

McLeod Russel Uganda Limited

Annual report and financial statements
for the year ended December 31, 2024

McLeod Russel Uganda Limited

Annual report and financial statements for the year ended December 31, 2024

CONTENTS	Page
Corporate Information	2
Directors' Report	3 - 5
Statement of Directors' Responsibilities	6
Independent Auditor's Report	7 - 9
Financial Statements:	
• Statement of Profit or Loss and Other Comprehensive Income	10
• Statement of Financial Position	11
• Statement of Changes in Equity	12
• Statement of Cash Flows	13
• Notes to the Financial Statements	14 - 40

McLeod Russel Uganda Limited

Annual report and financial statements for the year ended December 31, 2024

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, 2024

DIRECTORS' REPORT

The Directors have the pleasure in submitting their report on the financial statements for the year ended December 31, 2024, which discloses the state of affairs of McLeod Russel Uganda Limited ("the Company" or "MRUL").

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 IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB) 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 for the year ended December 31, 2024, is US\$ 9,765 million (2023: US\$ 12,775 million) and has been reduced from the retained earnings.

During the year December 31, 2024, the Company produced and sold made tea of 16,062 tonnes (2023: 19,845 tonnes). The average selling price of made tea sold in 2024 is US Dollar 0.80 per kg (2023: US Dollar 0.95 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 2024, our tea production experienced notable declines compared to the previous year. Outgrower leaf has decreased by 1,983,458 kilograms in 2024 compared to 2023; representing a 27% reduction and own crop production also declined by 1,717,378 kg in 2024 compared to 2023, marking a 14% decrease.

The production decline can be attributed to a general decrease in rainfall across all our estates, which had a direct impact on tea yields. The reduced rainfall resulted in lower production levels, contributing to the overall decline in tea output for the year.

We had a smooth run on the transport to Mombasa with the exception of Kisumu and Bugambe who had challenges with closure of Hoima Road causing delays in the first quarter of the year. All went well after then with a number of transporters being engaged till the end of year.

Auction prices were low compared to 2023, though we saw an improvement in the last quarter of the year with a strong demand and good participation from different markets e.g. Egypt, Pakistan and Sudan with more inquiries from other buyers compared to the same months last year.

FSMS (ISO 22000:2018) Certificate was renewed following a successful audit in August 2024 and is valid until 30th August 2026. The validity of Rainforest Alliance Group certificate and License was maintained following a first surveillance audit in November 2024. MRUL received a sustainability differential (SD) and sustainability investment (SI) from Rainforest Alliance amounting to USD 1902.92. Applications for the renewal of UNBS Permits were made for the permits that expired in October 2024. Aerodrome licences have remained valid until November 2025.

McLeod Russel Uganda Limited

Annual report and financial statements for the year ended December 31, 2024

DIRECTORS' REPORT (CONTINUED)

Share capital

	2024		2023	
	Number of shares		Number of shares	
Authorised				
Ordinary shares of UShs 5,000 each			8,400,000	8,400,000
	2024	2023	2024	2023
	UShs '000	UShs '000	Number of shares	Number of shares
Issued and paid up				
Ordinary shares of UShs 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.

Dividends

The Board has not recommended the declaration of a dividend for the year (2023: Nil).

Directorate

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

Director	Designation	Nationality
Aditya Khaitan	Non-Executive Director	Indian
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	2024		2023	
	Number of shares	Shareholding UShs '000	Number of shares	Shareholding UShs '000
Dilsher Sen	1	5	1	5

The Director holds share as 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.

McLeod Russel Uganda Limited

Annual report and financial statements for the year ended December 31, 2024

DIRECTORS' REPORT (CONTINUED)

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 10 to 40 which have been prepared on the going concern basis were approved by the Board of Directors on May 15, 2025.

By order of the Board **KATENDE, SSEMPERWA & COMPANY**
Advocates, Solicitors &
Legal Consultants
Plot 20, Kampala Road
P.O. Box 2344, Kampala - Uganda
Phones: 233770, 241478, 233908
Fax: 238-41-237544
Katende, Ssempebwa & Company Advocates
Company Secretary

May 15, 2025
Kampala, Uganda

McLeod Russel Uganda Limited

Annual report and financial statements for the year ended December 31, 2024

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 IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

The financial statements are prepared in accordance with IFRS Accounting Standards as issued by the IASB and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

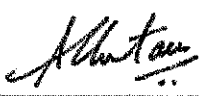
The Directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Company and place considerable importance on maintaining a strong control environment. To enable the Directors to meet these responsibilities, the Board sets standards for internal 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 10 to 40, which have been prepared on the going concern basis, were approved by the Board of Directors on May 15, 2025 and were signed on its behalf by:



Director

Date: May 15, 2025

Place: _____



Director

Date: May 15, 2025

Place: _____



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 10 to 40, which comprise the statement of financial position as at December 31, 2024, 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 policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB) 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

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 and the Company is making continuous losses. 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. Directors are of the view that the Company will be able to meet its obligations from its future operations. Our opinion is not modified in respect of this matter.

Other information

The Directors are responsible for the other information on pages 2 to 6.

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 IFRS Accounting Standards as issued by the IASB 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 (CONTINUED)

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.

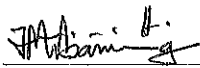
INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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.

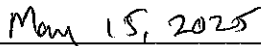
The engagement partner on the audit resulting in this independent auditor's report is CPA Morris Mubangizi – P0582.



Morris Mubangizi
P0582



Grant Thornton
Certified Public Accountants



Kampala, Uganda

McLeod Russel Uganda Limited

Annual report and financial statements for the year ended December 31, 2024

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		2024	2023
	Notes	UShs '000	UShs '000
Revenue	5	48,626,368	70,249,308
Cost of sales	6	(44,004,342)	(73,314,030)
Gross profit/(loss)		4,622,026	(3,064,722)
Other income	7	56,851	256,192
Finance income	8	2,260,928	3,777,461
Finance costs	8	(6,581,345)	(7,057,337)
Distribution costs	9	(5,112,553)	(6,841,867)
Administrative expenses	10	(7,066,768)	(3,893,737)
Loss arising from changes in fair value of biological assets	14	(27,705)	(339,792)
Loss on fair valuation of derivative financial instruments	18	(645,897)	(1,380,588)
Loss before tax		(12,494,463)	(18,544,390)
Taxation	12	3,609,030	5,498,371
Loss for the year		(8,885,433)	(13,046,019)
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Re - measurements of retirement benefits obligation (net of tax)	23	(879,843)	270,827
Total comprehensive loss for the year		(9,765,276)	(12,775,192)

The notes on pages 14 to 40 are an integral part of these financial statements.

McLeod Russel Uganda Limited

Annual report and financial statements for the year ended December 31, 2024

STATEMENT OF FINANCIAL POSITION

	Notes	2024 UShs '000	2023 UShs '000
Assets			
Property, plant and equipment	13	71,654,335	76,283,691
Financial assets	15	41,977,837	38,828,855
Non - current assets		113,632,172	115,112,546
Current tax receivable	12	6,666,464	6,666,464
Inventories	16	14,862,890	19,821,456
Biological assets	14	321,498	349,203
Trade and other receivables	17	5,444,809	9,865,626
Derivative financial instruments	18	-	645,897
Financial assets	15	1,800,905	2,340,235
Cash in hand and at bank	19	576,003	99,599
Current assets		29,672,569	39,788,480
Total assets		143,304,741	154,901,026
Equity			
Share capital	20	4,630,540	4,630,540
Retained earnings		52,366,073	62,181,349
Total equity		56,996,613	66,761,889
Term loans	21	41,604,511	23,120,094
Deferred tax liability	22	637,114	4,623,220
Retirement benefits obligations	23	2,800,330	2,825,268
Non-current liabilities		45,041,955	30,568,582
Bank overdraft	19	17,619,944	28,542,618
Term loans	21	13,467,456	20,415,267
Trade and other payables	24	10,178,773	8,612,670
Current liabilities		41,266,173	57,570,555
Total equity and liabilities		143,304,741	154,901,026

The financial statements on pages 10 to 40 were approved for issue by the Board of Directors on May 15, 2025 and signed on its behalf by:



Director



Director

The notes on pages 14 to 40 are an integral part of these financial statements.

McLeod Russel Uganda Limited

Annual report and financial statements for the year ended December 31, 2024

STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital UShs'000	Retained earnings UShs'000	Total equity UShs'000
Year ended 31 December 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)		-	270,827	270,827
Total comprehensive loss		-	(12,775,192)	(12,775,192)
Transactions with owners:				
Proposed Dividend				-
At end of year		4,630,540	62,131,349	66,761,889
Year ended 31 December 2024				
At start of year		4,630,540	62,131,349	66,761,889
Comprehensive income				
Loss for the year		-	(8,885,433)	(8,885,433)
Re-measurements of retirement benefit obligation (net of tax)		-	(879,843)	(879,843)
Total comprehensive loss		-	(9,765,276)	(9,765,276)
At end of year		4,630,540	52,366,073	56,996,613

The notes on pages 14 to 40 are an integral part of these financial statements.

McLeod Russel Uganda Limited

Annual report and financial statements for the year ended December 31, 2024

STATEMENT OF CASH FLOWS

		2024	2023
	Notes	UShs'000	UShs'000
Cash flow from operating activities			
Loss before tax		(12,494,463)	(18,544,390)
Adjustments for:			
Interest income	8	(2,260,928)	(2,345,479)
Interest expense		6,543,015	7,057,337
Depreciation on property, plant and equipment	13	4,566,460	5,033,144
Loss on disposal of property, plant and equipment	10	9,753	32,157
Loss in fair valuation of biological assets	14	27,705	339,793
Fair value loss on derivative financial instruments	18	645,897	1,380,588
Provision for obsolete stock		(1,724,147)	(377,088)
Impairment allowance for other receivables	10	3,721,131	-
Changes in working capital:			
- Trade and other receivables		510,501	4,989,762
- Inventories		6,682,713	8,845,779
- Trade and other payables		1,566,103	1,442,230
- Retirement benefits obligation		(1,281,857)	(388,906)
Cash generated from operations		6,511,883	7,464,927
Income tax paid		-	-
Net cash generated from operating activities		6,511,883	7,464,927
Cash flows from investing activities			
Additions to property, plant and equipment	13	(29,100)	(1,944,754)
Proceeds from disposal of property, plant and equipment		82,242	163,651
Net loan given		(159,538)	(524,059)
Interest received		-	11,506
Net cash used in investing activities		(106,396)	(2,293,656)
Cash flows from financing activities			
Net movements in term loans		9,561,725	(8,475,109)
Interest paid		(4,568,134)	(4,964,452)
Net cash from/ (used in) financing activities		4,993,591	(13,439,561)
Net changes in cash in hand and at bank		11,399,078	(8,268,290)
Cash in hand and at bank at the start of the year		(28,443,019)	(20,174,729)
Cash in hand and at bank at the end of the year	19	(17,043,941)	(28,443,019)

The notes on pages 14 to 40 are an integral part of these financial statements.

McLeod Russel Uganda Limited

Annual report and financial statements for the year ended December 31, 2024

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 policy information

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 IFRS Accounting Standards as issued by the International Accounting Standards Board, 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 ("UShs"), which is the Company's functional currency. All financial information has been rounded to the nearest thousand ("ooo"), 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, 2024

Notes to the financial statements

2 Material accounting policy information (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, 2024

Notes to the financial statements

2 Material accounting policy information (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. Lands 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 assumes that the Company will be able to renew leases with a 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, 2024

Notes to the financial statements

2 Material accounting policy information (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 occurs.

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, 2024

Notes to the financial statements

2 Material accounting policy information (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 is 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, 2024

Notes to the financial statements

2 Material accounting policy information (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, 2024

Notes to the financial statements

2 Material accounting policy information (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, 2024

Notes to the financial statements

2 Material accounting policy information (continued)

(I) 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, 2024

Notes to the financial statements

2 Material accounting policy information (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, 2024

Notes to the financial statements

2 Material accounting policy information (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

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.

2 Material accounting policy information (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, 2024

Notes to the financial statements

3 New standards and interpretations

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

Non-current liabilities with covenants - Amendments to IAS 1

The amendment applies to the classification of liabilities with loan covenants as current or non-current. If an entity has the right to defer settlement of a liability for at least twelve months after the reporting period, but subject to conditions, then the timing of the required conditions impacts whether the entity has a right to defer settlement. If the conditions must be complied with at or before the reporting date, then they affect whether the rights to defer settlement exists at reporting date. However, if the entity is only required to comply with the conditions after the reporting period, then the conditions do not affect whether the right to defer settlement exists at reporting date. If an entity classifies a liability as non-current when the conditions are only required to be met after the reporting period, then additional disclosures are required to enable the users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period.

The effective date of the amendment is for years beginning on or after January 1, 2024.

The Company has adopted the amendment for the first time in the 2024 financial statements.

The impact of the amendment is not material.

Supplier finance arrangements - Amendments to IAS 7 and IFRS 7)

finance providers pay the suppliers of the entity, thus providing the entity with extended payment terms or the suppliers with early payment terms. The entity then pays the finance providers based on their specific terms and conditions. The amendment requires the disclosure of information about supplier finance arrangements that enable users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows as well as on the entity's exposure to liquidity risk.

The effective date of the amendment is for years beginning on or after January 1, 2024.

The Company has adopted the amendment for the first time in the 2024 financial statements.

The impact of the amendment is not material.

Lease liability in a sale and leaseback - Amendments to IFRS 16

The amendment requires that a seller-lessee in a sale and leaseback transaction, shall determine 'lease payments' or 'revised lease payments' in a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee.

The effective date of the amendment is for years beginning on or after January 1, 2024.

The Company has adopted the amendment for the first time in the 2024 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, 2024

Notes to the financial statements

3 New standards and interpretations (continued)

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

Classification of Liabilities as Current or Non-Current - Amendment to IAS 1

The amendment changes the requirements to classify a liability as current or non-current. If an entity has the right at the end of the reporting period, to defer settlement of a liability for at least twelve months after the reporting period, then the liability is classified as non-current. If this right is subject to conditions imposed on the entity, then the right only exists, if, at the end of the reporting period, the entity has complied with those conditions. In addition, the classification is not affected by the likelihood that the entity will exercise its right to defer settlement. Therefore, if the right exists, the liability is classified as non-current even if management intends or expects to settle the liability within twelve months of the reporting period. Additional disclosures would be required in such circumstances.

The effective date of the amendment is for years beginning on or after January 1, 2024.

The Company has adopted the amendment for the first time in the 2024 financial statements.

The impact of the amendment is not material.

(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
IFRS 18 Presentation and Disclosure in Financial Statements	January 1, 2027	The impact will be material
Amendments to IFRS 9 and IFRS 7: Amendments to the Classification and Measurement of Financial Instruments	January 1, 2026	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, 2024

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, 2024, 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\$ 23,510 thousand (2023: US\$ 92,533 thousand) higher/lower, mainly as a result of US Dollar denominated receivables, trade payables and bank balances.

Particulars	December 31, 2024		December 31, 2023	
	USD	Equivalent US\$ '000	USD	Equivalent US\$ '000
Foreign currency assets				
Cash in hand and at bank	103,758	380,820	4,227	15,987
Trade and other receivables	13,605,929	49,937,434	12,595,295	47,638,052
Total foreign currency assets	13,709,687	50,318,254	12,599,522	47,654,039
Foreign currency liabilities				
Trade and other payables	395,221	1,450,569	616,212	2,330,644
Term loan	8,330,725	30,576,010	5,556,086	21,014,286
Bank overdraft	4,800,722	17,619,946	7,126,236	26,952,922
Total foreign currency liabilities	13,526,668	49,646,525	13,298,535	50,297,852
Net currency exposure – (asset) / liabilities	183,019	671,729	(699,013)	(2,643,813)

Exchange rates used for conversion of foreign currency items were:

USD	3,670.27	3,782.21
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(ii) Interest rate risk

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

At December 31, 2024, if interest rates on borrowings had been 2% higher/lower with all other variables held constant, post-tax profit for the year would have been US\$ 1,017,687 thousand (2023: US\$ 1,086,958 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, 2024

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

	2024	2023
	US\$ '000	US\$ '000
Trade receivables	1,311,282	776,902
Other receivables	8,289,562	8,128,408
Due from related parties	41,259,891	40,919,930
Cash at bank	464,353	46,408
Derivative financial instruments	-	645,897
	<u>51,325,088</u>	<u>50,517,545</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, 2024

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	11,115,238	10,545,808	28,275,689	18,930,937
Bank overdraft	17,619,944	-	-	-
Trade and other payables	10,178,773	-	-	-
	38,913,955	10,545,808	28,275,689	18,930,937

At December 31, 2023

Term loans	18,705,738	7,888,924	7,248,766	20,572,409
Bank overdraft	28,542,618	-	-	-
Trade and other payables	8,612,670	-	-	-
	55,861,026	7,888,924	7,248,766	20,572,409

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, 2024 and 2023 were as follows:

	2024 UShs '000	2023 UShs '000
Term loans (note 21)	55,071,967	43,535,361
Bank overdraft (note 19)	17,619,944	28,542,618
Less: Cash in hand and at bank (note 19)	(576,003)	(99,599)
Net debt	72,115,908	71,978,380
Total equity	56,996,613	66,761,889
Gearing ratio	1.27	1.08

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, 2024, and December 31, 2023.

Financial asset / Fair value hierarchy	2024 UShs '000			2023 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

McLeod Russel Uganda Limited

Annual report and financial statements for the year ended December 31, 2024

Notes to the financial statements

5 Revenue	2024	2023
	UShs '000	UShs '000
Export auction	38,946,744	60,858,852
Export direct sales	7,184,920	7,835,759
Local sales	2,494,704	1,554,697
	48,626,368	70,249,308

All sales revenue is derived from the sale of made tea. The quantity of made tea sold during the year was 16,058 tonnes (2023: 19,845 tonnes). The Company derives its revenue from contracts with customers for the transfer of made tea at a point in time.

6 Cost of sale		
Purchase of green leaf	5,500,527	13,147,129
Field expenses	712,680	5,422,530
Harvesting and collection	2,392,263	3,674,849
Power and fuel	7,296,844	9,280,276
Repair and maintenance	2,058,004	2,726,202
Insurance	348,752	383,445
Employee costs (note 11)	15,135,844	19,807,852
Packing materials	947,920	1,264,339
License fee	-	3,384,265
Depreciation	4,262,070	4,725,087
Changes in inventories of finished goods	702,686	5,213,807
Other expenses	4,646,752	4,284,249
	44,004,342	73,314,030

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	32,966	962
Others	23,885	137,739
	56,851	256,192

8 Finance (costs)/ income – net

Finance income

Interest income	2,260,928	2,345,479
Net foreign exchange gains on borrowings, cash at bank and in hand	-	1,431,982
	2,260,928	3,777,461

McLeod Russel Uganda Limited

Annual report and financial statements for the year ended December 31, 2024

Notes to the financial statements

8 Finance costs / income - net (continued)	2024	2023
	UShs '000	UShs '000
Finance costs		
Interest expense	6,295,638	6,782,008
Net foreign exchange Loss on borrowings, cash at bank and in hand	38,330	-
Other finance charges	247,377	275,329
	6,581,345	7,057,337
9 Distribution cost		
Transport	3,427,136	4,467,872
Storage	1,258,334	1,739,883
Brokerage	291,049	453,270
Others	136,034	180,842
	5,112,553	6,841,867
10 Administrative expenses		
Employee costs (note 11)	2,078,669	2,160,028
Insurance	18,109	20,071
Repair and maintenance	6,565	9,206
Travelling expense	120,307	229,782
Other Professional fees	309,193	140,834
Auditors' remuneration	169,486	177,111
Other expenses	329,167	816,491
Depreciation	304,388	308,057
Loss on disposal of property, plant and equipment	9,753	32,157
Impairment allowance for other receivables	3,721,131	-
	7,066,768	3,893,737
11 Employee costs		
Salaries and wages	15,115,288	19,316,000
National Social Security Fund contributions	1,604,347	1,986,842
Gratuity (note 23)	494,878	665,038
	17,214,513	21,967,880
Employee costs are classified under;		
Cost of sales (note 6)	15,135,844	19,807,852
Administrative expenses (note 10)	2,078,669	2,160,028
	17,214,513	21,967,880

McLeod Russel Uganda Limited

Annual report and financial statements for the year ended December 31, 2024

Notes to the financial statements

12 Taxation

	2024	2023
	UShs'000	UShs'000
Current income tax	-	-
Deferred income tax (note 22)		
- Originated and reversal of temporary differences	(3,609,030)	(5,498,371)
- Adjustments in respect of prior years	-	-
Income tax expense	(3,609,030)	(5,498,371)
Profit before income tax	(12,494,463)	(18,544,390)
Tax calculated at the statutory income tax rate of 30% (2023: 30%)	(3,748,339)	(5,563,317)
<i>Tax effects of:</i>		
- Expenses not deductible for tax purposes	139,309	64,946
Income tax expense / (credit)	(3,609,030)	(5,498,371)

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, 2024

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
Cost									
As 1 January 2023	27,593,381	27,022,340	8,198,776	73,330,935	3,723,856	3,419,578	580,299	4,281,414	148,149,679
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)	-	-	-
At 31 December 2023	27,814,241	27,726,702	8,732,135	73,506,714	3,652,184	2,614,983	683,694	4,506,908	149,237,561
Additions	24,225	-	-	-	1,256	-	-	3,619	29,100
Disposals	-	-	-	(860,284)	(271,560)	(86,743)	-	-	(1,218,587)
Transfers	-	356,021	-	161,521	-	(517,542)	-	-	-
At 31 December 2024	27,838,466	28,082,723	8,732,135	72,807,951	3,381,880	2,010,698	683,694	4,510,527	148,048,074
Accumulated Depreciation									
As 1 January 2023	8,729,916	9,002,118	3,202,370	44,103,160	3,544,226	-	-	-	68,581,790
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 31 December 2023	9,276,894	9,556,652	3,431,765	47,193,011	3,495,548	-	-	-	72,953,870
Charge for the year	548,744	561,655	244,439	3,151,589	60,033	-	-	-	4,566,460
On disposals	-	-	-	(855,032)	(271,560)	-	-	-	(1,126,592)
At 31 December 2024	9,825,638	10,118,307	3,676,204	49,489,568	3,284,021	-	-	-	76,393,738
Carrying Amount									
At 31 December 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
At 31 December 2024	18,012,828	17,964,416	5,055,931	23,318,383	97,859	2,010,698	683,694	4,510,527	71,654,336

McLeod Russel Uganda Limited

Annual report and financial statements for the year ended December 31, 2024

Notes to the financial statements

14 Biological assets	2024	2023
	UShs '000	UShs '000
At beginning of the year	349,203	688,995
Gain arising from changes in fair value of unharvested green leaf	(27,705)	(339,792)
At end of the year	321,498	349,203

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

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

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

15 Financial assets		
Due from related companies (note 25)	41,141,653	35,494,468
Other Receivables	7,724,160	7,040,561
Less Impairment allowance for other receivables	(5,087,071)	(1,365,939)
	43,778,742	41,169,090
Of the above:		
Current	1,800,905	2,340,235
Non-current	41,977,837	38,828,855
	43,778,742	41,169,090
16 Inventories		
Finished goods	6,957,878	7,660,564
Consumable stores	11,389,939	13,853,080
	18,347,817	21,513,644
Provision for obsolete stock	(3,694,099)	(1,969,952)
	14,653,718	19,543,692
Nurseries	209,172	277,764
	14,862,890	19,821,456
17 Trade and other receivables		
Financial assets:		
Trade receivables	1,311,282	776,902
Other receivables	565,402	1,325,608
Due from related companies (note 25)	118,238	5,425,462
Less: Impairment allowance for other receivables	(176,488)	(176,489)
	1,818,434	7,351,483

McLeod Russel Uganda Limited

Annual report and financial statements for the year ended December 31, 2024

Notes to the financial statements

17 Trade and other receivables (Continued)

	2024 UShs '000	2023 UShs '000
Non-financial assets		
VAT	1,461,775	753,613
Supplier advances	1,374,244	1,123,845
Employee advances	206,878	213,016
Prepayments	583,478	423,669
	<u>5,444,809</u>	<u>9,865,626</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	645,897	2,026,485
Fair value gain/(loss)	(645,897)	(1,380,588)
Derivative asset/ (liability)	<u>-</u>	<u>645,897</u>

19 Cash in hand and at bank

Cash in hand	111,650	53,191
Cash at bank	464,353	46,408
Cash in hand and at bank in the statement of financial position	<u>576,003</u>	<u>99,599</u>
Bank overdraft	17,619,944	28,542,618
	<u>17,619,944</u>	<u>28,542,618</u>
Cash and cash equivalents in the statement of cash flows	<u>(17,043,941)</u>	<u>(28,443,019)</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	41,604,511	23,120,094
Current portion		
Term loan	6,838,004	15,760,696
Interest accrued on term loan	6,629,452	4,654,571
	<u>13,467,456</u>	<u>20,415,267</u>
	<u>55,071,967</u>	<u>43,535,361</u>

McLeod Russel Uganda Limited

Annual report and financial statements for the year ended December 31, 2024

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	Overdraft	Term loan
Limit	Term loan of US\$ 8.33 million Overdraft of US\$ 3 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 3 months SOFR Overdrafts - Base rate plus 3 months SOFR	Base rate plus 3 months LIBOR	12%
Repayment	Term Loans – Repayable in 5 years Overdraft – Repayable in 1 year	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 current ratio and long-term debt service coverage 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.

Absa term loan has been restructured during the year. The term of repayment has been extended to 5 years with monthly repayment schedule.

McLeod Russel Uganda Limited

Annual report and financial statements for the year ended December 31, 2024

Notes to the financial statements

22 Deferred tax liability

	2023	2022
	UShs '000	UShs '000
At start of year	4,623,220	10,005,522
Charged to profit / loss (note 12)	(3,609,030)	(5,498,371)
Charged to other comprehensive income	(377,076)	116,069
At end of year	<u>637,114</u>	<u>4,623,220</u>

Deferred income tax is calculated on all temporary differences under the liability method using a principal tax rate of 30% (2023: 30%). The movement on the deferred tax account is as follows:

At beginning of the year	4,623,220	10,005,521
(Deductible) / taxable temporary difference on property, plant and equipment	(942,344)	(44,956)
Taxable / (deductible) temporary difference on retirement benefit obligations	7,481	232,740
Taxable temporary difference on forex fluctuations	(11,499)	429,595
(Deductible) / taxable temporary difference on provisions	(842,457)	(113,126)
Increase in tax losses available for set off against future taxable income	(32,301)	(3,253,239)
(Deductible) / taxable temporary difference on fair valuation	(202,081)	(516,114)
Deductible temporary difference on interest disallowed	(1,962,905)	(2,117,201)
	<u>637,114</u>	<u>4,623,220</u>

23 Retirement benefit obligation

Amounts recognized in profit or loss are as follows:

Current service cost	163,668	171,953
Interest cost	331,210	493,085
Charge to profit or loss	<u>494,878</u>	<u>665,038</u>

Amounts recognized in other comprehensive income are as follows

Actuarial losses arising from experience adjustments	1,256,919	(386,895)
	<u>1,256,919</u>	<u>(386,895)</u>

The movement in the retirement benefit obligation is shown below:

At start of year	2,825,268	3,601,069
Current service cost	163,668	171,953
Interest cost	331,210	493,085
Benefits paid during the period	(1,776,735)	(1,053,944)
Actuarial losses arising from experience adjustments	1,256,919	(386,895)
At the end of the year	<u>2,800,330</u>	<u>2,825,268</u>

McLeod Russel Uganda Limited

Annual report and financial statements for the year ended December 31, 2024

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	17.10%
Salary escalation	3.12% p.a.
Average remaining work life	19 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 4.95%	Decrease by 5.43%

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

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

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

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

	Less than 1 year UShs '000	Between 1 & 2 years UShs '000	Between 2 & 5 years UShs '000	Over 5 years UShs '000	Total UShs '000
At December 31, 2024:					
Gratuity benefits	152,790	395,028	1,547,172	38,877,761	40,972,751
At December 31, 2023:					
Gratuity benefits	216,056	281,601	1,662,501	41,838,211	43,998,369

24 Trade and other payables

	2024 UShs'000	2023 UShs'000
Trade payables	2,948,741	4,765,182
Amounts due to related companies (note 25)	2,899	-
Accrued expenses and other payables	7,227,133	3,847,488
	10,178,773	8,612,670

McLeod Russel Uganda Limited

Annual report and financial statements for the year ended December 31, 2024

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 Dilsher Sen Sim Katende Pradip Bhar Ajay Pal Singh

Related party transactions

	2024 US\$ '000	2023 US\$ '000
Purchase of goods and services		
Borelli Tea Holdings Limited - license fee (excluding VAT)	-	3,384,265
		<u>3,384,265</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	30,452	39,232
Salaries and other short-term employment benefits	304,519	684,128
	<u>334,971</u>	<u>723,360</u>
Sale of goods and other income		
McLeod Russel Africa Limited	99,427	1,114,333
McLeod Russel Africa Limited – Interest on delayed payment	7,099	17,086
Borelli Tea Holdings Limited – Interest	1,858,204	1,922,213
McLeod Russel Middle East	346,249	-
McLeod Russel Middle East – Interest on delayed payment	-	5,440
	<u>2,310,979</u>	<u>3,059,072</u>

Related party balances

Amounts due from related parties

Borelli Tea Holdings Limited - loan	25,656,927	26,439,438
Borelli Tea Holdings Limited – interest receivable	15,484,726	14,101,165
McLeod Russel Africa Limited	(2,899)	379,326
McLeod Russel Middle East	118,238	-
	<u>41,256,992</u>	<u>40,919,929</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, 2024

Notes to the financial statements

26 Contingent liabilities

- (i) The Company is a defendant in various legal actions arising in the normal course of business. In the opinion of the Directors, after taking appropriate legal advice, the outcome of such actions will not give rise to a significant loss. Total claims at the year end is US\$ 538,772 thousand (2023: US\$ 99,745 thousand).
- (ii) The Company have been issued with few assessment orders from Uganda Revenue Authority (URA) at different times for past years amounting to US\$ 3,524,966 thousand. The Company have already filed an appeal/application against all of them, and all those matters are still undergoing mediation/mentions/hearing.

27 Commitments

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

	2024	2023
	US\$ '000	US\$ '000
Property, plant and equipment	233,610	52,025

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.