



**ANNUAL REPORT AND
FINANCIAL STATEMENTS**

31 MARCH 2023

For the year ended



EAAGADS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

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EAAGADS LIMITED
CORPORATE INFORMATION
FOR THE YEAR ENDED 31 MARCH 2023

DIRECTORS

Dr. Joseph K. Kimemia

George Kapanandze*

Amb. Harry M. Kathurima - Appointed 5 September 2022

Muthoni Runji-Pertet - Appointed 5 September 2022

Nicholas Kathiari - Appointed 5 September 2022

*Georgian

SECRETARY

Kathryne Maundu

C/O Stamford Corporate Services LLP

ICEA Lion Centre

Riverside Park, Chiromo

P. O. Box 10643 - 00100

Nairobi, Kenya.

REGISTERED OFFICE

LR NO. 110/2

Ngenda Road

P. O. Box 10 – 00232

Ruiru, Kenya.

BANKERS

Standard Chartered Bank Kenya Limited

Kenyatta Avenue Branch

P. O. Box 40310 - 00100

Nairobi, Kenya.

Equity Bank Kenya Limited

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

Ernst & Young LLP

Kenya-Re Towers, Upper hill

Off Ragati Road

P.O. Box 44286 - 00100

Nairobi, Kenya.

EAAGADS LIMITED

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 MARCH 2023

The directors submit their report together with the audited financial statements for the year ended 31 March 2023.

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 1.

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 15 in the financial statements.

4. RECOMMENDED DIVIDEND

The directors do not recommend payment of a dividend for the year ended 31 March 2023 (2022: Nil).

5. DIRECTORS

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

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.

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 348 tons of coffee compared with 188 tons in 2022.

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 firm 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. STATEMENT AS TO DISCLOSURE TO THE COMPANY'S AUDITOR

With respect to each director at the time this report was approved:

- a. there is, so far as the person is aware, no relevant audit information of which the company's auditor is unaware; and,
- b. the person has taken all the steps that the person ought to have taken as a director so as to be aware of any relevant audit information and to establish that the company's auditor is aware of that information

8. TERMS OF APPOINTMENT OF THE AUDITOR

Ernst & Young LLP continues in office in accordance with the company's Articles of Association and Section 723 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. The agreed auditor's remuneration of KShs 1,875,000 has been charged to profit or loss in the year.

By order of the Board



.....
Secretary
28 July 2023

EAAGADS LIMITED

CHAIRMAN'S REPORT

FOR THE YEAR ENDED 31 MARCH 2023

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 2023.

OPERATING ENVIRONMENT

The countrywide area under coffee production slightly increased to 109 from 108 thousand hectares representing an increase of one percent. This was achieved through seedlings distribution program by the national government through the Coffee Directorate and coffee revitalisation program introduced two years ago. The production for 2022 can at best be described as the year of a big change. coffee production Increased by 50.24% which was the highest crop recorded per year in the last two decades in Kenya. The national production increased from 34,512 MT in coffee year 2021 to 51,853 MT in year 2022. The increase in production was attributable to among other factors favourable weather, access to subsidized fertilizer for co-operatives and the recent improvement of coffee prices that made farmers re-invest in their coffee farms.

As a result of the coffee revitalisation program introduced two years ago, the year under review saw first harvests from additional coffee plantings areas undertaken in parts of West of Rift. More significantly, both the prices of coffee offered at the Nairobi Coffee Exchange and through Direct Sales remained consistently higher than those realized in the previous season. Volumes of Exports stood at 42,857 metric tons (MT) of coffee in 2022 earning 34.37 billion shillings (298.6 million U.S. dollars) As compared to 2021 Exports that stood at 27 billion shillings for 41,796MT. The average price per kilo was 6.97 dollars which was a slight drop from 2022 price due to global market demand for coffee.

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 has changed the licensing authorities, operational procedures, obligations and roles of license holders, trading practices and procedures and the coffee proceeds payment system. Trading at the Nairobi Coffee Exchange shall be under the new Trading Rules aligned to the under The Capital Markets (Coffee Exchange) Regulations, 2020 and that settlement shall be conducted through a Direct Settlement System (DSS).

EAAGADS FINANCIAL PERFORMANCE

In the year under review, the company produced 347 tons of coffee compared with 188 tons produced in the year ended March 2022. The increase was mainly attributed to the favourable weather experienced in the year which enhanced bean development. In the period under review, the company achieved sales of 348 tonnes of coffee compared with 185 tonnes in March 2022. The average price reduced during the year ended 31 March 2023 reduced to USD 5.36 per kilogram from USD 6.90 per kilogram in the previous year. The Company reported a profit before tax of KShs 11.3 million compared to a profit before tax of KShs 9.7 million in the previous financial year. Sales proceed from the sale of coffee stood at KShs 234.2 million in the year compared to 142.2 million in the previous year. The cost of production is directly correlated with production levels. Coffee upkeep costs, picking costs and wet processing costs increased by KShs 81.3 million. Crop commission charges also increased by KShs 2.3 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 Coffee Management Services Limited through the license of Oaklands Coffee Marketing Limited. 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 115.6 tonnes of coffee through direct sales, valued at KShs 78.2 million compared to 124.5 tons in the previous year, valued at KShs 102.2 million in 2022. The auction sales for the year were 232.6 tonnes compared to 60.5 tons previous year, valued at KShs 156.05 million and KShs 40.0 million, respectively.

EAAGADS LIMITED
CHAIRMAN'S REPORT (continued)
FOR THE YEAR ENDED 31 MARCH 2023

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 2023/24 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. International coffee market prices have also greatly improved due to increased demand. According to International Coffee Organisation, Production for 2023-24 coffee season is expected to be lower than the demand mainly due to an anticipated low production in the South America coffee buffer zones. Looking ahead, the prices are likely to remain attractive as the world looks at depressed production. 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 embraced the ministry of health COVID-19 guidelines to ensure the employees keep safe. Work activities have been realigned to ensure safe social distance. Besides, 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

28 July 2023

EAAGADS LIMITED

STATEMENT OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 31 MARCH 2023

CODE OF CONDUCT AND ETHICS

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

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

BOARD OF DIRECTORS' COMPOSITION

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

ORIENTATION AND PROFESSIONAL DEVELOPMENT OF DIRECTORS

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

RESPONSIBILITIES OF THE BOARD

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

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

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

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

CHAIRMAN'S ROLE

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

MANAGING AGENT'S ROLE

Coffee Management Services Limited (CMS) is responsible to the board for the day-to-day financial and operational performance of the company. CMS are also tasked with the responsibility of executing the strategies of the board.

BOARD PERFORMANCE AND EVALUATION

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

INTERNAL CONTROLS

The board is responsible for the company's systems of internal control and reviews their effectiveness regularly. In addition, the external auditors independently and objectively review management's approach to financial reporting.

INFORMATION TO THE BOARD

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

EAAGADS LIMITED

STATEMENT OF CORPORATE GOVERNANCE (continued)

FOR THE YEAR ENDED 31 MARCH 2023

DIRECTORS' REMUNERATION

The directors were not remunerated for the services they offered as directors of the company during the financial year. They are also not eligible for pension or gratuity. There were no loans advanced to directors during the year.

RELATED PARTY TRANSACTIONS

The company recognizes that related party transactions arise where there is a relationship by virtue of shareholding, common shareholding or key management personnel directorship. All transactions with related parties are disclosed in note 19 to the financial statements.

COMMITTEES OF THE BOARD

Director	Classification	Designation		Board	Audit and risk	Nomination and remuneration
Dr. Joseph Kimemia	Independent and-Non-Executive	Chairman of the Board	Membership	✓		
			Attendance	4/4		
George Kapanadze	Non-Executive	Non-Executive Director	Membership	✓	✓	✓
			Attendance	4/4		
Amb. Harry Kathurima	Independent and-Non-Executive	Independent and-Non-Executive	Membership	✓	✓	✓
			Attendance	3/4		
Muthoni Runji-Pertet	Independent and-Non-Executive	Chairperson of the Nomination and Remuneration Committee	Membership	✓	✓	✓
			Attendance	4/4		
Nicholas Kathiari	Independent and-Non-Executive	Chairperson of the Audit and Risk Committee	Membership	✓	✓	✓
			Attendance	4/4		

✓ Member of respective committee

SHARE CAPITAL

The authorized and issued share capital of the company consists of 40,000,000 and 32,157,000 ordinary shares, respectively, as disclosed in note 20 to the financial statements.

RIGHTS OF THE SHAREHOLDERS

The rights and obligations attached to the shares are set out in the Articles of Association of the company, which can only be varied at a General Meeting of the shareholders. All shareholders are entitled to receive notice of such meetings together with reports and financial statements, which are to be discussed at the meeting. All shareholders are entitled to attend meetings either in person or through proxy and may speak and vote. On a poll, each shareholder is entitled to one vote for each share held.

There are no shares carrying special rights.

DISTRIBUTION OF SHAREHOLDING

The top ten largest shareholders of the company are shown on page 9 of this report. The number of shareholders and shares held within each band is also shown on page 9.

COMPANY SECRETARY

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

SHAREHOLDERS' REGISTER MANAGEMENT

The particulars of the shares registrar are shown on page 9. The registrar maintains an up-to-date register of shareholders and attends to all enquiries received from shareholders.

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

EAAGADS LIMITED

STATEMENT OF SOCIAL RESPONSIBILITY

FOR THE YEAR ENDED 31 MARCH 2023

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

SHAREHOLDING

FOR THE YEAR ENDED 31 MARCH 2023

PRINCIPAL SHAREHOLDERS

The ten largest shareholders in the company and the respective number of shares held as at 31 March 2023 were as follows:

	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	559,622	1.76
6.	Bijal Mulchand Shah	267,600	0.83
7.	Best Investment Decisions Ltd	214,700	0.67
8.	Alimohamed Adam	190,852	0.59
9.	Mrs Savitaben Velji Raichand Shah	155,176	0.48
10.	Mrs Chandrika Kamlesh Somchand Bid	<u>153,700</u>	<u>0.48</u>
		28,978,570	90.13
11.	Others	<u>3,178,430</u>	<u>9.87</u>
	Total issued shares	<u>32,157,000</u>	<u>100</u>

Distribution of shareholders

Range	Number of shareholders	Number of shares	% shareholding
1 to 1,000 Shares	576	165,810	0.52
1,001 to 10,000 Shares	183	673,092	2.09
10,001 to 100,000 Shares	66	2,078,028	6.46
100,001 to 1,000,000 Shares	11	2,778,550	8.64
1,000,001 to 10,000,000 Shares	2	6,606,500	20.55
Over 10,000,000 Shares	<u>1</u>	<u>19,855,020</u>	<u>61.74</u>
	<u>839</u>	<u>32,157,000</u>	<u>100</u>

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.

EAAGADS LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 MARCH 2023

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 company's profit or loss for that year. It also requires the directors to ensure that the company keeps proper accounting records that: (a) show and explain the transactions of the company; (b) disclose, with reasonable accuracy, the financial position of the company; and (c) enable the directors to ensure that every financial statement required to be prepared complies with the requirements of the Companies Act, 2015.

The directors accept responsibility for the preparation and presentation of these financial statements in accordance with International Financial Reporting Standards 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.

Approved by the board of directors on 28 July 2023 and signed on its behalf by:



George Kapanadze



Dr. Joseph Kimemia

EAAGADS LIMITED

DIRECTORS' REMUNERATION REPORT ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

The Directors' Remuneration Report sets out the policy that the company has applied to remunerate executive and non-executive directors. The report has been prepared in accordance with the relevant provisions of the CMA code of Corporate Governance and the requirements of the Kenyan Companies Act, 2015, and the Companies (General) (Amendments) (No.2) Regulations, 2017.

The directors were not remunerated for the services they offered as directors of the company during the financial year. They are also not eligible for pension or gratuity. There were no loans advanced to directors during the year.

REPORT OF THE INDEPENDENT AUDITOR TO THE SHAREHOLDERS OF EAAGADS LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Eaagads Limited set out on pages 15 to 51 which comprise the statement of financial position as at 31 March 2023 and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Eaagads Limited as at 31 March 2023, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards 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' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our other 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. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matter	How the matter was addressed in the audit
Valuation of biological assets and bearer plants As at 31 March 2023, the carrying amount of biological assets was KShs 114 million. As described further in note 15, the measurement of biological assets is complex as it involves a high degree of subjectivity due to the assumptions and judgements used in determining the yields and market prices of coffee berries in future using the discounted cash flows method. Due to the judgement involved as described above, we considered this to be a key audit matter.	Our audit procedures included understanding management's processes for measuring biological assets and evaluating compliance with IAS 41 Agriculture. We assessed whether the assumptions and the methodology applied in the determination of the fair value of biological assets were reasonable and adequately supported. We also assessed the adequacy of the company's disclosures in respect of biological assets.

REPORT OF THE INDEPENDENT AUDITOR TO THE SHAREHOLDERS OF EAAGADS LIMITED (continued)

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report, the Chairman's Report, statement of corporate governance, statement of social responsibility, shareholding and the statement of directors' responsibilities, which we obtained prior to the date of this report. Other information does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon, other than that prescribed by the Kenyan Companies Act, 2015, as set out below.

In connection with our audit of the financial statements, our responsibility is to read the other information 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 obtained 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 for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards 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.

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 auditor's 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

Auditor's Responsibilities for the Audit of the Financial Statements

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional 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 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

REPORT OF THE INDEPENDENT AUDITOR TO THE SHAREHOLDERS OF EAAGADS LIMITED (continued)

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 auditor's 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 auditor's 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, actions taken to eliminate threats or related safeguards applied.

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

As required by the Kenyan Companies Act, 2015 we report to you, based on our audit, that:

- i. in our opinion, the information given in the report of the directors on pages 2 - 3 is consistent with the financial statements.
- ii. in our opinion, the auditable part of directors' remuneration report on page 11 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 Churchill Atinda, Practising Certificate No. 1425.



For and on behalf of Ernst & Young LLP
Certified Public Accountants
Nairobi, Kenya

1 September 2023

EAAGADS LIMITED**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2023**

	Notes	2023 KShs'000	2022 KShs'000
Revenue	6	234,296	142,234
Gain arising from changes in fair value of biological assets at fair value less costs to sell	15	14,290	9,685
Cost of production	7	(182,777)	(101,913)
Gross profit		65,809	50,006
Other income	8	1,230	2,274
Administrative expenses	9	(41,702)	(32,095)
Selling and distribution expenses	10	(11,058)	(6,857)
Finance costs	19 (c)	(2,622)	(2,225)
Net foreign exchange loss		(382)	(1,406)
Profit before tax	11	11,275	9,697
Tax charge	12 (a)	(391)	(163)
Profit for the year		10,884	9,534
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)	111,484	163,066
Deferred tax on revaluation of property, plant and equipment	23	* (114,577)	(8,151)
Remeasurement of post-employment benefit obligations			
Actuarial loss	24	(719)	(1,653)
Deferred tax to remeasurement of post-employment benefit obligations	23	216	496
Total other comprehensive (loss)/income, net of tax		(3,596)	153,758
Total comprehensive income for the year		7,288	163,292
Earnings per share – basic and diluted (KShs)	13	0.34	0.33

*The impact of deferred tax is higher than the gain in the current year due to change in the CGT rate from 5% to 15%. The impact is on the fair value gain balance as at year end.

EAAGADS LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2023

		2023	2022
	Notes	KShs'000	KShs'000
NON-CURRENT ASSETS			
Property, plant and equipment	14(a)	1,257,825	1,153,771
Right of use asset	16	<u>213</u>	<u>214</u>
		<u>1,258,038</u>	<u>1,153,985</u>
CURRENT ASSETS			
Biological assets	15	114,689	100,399
Inventories	17	5,821	7,351
Amounts due from related parties	19(b)	1,267	-
Trade and other receivables	18	31,644	23,337
Corporation tax recoverable	12(c)	1,273	1,272
Cash and bank balances	27	8,562	9,677
		163,256	142,036
TOTAL ASSETS		<u>1,421,294</u>	<u>1,296,021</u>
EQUITY AND LIABILITIES			
EQUITY			
Share capital	20	40,196	40,196
Revaluation reserve	21	991,688	1,003,639
Retained earnings	22	<u>148,384</u>	<u>129,145</u>
Total equity		<u>1,180,268</u>	<u>1,172,980</u>
NON-CURRENT LIABILITIES			
Deferred tax liabilities	23	198,431	83,688
Retirement benefit obligations	24	15,109	13,225
Long service awards	25	<u>402</u>	<u>402</u>
		<u>213,942</u>	<u>97,315</u>
CURRENT LIABILITIES			
Retirement benefit obligations	24	3,115	1,525
Amounts due to related parties	19(c)	19,668	18,734
Crop debenture short term loan	19(c)	-	3,144
Trade and other payables	26	<u>4,301</u>	<u>2,323</u>
		<u>27,084</u>	<u>25,726</u>
TOTAL EQUITY AND LIABILITIES		<u>1,421,294</u>	<u>1,296,021</u>

The financial statements were approved and authorised for issue by the Board of Directors on 28 July 2023 and signed on its behalf by:



 George Kapanadze



 Dr. Joseph Kimemia

EAAGADS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2023

	Share capital	Revaluation reserve	Retained earnings	Total
	KShs'000	KShs'000	KShs'000	KShs'000
	(Note 20)	(Note 21)	(Note 22)	
At 1 April 2021	<u>40,196</u>	857,585	111,907	1,009,688
Profit for the year	-	-	9,534	9,534
Other comprehensive income	<u>-</u>	<u>154,915</u>	<u>(1,157)</u>	<u>153,758</u>
Total comprehensive income for the year	-	154,915	8,377	163,292
Transfer of excess depreciation	<u>-</u>	<u>(8,861)</u>	<u>8,861</u>	<u>-</u>
At 31 March 2022	<u>40,196</u>	<u>1,003,639</u>	<u>129,145</u>	<u>1,172,980</u>
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	-	<u>(3,093)</u>	<u>(503)</u>	<u>(3,596)</u>
Total comprehensive income for the year	-	(3,093)	10,381	7,288
Transfer of excess depreciation	<u>-</u>	<u>(8,858)</u>	<u>8,858</u>	<u>-</u>
At 31 March 2023	<u>40,196</u>	<u>991,688</u>	<u>148,384</u>	<u>1,180,268</u>

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

EAAGADS LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2023

		2023	2022
	Notes	KShs'000	KShs'000
OPERATING ACTIVITIES			
Profit before tax		11,275	9,697
Depreciation	14(a)	12,835	12,376
Foreign exchange loss		382	1,406
Increase in retirement benefit obligations	24	2,755	2,061
Depreciation on right-of-use assets	16	1	-
Interest expense	19 (c)	2,622	2,225
Gain arising from changes in fair value of biological assets less estimated costs to sell	15	<u>(14,290)</u>	<u>(9,685)</u>
Operating profit before working capital changes		15,580	18,080
Retirement benefits paid	24	-	(1,414)
Increase in trade and other receivables		(8,307)	(5,916)
Increase in amounts due to related companies		934	3,974
(Increase)/decrease in amounts due from related companies		(1,267)	1,433
Increase in inventories		1,530	(6,245)
Increase/(decrease) in trade and other payables		<u>1,978</u>	<u>(997)</u>
Cash generated from operations		10,448	8,915
Income tax paid	12(c)	<u>(10)</u>	<u>(7)</u>
Net cash generated from operating activities		<u>10,438</u>	<u>8,908</u>
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	14(a)	<u>(5,405)</u>	-
Net cash used in investing activities		<u>(5,405)</u>	-
FINANCING ACTIVITIES			
Interest paid	19(c)	(2,622)	(2,225)
Advances from Coffee Management Services	19(c)	119,715	172,214
Repayment of advances from Coffee Management Services	19(c)	<u>(122,859)</u>	<u>(169,070)</u>
Net cash (used in)/generated from financing activities		<u>(5,766)</u>	<u>919</u>
Net (decrease)/increase in cash and cash equivalents		(733)	9,827
Cash and cash equivalents at the beginning of the year		9,677	1,256
Effect of exchange rate changes on cash and cash equivalents		<u>(382)</u>	<u>(1,406)</u>
Cash and cash equivalents at the end of the year	27	<u>8,562</u>	<u>9,677</u>

EAAGADS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

1. GENERAL INFORMATION

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation of financial statements

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

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

For the purpose of reporting under the Kenya Companies Act, 2015, the balance sheet in these financial statements is represented by the statement of financial position and the profit and loss account is represented by the statement of profit or loss and other comprehensive income.

(b) New and amended standards, interpretations and improvements

The company applied for the first-time certain standards and amendments listed below. The company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

The following amendments became effective during the period:

New standards or amendments	Effective for annual period beginning on or after
Reference to the Conceptual Framework (Amendments to IFRS 3)	January 1 2022
Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	January 1 2022
Onerous Contracts Cost of Fulfilling a Contract (Amendments to IAS 37)	January 1 2022
AIP IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter	January 1 2022
AIP IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities	January 1 2022
AIP IAS 41 Agriculture – Taxation in fair value measurements	January 1 2022

These amendments and interpretations apply for the first time in the period, but do not have an impact on the financial statements of the Company.

Standards issued but not yet effective

The standards, improvements and amendments that are issued, but not yet effective, up to the date of issuance of the company's financial statements which are relevant to the company are listed below. The company intends to adopt these standards, if applicable, when they become effective.

EAAGADS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2023

2.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

New standards or amendments	Effective for annual period beginning on or after
IFRS 17 Insurance Contracts	January 1 2023
Definition of Accounting Estimates - Amendments to IAS 8	January 1 2023
Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2	January 1 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	January 1 2023
Classification of liabilities as current or non-current with covenants (Amendments to IAS 1)	January 1 2024
Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	January 1 2024
International Tax Reform – Pillar Two Model Rules - Amendments to IAS 12	Immediately upon issuance
Sale or Contribution of Assets between an Investor and its Associate or Company (Amendments to IFRS 10 and IAS 28)	To be determined
Disclosures: Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7	January 1 2024

EAAGADS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(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.

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. The normal credit term is 3 to 7 days upon delivery.

(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.

An asset is classified as current when it is:

EAAGADS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2023

- 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 such as property and equipment 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 of the company's property, plant and equipment. The valuations of plant and equipment are 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 was done in December 2022.

C B Richard Ellis (CBRE), independent external property valuers 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.

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

EAAGADS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2023

2.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Fair value measurement continued)

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.

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

h) Property, plant and equipment (continued)

Freehold land is not depreciated.

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.

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.

Right-of-use assets

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 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.

EAAGADS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2023

2.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Inventories

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

Inventories, such as milled coffee, are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity), but excludes borrowing costs. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

The fair value less costs to sell of coffee at the point of harvest is determined based on the market prices of the final product, taking into account conversion costs.

Other inventories, such as chemicals and fertilizers are stated at the lower of cost and net realisable value. Cost is determined by the weighted average method.

(l) Tax

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

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

Deferred tax

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

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

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

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

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred

EAAGADS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2023

2.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity. Deferred tax assets and deferred tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Valued Added Tax (VAT)

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

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

(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. The Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. 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. This assessment is referred to as the SPPI test and is performed at an instrument level.

The company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

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

EAAGADS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2023

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.

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.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

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

EAAGADS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Financial instruments (continued)

Financial assets (continued)

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.

Offsetting

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

(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.

EAAGADS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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) 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.

(q) 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.

(r) Impairment of non-financial assets

The company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators. The company bases its impairment calculation on valuations conducted by independent valuers. These valuations generally cover a period of four years for property and equipment and annually for land.

Impairment losses of continuing operations, including impairment on inventories, are recognised in profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

For all assets, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, or exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Revaluation of certain class of property, plant and equipment

The company carries certain classes of property, plant and equipment at fair value, with changes in fair value being recognised in other comprehensive income. The company's land was last valued as at 31 December 2022 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 2023. 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.

Post-employment benefits

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

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

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

Further details about post-employment benefits obligations are given in Note 25.

Employees' entitlements to long service awards are recognised when they accrue to employees, usually after serving for at least 10 years. A provision is made for the estimated liability for such entitlements as a result of services rendered by employees up to the end of the reporting period. The carrying amount of long service awards is disclosed in Note 26.

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.

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.

Impairment of non-financial assets

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

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

Impairment of non-financial assets (continued)

exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use.

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

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

- a. there are observable indications that the asset's value has declined during the period significantly more than would be expected as a result of the passage of time or normal use.
- b. significant changes with an adverse effect on the entity have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the entity operates or in the market to which an asset is dedicated.
- c. market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.
- d. evidence is available of obsolescence or physical damage of an asset.
- e. (e) significant changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite
- f. evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

Further details on property, plant and equipment are given in Note 14.

Useful lives and residual values of property, plant and equipment

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

The estimated useful lives of property, plant and equipment and their carrying amounts are disclosed in notes 2(h) and 14, respectively.

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.

EAAGADS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2023

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 2023, the company had a nil balance on the crop debenture arrangement (31 March 2022: Kshs 3,144,000). The constitution of capital managed by the company is as follows:

	2023	2022
	KShs'000	KShs'000
Share capital	40,196	40,196
Revaluation surplus	991,688	1,003,639
Other reserves	<u>148,384</u>	<u>129,145</u>
Retained earnings	-	-
Equity	<u>1,180,268</u>	<u>1,172,980</u>

EAAGADS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2023

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	2023	2022
	KShs'000	KShs'000
Financial assets measured at amortised cost		
Cash and cash equivalents	8,562	9,677
Amounts due from related companies	1,267	-
Trade and other receivables	<u>2,187</u>	<u>1,634</u>
	<u>12,016</u>	<u>11,311</u>
Financial liabilities measured at amortised cost		
Trade and other payables	4,212	<u>1,788</u>
Crop debenture short term loan	-	<u>3,144</u>
Amounts due to related companies	<u>19,668</u>	<u>18,734</u>
	<u>23,880</u>	<u>23,666</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:

	2023	2021
	KShs'000	KShs'000
Bank balances	<u>3,535</u>	<u>7,526</u>

At 31 March 2023, 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' 177,000 (2022 : KShs' 376,000) and KShs' 124,000 (2022 : KShs' 263,000) respectively.

EAAGADS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2023

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 sells its coffee mainly through the Coffee Board of Kenya's auction. However, the coffee market was liberalised in 2006 and the company is also able to sell its coffee through direct sales.

When coffee is sold through the auction, the sales proceeds should be paid within 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.

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 at 31 March 2023 is made up of the following:

Classification of credit risk bearing assets:

	Fully performing	Past due	Impaired	Total
	KShs '000	KShs '000	KShs '000	KShs '000
At 31 March 2023				
Cash at bank	8,241	-	-	8,241
Trade and other receivables	2,187	-	-	2,187
Due from related companies	<u>1,267</u>	-	-	<u>1,267</u>
Total	<u>11,695</u>	-	-	<u>11,695</u>
At 31 March 2022				
Cash at bank	9,458	-	-	9,458
Trade and other receivables	<u>1,634</u>	-	-	<u>1,634</u>
Total	<u>11,092</u>	-	-	<u>11,092</u>

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 coffee is sold in auction with payment turnaround of 3 to 7 days. 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.

EAAGADS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2023

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(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 2023, the company had utilised nil of its USD 435,000 crop debenture loan from its coffee marketing and managing agent, Coffee Management Services (31 March 2022: KShs '3,144,000).

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

	Within 12 months	Over 12 months	Total
	KShs '000	KShs '000	KShs '000
At 31 March 2023			
Trade payables	1,947	-	1,947
Other payables	2,265	-	2,265
Due to related companies	<u>19,668</u>	<u>-</u>	<u>19,668</u>
	<u>23,880</u>	-	<u>23,880</u>
At 31 March 2022			
Trade payables	102	-	102
Crop debenture loan	3,144	-	3,144
Other payables	1,686	-	1,686
Due to related companies	<u>18,734</u>	<u>-</u>	<u>18,734</u>
	<u>23,666</u>	<u>-</u>	<u>23,666</u>

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.

EAAGADS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2023

6. REVENUE

	2023	2022
	KShs'000	KShs'000
Coffee direct sales	78,240	102,084
Coffee auction sales	<u>156,056</u>	<u>40,150</u>
	<u>234,296</u>	<u>142,234</u>

7. COST OF PRODUCTION

Coffee upkeep costs	148,183	83,302
Coffee harvesting costs	31,730	17,006
Renovations	<u>2,864</u>	<u>1,605</u>
	<u>182,777</u>	<u>101,913</u>

8. OTHER INCOME

	KShs'000	KShs'000
Rent	24	24
Firewood	155	615
Sweepings	1,117	591
Inventory adjustment	(66)	527
Insurance recoveries on all risks	<u>-</u>	<u>517</u>
	<u>1,230</u>	<u>2,274</u>

EAAGADS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2023

9. ADMINISTRATIVE EXPENSES

	2023	2022
	KShs'000	KShs'000
Administration staff costs	6,900	5,892
Depreciation (Note 14)	12,835	12,376
Management fees (Note 19 (c))	2,247	2,047
Insurance	1,428	867
Auditors' remuneration	1,875	1,204
Legal and professional fees	7,504	4,828
Gratuity expenses (Note 24)	2,755	2,061
Depreciation on right-of-use assets (Note 16)	1	-
Office expenses	3,610	632
Other operating expenses	2,547	2,188
	<u>41,702</u>	<u>32,095</u>

Staff costs comprise:

Salaries:

Managing staff	4,467	4,287
Allowances	1,441	884
Training	26	65
Medical benefits	637	453
Other staff benefits	242	130
NSSF-defined contribution plan expense	87	73
	<u>6,900</u>	<u>5,892</u>

10. PROFIT/(LOSS) BEFORE TAX

Coffee marketing commission (Note 19 (c))	4,831	2,944
Crop commission (Note 19 (c))	6,227	3,913
	<u>11,058</u>	<u>6,857</u>

11. PROFIT BEFORE TAX

Profit before tax is arrived at after charging:

Depreciation on property, plant and equipment (Note 14)	12,835	12,376
Staff costs (Note 9)	6,900	5,892
Auditors' remuneration (Note 9)	1,875	1,204
And after (charging)/crediting:		
Foreign exchange loss	<u>(382)</u>	<u>(1,406)</u>

EAAGADS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2023

12. TAX

	2023	2022
	KShs'000	KShs'000
Current tax based on taxable profit at 30%	9	3
Deferred tax charge (Note 23)	382	160
Net charge to profit or loss	391	163

b) RECONCILIATION OF TAX CHARGE TO THE EXPECTED TAX BASED ON ACCOUNTING PROFIT/ (LOSS)

	KShs'000	KShs'000
Accounting profit before tax	<u>11,275</u>	<u>9,697</u>
Tax calculated at the applicable rate of 30% (2022:30%)	3,383	2,909
Tax effect on items not deductible for tax (depreciation on non-qualifying assets for capital allowances)	117	1,606
Tax effect on taxable profit for the year offset against prior year losses	<u>(3,109)</u>	<u>(4,352)</u>
	<u>391</u>	<u>163</u>

c) TAX RECOVERABLE

At the beginning of the year	1,272	1,272
Tax paid during the year	10	3
Charge to profit or loss	<u>(9)</u>	<u>(3)</u>
	<u>1,273</u>	<u>1,272</u>

13. EARNINGS PER SHARE

Profit attributable to equity holders of the company	<u>10,884</u>	<u>9,534</u>
Weighted average number of ordinary shares in issue	<u>32,157</u>	<u>32,157</u>
Basic and diluted earnings per share	<u>0.34</u>	<u>0.30</u>

EAAGADS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2023

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 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>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	-	2,875	6,099	7,974	120,624	137,572
Charge for the year	-	<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	<u>1,089,998</u>	<u>54,974</u>	<u>18,305</u>	<u>1,656</u>	<u>92,892</u>	<u>1,257,825</u>
Year ended 31 March 2022						
Cost or valuation						
At 1 April 2021	815,448	57,453	30,503	8,021	216,852	1,128,277
Revaluation gain	<u>163,066</u>	-	-	-	-	<u>163,066</u>
At 31 March 2022	<u>978,514</u>	<u>57,453</u>	<u>30,503</u>	<u>8,021</u>	<u>216,852</u>	<u>1,291,343</u>
Accumulated depreciation						
At 1 April 2021	-	-	-	7,908	117,288	125,196
Charge for the year	-	<u>2,875</u>	<u>6,099</u>	<u>66</u>	<u>3,336</u>	<u>12,376</u>
At 31 March 2022	<u>-</u>	<u>2,875</u>	<u>6,099</u>	<u>7,974</u>	<u>120,624</u>	<u>137,572</u>
Carrying amount						
At 31 March 2022	<u>978,514</u>	<u>54,578</u>	<u>24,404</u>	<u>47</u>	<u>96,228</u>	<u>1,153,771</u>
Cost or valuation						
Carrying amount (cost basis)						
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>
At 31 March 2022	<u>11</u>	<u>-</u>	<u>-</u>	<u>47</u>	<u>96,228</u>	<u>96,286</u>

EAAGADS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2023

14. (a) PROPERTY, PLANT AND EQUIPMENT (continued)

Freehold land was last revalued by C B Richard Ellis (CBRE) as at 31 December 2022 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 1,089,998,000 and KShs 53,453,000 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

Cost or valuation	Land and buildings KShs'000	Plant and Machinery KShs'000	Total KShs '000
Year 2023			
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>1,144,972</u>	<u>18,305</u>	<u>1,163,277</u>
Year 2022			
At 1 April 2021	872,901	30,503	903,404
Revaluation adjustment	<u>163,066</u>	<u>-</u>	<u>163,066</u>
At 31 March 2022	<u>1,035,967</u>	<u>30,503</u>	<u>1,066,470</u>
Accumulated depreciation	<u>(2,875)</u>	<u>(6,099)</u>	<u>(8,974)</u>
At 31 March 2022	<u>1,033,092</u>	<u>24,404</u>	<u>1,057,496</u>

EAAGADS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2023

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 international accounting standards (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

	Coffee	Forestry	Total
	KShs'000	KShs'000	KShs'000
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	<u>114,049</u>	<u>640</u>	<u>114,689</u>
At 1 April 2021	90,020	694	90,714
Decrease due to value of coffee harvested	(105,826)	-	(105,826)
Increase in value due to growth	105,826	-	105,826
Gain/(loss) arising from changes in fair value	<u>9,703</u>	<u>(18)</u>	<u>9,685</u>
At 31 March 2022	<u>99,723</u>	<u>676</u>	<u>100,399</u>

The company biological asset consists 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

EAAGADS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2023

15.BIOLOGICAL ASSETS (continued)

Valuation process

The company has a team within the agronomy department that performs the valuation of biological assets. When considering the appropriate market 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.

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 10 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\$ 4,454 (2022: US\$ 5,960) 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 132.33 (2022: KShs 114.95) 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 10.8% (2021: 9.753%) for coffee berries, and to the shilling cash flows was 12.5% (2022: 12.76%) 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 2023 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	
		2023	2022
		KShs	KShs
Average annual yield	+/- 5 %	5,926,892	4,986,190
Average cost to sale	+/- 5 %	(315,227)	(246,814)
Coffee market prices	+/- 5 %	5,926,892	4,986,190

EAAGADS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2023

BIOLOGICAL ASSETS (continued)

Eaagads Limited has no encumbrances on its parcels of land. There is no title restriction on any carrying amounts of the biological assets. The 2023/2024 budget allocation for the management of biological assets to maintain the current state of coffee bushes is KShs 79.3 million (pruning- KShs 14.5 million, weed control – KShs 6.0 million, fertilizers and soil improvements – KShs 32.7 million, field irrigation- KShs 8.6 million, pests and disease control – KShs 14.7 million, infilling, mulching and shade planting and maintenance -KShs 2.8 million).

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

	2023	2022
	KShs'000	KShs'000
Cost		
At the beginning	<u>214</u>	<u>214</u>
At 31 March	<u>214</u>	<u>214</u>
Amortisation		
At the beginning of the year	-	-
Charge for the year	<u>1</u>	-
At 31 March	1	-
Net carrying amount	<u>213</u>	<u>214</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 2022 by CBRE, independent external property valuers. The land is valued at approximately KShs 8.4 billion (2022: KShs 6.82 billion).

EAAGADS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2023

17. INVENTORIES

	2023	2022
	KShs'000	KShs'000
Coffee stock	779	1,704
Consumables	<u>5,042</u>	<u>5,647</u>
	<u>5,821</u>	<u>7,351</u>

18 TRADE AND OTHER RECEIVABLES

Trade receivables	64	64
Less: provision for impairment losses	<u>(64)</u>	<u>(64)</u>
	-	-
Other receivables	<u>2,187</u>	<u>1,634</u>
	<u>2,187</u>	<u>1,634</u>
VAT claim filed	<u>9,550</u>	<u>13,225</u>
	<u>19,907</u>	<u>8,478</u>
	<u>29,457</u>	<u>21,703</u>
	<u>31,644</u>	<u>23,337</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 Rendeavour Holding Limited, incorporated and domiciled in Bermuda.

(b) Amounts due from related companies

	2023	2022
	KShs'000	KShs'000
Coffee Management Services Limited	<u>1,267</u>	=

(c) Amounts due to related companies

The amount due to Kofinaf Company Limited as at 31 March 2023 was in respect of payroll costs paid on behalf of the company and other field expenses.

	2023	2022
	KShs'000	KShs'000
Kofinaf Company Limited	<u>19,668</u>	<u>18,734</u>

The following transactions were carried out with related parties:

Kofinaf Company Limited:

Payroll costs	<u>934</u>	<u>3,974</u>
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EAAGADS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2023

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 2023, the company did not have any impairment of receivables relating to amounts owed by related parties (2022: 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

Fees for services as a director

2023
KShs'000

2022
KShs'000

-

-

There were no material contracts involving directors' interests for the year ended 31 March 2023.

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.

Management fees paid to CMS

Management fees (Note 9)

Professional fees for staff seconded

Crop commissions (Note 10)

Coffee marketing commission (Note 10)

Finance costs

2023
KShs'000

2022
KShs'000

2,247

2,047

2,317

1,619

6,227

3,913

4,831

2,944

2,622

2,225

18,244

12,748

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% (2022: interest at 12% and arrangement fee at 1%).

At 1 April

Amount advanced by CMS

Interest cost and arrangement fees cost

Repayments during the year

Principal

Interest

At 31 March

2023
KShs'000

2022
KShs'000

3,144

-

119,715

172,214

2,622

2,225

(122,859)

(169,070)

(2,622)

(2,225)

3,144

EAAGADS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2023

20. SHARE CAPITAL

	2022	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-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 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>7,517</u>
	<u>83,688</u>	<u>382</u>	<u>114,361</u>	<u>198,431</u>

EAAGADS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2023

23. DEFERRED TAX (CONTINUED)

The company had accumulated tax losses of KShs'000 11,999 as at 31 March 2023 (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-21	Profit or loss	Other comprehensive income	31-Mar-22
	KShs'000	KShs'000	KShs'000	KShs'000
Deferred tax liabilities:				
Property, plant and equipment	(418)	31	-	(387)
Fair value gains on biological assets	27,214	2,906	-	30,120
Unrealized exchange gains	(470)	48	-	(422)
Provision for long service awards	(120)	(1)	-	(121)
Leave provision	(186)	26	-	(160)
General provision for expected credit losses	(19)	-	-	(19)
Staff gratuity	(3,736)	(191)	(496)	(4,423)
Deferred tax on revaluation surplus on land	40,774	-	8,151	48,925
Deferred tax on revaluation surplus on plant and machinery and buildings	<u>12,834</u>	<u>(2,659)</u>	<u>-</u>	<u>10,175</u>
	<u>75,873</u>	<u>160</u>	<u>7,655</u>	<u>83,688</u>

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 2017 and 2018. 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 2022.

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:

EAAGADS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2023

24. RETIREMENT BENEFITS OBLIGATIONS - SERVICE GRATUITY (continues)

	2023	2022
	KShs'000	KShs'000
Opening employee benefit obligation	<u>14,750</u>	<u>12,450</u>
Current service cost	727	615
Interest cost	1,889	1,446
Past service cost	<u>139</u>	-
	2,755	2,061
Actuarial loss	719	1,653
Benefits and expenses paid	-	(1,414)
Closing employee benefit obligation	<u>18,224</u>	<u>14,750</u>
Categorised as:		
Current portion	3,115	1,525
Non-current portion	<u>15,109</u>	<u>13,225</u>
	<u>18,224</u>	<u>14,750</u>

*The entity reclassified the remeasurement on the defined benefit plan losses of Khs 719,000 (2022: Kshs 1,653,000) under comprehensive income as per International Financial Reporting Standards. This item will not be reclassified subsequently to profit or loss and have no impact on the retained earnings for prior years.

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

	2023	2022
	%	%
- Discount rate (% p.a.)	13.75%	12.50%
- Future salary increases (% p.a.)	11.75%	10.50%
- Mortality assumptions	KE 2001-2003	KE 2001-2003
-Weighted average duration of post-employment benefit obligations	7.3 years	7.3 years

EAAGADS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2023

24. RETIREMENT BENEFITS OBLIGATIONS - SERVICE GRATUITY (continues)

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 by 1%	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	=	=	=	=	=
Closing employee benefit obligation	<u>17,246</u>	<u>19,302</u>	<u>19,302</u>	<u>17,230</u>	<u>18,227</u>

A quantitative sensitivity analysis for significant assumptions as at 31 March 2022 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 by 1%	Demographic assumptions increased by 10%
Discount rate	13.50%	12.50%	11.50%	12.50%	12.50%
Salary increase	10.50%	11.50%	10.50%	9.50%	10.50%
Demographic assumptions	No change	No change	No change	No change	Increase by 10%
Opening employee benefit obligation	12,450	12,450	12,450	12,450	12,450
Net expense recognised in profit or loss	2,061	2,061	2,061	2,061	2,061
Net expense recognised in other comprehensive income	1,653	764	2,643	2,638	1,675
Benefits and expenses paid	(1,414)	(1,414)	(1,414)	(1,414)	(1,414)
Closing employee benefit obligation	<u>14,750</u>	<u>13,861</u>	<u>15,740</u>	<u>15,735</u>	<u>14,772</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2023

24. RETIREMENT BENEFITS OBLIGATIONS - SERVICE GRATUITY (continues)

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 13.75% pa. This rate is the interpolated rate of the 7-year and 8-year Treasury bond issued by the Central Bank of Kenya as listed on the Nairobi Securities Exchange as at 31 March 2023.

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 10.50% p.a. has been determined as mutually compatible rate taking into account the likely future economic scenarios of the country.

25. LONG SERVICE AWARDS

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

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FOR THE YEAR ENDED 31 MARCH 2023

26. TRADE AND OTHER PAYABLES

	2023	2022
	KShs'000	KShs'000
Trade payables	1,947	102
Other payables	2,265	1,686
Leave provision	89	535
	<u>4,301</u>	<u>2,323</u>

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

27. CASH AND CASH EQUIVALENTS

Cash at bank	8,241	9,458
Cash on hand	321	219
	<u>8,562</u>	<u>9,677</u>

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-23			
Freehold land	-	-	1,089,998
Buildings	-	-	54,974
Plant and machinery	-	-	18,305
Biological assets	-	-	<u>114,689</u>
31-Mar-22			
Freehold land	-	-	978,514
Buildings	-	-	54,578
Plant and machinery	-	-	24,404
Biological assets	-	-	<u>100,399</u>

28. FAIR VALUE OF ASSETS AND LIABILITIES (continues)

(b) Fair value hierarchy (continued)

The Freehold land was last revalued by C B Richard Ellis (CBRE), independent external property valuers at 31 December 2022 using the comparable sales method. From the Directors assessment, the value of the land would not be significantly different from 31 December 2022 valuation had the property been inspected as at 31 March 2023.

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 2023 and 31 March 2022.

31. COMMITMENTS

There was no capital expenditure contracted for as at 31 March 2023 and 31 March 2022.

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.



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