

Finance costs relate to interest on loans extended to Eaagads Limited at 12% and arrangement fee at 1% (2023: interest at 12% and arrangement fee at 1%).

	<b>2024</b>	<b>2023</b>
	<b>KShs'000</b>	<b>KShs'000</b>
At 1 April	-	3,144
Amount advanced by CMS	139,896	119,715
Interest cost and arrangement fees cost	10,928	2,622
Repayments during the year		
- Principal	(111,881)	(122,859)
- Interest	<u>(10,928)</u>	<u>(2,622)</u>
At 31 March	<u><b>28,015</b></u>	<u><b>-</b></u>

**EAAGADS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2024**

**20. SHARE CAPITAL**

	2024	2023
	KShs'000	KShs'000
Authorized:		
40,000,000 ordinary shares of KShs 1.25 each	<u>50,000</u>	<u>50,000</u>
Issued and fully paid:		
32,157,000 ordinary shares of KShs 1.25 each	<u>40,196</u>	<u>40,196</u>

**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 not distributable to shareholders.

**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

**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% (2022 - 30%), except for revaluation surplus on freehold land, which has been provided for using the capital gains tax rate of 15%(2022 - 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 1 January 2015. CGT is a final tax and cannot be offset against other income taxes.

\*The adoption of the CGT rate of 15% on the revaluation gain for the year and the brought forward surplus has resulted to a deferred tax cost which is more than the yearly gain. The Finance ACT 2022 increased CGT rate from 5% of the net gain to 15% of the net gain, effective 1st January 2023.

	01-Apr-23	Profit or loss	Other comprehensive income	31-Mar-24
	KShs'000	KShs'000	KShs'000	KShs'000
Deferred tax liabilities:				
Property, plant and equipment	(1,247)	83	-	(1,164)
Fair value gains/losses on biological assets	34,406	229	-	34,634
Unrealized exchange gains	(115)	612	-	497
Provision for long service awards	(121)	-	-	(121)
Leave provision	(26)	(2)	-	(28)
General provision for expected credit losses	(19)	-	-	(19)
Staff gratuity	(5,466)	(378)	664	(5,180)
Deferred tax on revaluation surplus on land	163,502		43,328	206,830
Deferred tax on revaluation surplus on plant and machinery and buildings	<u>7,517</u>	<u>(2,658)</u>	<u>-</u>	<u>4,859</u>
	<u>198,431</u>	<u>(2,115)</u>	<u>43,992</u>	<u>240,308</u>

## EAAGADS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2024

#### 23. DEFERRED TAX (CONTINUED)

The company had accumulated tax losses of KShs'000 11,999 as at 31 March 2024 (2022: KShs'000 24,902). The deferred tax asset of KShs '000 3,600(2022: KShs'000 8,662) arising from the tax losses has not been recognised in the financial statements.

	01-Apr-22	Profit or loss	Other comprehensive income	31-Mar-23
	KShs'000	KShs'000	KShs'000	KShs'000
Deferred tax liabilities:				
Property, plant and equipment	(387)	(860)	-	(1,247)
Fair value gains/losses on biological assets	30,120	4,286	-	34,406
Unrealized exchange gains	(422)	307	-	(115)
Provision for long service awards	(121)	-	-	(121)
Leave provision	(160)	134	-	(26)
General provision for expected credit losses	(19)	-	-	(19)
Staff gratuity	(4,423)	(827)	(216)	(5,466)
Deferred tax on revaluation surplus on land	48,925		114,577	163,502
Deferred tax on revaluation surplus on plant and machinery and buildings	<u>10,175</u>	<u>(2,658)</u>	<u>-</u>	<u>7,517</u>
	<b><u>83,688</u></b>	<b><u>382</u></b>	<b><u>114,361</u></b>	<b><u>198,431</u></b>

#### 24. RETIREMENT BENEFITS OBLIGATIONS - SERVICE GRATUITY

The provisions for service gratuity represent entitlements that accrue as a result of services offered by the unionisable employees, based on the collective bargaining agreement for the years 2021 and 2022. 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 involve 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 2024.

## EAAGADS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2024

#### 23. RETIREMENT BENEFITS 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:

	<b>2024</b>	<b>2023</b>
	<b>KShs'000</b>	<b>KShs'000</b>
Opening employee benefit obligation	<u>18,224</u>	<u>14,750</u>
Current service cost	692	727
Interest cost	2,426	1,889
Past service cost	<u>-</u>	<u>139</u>
	3,118	2,755
Actuarial (gain)/loss	(2,212)	719
Benefits and expenses paid	<u>(1,860)</u>	<u>-</u>
Closing employee benefit obligation	<u><b>17,270</b></u>	<u><b>18,224</b></u>
Categorised as:		
Current portion	3,168	3,115
Non-current portion	<u>14,102</u>	<u>15,109</u>
	<u><b>17,270</b></u>	<u><b>18,224</b></u>

\*The entity reclassified the remeasurement on the defined benefit plan gain of (Kshs 2,212,000) (2023: loss of Kshs 719,000) under comprehensive income as per IFRS Accounting Standards.

**EAAGADS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2024**

**23. RETIREMENT BENEFITS OBLIGATIONS - SERVICE GRATUITY (CONTINUED)**

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

	<b>2024</b>	<b>2023</b>
	%	%
- Discount rate (% p.a.)	17.25%	13.75%
- Future salary increases (% p.a.)	15.25%	11.75%
- Mortality assumptions	KE 2001-2003	KE 2001-2003
-Weighted average duration of post-employment benefit obligations	6.1 years	6.6 years

A quantitative sensitivity analysis for significant assumptions as at 31 March 2024 is as shown below:

	Scenario -1	Scenario -2	Scenario -3	Scenario -4	Scenario -5
	Discount rate increased by 1%	Salary rate increased by 1%	Discount rate decreased by 1%	Salary rate decreased by1%	Demographic assumptions increased by 10%
Discount rate	18.25%	17.25%	16.25%	17.25%	17.25%
Salary increase	15.25%	16.25%	15.25%	14.25%	15.25%
Demographic assumptions	No change	No change	No change	No change	Increase by 10%
Opening employee benefit obligation	18,224	18,224	18,224	18,224	18,224
Net expense recognised in profit or loss	3,118	3,118	3,118	3,118	3,118
Net expense recognised in other comprehensive income	(3,033)	(1,309)	(1,311)	(3,046)	(2,192)
Benefits and expenses paid	<u>(1,859)</u>	<u>(1,859)</u>	<u>(1,859)</u>	<u>(1,859)</u>	<u>(1,859)</u>
Closing employee benefit obligation	<u><b>16,450</b></u>	<u><b>18,174</b></u>	<u><b>18,172</b></u>	<u><b>16,437</b></u>	<u><b>17,291</b></u>

A quantitative sensitivity analysis for significant assumptions as at 31 March 2023 is as shown below:

	Scenario -1	Scenario -2	Scenario -3	Scenario -4	Scenario -5
	Discount rate increased by 1%	Salary rate increased by 1%	Discount rate decreased by 1%	Salary rate decreased by1%	Demographic assumptions increased by 10%
Discount rate	14.75%	13.75%	12.75%	13.75%	13.75%
Salary increase	11.75%	12.75%	11.75%	10.75%	11.75%
Demographic assumptions	No change	No change	No change	No change	Increase by 10%
Opening employee benefit obligation	14,750	14,750	14,750	14,750	14,750
Net expense recognised in profit or loss	2,754	2,754	2,754	2,754	2,754
Net expense recognised in other comprehensive income	(258)	1,798	1,798	(274)	723
Benefits and expenses paid	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Closing employee benefit obligation	<u><b>17,246</b></u>	<u><b>19,302</b></u>	<u><b>19,302</b></u>	<u><b>17,230</b></u>	<u><b>18,227</b></u>

**23. RETIREMENT BENEFITS OBLIGATIONS - SERVICE GRATUITY (CONTINUED)**

## 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.

The actuaries assumed a long-term discount rate of 17.25% pa. This rate is the interpolated rate of the 6-year and 7-year Treasury bond issued by the Central Bank of Kenya as listed on the Nairobi Securities Exchange as at 31 March 2024.

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 KE 2001 - 2003 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 15.25% p.a. has been determined as mutually compatible rate taking into account the likely future economic scenarios of the country.

**25. LONG SERVICE AWARDS**

	<b>2024</b>	<b>2023</b>
	<b>KShs'000</b>	<b>KShs'000</b>
At the beginning of the year	<u>402</u>	<u>402</u>
At the end of the year	<u><b>402</b></u>	<u><b>402</b></u>
Categorized as:		
Current portion	-	-
Non-current portion	<u>402</u>	<u>402</u>
	<u><b>402</b></u>	<u><b>402</b></u>

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. Due to the poor financial performance of the company, the last such incentive was paid out to members of staff in January 2008. The continuous accrual of the incentive has been frozen and the amount classified as a non-current liability.

The company has no contractual obligation to pay the same, but rather out of goodwill and gesture for appreciation.

**EAAGADS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2024**

**26. TRADE AND OTHER PAYABLES**

	<b>2024</b>	<b>2023</b>
	<b>KShs'000</b>	<b>KShs'000</b>
Trade payables	7,790	1,944
Other payables	5,369	2,268
Leave provision	<u>95</u>	<u>89</u>
	<b><u>13,254</u></b>	<b><u>4,301</u></b>

Trade payables are non-interest bearing and are normally settled on 60-day term.

**27. CASH AND CASH EQUIVALENTS**

Cash at bank	<b><u>14,545</u></b>	<b><u>8,562</u></b>
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**28. FAIR VALUE OF ASSETS AND LIABILITIES**

(a) Comparison by class of the carrying amounts and fair values of the financial instruments

Management assessed that the fair value of trade receivables, cash and cash equivalents, trade payables and amounts due to related companies approximate their carrying amounts largely due to the short-term maturities of these instruments.

(b) 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 their level within the fair value hierarchy, 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

	Level 1	Level 2	Level 3
	KShs'000	KShs'000	KShs'000
31-Mar-24			
Freehold land	-	-	1,378,847
Buildings	-	-	51,867
Plant and machinery	-	-	13,843
Biological assets	-	-	115,451
31-Mar-23			
Freehold land	-	-	1,089,998
Buildings	-	-	54,974
Plant and machinery	-	-	18,305
Biological assets	-	-	114,689

The Freehold land was last revalued by C B Richard Ellis (CBRE), independent external property valuers at 31 December 2023 using the comparable sales method. From the Directors assessment, the value of the land would not be significantly different from 31 December 2023 valuation had the property been inspected as at 31 March 2024.

**23. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)**

(b) Fair value hierarchy (Continued)

The company's buildings, plant, and machinery were last revalued on 31 March 2021 by Africa and Beyond valuers 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

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 15.

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 coffee 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. Therefore, the company has not disclosed segmental information about the products and services, geographical areas and customers.

**30. CONTINGENT LIABILITIES.**

The company had no contingent liabilities as at 31 March 2024 and 31 March 2023.

**31. COMMITMENTS**

There was no capital expenditure contracted for as at 31 March 2024 and 31 March 2023.

**32. EVENTS AFTER THE REPORTING PERIOD**

The directors are not aware of any other event after the reporting date, as defined by IAS 10 Events after the Reporting Period, that require disclosure in or adjustments to the financial statements as at the date of this report.

**33. HOLDING COMPANY**

The Company is domiciled and incorporated in Kenya as a public limited liability company under the Kenyan Companies Act, 2015. 61.74% shares of the Company are beneficially held by Kofinaf company Limited, a company incorporated and domiciled in Kenya, and ultimate parent company is Rendevour Holding Limited, incorporated in Bermuda.



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