

McLeod Russel Uganda Limited

Annual report and financial statements
for the year ended 31 December 2022

McLeod Russel Uganda Limited

Annual report and financial statements for the year ended 31 December 2022

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McLeod Russel Uganda Limited

Annual report and financial statements for the year ended 31 December 2022

Corporate Information

NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES

Growing, processing and marketing tea

REGISTERED OFFICE

Mwenge Central Offices
Mwenge Estate,
Kyarusozi, Kyenjojo District
PO Box 371
Fort Portal, Uganda

LEAD BANKERS

Absa Bank Uganda Limited
Plot 2/4, Hannington Road
PO Box 7101
Kampala, Uganda

Stanbic Bank Uganda Limited
17 Hannington Road
PO Box 7131
Kampala, Uganda

COMPANY SECRETARY

Katende, Ssempebwa & Company Advocates
Radiant House
Plot 20, Kampala Road
PO Box 2344
Kampala, Uganda

INDEPENDENT AUDITOR

Grant Thornton
Certified Public Accountants
Lugogo One, 3rd Floor
Plot 23, Lugogo Bypass
PO Box 7158
Kampala, Uganda

PARENT COMPANY

Borelli Tea Holdings Limited incorporated in the United Kingdom

ULTIMATE PARENT COMPANY

McLeod Russel India Limited incorporated in India

TAX IDENTIFICATION NUMBER

1000029298

McLeod Russel Uganda Limited

Annual report and financial statements for the year ended 31 December 2022

Directors' Report

The directors submit their report together with the audited financial statements for the year ended 31 December 2022, which disclose the state of affairs of McLeod Russel Uganda Limited ("the Company").

McLeod Russel Uganda Limited is a subsidiary of Borelli Tea Holdings Limited, incorporated in the United Kingdom. The Company's ultimate parent Company is McLeod Russel India Limited.

PRINCIPAL ACTIVITIES

The principal activities of the Company continue to be growing, processing and marketing tea. There have been no material changes to the nature of the Company's business from the prior year.

RESULTS

The financial statements have been prepared on going concern basis in accordance with International Financial Reporting Standards and in a manner required by the Companies Act, 2012. The accounting policies have been applied consistently to all the periods presented in the accompanying financial statements.

The Company's total comprehensive income / (loss) for the year ended 31 December 2022 is US\$ 6,560 million (2021: US\$ (2,467) million) has been added to/(reduced from) the retained earnings.

During the year 31 December 2022, the Company produced and sold made tea of 20,236 tonnes (2021: 20,796 tonnes). The average selling price of made tea sold in 2022 is US Dollar 1.31 per kg (2021: US Dollar 1.13 per kg).

Full details of the financial position, results of operations and cash flows of the Company are set out in the accompanying financial statements.

BUSINESS OUTLOOK

In 2022, Russia – Ukraine war has impacted negatively on fuel and Fertilizer pricing. The war has also negatively affected the tea prices in Mombasa. Till May 2022 the Company sales price averaged to USD 1.25 per kg but latter on the prices improved till October 2022. The year closed with serious issues in USD availability for tea buying countries like Egypt and Pakistan which has resulted in reduction in tea prices during those months. The year ended with an average realisation of USD 1.31 per kg. The impact of COVID-19 pandemic had reduced during the year but Ebola fear affected some part of the country during the year. The Company continued its various measures to ensure safety and health of all our employees and to comply with various directives issued by the World Health Organisation, Government of Uganda and Ministry of Health from time to time.

SHARE CAPITAL

	2022		2021	
Authorised	Number of shares			
Ordinary shares of US\$ 5,000 each			8,400,000	8,400,000
Issued and paid - up	2022	2021	2022	2021
	US\$ '000	US\$ '000	Number of shares	Number of shares
Ordinary shares of US\$ 5,000 each	4,630,540	4,630,540	926,108	926,108

DIVIDENDS

The Board has not recommended the declaration of dividends for the year (2021: nil).

McLeod Russel Uganda Limited

Annual report and financial statements for the year ended 31 December 2022

Directors' Report (Continued)

DIRECTORATE

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

Director	Designation	Nationality
A Khaitan	Non-Executive Director	Indian
A Monem	Non-Executive Director	Indian
D Sen	Non-Executive Director	British
Sim Katende	Non-Executive Director	Ugandan
P. Bhar	Non-Executive Director	Indian

DIRECTORS' INTERESTS

The following directors have held a direct interest in the Company's ordinary issued share capital as reflected in the table below:

Director	2022		2021	
	Number of shares	Shareholding UShs 'ooo'	Number of shares	Shareholding UShs 'ooo'
D Sen	1	5	1	5

The director hold share non beneficiary on behalf of the parent Company.

EVENTS AFTER THE REPORTING PERIOD

We are not aware of any events after the reporting period which may have a significant impact on the operational existence or on the financial performance of the Company for the year.

INDEPENDENT AUDITOR

Grant Thornton Certified Public Accountants have expressed their willingness to continue as auditor of the Company in accordance with section 167 (2) of the Companies Act, 2012.

SECRETARY

The Company secretary is Katende, Ssempebwa & Company Advocates, whose registered office is at PO Box 2344, Kampala, Uganda.

The financial statements set out on pages 9 to 40 which have been approved by the Board of directors on April 24, 2023

KATENDE, SSEMPPEBWA & COMPANY
Advocates, Solicitors &
Legal Consultants
By order of the Board
P.O. Box 2344, Kampala - Uganda
Katende, Ssempebwa & Company Advocates
Company Secretary
P.O. Box 2344, Kampala - Uganda
Phone: 256-41-241478, 233908
Fax: 256-41-257544
Kampala, Uganda

McLeod Russel Uganda Limited

Annual report and financial statements for the year ended 31 December 2022

Statement of Directors' Responsibilities

The directors are required in terms of the Companies Act, 2012 to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the Company as at the end of the financial year and the results of its operations and cash flows for the year then ended, in conformity with International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act, 2012.

The financial statements are prepared in accordance with IFRSs and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

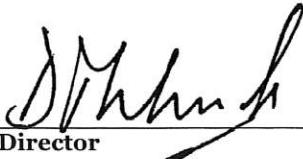
The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Company and all employees are required to maintain the highest ethical standards in ensuring the Company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Company is on identifying, assessing, managing and monitoring all known forms of risk across the Company. While operating risk cannot be fully eliminated, the Company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Company has not fulfilled some of the loan covenants due to decline in sales price which has affected the tea industry in East Africa. Management is confident that the breach will not result in to the banks recalling the facilities as the Company is able to meet their obligations as they fall due.

Nothing has come to the attention of the directors to indicate that the Company will not remain a going concern for at least next twelve months from the date of this statement.

The auditors were given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders and Board of directors. The directors believe that all representations made to the independent auditors during their audit are valid and appropriate.

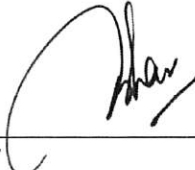
The financial statements set out on pages 9 to 40, which have been prepared on the going concern basis, were approved by the Board of directors on April 24, 2023 and were signed on its behalf by:



Director

Date: April 24, 2023

Place: _____



Director

Date: April 24, 2023

Place: _____

Independent Auditor's Report**To the Members of McLeod Russel Uganda Limited****Report on the audit of the financial statements****Opinion**

We have audited the accompanying financial statements of McLeod Russel Uganda Limited ("the Company"), as set out on pages 9 to 40, which comprise the statement of financial position as at 31 December 2022, 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 accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act, 2012.

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 Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("the IESBA Code") together with the ethical requirements that are relevant to our audit of financial statements in Uganda, 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.

Material uncertainty related to going concern

Without qualifying our opinion, we draw attention to note 21 of the financial statements which indicates that the Company is in breach of certain bank covenants in relation to facilities taken from creditor banks. These events or conditions, indicate that a material uncertainty exists that may cast doubt on the Company's ability to continue as going concern. The continuation of the Company's operation as going concern depends upon future profitable operation, its ability to generate sufficient cash flows to meet its obligations as they fall due.

Other information

The directors are responsible for the other information.

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.

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, 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 IFRSs and the requirements of the Companies Act, 2012, 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.

Independent Auditor's Report

Responsibilities of the Directors for the financial statements (continued)

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.

The directors are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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 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.

Report on other legal and regulatory requirements

The Companies Act, 2012 requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

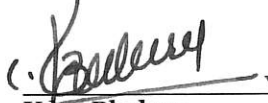
- we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
- in our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books; and

Independent Auditor's Report

Report on other legal and regulatory requirements (continued)

- the statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account.

The engagement partner on the audit resulting in this independent auditor's report is CPA Uday Bhalara - PO474.



Uday Bhalara
PO474



Grant Thornton
Certified Public Accountants

April 24, 2023
Kampala, Uganda

McLeod Russel Uganda Limited

Annual report and financial statements for the year ended 31 December 2022

Statement of Profit or Loss and Other Comprehensive Income

		2022	2021
	Note	UShs '000	UShs '000
Revenue	5	97,876,360	84,762,094
Cost of sales	6	(75,017,033)	(75,371,981)
Gross profit		22,859,327	9,390,113
Other income	7	664,380	177,161
Finance income	8	2,554,533	3,526,516
Finance costs	8	(6,632,756)	(4,613,213)
Distribution costs	9	(7,847,123)	(7,882,948)
Administrative expenses	10	(3,962,248)	(3,936,713)
Gain arising from changes in fair value of unharvested green leaf	14	153,595	89,495
Gain on fair valuation of derivative financial instruments	18	2,026,485	-
Profit / (Loss) before income tax		9,816,193	(3,249,589)
Taxation	12	(3,021,468)	920,458
Profit / (Loss) for the year		6,794,725	(2,329,131)
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Re - measurements of retirement benefits obligation (net of tax)	23	(235,221)	(138,796)
Total comprehensive income / (loss) for the year		6,559,504	(2,467,927)

The notes on pages 13 to 40 are an integral part of these financial statements.

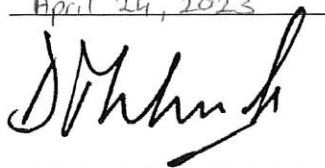
McLeod Russel Uganda Limited

Annual report and financial statements for the year ended 31 December 2022


Statement of Financial Position

	Note	2022 UShs '000	2021 UShs '000
Assets			
Property, plant and equipment	13	79,567,889	82,992,716
Biological assets	14	688,995	535,400
Financial assets	15	41,169,090	39,777,193
Non - current assets		121,425,974	123,305,309
Current tax receivable	12	6,666,464	6,666,464
Inventories	16	28,290,147	29,152,477
Trade and other receivables	17	11,759,595	9,604,277
Derivative financial instruments	18	2,026,485	-
Cash in hand and at bank	19	353,428	1,491,907
Current assets		49,096,119	46,915,125
Total assets		170,522,093	170,220,434
Equity			
Share capital	20	4,630,540	4,630,540
Retained earnings		74,906,541	68,347,037
Total equity		79,537,081	72,977,577
Term loans	21	32,872,538	57,546,655
Deferred tax liability	22	10,005,522	7,084,863
Retirement benefits obligations	23	3,601,069	3,380,679
Non-current liabilities		46,479,129	68,012,197
Bank overdraft	19	20,528,157	11,219,314
Term loans	21	17,045,047	11,952,494
Trade and other payables	24	6,932,679	6,058,852
Current liabilities		44,505,883	29,230,660
Total equity and liabilities		170,522,093	170,220,434

The financial statements on pages 9 to 40 were approved for issue by the Board of Directors on April 24, 2023 and signed on its behalf by:



Director



Director

The notes on pages 13 to 40 are an integral part of these financial statements.

McLeod Russel Uganda Limited

Annual report and financial statements for the year ended 31 December 2022

Statement of Changes in Equity

	Note	Share capital UShs'000	Retained earnings UShs'000	Total equity UShs'000
Year ended 31 December 2021				
At start of year		4,630,540	70,814,964	75,445,504
Comprehensive income				
Loss for the year		-	(2,329,131)	(2,329,131)
Re-measurements of retirement benefit obligation (net of tax)	23	-	(138,796)	(138,796)
Total comprehensive income		-	(2,467,927)	(2,467,927)
At end of year		4,630,540	68,347,037	72,977,577
Year ended 31 December 2022				
At start of year		4,630,540	68,347,037	72,977,577
Comprehensive income				
Profit for the year		-	6,794,725	6,794,725
Re-measurements of retirement benefit obligation (net of tax)	23	-	(235,221)	(235,221)
Total comprehensive income		-	6,559,504	6,559,504
At end of year		4,630,540	74,906,541	79,537,081

The notes on pages 13 to 40 are an integral part of these financial statements.

McLeod Russel Uganda Limited

Annual report and financial statements for the year ended 31 December 2022

Statement of Cash Flows

	Note	2022 UShs'000	2021 UShs'000
Profit/(Loss) before income tax		9,816,193	(3,249,589)
Adjustments for:			
Interest income	8	(2,554,533)	(2,989,979)
Interest expense	8	5,949,105	4,325,487
Depreciation on property, plant, and equipment	13	5,497,555	6,015,420
Loss on disposal of property, plant, and equipment		10,837	136,298
Increase in value of biological assets	14	(153,596)	(89,495)
Fair value gain on derivative financial instruments	18	(2,026,485)	-
Movement in retirement benefit obligations	23	220,390	(210,525)
Re-measurements of retirement benefits obligation	23	(336,030)	(198,280)
Provision for obsolete stock	15	256,941	(31,618)
Changes in working capital:			
- Trade and other receivables	17	1,081,425	9,661,504
- Inventories	16	605,389	(1,529,024)
- Trade and other payables	24	873,827	115,676
Cash generated from operating activities		19,241,018	11,955,875
Interest paid	8	(3,656,081)	(4,138,257)
Income tax paid	12	-	(11,519)
Net cash generated from operating activities		15,584,937	7,806,099
Cash flows from investing activities			
Addition to property, plant, equipment	13	(2,094,631)	(2,487,133)
Proceeds from disposal of property, plant and equipment	10	11,066	70,893
Net loan given		(2,082,178)	2,888,008
Interest received		8,072	10,216
Net cash (used in)/ generated from investing activities		(4,157,671)	481,984
Cash flows from financing activities			
Net movements in term loans		(21,874,588)	2,972,123
Net cash (used in)/ generated from financing activities		(21,874,588)	2,972,123
Net changes in cash and cash equivalents		(10,447,322)	11,260,206
Cash and cash equivalent at the start of the year	19	(9,727,407)	(20,987,613)
Cash and cash equivalent at the end of the year	19	(20,174,729)	(9,727,407)

The notes on pages 13 to 40 are an integral part of these financial statements.

McLeod Russel Uganda Limited

Annual report and financial statements for the year ended 31 December 2022

Notes to the financial statements

1 Corporate information

McLeod Russel Uganda Limited (“the Company”) is a private limited Company incorporated and domiciled in Uganda under the Companies Act, 2012. The Company was incorporated on November 23, 1993.

The Company is principally engaged in growing, processing and marketing of made tea. The Company has six estates all situated in Western Uganda.

The registered office of the Company is at:
Kyarusozi, Kyenjojo District
PO Box 371
Fort Portal, Uganda.

2 Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently throughout the current year and in all periods presented, unless otherwise stated.

(a) Basis of preparation

The financial statements have been prepared on the going concern basis in accordance with International Financial Reporting Standards (“IFRSs”), in the manner required by the Companies Act, 2012.

The measurement basis applied is the historical cost basis, except for biological assets and financial instruments that are measured at fair values at the end of each reporting period, as stated in the accounting policies below. The financial statements are presented in Uganda Shillings (“UShs”), which is the Company’s functional currency. All financial information has been rounded to the nearest thousand, unless otherwise indicated.

(b) Critical accounting judgements and key sources of estimation uncertainty

In applying the Company’s accounting policies, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. These estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

McLeod Russel Uganda Limited

Annual report and financial statements for the year ended 31 December 2022
Notes to the financial statements

2 Significant accounting policies (continued)

(b) Critical accounting judgements and key sources of estimation uncertainty (continued)

Critical accounting judgments in applying the Company's accounting policies

There were no critical judgements, apart from those involving estimations (which are presented separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Key sources of estimation and uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Fair value measurements

Some assets and liabilities of the Company are measured at fair value for financial reporting purposes.

In estimating the fair value of an asset or a liability, the Company uses market-observable data to the extent it is available. Where level 1 inputs are not available, the Company engages third party qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

Useful lives of property, plant and equipment

Management reviews the appropriateness of the useful lives and residual values of property, plant and equipment at the end of each reporting period.

When the estimated useful life or residual value of an asset differs from the previous estimates, the change is applied prospectively in determination of the depreciation charge.

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Company recognizes the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the Company to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the end of the reporting period could be impacted.

Provisions

Provisions are inherently based on assumptions and estimates using the best information available. Management makes estimates for the provisions, based on the historical data available and reassesses them at the end of every reporting period.

McLeod Russel Uganda Limited

Annual report and financial statements for the year ended 31 December 2022
Notes to the financial statements

2 Significant accounting policies (continued)

(b) Critical accounting judgements and key sources of estimation uncertainty (continued)

Key sources of estimation and uncertainty (continued)

Discount rate used to determine the carrying amount of the retirement benefit obligations

The determination of the Company's retirement benefit obligations depends on certain assumptions, which include selection of the discount rate. The discount rate is set by reference to market yields at the end of the reporting period on government bonds.

Significant assumptions are required to be made when setting the criteria for bonds to be included in the population from which the yield curve is derived. These assumptions are considered to be a key source of estimation uncertainty as relatively small changes in the assumptions used may have a significant effect on the Company's financial statements within the next year.

Further information on the carrying amounts of the Company's retirement benefit obligations and the sensitivity of those amounts to changes in discount rate are provided in note 23.

Classification of land

The Company is party to leasing arrangements as a lessee. The treatment of leasing transactions in the financial statements is mainly determined by whether the contract contains the lease and whether the Company is reasonably certain that it will exercise extension options present in lease contract. In making this assessment, management considers the substance as well as the legal form of the lease contract and makes a judgement about whether substantially all of the risks and rewards of ownership are transferred.

As per Land Act 1998 in Uganda, a foreign Company cannot purchase land in the country and hence the Company gets lease title for all land. Land that are held under long term lease are accounted for as the purchase of the land by applying IAS 16 property, plant, and equipment. In forming this judgment, the director assume that the Company will be able to renew lease with nominal amount at each lease expiry date. Eventually, this represents that a major part of the economic life of the land is transferred to the Company and the control of the land remains is with the Company though the legal title of the land is not with the Company.

(c) Revenue

The Company recognises revenue from the sale of made tea.

To determine whether to recognise revenue, the Company follows a 5-step process:

- Identifying a contract with the customer
- Identifying performance obligations
- Determining the transaction price
- Allocating the transaction price to the performance obligations
- Recognising revenue when/ as performance obligation(s) are satisfied.

Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. Revenue from the sale of made tea is recognised when the Company transfers control of the products to the customer. Invoices for goods or services transferred are due upon receipt by the customer.

McLeod Russel Uganda Limited

Annual report and financial statements for the year ended 31 December 2022

Notes to the financial statements

2 Significant accounting policies (continued)

(d) Translation of foreign currencies

Transactions in currencies other than the entity's functional currency (foreign currencies) during the period are recognized at rates of exchange prevailing on transaction dates.

At the end of the reporting period:

- monetary items that are denominated in foreign currencies are retranslated at the rates prevailing at that date;
- non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated; and
- non-monetary items carried at fair value that are denominated in foreign currencies are translated at rates prevailing at the date when the fair value was determined.

The resulting differences from conversion and translation are dealt with in the profit or loss in the period in which they arise.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognized in profit or loss in the period in which they arise.

(e) Employee benefits

Defined contribution plans

The Company pays fixed contributions into National Social Security Fund for individual employees. The Company has no legal or constructive obligations to pay contributions in addition to its fixed contributions, which are recognized as an expense in the period that related employee services are received.

Short term benefits

A liability is recognized for benefits accruing to employees in respect of wages, salaries and annual leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Defined benefit plans

For defined benefit plans, the cost of providing the benefits is determined using the Projected Unit Credit Method with actuarial valuations being carried out at the end of each annual reporting period. Re-measurements comprising actuarial gains and losses are recognized immediately in the statement of financial position with a charge or credit to other comprehensive income in the period in which they occur. Re-measurements recognized in other comprehensive income are not reclassified.

Past service costs are recognized in profit or loss when the plan amendment or curtailment occur.

The Company recognizes service costs and interest expense within profit or loss.

McLeod Russel Uganda Limited

Annual report and financial statements for the year ended 31 December 2022

Notes to the financial statements

2 Significant accounting policies (continued)

(f) Property, plant and equipment

An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the Company, and the cost of the item can be measured reliably.

Property, plant, and equipment is subsequently stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the Company. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

Depreciation on assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Nature of asset	Useful life
Buildings	50 years
Bearer plant – tea bushes	50 years
Bearer plant – forests	20 to 33 years
Plant and machinery	5 to 20 years
Vehicles and equipments	3 to 5 years

Land is not depreciated.

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

(g) Inventories

Inventories are measured at the lower of cost or net realizable value, with appropriate provision for old and slow-moving items.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

McLeod Russel Uganda Limited

Annual report and financial statements for the year ended 31 December 2022

Notes to the financial statements

2 Significant accounting policies (continued)

(h) Tax

Current tax assets and liabilities

The tax expense for the period comprises current and deferred income tax.

Tax is recognized in profit or loss, except to the extent that it relates to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are recognized in other comprehensive income or directly in equity respectively.

Current tax is calculated based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting date.

A provision is recognized for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

Deferred tax assets and liabilities

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

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

(i) Biological assets

Biological assets are measured on initial recognition and at each reporting date at fair value less costs to sell. Costs to sell include harvest and transport costs of green leaf to the factory.

Any gains arising on initial recognition of biological assets and from subsequent changes in fair value less costs to sell are recognised in profit or loss in the year in which they arise.

All costs of upkeep and maintenance of biological assets are recognised in profit or loss under cost of sales in the year in which they are incurred.

McLeod Russel Uganda Limited

Annual report and financial statements for the year ended 31 December 2022

Notes to the financial statements

2 Significant accounting policies (continued)

(j) Dividends

Dividends on ordinary shares are charged to equity in the year in which they are declared. Proposed dividends are shown as a separate component of equity until declared.

(k) Share capital

Ordinary shares and preference shares are classified as 'share capital' in equity. Any premium received over and above the par value of the shares is classified as 'share premium' in equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as deduction from the proceeds.

If the Company cancels its own equity instruments, the consideration paid, including any directly attributable incremental costs (net of income taxes) on those instruments are deducted from equity until the shares are cancelled. No gain or loss is recognized in profit or loss on the cancellation of the Company's own equity instruments. Consideration paid shall be recognized directly in equity.

(l) Financial assets and liabilities

Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount. Trade receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price.

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Company recognises the difference between the transaction price and fair value in net trading income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

Measurement categories of financial assets and liabilities

The Company classifies all its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost
- Fair value through other comprehensive income (FVOCI)
- Fair value through profit or loss (FVTPL)

McLeod Russel Uganda Limited

Annual report and financial statements for the year ended 31 December 2022

Notes to the financial statements

2 Significant accounting policies (continued)

(m) Financial assets and liabilities (continued)

Determination of fair value

In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques, as summarised below:

Level 1 financial instruments - Those where the inputs used in the valuation are unadjusted quoted prices from active markets for identical assets or liabilities that the Company has access to at the measurement date. The Company considers markets as active only if there are enough trading activities with regards to the volume and liquidity of the identical assets or liabilities and when there are binding and exercisable price quotes available on the reporting date.

Level 2 financial instruments - Those where the inputs that are used for valuation and are significant, are derived from directly or indirectly observable market data available over the entire period of the instrument's life. Such inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical instruments in inactive markets and observable inputs other than quoted prices such as interest rates and yield curves, implied volatilities, and credit spreads. In addition, adjustments may be required for the condition or location of the asset or the extent to which it relates to items that are comparable to the valued instrument. However, if such adjustments are based on unobservable inputs which are significant to the entire measurement, the Company will classify the instruments as Level 3.

Level 3 financial instruments - Those that include one or more unobservable input that is significant to the measurement as whole.

The Company periodically reviews its valuation techniques including the adopted methodologies and model calibrations. However, the base models may not fully capture all factors relevant to the valuation of the Company's financial instruments such as credit risk, own credit and/or funding costs. Therefore, the Company applies various techniques to estimate the credit risk associated with its financial instruments measured at fair value, which include a portfolio-based approach that estimates the expected net exposure per counterparty over the full lifetime of the individual assets, in order to reflect the credit risk of the individual counterparties for non-collateralized financial instruments. The Company estimates the value of its own credit from market observable data, such as secondary prices for its traded debt and the credit spread on credit default swaps and traded debts on itself. The Company evaluates the levelling at each reporting period on an instrument-by-instrument basis and reclassifies instruments, when necessary, based on the facts at the end of the reporting period.

Receivables and financial investments

The Company measures receivables and other financial investments at amortised cost only 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
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below:

Business model assessment

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective:

- The risks that affect the performance of the business model (and the financial assets held within that business model) and the way those risks are managed
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)

McLeod Russel Uganda Limited

Annual report and financial statements for the year ended 31 December 2022

Notes to the financial statements

2 Significant accounting policies (continued)

(m) Financial assets and liabilities (continued)

Business model assessment (continued)

- The expected frequency, value and timing of sales are also important aspects of the Company's assessment. The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI test

As a second step of its classification process, the Company assesses the contractual terms of the financial asset to identify whether they meet the SPPI test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set. In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

Reclassification of financial assets and liabilities

The Company does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Company acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Company also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Company has transferred the financial asset if, and only if, either:

- It has transferred its contractual rights to receive cash flows from the financial asset; or
- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement

Pass-through arrangements are transactions whereby the Company retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The Company has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates

McLeod Russel Uganda Limited

Annual report and financial statements for the year ended 31 December 2022

Notes to the financial statements

2 Significant accounting policies (continued)

(m) Financial assets and liabilities (continued)

Derecognition of financial assets and liabilities (continued)

In addition, the Company is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents, including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either:

- The Company has transferred substantially all the risks and rewards of the asset; or
- The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

The Company considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and can exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Company has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Company's continuing involvement, in which 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 the Company could be required to pay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Company would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Financial liabilities

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

Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognised expected credit losses – the expected credit loss (ECL) model. Instruments within the scope of the requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI that are not measured at fair value through profit or loss.

McLeod Russel Uganda Limited

Annual report and financial statements for the year ended 31 December 2022

2 Significant accounting policies (continued)

(m) Financial assets and liabilities (continued)

Impairment of financial assets (continued)

The Company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

For financial assets for which the Company has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

Derivative financial instruments and hedge accounting

Derivative financial instruments are accounted for at Fair Value Through Profit or Loss (FVTPL) except for derivatives designated as hedging instruments in cash flow hedge relationships, which require a specific accounting treatment.

The Company holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

Classification and measurement of financial liabilities

The Company's financial liabilities include borrowings and trade and other payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Company designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains and losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

Recognition and measurement

Derivatives are recognised when the Company becomes a party to the contractual provisions of the instrument. They are measured, at initial recognition and subsequently, at fair value. Transaction costs are recognised in profit or loss

Derecognition

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

McLeod Russel Uganda Limited

Annual report and financial statements for the year ended 31 December 2022

2 Significant accounting policies (continued)

(n) Impairment of non-financial assets

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognized.

McLeod Russel Uganda Limited

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Notes to the financial statements

3 New standards and interpretations

(a) Standards and interpretations effective and adopted in the current year

In the current year, the Company has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Proceeds before intended use (Amendments to IAS 16)

The amendment prohibits an entity from deducting from the cost of property, plant and equipment amounts received from selling items produced while the entity is preparing the asset for its intended use. Instead, an entity will recognise such sales proceeds and related cost in profit or loss.

The effective date of the amendment is for years beginning on or after January 1, 2022.

The impact of the amendment is not material.

Onerous contracts – cost of fulfilling a contract (Amendments to IAS 37)

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The effective date of the amendment is for years beginning on or after January 1, 2022.

The impact of the amendment is not material.

Annual improvements to IFRS Standards 2018-2020 Cycle (Amendments to IFRS 9, IFRS 16 and IAS 41)

IFRS 9 Financial instruments

The improvement clarifies the fees an entity should include when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

Lease incentives

Removes potential for confusion regarding lease incentives.

IAS 41 Agriculture

The improvement removes a requirement to exclude cash flows from taxation when measuring fair value thereby aligning the fair value measurement requirements in IAS 41 with those in other IFRS Standards.

The effective date of the amendment is for years beginning on or after January 1, 2022.

The impact of the amendment is not material.

McLeod Russel Uganda Limited

Annual report and financial statements for the year ended 31 December 2022
Notes to the financial statements

3 New standards and interpretations (continued)

(b) Standards and interpretations not yet effective

The Company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Company's accounting periods beginning on or after 1 January 2023 or later periods.

Standard/ Interpretation	Effective date: Years beginning on or after	Expected impact
▪ Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	1 January 2023	Unlikely there will be a material impact
▪ Amendments to IAS 16 - Property, Plant and Amendments to IFRS 17 Insurance Contracts including the Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)	1 January 2023	Unlikely there will be a material impact
▪ Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Amendment to IFRS 17)	1 January 2023	Unlikely there will be a material impact
▪ Definition of Accounting Estimates (Amendments to IAS 8)	1 January 2023	Unlikely there will be a material impact
▪ Disclosure of Accounting Policies (Amendments to IAS 1 and Practice Statement 2)	1 January 2023	Unlikely there will be a material impact
▪ Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)	1 January 2024	Unlikely there will be a material impact
▪ Annual Improvements to IFRS Standards 2018–2020: <i>Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)</i>	1 January 2024	Unlikely there will be a material impact
▪ Non-current Liabilities with Covenants (Amendments to IAS 1)	1 January 2024	Unlikely there will be a material impact

McLeod Russel Uganda Limited

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Notes to the financial statements

4 Financial risk management objectives and policies

The Company activities expose it to a variety of financial risks: market risk (Including foreign exchange risk and interest rate 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.

The financial risk management is carried out by the finance department under policies approved by the board of Directors.

Market risk

(i) Currency risk

The Company manages its foreign currency exchange exposure by entering into forward contracts with its bankers for sale in US Dollars, being the currency of its revenues from tea sales.

At 31 December 2022, if the currency had weakened/strengthened by 5% against the US dollar with all other variables held constant, post-tax profit for the year and equity would have been US\$ 14,225 thousand (2021: US\$ 456,756 thousand) higher/lower, mainly as a result of US Dollar denominated receivables, trade payables and bank balances.

Particulars	31 December 2022		31 December 2021	
	USD	Equivalent US\$ '000	USD	Equivalent US\$ '000
Foreign currency assets				
Cash in hand and at bank	8,696	32,294	354,683	1,257,102
Trade and other receivables	13,555,895	50,341,580	13,497,104	47,837,785
Total foreign currency assets	13,564,591	50,373,874	13,851,787	49,094,887
Foreign currency liabilities				
Trade and other payables	208,703	775,047,430	199,407	706,759
Term loan	7,940,855	29,489,399	14,491,998	51,363,987
Bank overdraft	5,305,591	19,703,000	2,842,399	10,074,314
Total foreign currency liabilities	13,455,149	49,967,446	17,533,803	62,145,060
Net currency exposure - Liabilities	109,442	406,427	(3,682,017)	(13,050,173)

Exchange rates used for conversion of foreign currency items were:

USD	3,713.63	3,544.30
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(ii) Interest rate risk

The Company's interest rate risk arises from long-term and current borrowings. Borrowings issued at variable rates expose the Company to interest rate risk. The Company regularly monitors financing options available to ensure that optimum interest rates are obtained.

At 31 December 2022, if interest rates on US dollar denominated and Uganda Shilling borrowings had been 2% higher/lower with all other variables held constant, post-tax profit for the year would have been US\$ 620 million and US\$ 255 million (2021: US\$ 748 million and US\$ 102 million) respectively lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

McLeod Russel Uganda Limited

Annual report and financial statements for the year ended 31 December 2022
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4 Financial risk management objectives and policies (continued)

Credit risk

Credit risk arises from cash and cash equivalents, deposits with financial institutions as well as credit exposures to customers, including outstanding receivables and committed transactions. Credit risk is the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company.

Credit risk is managed by the Finance & Accounts department under the directives of Board of Director.

The Company does not have any significant concentrations of credit risk. Most of the tea produced by the Company is sold through Mombasa auction, which is regulated by East Africa Tea Trade Association (a joint regulatory body comprising producers, buyers, brokers and warehouse keepers) and under its rules, the payment for teas sold is received in two weeks from the date of sale. Therefore, the credit risk arising from tea sales is minimal. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets.

No collateral is held in respect of the above assets. All receivables that are neither past due nor impaired are within their approved credit limits, and no receivables have had their terms renegotiated. None of the loans to related parties is past due.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit impaired include observable data about the following events:

- significant financial difficulty of the debtor;
- a breach of contract;
- it is probable that the debtor will enter bankruptcy; and
- the disappearance of an active market for the financial asset because of financial difficulties.

The gross carrying amount of financial assets with exposure to credit risk at the balance sheet date was as follows

Basis for the measurement of loss allowance	Lifetime expected credit losses	
	2022	2021
	UShs' 000	UShs' 000
Trade receivable	2,174,079	1,058,213
Other receivables	7,777,161	6,904,343
Due from related companies	41,067,930	40,366,316
Cash at bank	158,141	1,386,182
Investment in treasury bills	103,017	104,310
Derivative financial instruments	2,026,485	-
	<u>53,306,813</u>	<u>49,819,364</u>

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. 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, the finance department maintains flexibility in funding by maintaining availability under committed credit lines.

Management performs cash flow forecasting and monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet its operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. The Company's approach when managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Company's reputation.

McLeod Russel Uganda Limited

Annual report and financial statements for the year ended 31 December 2022
Notes to the financial statements

4 Financial risk management objectives and policies (continued)

Liquidity risk (continued)

The table below analyses the Company's financial liabilities in relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table below are the contractual cash flows

	Less than 1 year UShs '000'	Between 1 and 2 years UShs '000'	Between 2 and 5 years UShs '000'	Over 5 years UShs '000'
At 31 December 2022				
Term loans	14,433,956	17,914,760	7,693,425	34,620,414
Bank overdraft	20,528,157	-	-	-
Trade and other payables	6,932,679	-	-	-
	41,894,792	17,914,760	7,693,425	34,620,414
At 31 December 2021				
Term loans	23,266,365	13,775,812	21,120,013	38,467,126
Bank overdraft	11,219,314	-	-	-
Trade and other payables	6,058,852	-	-	-
	40,544,531	13,775,812	21,120,013	38,467,126

Capital risk management

The Company's objective 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, issue new shares, or sell assets to reduce debt.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity plus retained earnings. The gearing ratios at 31 December 2022 and 2021 were as follows:

	2021	2021
	UShs '000	UShs '000
Term loans (note 21)	49,917,585	69,499,149
Bank overdraft (note 19)	20,528,157	11,219,314
Less: cash in hand and at bank (note 19)	(353,428)	(1,491,907)
Net debt	70,092,314	79,226,556
Total equity	79,537,081	72,997,577
Gearing ratio	0.88	1.09

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5 Revenue	2022	2021
	UShs '000	UShs '000
Export auction	94,259,964	76,798,898
Export direct sales	3,188,041	7,173,157
Local sales	428,355	790,039
	<u>97,876,360</u>	<u>84,762,094</u>

All sales revenue is derived from the sale of made tea. The quantity of made tea sold during the year was 20,236 tonnes (2021: 20,796 tonnes). The Company derives its revenue from contracts with customers for the transfer of made tea at a point in time.

6 Cost of sale

Purchase of green leaf	16,473,443	18,481,669
Field expenses	4,650,457	5,502,135
Harvesting and collection	3,057,701	2,665,171
Power and fuel	9,514,757	9,133,888
Repair and maintenance	2,847,788	3,347,096
Insurance	306,348	312,071
Employee costs (note 11)	19,736,571	20,080,075
Packing materials	1,222,510	1,265,689
License fee	5,751,933	4,923,724
Depreciation	5,177,876	5,641,122
Changes in inventories of finished goods	1,804,733	(332,437)
Other expenses	4,472,916	4,351,778
	<u>75,017,033</u>	<u>75,371,981</u>

7 Other income

Transmission pole sales	-	24,579
Net foreign exchange gains on items other than borrowings, cash at bank and cash in hand	577,589	-
Others	86,791	152,582
	<u>664,380</u>	<u>177,161</u>

8 Finance (costs)/ income - net

Finance income

Interest income	2,554,533	2,989,979
Net foreign exchange gains on borrowings, cash at bank and in hand	-	536,537
	<u>2,554,533</u>	<u>3,526,516</u>

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8 Finance costs / income - net (continued)	2022	2021
	UShs '000	UShs '000
Finance costs		
Interest expense	5,696,483	4,325,487
Net foreign exchange loss on borrowings, cash at bank and in hand	683,651	-
Other finance charges	252,622	287,726
	<u>6,632,756</u>	<u>4,613,213</u>
9 Distribution cost		
Transport	5,030,243	5,051,820
Storage	1,988,119	2,077,981
Brokerage	699,964	570,778
Others	128,797	182,369
	<u>7,847,123</u>	<u>7,882,948</u>
10 Administrative expenses		
Employee costs (note 11)	2,574,356	2,180,777
Insurance	21,150	27,366
Repair and maintenance	51,357	13,829
Travelling expense	225,190	254,779
Professional fees	132,709	166,127
Auditors' remuneration	208,394	194,127
Other expenses	418,577	508,143
Net foreign exchange loss on items other than borrowings, cash at bank and cash in hand	-	80,969
Depreciation	319,678	374,298
Loss on disposal of property, plant and equipment	10,837	136,298
	<u>3,962,248</u>	<u>3,936,713</u>
11 Employee costs		
Salaries and wages	19,621,672	19,555,344
National Social Security Fund contributions	1,959,002	2,003,152
Gratuity (note 23)	730,253	702,356
	<u>22,310,927</u>	<u>22,260,852</u>
Employee costs are classified under;		
Cost of sales (note 6)	19,736,571	20,080,075
Administrative expenses (note 11)	2,574,356	2,180,777
	<u>22,310,927</u>	<u>22,260,852</u>

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12 Income tax expense	2022	2021
	UShs'000	UShs'000
Current income tax	-	-
Deferred income tax (note 22)		
- Originated and reversal of temporary differences	<u>3,021,468</u>	<u>(920,458)</u>
Income tax expense	<u>3,021,468</u>	<u>(920,458)</u>
Profit/ loss before income tax	9,816,193	(3,249,589)
Tax calculated at the statutory income tax rate of 30%	2,944,858	(974,877)
<i>Tax effects of:</i>		
- Expenses not deductible for tax purposes	<u>76,610</u>	<u>54,419</u>
Income tax expense / (credit)	<u>3,021,468</u>	<u>(920,458)</u>
The movement in current income tax recoverable was as follows:		
At start of the year	6,666,464	6,654,945
Tax paid	<u>-</u>	<u>11,519</u>
At end of year	<u>6,666,464</u>	<u>6,666,464</u>

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13 Property, plant and equipment

	Buildings	Bearer plant - Tea	Bearer plant - Forest	Plant and machinery	Vehicles and equipment	Capital work-in- progress	Right-of- use assets - Field rentals	Right-of- use assets - Land	Total
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Cost									
As 1 January 2021	27,183,998	24,033,624	7,035,236	73,515,021	3,728,435	7,018,400	459,407	2,669,782	145,643,903
Additions	77,678	606,154	615,209	927,242	87,150	41,742	131,958	-	2,487,133
Disposals	(13,924)	-	-	(1,263,275)	(182,593)	-	-	-	(1,459,792)
Transfers	1,543	1,145,342	-	-	-	(1,146,885)	-	-	-
At 31 December 2021	27,249,295	25,785,120	7,650,445	73,178,988	3,632,992	5,913,257	591,365	2,669,782	146,671,244
Additions	344,086	-	548,331	756,177	90,864	355,173	-	-	2,094,631
Disposals	-	-	-	(605,130)	-	-	-	-	(605,130)
Transfers	-	1,237,220	-	-	-	(2,848,852)	-	1,611,632	-
At 31 December 2022	27,593,381	27,022,340	8,198,776	73,330,035	3,723,856	3,419,578	591,365	4,281,414	148,160,745
Accumulated Depreciation									
As 1 January 2021	7,668,737	7,945,969	2,659,600	37,229,261	3,412,142	-	-	-	58,915,709
Charge for the year	535,507	515,702	182,285	4,568,837	213,089	-	-	-	6,015,420
On disposals	(12,097)	-	-	(1,057,912)	(182,592)	-	-	-	(1,252,601)
At 31 December 2021	8,192,147	8,461,671	2,841,885	40,740,186	3,442,639	-	-	-	63,678,528
Charge for the year	537,769	540,447	360,485	3,957,267	101,587	-	-	-	5,497,555
On disposals	-	-	-	(594,293)	-	-	11,066	-	(583,227)
At 31 December 2022	8,729,916	9,002,118	3,202,370	44,103,160	3,544,226	-	11,066	-	68,592,856
Carrying Amount									
At 31 December 2021	19,057,148	17,323,449	4,808,560	32,438,802	190,353	5,913,257	591,365	2,669,782	82,992,716
At 31 December 2022	18,863,465	18,020,222	4,996,406	29,226,875	179,630	3,419,578	580,299	4,281,414	79,567,889

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14 Biological assets	2022	2021
	UShs '000	UShs '000
Valuation of unharvested green leaf at beginning of the year	535,400	445,905
Gain arising from changes in fair value of unharvested green leaf	153,595	89,495
Valuation of unharvested green leaf at end of the year	<u>688,995</u>	<u>535,400</u>

Unharvested green leaf is carried at fair value less costs to sell. The fair value of unharvested green leaf is estimated using the market approach. The fair value hierarchy of unharvested green leaf has been determined as level 3 because majority of the inputs for the valuation are based on the Company's own data.

Significant assumptions made in determining the fair value of unharvested green leaf are as set out below:

- The Company's optimal harvest age is based on experience from previous seasons and the harvesting method applied (i.e. Single Operator Harvester (SOH), Mechanical Tea Harvester (MTH) and Shears).
- There is sufficient actual data immediately following the reporting date to be able to reliably estimate the agricultural produce at the reporting date.
- The green leaf price that the Company pays to its third party out-growers is a reasonable estimate of the price the Company expects for the final product sold in the market (i.e. Made Tea) less processing and other incidental costs. Consequently, the out-grower price has been used to fair value the unharvested green leaf at the reporting date.

15 Financial assets		
Due from related companies (note 27)	35,494,468	34,792,854
Other receivables	7,040,561	6,350,279
Less: Impairment allowance for other receivables	(1,365,939)	(1,365,939)
	<u>41,169,090</u>	<u>39,777,193</u>
16 Inventories		
Finished goods	12,874,371	14,679,106
Consumable stores	16,712,049	15,799,947
	<u>29,586,420</u>	<u>30,479,053</u>
Less: Provision for obsolete stock	(1,592,864)	(1,849,805)
	<u>27,993,556</u>	<u>28,629,248</u>
Goods in transit	-	198,517
Nurseries	296,591	324,712
	<u>28,290,147</u>	<u>29,152,477</u>
17 Trade and other receivables		
Financial assets:		
Trade receivables	2,174,079	1,058,213
Other receivables	736,600	554,064
Due from related companies (note 27)	5,573,462	5,573,462
Treasury bills	103,017	104,310
Less: Impairment allowance for other receivables	(176,489)	(176,489)
	<u>8,410,669</u>	<u>7,113,561</u>

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17 Trade and other receivables (continued)

Non-financial assets	2022	2021
	UShs '000	UShs '000
VAT	1,103,784	474,823
Supplier advances	1,469,224	1,352,656
Employee advances	202,367	146,565
Prepayments	573,551	516,672
	<u>11,759,595</u>	<u>9,604,277</u>

The average credit period on sales of made tea is 15 days and no interest is charged on outstanding trade receivables.

18 Derivative financial instruments

At start of year	-	-
Fair value gain	2,026,485	-
Derivative asset	<u>2,026,485</u>	<u>-</u>

The company has adopted a policy of managing its exchange rate exposure by entering into forward contracts for the sale of US Dollars revenue receipts in exchange of Uganda Shillings at regular intervals throughout the year. The derivative assets at the reporting date is a result of marking to market of the open forward contracts at year end. The gross contractual nominal amount of outstanding forward exchange contract as at 31 December 2022 of UShs 2,026 million.

19 Cash and cash equivalents

Cash in hand	195,287	105,725
Cash at Bank	158,141	1,386,182
Cash and cash equivalents in the statement of financial position	353,428	1,491,907
Bank overdraft	20,528,157	11,219,314
Cash and cash equivalents in the statement of cash flows	<u>(20,174,729)</u>	<u>(9,727,407)</u>

20 Share capital

Issued number of shares	926,108	926,108
Share capital (UShs '000)	<u>4,630,540</u>	<u>4,630,540</u>

The total authorised number of ordinary shares is 8,400,000 with a par value of UShs 5,000 per share. All issued shares are fully paid.

21 Term loans

Non - Current portion

Term loan	32,872,538	57,546,655
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Current Portion

Term loan	14,483,361	11,683,832
Interest accrued on term loan	2,561,686	268,662
	<u>17,045,047</u>	<u>11,952,494</u>

Total	<u>49,917,585</u>	<u>69,499,149</u>
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21 Term loans (continued)

Banks	Absa Bank Uganda Limited	Stanbic Bank Uganda Limited	DFCU Bank Limited (Fully repaid during the year)	UDB Bank Limited
Facility	Term loan and overdraft	Term loan and overdraft	Term loan	Term loan
Limit	Term loan of US\$ 3 million and US\$ 15 million	Term loan of US \$ 2 million	Term loan of US\$ 5 million	Uganda Shillings equivalent of US\$ 5 Million
	Overdraft of US\$ 6 million and Ush 1.2billion	Overdraft of US\$ 2 million		
Purpose	Construction of new factory premises and working capital	New production line at Kiko and working capital	New production line at Mwenge	Facilitate expansion of tea estates and acquire machinery and transport trucks
Rate of interest	Term loans - Base rate plus 1- or 3-months LIBOR Overdrafts - Base rate plus 3 months LIBOR or 91-day T-bill rate	Base rate plus 3 months LIBOR	Bank's prime lending rate less 4.9%	12%
Repayment	Term Loans – Repayable in 5 years Overdraft – Repayable in 1 year	Term loan – Repayable in 4 years Overdraft – Repayable in 1 year	Repayable in 8 years	Repayable in 15 years, including 3 years moratorium
Security	Mortgage over property title LRV 578 folio 24, LRV 1903 Folio 8, LRF 593 Folio 2, LRV 2672 Folio 17 and LRV 515 Folio 20 located at Bugambe, registered in the name of the Company. Mortgage over property title LRV 546 folio 17, LRV 569 folio 13 & 14 at Toro. Legal corporate guarantee of US\$ 25,040,789 from McLeod Russel India Limited.	Legal mortgage over property title LRV 547 Folio 2 at Musizi and debenture charge over all fixed and floating assets of the Company.	Legal mortgage over property title LRV 460 Folio 15, LRV 589 Folio 15 and LRV 503 Folio 21 at Ankole and debenture charge over present and future movable and immovable assets in respect of the above property.	Legal mortgage over property title LRV 599 Folio 12 and untitled agricultural land at Kisaru tea estate and Fixed and floating debenture over current and future movable and immovable assets in respect of the above property.

Breach of a loan covenants

The Company has not fulfilled some of the covenants due to decline in sales price which has affected the tea industry in East Africa. Management is confident and has provided evidence to creditor banks' satisfaction for proper servicing of the loan.

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22 Deferred tax liabilities	2022	2021
	UShs '000	UShs '000
At start of the year	7,084,863	8,064,805
Charge to profit or loss (note 12)	3,021,468	(920,458)
Charged to other comprehensive income (note 12)	(100,809)	(59,484)
At end of the year	<u>10,005,522</u>	<u>7,084,863</u>

Deferred income tax is calculated on all temporary differences under the liability method using a principal tax rate of 30% (2021: 30%). The movement on the deferred tax account is as follows:

At beginning of the year	(7,084,863)	(8,064,805)
(Deductible) / taxable temporary difference movement on property, plant and equipment	(310,175)	(163,748)
(Deductible) temporary difference on retirement benefit obligations	66,117	(63,157)
Taxable temporary difference on forex fluctuations	(90,708)	223,154
Taxable / (deductible) temporary difference on provisions	(77,082)	9,485
Increase / (decrease) in tax losses available for set off against future taxable income	(1,854,787)	978,702
(Deductible) / taxable temporary difference on fair valuation	(654,024)	(26,849)
Prior period error	-	(22,355)
	<u>(10,005,521)</u>	<u>(7,084,863)</u>

23 Retirement benefit obligation

Amounts recognized in profit or loss are as follows:

Current service cost	221,227	214,835
Interest cost	509,026	487,521
Charge to profit or loss	<u>730,253</u>	<u>702,356</u>

Amounts recognized in other comprehensive income are as follows

Actuarial Losses arising from experience adjustments	336,030	198,280
	<u>336,030</u>	<u>198,280</u>

The movement in the retirement benefit obligation is shown below:

At start of year	3,380,679	3,591,204
Current service cost	221,227	214,835
Interest cost	509,026	487,521
Benefits paid during the period	(845,893)	(1,111,161)
Actuarial Losses arising from experience adjustments	336,030	198,280
At the end of the year	<u>3,601,069</u>	<u>3,380,679</u>

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23 Retirement benefit obligations (Continued)

The significant actuarial assumptions used in the valuation were as follows:

Description	Assumption
Mortality table	SA (85-90)
Retirement age	55 years
Discount rate	17.21%
Salary escalation	5.82% p.a.
Average remaining work life	21 years
Early withdrawal & disablement	Management staff – 1% p.a. Non-management staff – 5% p.a.

Impact on Retirement Benefit Obligation (RBO)

	Change in assumption	Increase in RBO	Decrease in RBO
Discount rate	1%	Increase by 5.61%	Decrease by 6.22%

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the retirement benefit obligations to significant actuarial assumptions the same method (present value of the defined benefit obligations calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period. With the exception of the discount rate, the actuary does not consider the retirement benefit obligations to be materially sensitive to the other actuarial assumptions.

The weighted average duration of the defined benefit obligations is 7 years.

Expected maturity analysis of the undiscounted retirement benefit obligations is as follows:

	Less than 1 year UShs '000	Between 1 & 2 years UShs '000	Between 2 & 5 years UShs '000	Over 5 years UShs '000	Total UShs '000
At 31 December 2022:					
Gratuity benefits	159,842	622,515	1,537,481	84,365,428	86,685,266
At 31 December 2021:					
Gratuity benefits	171,560	505,334	1,567,520	95,056,251	97,300,665

24 Trade and other payables

	2022 UShs '000	2021 UShs '000
Trade payables	3,627,597	1,780,084
Accrued expenses and other payables	3,305,082	4,278,768
	<u>6,932,679</u>	<u>6,058,852</u>

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25 Contingent liabilities

The Company is a defendant in various legal actions. In the opinion of the directors, after taking appropriate legal advice, the outcome of such actions will not give rise to a significant loss.

26 Capital commitments

Capital expenditure contracted for at the reporting date but not recognised in the financial statements is as follows:

	2022 UShs '000	2021 UShs '000
Property, plant and equipment	674,786	-

27 Related party transactions

The Company is a subsidiary of Borelli Tea Holdings Limited. The ultimate parent and controlling entity of the Company is McLeod Russel India Limited, a Company incorporated in India.

The following transactions were carried out with related parties:

i) Purchase of goods and services

Borelli Tea Holdings Limited - license fee (excluding VAT)	4,874,519	4,172,647
McLeod Russel Middle East - reimbursement of expenses	-	-
McLeod Russel Africa Limited- reimbursement of expenses	17,823	2,286
	<u>4,892,342</u>	<u>4,174,933</u>

ii) Key management compensation

Key management includes directors (executives and non-executives) and members of senior management. The compensation paid or payable to key management for employee services is shown below:

National Social Security Fund contributions	190,884	166,192
Salaries and other short-term employment benefits	2,007,064	1,754,552
	<u>2,197,948</u>	<u>1,920,744</u>

iii) Sales of goods

McLeod Russel Africa Limited	312,709	45,119
McLeod Russel Africa Limited – Packing material	-	35,970
McLeod Russel Middle East	124,978	119,664
	<u>437,687</u>	<u>200,753</u>

iv) Outstanding balances arising from sale and purchase of goods/ services

Amounts due from related parties:

Borelli Tea Holdings Limited - loan	28,769,044	30,971,811
Borelli Tea Holdings Limited – interest receivable	11,934,572	9,316,171
McLeod Russel Africa Limited	243,864	78,334
McLeod Russel Middle East	120,449	-
	<u>41,067,929</u>	<u>40,366,316</u>

The loan to Borelli Tea Holdings Limited is unsecured and bears interest at commercial rate.

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28 Events after reporting date

We are not aware of any events after the reporting period which may have a significant impact on the operational existence or on the financial performance of the Company for the year.

29 Implications of COVID-19

In 2022, the COVID-19 pandemic continued to impact the Company directly or indirectly in the environment in which it operates. Whereas government has started easing various restrictions and many financial institutions continued providing financial assistance and support to corporates. The Company is well positioned to support its clients as economy recovers but will continue remain vigilant to the continued impact of COVID-19 including vaccination progress and the likelihood of uneven economy recovery across markets and industries.

The management has made an assessment and will continue to re-assess the assumptions used, the recoverability and carrying value of its assets comprising of property, plant and equipment, trade receivables and liabilities as at reporting date and has concluded no material adjustments are required in the financial statements.

The management has taken into account all the possible impacts of events that could arise from the outbreak of COVID-19 pandemic, in the preparation of the financial statements including the entity's ability to continue as a going concern. The impact assessment of COVID-19 is a continuing process, given the uncertainties associated with its nature and duration and the Company will continue to monitor all material changes to the entity's internal and external environment.

30 Comparative figures

Previous year's figures have been regrouped/ reclassified in order to make them comparable with that of the current financial period, wherever necessary.