Deloitte.

STANSAND (AFRICA) LIMITED

REPORT AND FINANCIAL STATEMENTS

31 MARCH 2023

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## COMPANY INFORMATION

| | |
|---|---|
| DIRECTORS | N Khagram<br>R Mwatha<br>Manesh Thakrar * (Resigned on 30th June 2022)<br>Sebastian Michaelis*<br>Alan Roy * (Appointed on 1st September 2022)<br><br>* British |
| SECRETARIES | Adili Corporate Services Kenya<br>Certified Public Secretaries (Kenya)<br>P.O. Box 764 - 00606<br>Nairobi |
| REGISTERED OFFICE | LR NO 1870/1/176<br>1st Floor, ALN House,<br>Eldama Ravine Close, Off Eldama Ravine Road<br>Westlands<br>P.O. Box 41968 - 00100<br>Nairobi |
| PRINCIPAL PLACE OF BUSINESS | 3rd Floor, Tea House,<br>Nyerere Avenue<br>Mombasa, Kenya |
| AUDITORS | Deloitte & Touche LLP<br>Certified Public Accountants (Kenya)<br>Deloitte Place<br>Waiyaki way, Muthangari<br>P O Box 40092 - 00100<br>Nairobi |
| BANKERS | HSBC Bank Plc<br>Harry Weston Road<br>Binley, Coventry, CV3 2SH<br>United Kingdom<br><br>Stanbic Bank Kenya Limited<br>P.O. Box 90131 - 80100<br>MOMBASA |

## REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements for the year ended 31 March 2023, in accordance with Section 653(1) of the Kenyan Companies Act, 2015, which discloses the state of affairs of Stansand (Africa) Limited (the "Company").

## PRINCIPAL ACTIVITIES

The principal activity of the company continues to be buying and exporting of tea.

## BUSINESS REVIEW

The Company operates in Mombasa and provides procurement services to companies within the Tata Group involving the purchase of bulk tea.

***Key financial performance indicators***

The directors consider that it has been a fairly satisfactory year for the Company. The following is an analysis of the company's key performance indicators. The company's sales were Shs 1,888 million (2022: Shs 1,691 million) which represents an increase of 12% mainly as a result of higher tea prices compared to prior year. The commission income for the year increased by 11% as a result of increase in USD FOB prices up by 17%. The overall volumes handled during the year however declined by 9% compared to prior year due to the general decline in black tea demand particularly in geographies where the company supplies. In line with inflation, overheads increased by 4% (Shs 2.9 million). Profit for the financial year was Shs 59.5 million compared to 2022 profit of Shs 24.5 million. The shareholders' funds of the company decreased from Shs 332 million to Shs 256 million as a result of interim dividend declared of Shs 135 million from the retained earnings.

***Principal risks and uncertainties facing company***

The Company takes a proactive approach to the management of the various risks that it faces. Of these risks the principal ones that it is exposed to are:

***Market & Price Risk*** - The company acts as buying/procurement agent for companies within the TATA Group and earns a commission. It is exposed to limited market risk as all of the tea procured is in fulfilment of specific orders received. However, to the extent that a decline in volumes of the buying entities or a decline in tea prices, would impact on the company's ability to recover its fixed costs, then it is exposed to some level of market and price risk.

***Credit Risk*** – The company bears no / limited credit risk as it relies on pre-payments from its customers to make purchases.

***Foreign Exchange Risk*** - This risk relates to the potential impact on profits that may arise because of changes in foreign exchange rates. The currency exposure risk is managed through holding of bank balances in USD. Whilst there may be a translation risk, there is no impact on cashflow as key transactions are in USD.

***Liquidity Risk*** – The Company is not normally exposed to any liquidity risk as it receives payment in advance from its customers to make purchases and the company has been in a profitable position.

***Impact of the Tea Act*** – The Tea Act was passed on 23rd December 2020 and was effective from 11th January, 2021. Uncertainties remain around the actual implementation of the Act awaiting court judgement on petition filed by the East African Tea Trade Association (EATTA). It is likely that the Tea Act once operative may have some impact on the operations of the Company. The impact is more likely to need some operating model change and the Company does not foresee a material impact on the overall business.

**REPORT OF THE DIRECTORS (Continued)**

**RESULTS AND DIVIDEND**

Profit for the year of Shs 59,511,000 (2022: Shs 24,465,000) has been added to retained earnings. During the year an interim dividend of Shs 135,000,000 was declared (2022: Nil). The directors do not recommend a final dividend for the year (2022: Nil).

**DIRECTORS**

The current directors who held office during the year and up to the date of approval of these financial statements are disclosed on page 1.

**DIRECTORS' STATEMENT AS TO THE INFORMATION GIVEN TO THE AUDITORS**

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

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

**AUDITORS**

Deloitte & Touche LLP, having confirmed their willingness, continue in office in accordance with Section 719 (2) of the Kenyan Companies Act, 2015.The directors monitor the effectiveness, objectivity and independence of the auditor. The directors also approve the annual audit engagement contract, which sets out the terms of the auditor's appointment and the related fees.

BY ORDER OF THE BOARD

N Khagram
Director

5th May 2023

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

(i) designing, implementing and maintaining such internal control as they determine necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error;

(ii) selecting suitable accounting policies and applying them consistently; and

(iii) making accounting estimates and judgements that are reasonable in the circumstances.

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

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

Approved by the board of directors on 5th May 2023 and signed on its behalf by:

N Khagram
Director

R Mwatha
Director

Deloitte.

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Waiyaki Way, Muthangari
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# INDEPENDENT AUDITORS' REPORT
# TO THE MEMBERS OF STANSAND (AFRICA) LIMITED

**Report on the Audit of the financial statements**

**Opinion**

We have audited the financial statements of Stansand (Africa) Limited, set out on pages 8 to 39, which comprise the statement of financial position as at 31 March 2023, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the company as at 31 March 2023 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and the requirements of the Kenyan Companies Act, 2015.

**Basis for Opinion**

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

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

**Other Information**

The directors are responsible for the other information, which comprises the report of directors and the statement of directors' responsibilities as required by the Kenyan Companies Act, 2015. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express 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 on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Report on the Audit of the Financial Statements (Continued)**

**Responsibilities of the Directors and Those Charged with Governance for the Financial Statements**

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015 and for such internal controls as Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so. Those charged with governance 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 ISA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism 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 Directors, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Report on the Audit of the Financial Statements (Continued)**

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

In our opinion the information given in the report of the directors on pages 2 to 3 is consistent with the financial statements.

The engagement partner responsible for the audit resulting in this independent auditor's report is **CPA Iqbal P Karim, Practicing certificate No. 1895**

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

5 May **2023**

**Statement of profit or loss and other comprehensive income**

| | | Year ended 31 March | |
|---|---|---|---|
| | Notes | 2023<br>Shs'000 | 2022<br>Shs'000 |
| Revenue | 4 | 1,911,103 | 1,711,807 |
| Cost of sales | | (1,802,593) | (1,618,304) |
| **Gross profit** | | 108,510 | 93,503 |
| Other income | 5 | 1,429 | 1,571 |
| Interest income | 6 | 16,833 | 7,357 |
| Administrative expenses | | (80,977) | (78,013) |
| **Operating profit** | | 45,795 | 24,418 |
| Finance costs | 7 | (173) | (597) |
| Net foreign exchange gains | 8 | 41,702 | 13,245 |
| **Profit before income tax** | 9 | 87,324 | 37,066 |
| Income tax expense | 11 | (27,813) | (12,601) |
| **Profit for the year** | | 59,511 | 24,465 |
| Other comprehensive income for the year | | - | - |
| **Total comprehensive income for the year** | | 59,511 | 24,465 |

**Statement of financial position**
**As at 31 March**

| | Notes | 2023 Shs'000 | 2022 Shs'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Vehicles, furniture and equipment | 15 | 666 | 1,464 |
| Right-of-use asset | 16 | - | 2,749 |
| Intangible assets | 17 | 17 | 49 |
| | | 683 | 4,262 |
| **Current assets** | | | |
| Current income tax | 11 | 15,650 | 16,118 |
| Inventories | 18 | 139,646 | 64,996 |
| Advances to a related party | 26 (iv) | 431,324 | 319,790 |
| Other receivables and prepayments | 19 | 27,903 | 22,628 |
| Cash and cash equivalents | 20 | 12,826 | 3,713 |
| | | 627,349 | 427,245 |
| **TOTAL ASSETS** | | 628,032 | 431,507 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | 13 | 500 | 500 |
| Retained earnings | | 255,640 | 331,129 |
| **Shareholders' funds** | | 256,140 | 331,629 |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Deferred tax liability | 14 | 21,898 | 7,585 |
| | | 21,898 | 7,585 |
| **Current liabilities** | | | |
| Dividend payable | 12 | 135,000 | - |
| Lease liabilities | 21 | - | 3,820 |
| Payables and accrued expenses | 22 | 214,994 | 88,473 |
| **Total current liabilities** | | 349,994 | 92,293 |
| **TOTAL EQUITY AND LIABILITIES** | | 628,032 | 431,507 |

The financial statements on pages 8 to 39 were approved for issue by the board of directors on 5th May 2023 and signed on its behalf by:

**N Khagram**
**Director**

**R Mwatha**
**Director**

**Statement of changes in equity**

| | Notes | Share capital Shs'000 | Retained earnings Shs'000 | Total Shs'000 |
|---|---|---|---|---|
| **Year ended 31 March 2022** | | | | |
| At start of year | | 500 | 306,664 | 307,164 |
| Total comprehensive income for the year | | - | 24,465 | 24,465 |
| At end of year | | 500 | 331,129 | 331,629 |
| **Year ended 31 March 2023** | | | | |
| At start of year | | 500 | 331,129 | 331,629 |
| Total comprehensive income for the year | | - | 59,511 | 59,511 |
| At end of year | | 500 | 390,640 | 391,140 |
| Transactions with owner | | | | |
| Dividends | | | | |
| - Declared interim for 2023 | 12 | - | (135,000) | (135,000) |
| Total distributed to owner | | - | (135,000) | (135,000) |
| At end of year | | 500 | 255,640 | 256,140 |

## Statement of cash flows

| | Notes | 2023 Shs'000 | 2022 Shs'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Net cash generated from/(used in) operations | 25 (i) | 68,492 | (52,066) |
| Interest received on call deposit | 6 | 28 | 52 |
| Interest received on advances to a related party | | 13,119 | 7,284 |
| Income tax paid | 11 | (13,032) | (14,886) |
| Net cash generated from/(used in) operating activities | | 68,607 | (59,616) |
| **Cash flows from investing activities** | | | |
| Purchase of vehicles, furniture and equipment | 15 | (124) | (56) |
| Proceeds from disposal of vehicles, furniture and equipment | | - | 20 |
| Net amount (advanced to)/repaid by a related party | 25 (ii) | (55,377) | 56,282 |
| Net cash (used in)/generated from investing activities | | (55,501) | 56,246 |
| **Cashflow from financing activities** | | | |
| Payment of lease liabilities | 21 | (3,993) | (3,784) |
| Net cash used in financing activities | | (3,993) | (3,784) |
| **Net increase/(decrease) in cash and cash equivalents** | | 9,113 | (7,154) |
| **Movement in cash and cash equivalents** | | | |
| At start of year | | 3,713 | 10,867 |
| Increase/(decrease) | | 9,113 | (7,154) |
| **Cash and cash equivalents at end of year** | 20 | 12,826 | 3,713 |

NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

**Statement of compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

For the Kenyan Companies Act, 2015 reporting purposes, in these financial statements, the balance sheet is equivalent to the statement of financial position and the profit and loss account is included in the statement of profit or loss and other comprehensive income.

**Adoption of new and revised International Financial Reporting Standards (IFRSs)**

***(i) Relevant new standards and amendments to published standards effective for the year ended 31 March 2023***

Several new and revised standards and interpretations became effective during the year. The Directors have evaluated the impact of the new standards and interpretations and none of them had a significant impact on the Company's financial statements.

**Amendments to IAS 16 – Property, Plant and Equipment—Proceeds before Intended Use**

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories.

The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes. If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

**Annual Improvements to IFRS Standards 2018–2020**

The Annual Improvements include amendments to the following Standards:

IFRS 1 *First-time Adoption of International Financial Reporting Standards*
The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1:D16(a).

IFRS 16 *Leases*
The amendment removes the illustration of the reimbursement of leasehold improvements.
As the amendment to IFRS 16 only regards an illustrative example, no effective date is stated.

NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES (Continued)

**Adoption of new and revised International Financial Reporting Standards (IFRS) (Continued)**

***(i) Relevant new standards and amendments to published standards effective for the year ended 31 March 2023 (Continued)***

**Amendments to IFRS 3 business combinations – Reference to the Conceptual Framework**

The amendments update IFRS 3 so that it refers to the 2019 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

**Amendments to IAS 37 – Onerous Contracts—Cost of Fulfilling a Contract**

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

The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

***(ii) Impact of new and amended standards and interpretations in issue but not yet effective***

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

| *New and Amendments to standards* | *Effective for annual periods beginning on or after* |
|---|---|
| Amendments to IAS 1 - Classification of Liabilities as Current or Non-current | Annual periods beginning on or after 1 January 2024 |
| Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of accounting policies | Annual periods beginning on or after 1 January 2023 |
| Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction | Annual periods beginning on or after 1 January 2023 |
| Amendments to IAS 8 - Definition of accounting estimates | Annual periods beginning on or after 1 January 2023 |
| Amendment to IFRS 16 - Lease Liability in a Sale and Leaseback | Annual periods beginning on or after 1 January 2024 |
| Amendments to IAS 1 - Non-current Liabilities with Covenants | Annual periods beginning on or after 1 January 2024 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 ACCOUNTING POLICIES (Continued)

**Adoption of new and revised International Financial Reporting Standards (IFRSs) (Continued)**

***(iii) Impact of new and amended standards and interpretations effective for future annual periods***

**Amendments to IAS 1 – Classification of Liabilities as Current or Non-current**

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items. The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2024, with early application permitted.

The Directors of the Company anticipate that the application of these amendments may not have a material impact on the Company's financial statements in future periods.

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

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023, with earlier application permitted and are applied prospectively. The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements.

The Directors of the Company anticipate that the application of these amendments may have an impact on the Company's financial statements in future periods.

**Amendments to IAS 12 Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction**

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 ACCOUNTING POLICIES (Continued)

**Adoption of new and revised International Financial Reporting Standards (IFRSs) (Continued)**

***(iii) Impact of new and amended standards and interpretations effective for future annual periods (Continued)***

**Amendments to IAS 12 Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Continued)**

Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying IFRS 16 at the commencement date of a lease.

Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.

The Board also adds an illustrative example to IAS 12 that explains how the amendments are applied.

The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period an entity recognises:

- A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with:
    - Right-of-use assets and lease liabilities
    - Decommissioning, restoration and similar liabilities and the corresponding amounts recognised as part of the cost of the related asset
- The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted

The Directors of the Company anticipate that the application of these amendments may have an impact on the Company's financial statements in future periods should such transactions arise.

**Amendments to IAS 8 — Definition of Accounting Estimates**

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

The definition of a change in accounting estimates was deleted. However, the Board retained the concept of changes in accounting estimates in the Standard with the following clarifications:

- A change in accounting estimate that results from new information or new developments is not the correction of an error
- The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors

The Board added two examples (Examples 4-5) to the Guidance on implementing IAS 8, which accompanies the Standard. The Board has deleted one example (Example 3) as it could cause confusion in light of the amendments.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 ACCOUNTING POLICIES (Continued)

**Adoption of new and revised International Financial Reporting Standards (IFRSs) (Continued)**

***(iii) Impact of new and amended standards and interpretations effective for future annual periods (Continued)***

**Amendments to IAS 8 — Definition of Accounting Estimates (Continued)**

The amendments are effective for annual periods beginning on or after 1 January 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted.

The Directors of the Company anticipate that the application of these amendments may have an impact on the Company's financial statements in future periods should such transactions arise.

**Amendment to IFRS 16 -Lease Liability in a Sale and Leaseback**

The amendments add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in IFRS 15 Revenue from Contracts with Customers to be accounted for as a sale. The amendments require the seller-lessee to determine 'lease payments' or 'revised lease payments' such that the seller-lessee does not recognise a gain or loss that relates to the right of use retained by the seller-lessee, after the commencement date. The amendments do not affect the gain or loss recognised by the seller-lessee relating to the partial or full termination of a lease.

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

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

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

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

The Directors of the Company anticipate that the application of these amendments may have an impact on the Company's financial statements in future periods should such transactions arise.

**Amendments to IAS 1- Non-current Liabilities with Covenants**

In 2020, the IASB issued amendments to IAS 1 titled Classification of Liabilities as Current or Non-current. In the 2020 amendments, among other changes, the IASB clarified that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period. The 2020 amendments specified how an entity assesses whether it has the right to defer settlement of a liability when that right is subject to compliance with specified conditions (in the amendments referred to as 'covenants') within twelve months after the reporting period. Stakeholders have since expressed concerns about the outcome of applying the 2020 amendments to such covenants. The IASB decided to address these stakeholder concerns

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 ACCOUNTING POLICIES (Continued)

**Adoption of new and revised International Financial Reporting Standards (IFRSs) (Continued)**

***(iii) Impact of new and amended standards and interpretations effective for future annual periods (Continued)***

**Amendments to IAS 1- Non-current Liabilities with Covenants (Continued)**

The 2022 amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or non-current). Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date (e.g. a covenant based on the entity's financial position at the reporting date that is assessed for compliance only after the reporting date).

The IASB also specifies that the right to defer settlement is not affected if an entity only has to comply with a covenant after the reporting period. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants (including the nature of the covenants and when the entity is required to comply with them), the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants

As a reminder, the key changes introduced by the 2020 amendments that are unaffected by the most recent amendments include:

• A clarification was added in both IAS 1:69 and 73 to emphasise that for a liability to be classified as non-current, the entity's right to defer settlement must exist 'at the end of the reporting period'

• The IASB specified that for a liability to be non-current an assessment is required of whether an entity has the right to defer settlement of a liability and not whether the entity will exercise that right. The reference to an entity's expectations in IAS 1:73 was deleted and a new paragraph was added to state explicitly that classification is unaffected by management intentions or expectations

• The word 'unconditional' was removed from IAS 1:69 and a new paragraph was added to clarify that if the right to defer settlement is conditional on the compliance with covenants the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date

• A definition of the word 'settlement' was added and states "For the purpose of classifying a liability as current or non-current, settlement refers to a transfer to the counterparty that results in the extinguishment of the liability." This transfer could be of cash, goods and services or the entity's own equity instruments

• The circumstances when counterparty conversion options affect classification as current or non-current were clarified

The 2022 amendments are applied retrospectively in accordance with IAS 8 for annual reporting periods beginning on or after 1 January 2024.

Earlier application of the 2022 amendments is permitted. If an entity applies the 2022 amendments for an earlier period, it is also required to apply the 2020 amendments early. At the same time, the IASB aligns the effective date of the 2020 amendments to 1 January 2024. An entity that applies the 2020 amendments after the publication of the 2022 amendments is required to also apply the 2022 amendments for that period.

The Directors of the Company anticipate that the application of these amendments may have an impact on the Company's financial statements in future periods should such transactions arise.

***(iv) Early adoption of standards***

The company did not early-adopt any new or amended standards in year ended 31st March 2023.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 ACCOUNTING POLICIES (Continued)

**Basis of preparation**

The financial statements are prepared under the historical cost basis of accounting. The principal accounting policies adopted in the preparation of these financial statements remain unchanged from the previous year and are set out below

**Revenue recognition**

Revenue represents the net invoiced value of goods and services rendered and is recognized upon transfer of goods to a customer or performance of services. Revenue is stated net of Value Added Tax (VAT) and discounts where applicable.

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. The company recognises revenue when it transfers control of goods or a service to a customer.

Revenue is recognised as follows:

i. Sale of bulk tea
The company recognizes revenue when it satisfies a performance obligation by transferring promised goods to a customer (which is when the customer obtains control of the goods). The amount of revenue recognized is the amount allocated to the satisfied performance obligation which is when tea is dispatched on freight on board (FOB) terms i.e. a point in time when tea is placed on the vessel.

ii. Commission income
The company earns commission from acting as an agent between a customer and a producer. The service the company provides the customer is to source, negotiate, secure and manage the approval and logistics processes for purchase of African teas. The company recognises revenue when it satisfies a performance obligation, which is when the producer has transferred the promised goods to the customer (which is when the customer obtains control of the goods).The amount of revenue recognised is the amount allocated to the satisfied performance obligation which is when tea is placed on vessel by the producer i.e. at a point in time.

The cost of sales is the accumulated total of all costs incurred to bring the product to Free on Board (FOB) or Cost, Insurance & Freight (CIF) Shipping condition as appropriate. The various costs of sales fall into the general sub-categories of direct purchases, brokerage, handling, packaging materials, bulking costs and all other shipping related costs. The cost of sales does not include selling and distribution expenses.

**Interest income**

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income.

**Foreign currency translation**

(a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The financial statements are presented in Kenya Shillings which is the Company's functional currency.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 ACCOUNTING POLICIES (Continued)

**Foreign currency translation (Continued)**

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency of the entity using the exchange rates prevailing at the dates of the transactions except for non-monetary assets or non-monetary liabilities arising from the payment or receipt of advance consideration before the company recognises the related asset, expense or income. The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss and other comprehensive income.

Foreign exchange gains and losses that relate to advances and cash and cash equivalents are presented in the statement of profit or loss and other comprehensive income as a separate line. All other foreign exchange gains and losses are presented in the statement of profit or loss and other comprehensive income within 'other income'.

**Vehicles, furniture and equipment**

All categories of vehicle, furniture and equipment are initially recorded at cost. Vehicles, furniture and equipment are subsequently stated at historical cost less accumulated depreciation and any accumulated impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss account during the financial period in which they are incurred.

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

| | |
|---|---|
| Furniture and fittings | 4 - 10 years |
| Computers and equipment | 3 - 5 years |
| Motor vehicles | 4 years |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Vehicles, furniture and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Gains and losses on disposal of vehicles, plant and equipment are determined by comparing the proceeds with the carrying amounts and are included in profit or loss.

**Intangible assets**

Computer software costs are recognised as intangible assets and are stated at cost less accumulated amortisation and any accumulated impairment losses. The costs are amortised on the straight line basis over the expected useful lives not exceeding a period of 4 years.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 ACCOUNTING POLICIES (Continued)

**Accounting for leases**

The Company assesses whether a contract is or contains a lease at inception of the contract. The Company recognises a right of use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which the economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprises of fixed lease payments (including the substance fixed payments), less any lease incentives.

The lease liability is presented as a separate line in the statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company re-measures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in floating interest rate, in which case a revised discount rate is used).

- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Company did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment loses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, plant and equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the statement of the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 ACCOUNTING POLICIES (Continued)

**Impairment**

At the end of each reporting period, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

**Inventories**

Inventories are stated at the lower of cost or net realisable value. Cost for auction purchased or privately bought teas are carried at actual cost for each lot. The cost of tea comprises the purchase cost and brokerage and where applicable bulking costs. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of selling expenses.

**Trade receivables**

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are a classified as current assets. If not, they are presented as non-current assets.

*Impairment of financial assets*

The company measures loss allowance equal to lifetime expected credit losses for trade receivables held at amortised cost as these receivables do not contain a significant financing component, since such receivables are normally due for settlement within 30 days from invoice date.

Cash flows relating to short-term receivables (0-12 months) generally are not discounted, unless the effect of doing so would be material. The carrying amount of the asset should be reduced to its estimated recoverable amount through use of an allowance account. The amount of the loss should be included in net profit and loss for the period.

As trade receivables are generally due within 30 days from invoice date, existing provision matrices/methodologies incorporating both historical and forward looking information may be used to determine the lifetime expected credit losses and therefore measuring the provision for doubtful debts for trade receivables is not expected to change under IFRS 9.

*(i) Significant increase in credit risk*

At each reporting date, the company measures the loss allowance for a trade receivable measured at amortized cost at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition.

This assessment is made considering all reasonable and supportable information, including that which is forward looking. Indicators of significant increase in credit risk could include (but not limited to) any of the following:

- significant financial difficulty
- an actual breach of contract, such as a default in interest or principal payments
- a high probability of bankruptcy or other financial reorganization
- the disappearance of an active market due to financial difficulties

If there is no significant increase in expected losses, then a loss allowance for 12 months must be recognized.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 ACCOUNTING POLICIES (Continued)

**Trade receivables (Continued)**

*(ii) Definition of default*

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).

Irrespective of the above analysis, the company considers that default has occurred when a financial asset is more than 30 days past due unless the company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

The Company write-offs debt only when there is objective evidence that the debt will not be recovered and after it has exhausted its collection avenues.

*(iii) Measurement and recognition of expected credit losses*

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above.

As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.
The Company recognises an impairment gain or loss in profit or loss for all financial instruments with corresponding adjustment to their carrying amount through a loss allowance account.

**Advances**

Advances are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

**Trade payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**Provisions**

Provisions are recognised when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. An increase in provision due to passage of time is recognised as interest expense.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. ACCOUNTING POLICIES (Continued)

**Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

**Share capital**

Ordinary shares are classified as 'share capital' in equity.

**Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less held with banks

**Employee benefits**

**Retirement benefit obligations**

The Company operates a defined contribution retirement benefit scheme for its employees. The Company and all its employees also contribute to the National Social Security Fund, which is a defined contribution scheme. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The assets of all schemes are held in separate trustee administered funds, which are funded by contributions from both the Company and employees.

The Company's contributions to the defined contribution schemes are recognised as an employee benefit expense when they fall due. The Company has no further payment obligations once the contributions have been paid.

**Income tax**

*(i) Current income tax*

The tax expense for the period comprises current and deferred income tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of the tax enacted or substantively enacted at the reporting date. The directors periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. ACCOUNTING POLICIES (Continued)

**Income tax (Continued)**

*(ii) Deferred income tax*

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

**Dividends**

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

**Comparatives**

Where necessary, comparative figures have been adjusted to conform to changes in presentation in current year.

2 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The 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.

The key areas of judgment in applying the entities accounting policies and sources of estimation uncertainty are dealt with below:

(a) Critical judgements in applying accounting policies

There are no critical judgments, apart from those involving estimations (see b below), that the directors have made in the process of applying the company's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(b) Key sources of estimation uncertainty

*Impairment losses*

At the end of each reporting period, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash generating unit to which the asset belongs. Any impairment losses are recognised as an expense immediately. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount. A reversal of an impairment loss, other than that arising from goodwill, is recognised as income immediately.

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated.

*Motor vehicles, equipment and intangible assets*

Critical estimates are made by the directors in determining depreciation rates for motor vehicles, equipment and intangible assets.

*Calculation of loss allowance*

When measuring expected credit losses (ECL), the Company uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the Company would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

*Lease liability*

In order to make a judgement to determine the term of the lease and the corresponding lease liability, the directors consider any options regarding extension or termination of the lease contract which may be available and whether it is probable that such options will be exercised.

Unless there is an implicit interest rate contained in the lease contract, the discount rate used to calculate the net present value of the lease liability is the company's incremental borrowing rate. This rate is estimated by the directors to be the rate which would be paid by the company to purchase a similar asset.

**3 Financial risk management objectives and policies**

The Company's activities expose it to a variety of financial risks: Market risk (including foreign exchange risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance, but the Company does not hedge any risks.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 3 Financial risk management objectives and policies (Continued)

*Market risk*

(i) Foreign exchange risk

The Company purchases and exports tea and is exposed to foreign exchange risk arising from currency exposures with respect to the US dollar. Foreign exchange risk arises from future commercial transactions, and recognised assets and liabilities

Currency exposure arising from liabilities denominated in foreign currencies is managed primarily through the holding of bank balances in the relevant foreign currencies.

At 31 March 2023, if the Shilling had weakened/strengthened by 5% against the US dollar with all other variables held constant, post tax profit for the year would have been Shs 8,575,000 (2022: post tax profit Shs 8,681,000) higher/ lower, mainly as a result of US dollar denominated trade receivables, payables and bank balances.

(ii) Price risk

The Company does not hold any financial instruments subject to price risk.

(iii) Cash flow and fair value interest rate risk

As at 31 March 2023, the Company did not have interest bearing financial liabilities (2022: Nil).

*Credit risk*

Credit risk is managed by the Finance Department. Credit risk arises from cash at bank and short term deposits with banks, as well as trade and other receivables. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors.

No collateral is held for any of the below assets.

The sale of tea is made to related companies. For sale of goods payment is received in advance. Excess funds are loaned back to the related company and interest income earned from the loan. For services rendered where commission is earned, the payment is within 30 days of invoice.

Included in other receivables are amounts which are past due at the reporting date and for which no provision for impairment has been made as there has been no change in the credit quality and past experience indicate that payment will be received.

The company's current credit risk grading framework comprises the following categories:

| **Category** | **Description** | **Basis for recognizing expected credit losses** |
|---|---|---|
| Performing | The counterparty has a low risk of default and does not have any past-due amounts | 12-month ECL |
| Doubtful | Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition | Lifetime ECL (not credit impaired) |
| In default | Amount is >60 days past due or there is evidence indicating the asset is credit-impaired | Lifetime ECL (credit impaired) |
| Write-off | There is evidence indicating that the debtor is in severe financial difficulty and the company has no realistic prospect of recovery | Amount is written off |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 3 Financial risk management objectives and policies (Continued)

The tables below detail the credit quality of the Company's financial assets as well as the Company's maximum exposure to credit risk by credit risk rating grade:

| **Financial asset**<br><br>**2023** | **Internal/ external rating** | **12-month lifetime ECL** | **Gross carrying amount Sh'000** | **Loss allowance**<br><br>**Sh'000** | **Net carrying amount Sh'000** |
|---|---|---|---|---|---|
| Bank balances | Investment grade | 12 months ECL | 12,806 | - | 12,806 |
| Other receivables | Performing | 12 months ECL | 66 | - | 66 |
| Other receivables | Doubtful | Lifetime ECL (not credit impaired) | - | - | - |
| Due from related party | Performing | 12 months ECL | 431,324 | - | 431,324 |
| | | | 444,196 | - | 444,196 |

| **Financial asset**<br><br>**2022** | **Internal/ external rating** | **12-month lifetime ECL** | **Gross carrying amount Sh'000** | **Loss allowance**<br><br>**Sh'000** | **Net carrying amount Sh'000** |
|---|---|---|---|---|---|
| Bank balances | Investment grade | 12 months ECL | 3,693 | - | 3,693 |
| Other receivables | Performing | 12 months ECL | 4 | - | 4 |
| Other receivables | Doubtful | Lifetime ECL (not credit impaired) | - | - | - |
| Due from related party | Performing | 12 months ECL | 319,790 | - | 319,790 |
| | | | 323,487 | - | 323,487 |

For other receivables and due from related parties balance, the company has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL (which in the case of the Company is the same as the 12-month ECL). The loss allowance is determined individually on specific customer balances.

The simplified approach is used for all trade other receivables and related parties balances given that they are without a financing component. Because the simplified approach is used, an assessment as to whether there has been a significant increase in credit risk for those assets has not been performed.

The Cash and Cash equivalents are carried at gross amount – amortized cost. The loss allowance on cash and cash equivalents, if recognized, would pass through the Profit and Loss account. The current liquid assets have been recognized as the principal amount receivable from the Banks excluding any interest. Bank balances are not restricted and include deposits held with banks that have high credit ratings. Bank balances are thus considered investment grade.

## 3. Financial risk management objectives and policies (Continued)

*Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Prudent liquid risk management includes maintaining sufficient cash balances and availability of funding from an adequate amount of committed credit facilities. The Finance Department monitors liquidity on an ongoing basis.

The table below analyses the Company's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying

| | Less than 1 year | More than 1 year |
|---|---|---|
| | Shs'000 | Shs'000 |
| **At 31 March 2023:** | | |
| Payables and accrued expenses | 214,994 | - |
| Lease liabilities | - | - |
| | 214,994 | - |
| **At 31 March 2022:** | | |
| Payables and accrued expenses | 88,473 | - |
| Lease liabilities | 3,993 | - |
| | 92,466 | - |

*Capital management*

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may limit the amount of dividends paid to shareholders.

## 4 Revenue

| | 2023 | 2022 |
|---|---|---|
| | Shs'000 | Shs'000 |
| Analysis of sales by category: | | |
| Tea sales – exports | 1,888,291 | 1,691,118 |
| Tea sales – local | - | 186 |
| Commission income | 22,812 | 20,503 |
| | 1,911,103 | 1,711,807 |

## 5 Other income

| | | |
|---|---|---|
| Other operating income | - | 252 |
| Other non-operating income | 6 | - |
| Scrap sales | 1,423 | 1,299 |
| Profit on disposal of vehicles, furniture and equipment | - | 20 |
| | 1,429 | 1,571 |

## 6 Interest income

| | | |
|---|---|---|
| Interest income on advances to a related party (Note 25 (ii)) | 16,805 | 7,305 |
| Interest income on call deposit | 28 | 52 |
| | 16,833 | 7,357 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 7 Finance costs

| | 2023 Shs '000 | 2022 Shs '000 |
|---|---|---|
| Interest on lease liabilities (Note 21) | (173) | (597) |
| | (173) | (597) |

## 8 Net foreign exchange gains

| | 2023 | 2022 |
|---|---|---|
| Net foreign exchange gains on amounts advanced to a related party (Note 25 (ii)) | 52,471 | 16,639 |
| Net foreign exchange gains/(losses) on cash and cash equivalents | 4,282 | (602) |
| Net foreign exchange losses other than on advances to a related party and cash and cash equivalents | (15,051) | (2,792) |
| | 41,702 | 13,245 |

## 9 Profit before income tax

The following items have been charged in arriving at the profit before income tax:

| | 2023 Shs'000 | 2022 Shs'000 |
|---|---|---|
| Depreciation of vehicles, furniture and equipment (Note 15) | 922 | 1,447 |
| Depreciation of right of use asset (Note 16) | 2,749 | 2,749 |
| Amortisation of intangible assets (Note 17) | 32 | 200 |
| Interest on lease liabilities (Note 21) | 173 | 597 |
| Office service charge | 1,161 | 1,299 |
| Repairs and maintenance expenditure | 272 | 205 |
| Employee benefits expense net of directors' emoluments and fees | 33,162 | 31,674 |
| Auditors' remuneration | 2,625 | 2,386 |
| Directors' emoluments and fees | 28,900 | 28,534 |

## 10 Employee benefits expense

The following items are included within employee benefits expense:

| | 2023 | 2022 |
|---|---|---|
| Salaries and wages | 54,803 | 53,015 |
| Other benefits | 2,577 | 2,838 |
| Retirement benefits costs: | | |
| - Defined contribution scheme | 4,625 | 4,323 |
| - National Social Security Fund | 57 | 32 |
| | 62,062 | 60,208 |

Summary of permanent employees:

| | 2023 | 2022 |
|---|---|---|
| Directors | 2 | 2 |
| Management | 5 | 5 |
| Support | 6 | 5 |
| Total | 13 | 12 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 11 Income tax expense

| | 2023 Shs'000 | 2022 Shs'000 |
|---|---|---|
| Current income tax | 13,500 | 8,788 |
| Deferred income tax charge (Note 14) | 14,313 | 3,813 |
| Income tax expense | 27,813 | 12,601 |

The tax on the Company's profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:

| | 2023 Shs'000 | 2022 Shs'000 |
|---|---|---|
| Profit before income tax | 87,324 | 37,066 |
| Tax calculated at the statutory income tax rate of 30% (2022 – 30%) | 26,197 | 11,120 |
| Tax effect of: | | |
| - Expenses not deductible for tax purposes | 1,616 | 1,481 |
| Income tax expense | 27,813 | 12,601 |

| **Tax movement** | 2023 Shs'000 | 2022 Shs'000 |
|---|---|---|
| Tax recoverable at beginning of the year | (16,118) | (10,020) |
| Tax charge recognised in profit or loss | 13,500 | 8,788 |
| Tax paid | (13,032) | (14,886) |
| | (15,650) | (16,118) |

## 12 Dividends per share

During the year an interim dividend of Shs 5,400 per share amounting to a total of Shs 135,000,000 was declared (2022: Nil). No final dividends are proposed for the year ended 31 March 2023 (2022: Nil).

Payment of dividends is subject to withholding tax at a rate of 15% depending on the residence of the respective shareholder.

## 13 Share capital

| | Number of shares (Thousands) | Share capital Shs'000 |
|---|---|---|
| Balance at 1 April 2021, 31 March 2022 and 31 March 2023 | 25 | 500 |

The total authorised number of ordinary shares is 30,000 with a par value of Shs 20 per share. All issued shares are fully paid.

NOTES TO FINANCIAL STATEMENTS (Continued)

## 14 Deferred tax liability

Deferred tax liability is calculated using the enacted income tax rate of 30% (2022: 30%). The movement on the deferred tax liability account is as follows:

| | 2022<br>Shs'000 | 2022<br>Shs'000 |
|---|---|---|
| At start of year | 7,585 | 3,772 |
| Charge to profit or loss (Note 11) | 14,313 | 3,813 |
| At end of year | 21,898 | 7,585 |

| **Year ended 31 March 2023**<br>**Deferred tax liabilities/(assets)** | **01.04.2022**<br>**Shs'000** | **Charge/(credit) to profit or loss**<br>**Shs'000** | **31.03.2023**<br>**Shs'000** |
|---|---|---|---|
| Unrealised exchange gains and losses | 10,950 | 14,055 | 25,005 |
| Vehicles, furniture, equipment and intangible assets | (1,174) | (17) | (1,191) |
| Other general provisions | (1,870) | (46) | (1,916) |
| Right of use asset | 825 | (825) | - |
| Lease liabilities | (1,146) | 1,146 | - |
| Net deferred tax liability | 7,585 | 14,313 | 21,898 |

| **Year ended 31 March 2022**<br>**Deferred income tax liabilities/(assets)** | **01.04.2021**<br>**Shs'000** | **Charge/(credit) to profit or loss**<br>**Shs'000** | **31.03.2022**<br>**Shs'000** |
|---|---|---|---|
| Unrealised exchange gains and losses | 6,854 | 4,096 | 10,950 |
| Vehicles, furniture, equipment and intangible assets | (945) | (229) | (1,174) |
| Other general provisions | (1,685) | (185) | (1,870) |
| Right of use asset | 1,650 | (825) | 825 |
| Lease liabilities | (2,102) | 956 | (1,146) |
| Net deferred tax liability | 3,772 | 3,813 | 7,585 |

NOTES TO FINANCIAL STATEMENTS (Continued)

## 15 Vehicles, furniture and equipment

| | Furniture & fittings | Computers & equipment | Motor vehicles | Total |
|---|---|---|---|---|
| | Shs'000 | Shs'000 | Shs'000 | Shs'000 |
| COST | | | | |
| At 1 April 2021 | 10,150 | 8,092 | 140 | 18,382 |
| Additions | - | 56 | - | 56 |
| Disposals | | (1,316) | - | (1,316) |
| At 31 March 2022 | 10,150 | 6,832 | 140 | 17,122 |
| At 1 April 2022 | 10,150 | 6,832 | 140 | 17,122 |
| Additions | - | 124 | - | 124 |
| Disposals | - | - | - | - |
| At 31 March 2023 | 10,150 | 6,956 | 140 | 17,246 |
| DEPRECIATION | | | | |
| At 1 April 2021 | 8,502 | 6,885 | 140 | 15,527 |
| Charge for the year | 933 | 514 | - | 1,447 |
| Eliminated on disposals | - | (1,316) | - | (1,316) |
| At 31 March 2022 | 9,435 | 6,083 | 140 | 15,658 |
| At 1 April 2022 | 9,435 | 6,083 | 140 | 15,658 |
| Charge for the year | 579 | 343 | - | 922 |
| Eliminated on disposals | - | - | - | - |
| At 31 March 2023 | 10,014 | 6,426 | 140 | 16,580 |
| NET BOOK VALUE | | | | |
| At 31 March 2023 | 136 | 530 | - | 666 |
| At 31 March 2022 | 715 | 749 | - | 1,464 |

At 31 March 2023 vehicles, furniture and equipment with a cost of Shs 6,882,000 (2022 – Shs 6,573,000) had been fully depreciated. The normal annual depreciation charge in respect of these assets would have been Shs 1,386,000 (2020 – Shs 1,355,000)

Based on an impairment review performed by the directors as at 31 March 2023, there is no impairment of vehicles, furniture and equipment (2022 - none).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 16 Right of use asset

The Company has leased office space and carpark for its use. Information about the leases in which the Company is a lessee is presented below:

| | 2023 | 2022 |
|---|---|---|
| | Shs'000 | Shs'000 |
| **COST** | | |
| At start of the year | 14,435 | 14,435 |
| At end of year | 14,435 | 14,435 |
| **DEPRECIATION** | | |
| At start of year | (11,686) | (8,937) |
| Charge for the year | (2,749) | (2,749) |
| At end of year | (14,435) | (11,686) |
| **NET BOOK VALUE** | | |
| **At 31 March** | - | 2,749 |
| **Amounts recognised in profit and loss** | | |
| Depreciation expense of right of use asset | 2,749 | 2,749 |
| Interest expense on lease liabilities | 173 | 597 |
| | 2,922 | 3,346 |

The company adopted IFRS 16 with effect from 1 April 2019 using the modified retrospective approach with Day-One Adjustment to retained earnings. Thus, cost of the right of use asset at that date represents the present value of the lease payments discounted at the incremental borrowing rate from inception to the end date of the lease less accumulated depreciation as at reporting date.

The current lease agreement for rental of office space and parking space expired on 31st March 2023 and renewal terms effective 1st April 2023 are pending finalisation.

IFRS 16 requires that right of use asset be tested for impairment in accordance with IAS 36. An impairment review performed by the directors at 31 March 2023 did not identify any impairment in the carrying value of the right of use asset (2022 – none).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 17 Intangible assets

| | Computer Software |
|---|---|
| | Shs'000 |
| COST | |
| At 1 April 2021 | 11,982 |
| Additions | - |
| At 31 March 2022 | 11,982 |
| At 1 April 2022 | 11,982 |
| Additions | - |
| At 31 March 2023 | 11,982 |
| AMORTISATION | |
| At 1 April 2021 | 11,733 |
| Charge for the year | 200 |
| At 31 March 2022 | 11,933 |
| At 1 April 2022 | 11,933 |
| Charge for the year | 32 |
| At 31 March 2023 | 11,965 |
| NET BOOK VALUE | |
| At 31 March 2023 | 17 |
| At 31 March 2022 | 49 |

At 31 March 2023 intangible assets with a cost of Shs 11,179,000 (2022 – Shs 11,179,000) had been fully amortised. The normal annual amortisation charge in respect of these assets would have been Shs 2,867,000 (2022 – Shs 2,867,000)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 18 Inventories

| | 2023 Shs'000 | 2022 Shs'000 |
|---|---|---|
| Teas purchased for resale (at cost) | 139,646 | 64,996 |

The cost of inventories recognised as an expense and included in 'cost of sales' amounted to Shs 1,721,742,000 (2022: Shs 1,537,837,000).

## 19 Other receivables and prepayments

| | 2023 Shs'000 | 2022 Shs'000 |
|---|---|---|
| Prepayments | 3,335 | 3,479 |
| Deposits | 848 | 848 |
| VAT receivable | 23,654 | 18,297 |
| Other receivables | 66 | 4 |
| | 27,903 | 22,628 |

The carrying amounts of the Company's other receivables and prepayments approximate to their fair values and are denominated in the following currencies:

| | 2023 Shs'000 | 2022 Shs'000 |
|---|---|---|
| Kenya Shillings | 27,903 | 22,628 |
| US Dollar | - | - |
| | 27,903 | 22,628 |

## 20 Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand and at bank. The year end cash and cash equivalents comprise of the following:

| | 2023 Shs'000 | 2022 Shs'000 |
|---|---|---|
| Cash at bank | 12,806 | 3,693 |
| Cash in hand | 20 | 20 |
| | 12,826 | 3,713 |

The carrying amounts of the Company's cash and cash equivalents approximate to their fair values and are denominated in the following currencies:

| | 2023 Shs'000 | 2022 Shs'000 |
|---|---|---|
| Kenya Shillings | 1,883 | 1,430 |
| US Dollar | 10,943 | 2,283 |
| | 12,826 | 3,713 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**21 Lease liabilities**

| | 2023<br>Shs'000 | 2022<br>Shs'000 |
|---|---|---|
| Undiscounted future minimum lease payment under operating lease at 1 April | 3,993 | 7,777 |
| Impact of discounting | (173) | (770) |
| **At 1 April** | 3,820 | 7,007 |
| **The movement in the lease liabilities as follows:** | | |
| Balance at 1 April | 3,820 | 7,007 |
| Interest on lease liabilities | 173 | 597 |
| Payment of lease liabilities | (3,993) | (3,784) |
| **Balance at 31 March** | - | 3,820 |
| Amounts due for settlement within 12 months | - | 3,820 |
| Amounts due for settlement after 12 months | - | - |
| | - | 3,820 |
| **Maturity Analysis** | | |
| Undiscounted future minimum lease payment under operating lease | | |
| Year 1 | - | 3,993 |
| Year 2 | - | - |
| Year 3 | - | - |
| Year 4 | - | - |
| Year 5 | - | - |
| Onwards | - | - |
| | - | 3,993 |

The Company does not face a significant liquidity risk with regards to its lease liabilities. Lease liabilities are monitored within the company's finance function. All lease obligations are denominated in Kenya Shillings

The effective interest rate on the lease liability at the end of the year was 12.7% (2022: 12.7%).

The current lease agreement for rental of office space and parking space expired on 31st March 2023 and renewal terms effective 1st April 2023 are pending finalisation.

**22 Payables and accrued expenses**

| | 2023<br>Shs'000 | 2022<br>Shs'000 |
|---|---|---|
| Trade payables | 100,351 | 19,169 |
| Payables to related parties (Note 26 (v)) | 89,146 | 53,508 |
| Accrued expenses | 15,659 | 14,674 |
| Other payables | 9,838 | 1,122 |
| | 214,994 | 88,473 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**22 Payables and accrued expenses (Continued)**

The carrying amounts of the above payables and accrued expenses approximate to their fair values and are denominated in the following currencies:

| | 2023 Shs'000 | 2022 Shs'000 |
|---|---|---|
| Kenya Shillings | 17,722 | 14,421 |
| US Dollar | 197,272 | 74,052 |
| | 214,994 | 88,473 |

**23 Contingent liabilities**

There were no contingent liabilities as at 31 March 2023 and 31 March 2022.

**24 Capital commitments**

The capital commitments as at 31 March 2022 amounted to Shs. 1,435,000 (2022: Nil)

**25 Note to the statement of cash flows**

(i) Reconciliation of profit before income tax to net cash generated from operations:

| | 2023 Shs'000 | 2022 Shs'000 |
|---|---|---|
| Profit before income tax | 87,324 | 37,066 |
| Adjustments for: | | |
| Interest income (Note 6) | (16,833) | (7,357) |
| Finance costs (Note 7) | 173 | 597 |
| Depreciation of vehicles, furniture and equipment (Note 15) | 922 | 1,447 |
| Depreciation of right of use asset (Note 16) | 2,749 | 2,749 |
| Amortisation of intangible assets (Note 17) | 32 | 200 |
| Gain on disposal of vehicles, furniture and equipment (Note 5) | - | (20) |
| Net exchange gain on advances to a related party (Note 25 (ii)) | (52,471) | (16,639) |
| Changes in working capital | | |
| – other receivables and prepayments | (5,275) | (4,110) |
| – inventories | (74,650) | 300,744 |
| – payables and accrued expenses | 126,521 | (366,743) |
| Net cash generated from/(used in) operations | 68,492 | (52,066) |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 25 Note to the statement of cash flows (Continued)

| **ii) Movement in advances to a related party** | **2023 Shs'000** | **2022 Shs'000** |
|---|---|---|
| At 1st April | 319,790 | 359,412 |
| Net amount advanced to/(repaid by) a related party | 55,377 | (56,282) |
| Interest accrued for the year | 16,805 | 7,305 |
| Withholding tax | (3,361) | (1,461) |
| Interest paid during the year | (9,758) | (5,823) |
| Net foreign exchange gain | 52,471 | 16,639 |
| At 31st March | 431,324 | 319,790 |

## 26 Related party transactions

The Company is controlled by Tata Consumer Products Overseas Holdings Limited incorporated in the United Kingdom. The ultimate parent of the Group is Tata Consumer Products Limited incorporated in India. There are other companies that are related to Stansand (Africa) Limited through common shareholdings or common directorships.

The following transactions were carried out with related parties:

| **i) Sale of goods and services** | **2023 Shs'000** | **2022 Shs'000** |
|---|---|---|
| Tata Consumer Products GB Limited | 1,593,475 | 1,319,890 |
| Other related parties | 288,647 | 295,367 |
| | 1,882,122 | 1,615,257 |

| **ii) Interest earned on advances to a related party** | | |
|---|---|---|
| Tata Consumer Products GB Limited | 16,805 | 7,305 |
| | 16,805 | 7,305 |

| **iii) Directors and key management compensation** | | |
|---|---|---|
| Salaries and other short-term employment benefits | 44,299 | 43,700 |

The remuneration for directors and key management is determined by the Group Human Resources department having regard to the performance of individuals and market trends.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 26 Related party transactions (Continued)

### iv) Outstanding receivable balances from a related party

| | 2023 Shs'000 | 2022 Shs'000 |
|---|---|---|
| **Advances to a related party** | | |
| Tata Consumer Products GB Limited (Note 25 (ii)) | 431,324 | 319,790 |
| | 431,324 | 319,790 |

These relate to amounts advanced to a related party as part of cash pooling exercise and are repayable on demand.

The effective rate of interest during the year was 4.9% p.a. (2022 – 2.2% p.a.) This is the applicable ICELIBOR Rate plus margin. 'ICELIBOR' shall mean the London Interbank Offered Rate determined by the Intercontinental Exchange.

Margin means the margin over ICELIBOR as agreed between the parties from time to time in accordance with market rates. The margin is 2% over ICELIBOR.

No provisions for impairment losses were held in 2023 (2022: Nil) in respect of related party receivable.

### v) Outstanding payable balances to related parties

| | 2023 Shs'000 | 2022 Shs'000 |
|---|---|---|
| Tata Consumer Products GB Limited | 80,282 | 36,270 |
| Tata Consumer Products Limited | 8,864 | 17,238 |
| | 89,146 | 53,508 |

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