

McLeod Russel Uganda Limited

Annual report and financial statements
for the year ended December 31, 2023

McLeod Russel Uganda Limited

Annual report and financial statements for the year ended December 31, 2023

Contents	Page
Corporate Information	2
Directors' Report	3 - 4
Statement of Directors' Responsibilities	5
Independent Auditor's Report	6 - 8
Financial Statements:	
• Statement of Profit or Loss and Other Comprehensive Income	9
• Statement of Financial Position	10
• Statement of Changes in Equity	11
• Statement of Cash Flows	12
• Notes to the Financial Statements	13 - 39

McLeod Russel Uganda Limited

Annual report and financial statements for the year ended December 31, 2023

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 December 31, 2023

Directors' Report

The Directors have the pleasure in submitting their report on the financial statements for the year ended December 31, 2023, which discloses 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 ("IFRSs") and the requirements of 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 (loss) / income for the year ended December 31, 2023 is US\$ (12,779) million (2022: 6,560 million) and has been (reduced) / added to the retained earnings.

During the year December 31, 2023, the Company produced and sold made tea of 19,845 tonnes (2022: 20,236 tonnes). The average selling price of made tea sold in 2023 is US Dollar 0.95 per kg (2022: US Dollar 1.31 per kg).

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

Business outlook

In the year 2023, despite an increase in production in Estates for the year 2023 compared to 2022, there was a decline in bought-leaf production by 17.2%. The year saw more rainfall across all estates than the year 2022. With 2023 rainfall above the one of 2022, all estates experienced a corresponding increase in their crop, with an overall average yield of 3,261 kg Made Tea per Hectare in 2023 compared to the average yield of 2,904 in 2022.

In 2023, we had a few challenges with Transport till middle of the year. We were then disrupted by the breakdown of Kafu bridge that affected Bugambe, Kisaru and Muzizi loading resulting to delays in dispatches and affecting the allocation of teas.

Auction Tea prices were very low compared to 2022 and this has affected all operations on the Estates. The low prices were due to non-availability of USD in tea buying nations such as Egypt, Pakistan, Sudan etc., This has resulted into poor performance and we are operating at a loss all through.

Share capital

			2023	2022
Authorised			Number of shares	
Ordinary shares of US\$ 5,000 each			8,400,000	8,400,000
Issued and paid - up				
	2023	2022	2023	2022
	US\$ '000	US\$ '000	Number of shares	
Ordinary shares of US\$ 5,000 each	4,630,540	4,630,540	926,108	926,108

There have been no changes to the authorised or issued share capital during the year under review.

McLeod Russel Uganda Limited

Annual report and financial statements for the year ended December 31, 2023

Directors' Report (Continued)

Dividends

The Board has not recommended the declaration of a dividend for the year (2022: Nil).

Directorate

The Directors who held office during the year and to the date of this report are listed below:

Director	Designation	Nationality	Changes
Aditya Khaitan	Non-Executive Director	Indian	
Azam Monem	Non-Executive Director	Indian	Up to March 31, 2023
Dilsher Sen	Non-Executive Director	British	
Sim Katende	Non-Executive Director	Ugandan	
Pradip 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	2023		2022	
	Number of shares	Shareholding UShs '000	Number of shares	Shareholding UShs '000
Dilsher Sen	1	5	1	5

The Director holds share non beneficiary on behalf of the parent Company.

Events after the reporting period

The Directors are not aware of any material event which occurred after the reporting date and up to the date of this report which requires adjustments to or disclosures in the accompanying financial statements.

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 39 which have been prepared on the going concern basis were approved by the Board of Directors on May 2, 2024

By order of the Board


Katende, Ssempebwa & Company Advocates
Company Secretary

May 2, 2024
Kampala, Uganda



McLeod Russel Uganda Limited

Annual report and financial statements for the year ended December 31, 2023

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.

The financial statements are prepared in accordance with International Financial Reporting Standards 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 Directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

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 and indicates that the Company may not continue as a going concern. The Directors are confident that the breach will not result into the banks recalling the facilities as the Company is able to meet their obligations as they fall due.

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 39, which have been prepared on the going concern basis, were approved by the Board of Directors on May 2, 2024 and were signed on its behalf by:



Director

Date: May 2, 2024

Place: _____



Director

Date: _____

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") set out on pages 9 to 39, which comprise the statement of financial position as at December 31, 2023, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of material accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023, 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 statement's* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (Parts 1 and 3) (IESBA Code) and other independence requirements applicable to performing audits of financial statements in Uganda. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits in Uganda. 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 operations and 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 on pages 2 to 5.

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.

Independent Auditor's Report

Report on other legal and regulatory requirements

As required by the Companies Act, 2012, we report to you, based on our audit that:

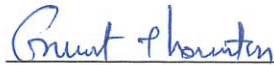
- We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books; and
- The Company's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account.

The engagement partner on the audit resulting in this independent auditor's report is CPA Nilesh Patel – P0374.



Nilesh Patel

P0374



Grant Thornton

Certified Public Accountants

May 13, 2024

Kampala, Uganda

McLeod Russel Uganda Limited

Annual report and financial statements for the year ended December 31, 2023

Statement of Profit or Loss and Other Comprehensive Income

		2023	2022
	Notes	UShs '000	UShs '000
Revenue	5	70,249,308	97,876,360
Cost of sales	6	(73,314,030)	(75,017,033)
Gross (loss) / profit		(3,064,722)	22,859,327
Other income	7	256,192	664,380
Finance income	8	3,777,461	2,554,533
Finance costs	8	(7,057,337)	(6,632,756)
Distribution costs	9	(6,841,867)	(7,847,123)
Administrative expenses	10	(3,893,737)	(3,962,248)
(Loss) / gain arising from changes in fair value of biological assets	14	(339,792)	153,595
(Loss) / gain arising from changes in fair value of derivative financial instruments	18	(1,380,588)	2,026,485
(Loss) / profit before tax		(18,544,390)	9,816,193
Taxation	12	5,498,371	(3,021,468)
(Loss) / profit for the year		(13,046,019)	6,794,725
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Re - measurements of retirement benefits obligation (net of tax)	23	270,827	(235,221)
Total comprehensive (loss) / income for the year		(12,775,192)	6,559,504

The notes on pages 13 to 39 are an integral part of these financial statements.


McLeod Russel Uganda Limited

Annual report and financial statements for the year ended December 31, 2023


Statement of Financial Position

	Notes	2023 UShs '000	2022 UShs '000
Assets			
Property, plant and equipment	13	76,283,691	79,567,889
Biological assets	14	349,203	688,995
Financial assets	15	41,169,090	41,169,090
Non - current assets		117,801,984	121,425,974
Current tax receivable	12	6,666,464	6,666,464
Inventories	16	19,821,456	28,290,147
Trade and other receivables	17	9,627,865	11,759,595
Derivative financial instruments	18	645,897	2,026,485
Cash in hand and at bank	19	99,599	353,428
Current assets		36,861,281	49,096,119
Total assets		154,663,265	170,522,093
Equity			
Share capital	20	4,630,540	4,630,540
Retained earnings		62,131,349	74,906,541
Total equity		66,761,889	79,537,081
Term loans	21	23,120,094	32,872,538
Deferred tax liability	22	4,623,220	10,005,522
Retirement benefits obligations	23	2,825,268	3,601,069
Non-current liabilities		30,568,582	46,479,129
Bank overdraft	19	28,542,618	20,528,157
Term loans	21	20,415,267	17,045,047
Trade and other payables	24	8,374,909	6,932,679
Current liabilities		57,332,794	44,505,883
Total equity and liabilities		154,663,265	170,522,093

The financial statements on pages 9 to 39 were approved for issue by the Board of Directors on May 2, 2024 and signed on its behalf by:



Director



Director

The notes on pages 13 to 39 are an integral part of these financial statements.

McLeod Russel Uganda Limited

Annual report and financial statements for the year ended December 31, 2023

Statement of Changes in Equity

	Notes	Share capital UShs '000	Retained earnings UShs '000	Total equity UShs '000
Year ended December 31, 2022				
At start of year		4,630,540	68,347,937	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 for the year		-	6,559,504	6,559,504
At end of year		4,630,540	74,906,541	79,537,081
Year ended December 31, 2023				
At start of year		4,630,540	74,906,541	79,537,081
Comprehensive income				
Loss for the year		-	(13,046,019)	(13,046,019)
Re-measurements of retirement benefit obligation (net of tax)	23	-	270,827	270,827
Total comprehensive loss for the year		-	(12,775,192)	(12,775,192)
At end of year		4,630,540	62,131,349	66,761,889

The notes on pages 13 to 39 are an integral part of these financial statements.

McLeod Russel Uganda Limited

Annual report and financial statements for the year ended December 31, 2023

Statement of Cash Flows

	Notes	2023 UShs' 000	2022 UShs' 000
Cash flows from operating activities			
(Loss) / profit before tax		(18,544,390)	9,816,193
Adjustments for:			
Interest income	8	(2,345,479)	(2,554,533)
Interest expense	8	7,057,337	5,949,105
Depreciation on property, plant and equipment	13	5,033,144	5,497,555
Loss on disposal of property, plant and equipment		32,157	10,837
Loss / (gain) arising from changes in fair value of biological assets	14	339,792	(153,596)
Loss / (gain) arising from changes in fair value of derivative financial instruments	18	1,380,588	(2,026,485)
Provision for obsolete stock	15	(377,088)	256,941
Changes in working capital:			
- Trade and other receivables	17	4,989,762	1,081,425
- Inventories	16	8,845,779	605,389
- Trade and other payables	24	1,442,230	873,827
- Retirement benefits obligation	23	(388,906)	(115,640)
Cash generated from operations		7,464,926	19,241,018
Interest paid	8	(4,964,452)	(3,656,081)
Tax paid	12	-	-
Net cash generated from operations		2,500,474	15,584,937
Cash flows from investing activities			
Purchases of property, plant and equipment	13	(1,944,753)	(2,094,631)
Proceeds from disposal of property, plant and equipment	7	163,651	11,066
Movement in financial assets		(524,059)	(2,082,178)
Interest received		11,506	8,072
Net cash used in investing activities		(2,293,655)	(4,157,671)
Cash flows from financing activities			
Net movement in term loans		(8,475,109)	(21,874,588)
Net cash used in financing activities		(8,475,109)	(21,874,588)
Net changes in cash and cash equivalents		(8,268,290)	(10,447,322)
Cash and cash equivalent at the start of the year	19	(20,174,729)	(9,727,407)
Cash and cash equivalent at the end of the year	19	(28,443,019)	(20,174,729)

The notes on pages 13 to 39 are an integral part of these financial statements.

McLeod Russel Uganda Limited

Annual report and financial statements for the year ended December 31, 2023

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 Material accounting policies

The material 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"), and 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 ("US\$"), which is the Company's functional currency. All financial information has been rounded to the nearest thousand, unless otherwise indicated.

(b) Critical 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 December 31, 2023

Notes to the financial statements

2 Material accounting policies (continued)

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

Critical judgments (continued)

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.

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.

Impairment of financial assets

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, refer to the individual notes addressing financial assets.

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 assesses the appropriateness of useful lives and residual values of the terms of property, plant and equipment regularly. During the financial year, management determined no significant changes in the useful lives and residual values.

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 December 31, 2023

Notes to the financial statements

2 Material accounting policies (continued)

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

Key sources of estimation and uncertainty (continued)

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.

Allowance for slow moving, damaged and obsolete inventory

The Company reviews its inventory to assess loss on account of obsolescence on a regular basis. In determining whether provision for obsolescence should be recorded in profit or loss, the Company makes judgements as to whether there is any observable data indicating that there is any future saleability of the product and the net realizable value for such product. Accordingly, provision for obsolescence is made where the net realizable value is less than cost based on best estimates by the management, ageing of inventories and historical movement of the inventory.

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

McLeod Russel Uganda Limited

Annual report and financial statements for the year ended December 31, 2023

Notes to the financial statements

2 Material accounting policies (continued)

(c) Revenue (continued)

- 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.

(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 December 31, 2023

Notes to the financial statements

2 Material 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.

Expenditure incurred subsequently for major services, additions to or replacements of parts of property, plant, equipment and right-of-use assets are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the Company and the cost can be measured reliably. Day to day servicing costs are included in profit or loss in the year in which they are incurred.

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 equipment	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.

McLeod Russel Uganda Limited

Annual report and financial statements for the year ended December 31, 2023
Notes to the financial statements

2 Material accounting policies (continued)

(g) Inventories (continued)

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.

(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 December 31, 2023
Notes to the financial statements

2 Material accounting policies (continued)

(g) Inventories (continued)

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.

(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 December 31, 2023

Notes to the financial statements

2 Material accounting policies (continued)

(j) Equity

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.

(k) Related party transactions

The Company, in the normal course of business, carries out transactions with other business enterprises that fall within the definition of a related party contained in International Accounting Standard 24. These transactions comprise purchase and sale of goods, and transfer of funds in the normal course of business. These transactions are entered at agreed terms by the management of the respective parties.

(l) Financial instruments

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 December 31, 2023
Notes to the financial statements

2 Material accounting policies (continued)

(1) Financial instruments (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 summarized 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 December 31, 2023

Notes to the financial statements

2 Material accounting policies (continued)

(1) Financial instruments (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 December 31, 2023
Notes to the financial statements

2 Material accounting policies (continued)

(1) Financial instruments (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.

Derecognition of 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 December 31, 2023

2 Material accounting policies (continued)

(1) Financial instruments (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.

McLeod Russel Uganda Limited

Annual report and financial statements for the year ended December 31, 2023

Notes to the financial statements

3 New standards and interpretations

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

Definition of Accounting Estimates (Amendments to IAS 8)

Definition of Accounting Estimates amends IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The amendments introduced the definition of accounting estimates and included other amendments to help entities distinguish changes in accounting estimates from changes in accounting policies.

The effective date of the amendment is for years beginning on or after January 1, 2023.

The Company has adopted the amendment for the first time in the 2023 financial statements.

The impact of the amendment is not material.

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

The amendments replace the requirement for entities to disclose their significant accounting policies with the requirement to disclose their material accounting policy information. The amendments also include guidance to help entities apply the definition of material in making decisions about accounting policy disclosures.

The effective date of the amendment is for years beginning on or after January 1, 2023.

The Company has adopted the amendment for the first time in the 2023 financial statements.

The impact of the amendment is not material.

Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12)

The amendments narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. The amendments apply to transactions such as leases and decommissioning obligations.

The effective date of the amendment is for years beginning on or after January 1, 2023.

The Company has adopted the amendment for the first time in the 2023 financial statements.

The impact of the amendment is not material.

McLeod Russel Uganda Limited

Annual report and financial statements for the year ended December 31, 2023

Notes to the financial statements

3 New standards and interpretations (continued)

(b) New standards, amendments, and interpretations issued but 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 January 1, 2024 or later periods.

Standard/ Interpretation	Effective date: Years beginning on or after	Expected impact
Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)	January 1, 2024	Unlikely there will be a material impact
Non-current Liabilities with Covenants (Amendments to IAS 1)	January 1, 2024	Unlikely there will be a material impact
Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)	January 1, 2024	Unlikely there will be a material impact
Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 17)	January 1, 2024	Unlikely there will be a material impact
Lack of Exchangeability (Amendments to IAS 21)	January 1, 2025	Unlikely there will be a material impact

McLeod Russel Uganda Limited

Annual report and financial statements for the year ended December 31, 2023
Notes to the financial statements

4 Financial risk management

The Company's 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 December 31, 2023, 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\$ 92,533 thousand (2022: US\$ 14,225 thousand) higher/lower, mainly as a result of US Dollar denominated receivables, trade payables and bank balances.

Particulars	December 31, 2023		December 31, 2022	
	USD	Equivalent US\$ '000	USD	Equivalent US\$ '000
Foreign currency assets				
Cash in hand and at bank	4,227	15,987	8,696	32,294
Trade and other receivables	12,595,295	47,638,052	13,555,895	50,341,580
Total foreign currency assets	12,599,522	47,654,039	13,564,591	50,373,874
Foreign currency liabilities				
Trade and other payables	616,212	2,330,644	208,703	775,047
Term loan	5,556,086	21,014,286	7,940,855	29,489,399
Bank overdraft	7,126,236	26,952,922	5,305,591	19,703,000
Total foreign currency liabilities	13,298,535	50,297,852	13,455,149	49,967,446
Net currency exposure – (asset) / liabilities	(699,013)	(2,643,813)	109,442	406,427

Exchange rates used for conversion of foreign currency items were:

USD	3,782.21	3,713.63
-----	----------	----------

(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 December 31, 2023, 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\$ 827,878 thousand and US\$ 259,080 thousand (2022: US\$ 620,268 thousand and US\$ 255,813 thousand) 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 December 31, 2023

Notes to the financial statements

4 Financial risk management (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.

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 reporting date was as follows

	2023 UShs '000	2022 UShs '000
Trade receivables	776,902	2,174,079
Other receivables	8,128,408	7,777,161
Due from related parties	40,919,930	41,067,930
Cash at bank	46,408	158,141
Investment in treasury bills	-	103,017
Derivative financial instruments	645,897	2,026,485
	<u>50,517,545</u>	<u>53,306,813</u>

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.

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.

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

McLeod Russel Uganda Limited

Annual report and financial statements for the year ended December 31, 2023

Notes to the financial statements

4 Financial risk management objectives and policies (continued)

Liquidity risk (continued)

	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
Term loans	15,760,696	5,976,394	2,732,203	14,411,495
Bank overdraft	28,542,618	-	-	-
Trade and other payables	8,374,909	-	-	-
	52,678,223	5,976,394	2,732,203	14,411,495
At December 31, 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

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 December 31, 2023 and 2022 were as follows:

	2023 UShs '000	2022 UShs '000
Term loans (note 21)	43,535,361	49,917,585
Bank overdraft (note 19)	28,542,618	20,528,157
Less: cash in hand and at bank (note 19)	(99,599)	(353,428)
Net debt	71,978,380	70,092,314
Total equity	66,757,622	79,537,081
Gearing ratio	1.08	0.88

Fair value measurement of financial instruments

The following table shows the levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis at December 31, 2023 and December 31, 2022.

Financial asset / Fair value hierarchy	2023 UShs '000			2022 UShs '000		
	Derivative financial instruments	Biological assets	Net fair value	Derivative financial instruments	Biological assets	Net fair value
Level 1	-	-	-	-	-	-
Level 2	-	-	-	-	-	-
Level 3	645,897	349,203	995,100	2,026,845	688,995	2,715,840

McLeod Russel Uganda Limited

Annual report and financial statements for the year ended December 31, 2023

Notes to the financial statements

5 Revenue	2023	2022
	UShs '000	UShs '000
Export auction	60,858,852	94,259,964
Export direct sales	7,835,759	3,188,041
Local sales	1,554,697	428,355
	<u>70,249,308</u>	<u>97,876,360</u>

All sales revenue is derived from the sale of made tea. The quantity of made tea sold during the year was 19,845 tonnes (2022: 20,236 tonnes). The Company derives its revenue from contracts with customers for the transfer of made tea at a point in time.

6 Cost of sales

Purchase of green leaf	13,147,129	16,473,443
Field expenses	5,422,529	4,650,457
Harvesting and collection	3,674,849	3,057,701
Power and fuel	9,280,276	9,514,757
Repair and maintenance	2,726,201	2,847,788
Insurance	383,446	306,348
Employee costs (note 11)	19,807,852	19,736,571
Packing materials	1,264,340	1,222,510
License fee	3,384,265	5,751,933
Depreciation	4,725,087	5,177,876
Changes in inventories of finished goods	5,213,807	1,804,733
Other expenses	3,907,161	4,472,916
Provision for slow moving and obsolete stock	377,088	-
	<u>73,314,030</u>	<u>75,017,033</u>

7 Other income

Gain on disposal of property, plant and equipment	117,491	-
Net foreign exchange gains on items other than borrowings, cash at bank and cash in hand	962	577,589
Others	137,739	86,791
	<u>256,192</u>	<u>664,380</u>

8 Finance (costs)/ income - net

Finance income

Interest income	2,345,479	2,554,533
Net foreign exchange gains on borrowings, cash at bank and in hand	1,431,982	-
	<u>3,777,461</u>	<u>2,554,533</u>

McLeod Russel Uganda Limited

Annual report and financial statements for the year ended December 31, 2023

Notes to the financial statements

8 Finance (costs) / income - net (continued)	2023	2022
	UShs '000	UShs '000
Finance costs		
Interest expense	6,782,008	5,696,483
Net foreign exchange loss on borrowings, cash at bank and in hand	-	683,651
Other finance charges	275,329	252,622
	<u>7,057,337</u>	<u>6,632,756</u>
9 Distribution cost		
Transport	4,467,872	5,030,243
Storage	1,739,883	1,988,119
Brokerage	453,270	699,964
Others	180,842	128,797
	<u>6,841,867</u>	<u>7,847,123</u>
10 Administrative expenses		
Employee costs (note 11)	2,160,028	2,574,356
Insurance	20,071	21,150
Repair and maintenance	9,206	51,357
Travelling expense	229,782	225,190
Other professional fees	140,834	132,709
Auditors' remuneration	177,111	208,394
Other expenses	816,491	418,577
Depreciation	308,057	319,678
Loss on disposal of property, plant and equipment	32,157	10,837
	<u>3,893,737</u>	<u>3,962,248</u>
11 Employee costs		
Salaries and wages	19,316,000	19,621,672
National Social Security Fund contributions	1,986,842	1,959,002
Retirement benefits obligation (note 23)	665,038	730,253
	<u>21,967,880</u>	<u>22,310,927</u>
Employee costs are classified under;		
Cost of sales (note 6)	19,807,852	19,736,571
Administrative expenses (note 10)	2,160,028	2,574,356
	<u>21,967,880</u>	<u>22,310,927</u>

McLeod Russel Uganda LimitedAnnual report and financial statements for the year ended December 31, 2023
Notes to the financial statements

12 Taxation	2023	2022
	UShs '000	UShs '000
Current tax	-	-
Deferred tax (note 22)	-	-
- Originated and reversal of temporary differences	(5,498,371)	3,021,468
- Adjustments in respect of prior years	-	-
Income tax (credit) / expense	(5,498,371)	3,021,468
Profit before tax	(18,544,390)	9,816,193
Tax calculated at the statutory income tax rate of 30% (2022:30%)	(5,563,317)	2,944,858
<i>Tax effects of:</i>		
- Expenses not deductible for tax purposes	64,946	76,610
Income tax expense / (credit)	(5,498,371)	3,021,468
The movement in current income tax recoverable was as follows		
At start of the year	6,666,464	6,666,464
Charge to the statement of comprehensive income	-	-
Tax paid	-	-
At end of year	6,666,464	6,666,464

McLeod Russel Uganda Limited

Annual report and financial statements for the year ended December 31, 2023
Notes to the financial statements

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 at January 1, 2022	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	-
As at December 31, 2022	27,593,381	27,022,340	8,198,776	73,330,935	3,723,856	3,419,578	591,365	4,281,414	148,160,745
Additions	189,508	111,528	533,359	735,329	46,142	-	103,395	225,494	1,944,754
Disposals	-	-	-	(575,407)	(117,814)	(163,651)	-	-	(856,871)
Transfers	31,352	592,835	-	16,757	-	(640,944)	-	-	-
As at December 31, 2023	27,814,241	27,726,702	8,732,135	73,506,714	3,652,184	2,614,983	694,760	4,506,908	149,248,628
Accumulated Depreciation									
As at January 1, 2022	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)
As at December 31, 2022	8,729,916	9,002,118	3,202,370	44,103,160	3,544,226	-	11,066	-	68,592,856
Charge for the year	546,978	554,534	229,395	3,633,101	69,136	-	-	-	5,033,144
On disposals	-	-	-	(543,250)	(117,814)	-	-	-	(661,063)
At December 31, 2023	9,276,894	9,556,652	3,431,765	47,193,011	3,495,548	-	11,066	-	72,964,937
Carrying Amount									
At December 31, 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
At December 31, 2023	18,537,347	18,170,050	5,300,370	26,313,703	156,636	2,614,983	683,694	4,506,908	76,283,691

McLeod Russel Uganda Limited

Annual report and financial statements for the year ended December 31, 2023

Notes to the financial statements

14 Biological assets	2023	2022
	UShs '000	UShs '000
At beginning of the year	688,995	535,400
(Loss) / gain arising from changes in fair value of unharvested green leaf	(339,792)	153,595
At end of the year	<u>349,203</u>	<u>688,995</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 parties (note 25)	35,494,468	35,494,468
Other receivables	7,040,561	7,040,561
Less: Impairment allowance for other receivables	(1,365,939)	(1,365,939)
	<u>41,169,090</u>	<u>41,169,090</u>

16 Inventories

Finished goods	7,660,564	12,874,371
Consumable stores	13,853,080	16,712,049
	<u>21,513,644</u>	<u>29,586,420</u>
Provision for obsolete stock	(1,969,952)	(1,592,864)
	<u>19,543,692</u>	<u>27,993,556</u>
Nurseries	277,764	296,591
	<u>19,821,456</u>	<u>28,290,147</u>

17 Trade and other receivables

Financial assets:

Trade receivables	776,902	2,174,079
Other receivables	1,087,847	736,600
Due from related parties (note 25)	5,425,462	5,573,462
Treasury bills	-	103,017
Less: Impairment allowance for other receivables	(176,489)	(176,489)
	<u>7,113,722</u>	<u>8,410,669</u>

McLeod Russel Uganda Limited

Annual report and financial statements for the year ended December 31, 2023

Notes to the financial statements

17 Trade and other receivables (Continued)	2023	2022
	UShs '000	UShs '000
Non-financial assets		
VAT receivable	753,613	1,103,784
Supplier advances	1,123,845	1,469,224
Employee advances	213,016	202,367
Prepayments	423,669	573,551
	<u>9,627,865</u>	<u>11,761,617</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	2,026,485	-
Fair value (loss) / gain	(1,380,588)	2,026,485
	<u>645,897</u>	<u>2,026,485</u>

19 Cash in hand and at bank

Cash in hand	53,191	195,287
Cash at bank	46,408	158,141
Cash in hand and at bank in the statement of financial position	<u>99,599</u>	<u>353,428</u>
Bank overdraft	(28,542,618)	(20,528,157)
Cash and cash equivalents in the statement of cash flows	<u>(28,443,019)</u>	<u>(20,174,729)</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 authorized 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	23,120,094	32,872,538
Current portion		
Term loan	15,760,696	14,483,361
Interest accrued on term loan	4,654,571	2,561,686
	<u>20,415,267</u>	<u>17,045,047</u>
	<u>43,535,361</u>	<u>49,917,585</u>

McLeod Russel Uganda Limited

Annual report and financial statements for the year ended December 31, 2023
Notes to the financial statements

21 Term loans (continued)

Banks	Absa Bank Uganda Limited	Stanbic Bank Uganda Limited (Term loan fully repaid during the year)	UDB Bank Limited
Facility	Term loan and overdraft	Term loan and overdraft	Term loan
Limit	Term loan of US\$ 3 million and US\$ 15 million Overdraft of US\$ 6 million and Ush 1.2billion	Term loan of US \$ 2 million Overdraft of US\$ 2 million	Uganda Shillings equivalent of US\$ 5 Million
Purpose	Construction of new factory premises and working capital	New production line at Kiko and working capital	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	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 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 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 the covenants stipulated in the loan agreements including interest cover – EBITDA, debt service cover ratio and net leverage ratio due to decline in sales price which has affected the tea industry in East Africa. The Directors are confident that the breach will not result into the banks recalling the facilities as the Company is able to meet their obligations as they fall due.

McLeod Russel Uganda Limited

Annual report and financial statements for the year ended December 31, 2023
Notes to the financial statements

22 Deferred tax liability	2023	2022
	UShs '000	UShs '000
At start of year	10,005,522	7,084,863
Charged to profit / loss (note 12)	(5,498,371)	3,021,468
Charged to other comprehensive income (note12)	116,069	(100,809)
At end of year	<u>4,623,220</u>	<u>10,005,522</u>

Deferred income tax is calculated on all temporary differences under the liability method using a principal tax rate of 30% (2022: 30%). The movement on the deferred tax account is as follows:

At beginning of the year	10,005,521	7,084,863
(Deductible) / taxable temporary difference on property, plant and equipment	(44,956)	310,175
Taxable / (deductible) temporary difference on retirement benefit obligations	232,740	(66,117)
Taxable temporary difference on forex fluctuations	429,595	90,708
(Deductible) / taxable temporary difference on provisions	(113,126)	77,082
(Decrease) / increase in tax losses available for set off against future taxable income	(3,253,239)	1,854,787
(Deductible) / taxable temporary difference on fair valuation	(516,114)	654,024
Deductible temporary difference on interest disallowed	(2,117,201)	-
	<u>4,623,220</u>	<u>10,005,521</u>

23 Retirement benefit obligation

Amounts recognized in profit or loss are as follows:

Current service cost	171,953	221,227
Interest cost	493,085	509,026
Charge to profit or loss	<u>665,038</u>	<u>730,253</u>

Amounts recognized in other comprehensive income are as follows

Actuarial losses arising from experience adjustments	(386,895)	336,030
	<u>(386,895)</u>	<u>336,030</u>

The movement in the retirement benefit obligation is shown below:

At start of year	3,601,069	3,380,679
Current service cost	171,953	221,227
Interest cost	493,085	509,026
Benefits paid during the period	(1,053,944)	(845,893)
Actuarial losses arising from experience adjustments	(386,895)	336,030
At the end of the year	<u>2,825,268</u>	<u>3,601,069</u>

McLeod Russel Uganda Limited

Annual report and financial statements for the year ended December 31, 2023

Notes to the financial statements

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	16.04%
Salary escalation	2.62% p.a.
Average remaining work life	20 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 5.11%	Decrease by 5.62%

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 US\$ '000	Between 1 & 2 years US\$ '000	Between 2 & 5 years US\$ '000	Over 5 years US\$ '000	Total US\$ '000
At December 31, 2023:					
Gratuity benefits	216,056	281,601	1,662,501	41,838,211	43,998,369
At December 31, 2022:					
Gratuity benefits	159,842	622,515	1,537,481	84,365,428	86,685,266

24 Trade and other payables

	2023 US\$ '000	2022 US\$ '000
Trade payables	4,765,182	3,627,597
Accrued expenses and other payables	3,609,727	3,305,082
	<u>8,374,909</u>	<u>6,932,679</u>

McLeod Russel Uganda Limited

Annual report and financial statements for the year ended December 31, 2023

Notes to the financial statements

25 Related parties

Relationships

Holding company	Borelli Tea Holdings Limited
Ultimate holding company	McLeod Russel India Limited
Affiliates	McLeod Russel Middle East McLeod Russel Africa Limited
Members of key management	Aditya Khaitan Azam Monem (up to March 31, 2023) Dilsher Sen Sim Katende Pradip Bhar Ajay Pal Singh Udupi Ramprasad Srikant Swaminathan

Related party transactions

	2023	2022
	US\$ '000	US\$ '000
Purchase of goods and services		
Borelli Tea Holdings Limited - license fee (excluding VAT)	3,384,265	4,874,519
McLeod Russel Africa Limited- reimbursement of expenses	-	17,823
	<u>3,384,265</u>	<u>4,892,342</u>

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	39,232	65,389
Salaries and other short-term employment benefits	684,128	667,360
	<u>723,360</u>	<u>732,749</u>

Sale of goods and other income

McLeod Russel Africa Limited	1,114,333	312,709
McLeod Russel Africa Limited – Interest on delayed payment	17,086	-
Borelli Tea Holdings Limited – Interest	1,922,213	2,158,499
McLeod Russel Middle East	-	124,978
McLeod Russel Middle East – Interest on delayed payment	5,440	-
	<u>3,059,072</u>	<u>2,596,186</u>

Related party balances

Amounts due from related parties

Borelli Tea Holdings Limited - loan	26,439,438	28,769,044
Borelli Tea Holdings Limited – interest receivable	14,101,165	11,934,572
McLeod Russel Africa Limited	379,326	243,864
McLeod Russel Middle East	-	120,449
	<u>40,919,929</u>	<u>41,067,929</u>

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

McLeod Russel Uganda Limited

Annual report and financial statements for the year ended December 31, 2023

Notes to the financial statements

26 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.

27 Commitments

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

	2023	2022
	UShs '000	UShs '000
Property, plant and equipment	<u>-</u>	<u>674,786</u>

28 Events after the reporting date

The Directors are not aware of any events after the reporting period and up to date of this report which requires adjustments to or disclosures in the financial statements.

29 Comparatives

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