003739 ICO

In accordance with Regulation 32 of the Overseas Companies Regulations 2009.

# OS AA01

## Statement of details of parent law and other information for an overseas company

Companies House

✓ **What this form is for**
You may use this form to accompany your accounts disclosed under parent law.

✗ **What this form is NOT**
You cannot use this form an alteration of manner with accounting require

SATURDAY

*A9EFLGYZ*
A20 26/09/2020 #166
COMPANIES HOUSE

## Part 1 Corporate company name

→ **Filling in this form**
Please complete in typescript or in bold black capitals.

All fields are mandatory unless specified or indicated by *

Corporate name of overseas company ❶: AgDevCo Uganda Limited

UK establishment number: B R 0 1 8 0 1 4

❶ This is the name of the company in its home state.

## Part 2 Statement of details of parent law and other information for an overseas company

### A1 Legislation

Please give the legislation under which the accounts have been prepared and, if applicable, the legislation under which the accounts have been audited.

Legislation ❷: Ugandan Law

❷ This means the relevant rules or legislation which regulates the preparation and, if applicable, the audit of accounts.

### A2 Accounting principles

Accounts: Have the accounts been prepared in accordance with a set of generally accepted accounting principles?

Please tick the appropriate box.

☐ **No.** Go to **Section A3.**

☑ **Yes.** Please enter the name of the organisation or other body which issued those principles below, and then go to **Section A3.**

Name of organisation or body ❸: International Financial Reporting Standards (IFRS)

❸ Please insert the name of the appropriate accounting organisation or body.

### A3 Accounts

Accounts: Have the accounts been audited? Please tick the appropriate box.

☐ **No.** Go to **Section A5.**

☑ **Yes.** Go to **Section A4.**

## A4 Audited accounts

| | | |
|---|---|---|
| Audited accounts | Have the accounts been audited in accordance with a set of generally accepted auditing standards?<br>Please tick the appropriate box.<br>☐ **No.** Go to **Part 3 'Signature'**.<br>☑ **Yes.** Please enter the name of the organisation or other body which issued those standards below, and then go to **Part 3 'Signature'**. | ❶ Please insert the name of the appropriate accounting organisation or body. |
| Name of organisation or body ❶ | International Standards on Auditing (ISA) | |

## A5 Unaudited accounts

| | |
|---|---|
| Unaudited accounts | Is the company required to have its accounts audited?<br>Please tick the appropriate box.<br>☐ **No.**<br>☐ **Yes.** |

## Part 3 Signature

*I am signing this form on behalf of the overseas company.*

| | |
|---|---|
| Signature | Signature<br>X X |
| | This form may be signed by:<br>Director, Secretary, Permanent representative. |

# OS AA01

Statement of details of parent law and other information for an overseas company

## Presenter information

You do not have to give any contact information, but if you do it will help Companies House if there is a query on the form. The contact information you give will be visible to searchers of the public record.

Contact name VAHS/DIRO

Company name CMS Cameron McKenna Nabarro

Olswang LLP

Address 1 South Quay

Victoria Quays

Post town Sheffield

County/Region

Postcode S2 5SY

Country

DX

Telephone

## Checklist

**We may return forms completed incorrectly or with information missing.**

**Please make sure you have remembered the following:**

- ☐ The company name and, if appropriate, the registered number, match the information held on the public Register.
- ☐ You have completed all sections of the form, if appropriate.
- ☐ You have signed the form.

## Important information

**Please note that all this information will appear on the public record.**

## Where to send

**You may return this form to any Companies House address:**

**England and Wales:**
The Registrar of Companies, Companies House, Crown Way, Cardiff, Wales, CF14 3UZ.
DX 33050 Cardiff.

**Scotland:**
The Registrar of Companies, Companies House, Fourth floor, Edinburgh Quay 2, 139 Fountainbridge, Edinburgh, Scotland, EH3 9FF.
DX ED235 Edinburgh 1
or LP - 4 Edinburgh 2 (Legal Post).

**Northern Ireland:**
The Registrar of Companies, Companies House, Second Floor, The Linenhall, 32-38 Linenhall Street, Belfast, Northern Ireland, BT2 8BG.
DX 481 N.R. Belfast 1.

## Further information

For further information, please see the guidance notes on the website at www.companieshouse.gov.uk or email enquiries@companieshouse.gov.uk

This form is available in an alternative format. Please visit the forms page on the website at www.companieshouse.gov.uk

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File Copy

# AgDevCo Uganda Limited

Annual Report and Financial Statements

31 December 2019

Company registration number: 208514

# Contents

## Company information

| | |
|---|---|
| **Directors:** | Daniel Hulls* <br> Chris Isaac* |
| * British | |
| **Registered office:** | $5^{th}$ Floor, Redstone House <br> Plot 7 Bandali Rise, Bugolobi <br> P O Box 40194 <br> Kampala, Uganda |
| **Company secretary:** | MMAKS Advocates <br> 3rd floor, Diamond Trust Centre <br> Plot 17/19 Kampala Road <br> P O Box 7166 <br> Kampala, Uganda |
| **Auditor:** | KPMG <br> Certified Public Accountants <br> 3rd Floor, Rwenzori Courts <br> Plot 2 & 4A, Nakasero Road <br> *P O Box 3509* <br> Kampala, Uganda |
| **Bankers:** | Absa Bank Uganda Limited <br> *4 Hannington Road* <br> P O Box 7101 <br> Kampala, Uganda |

# Directors' report

The directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 December 2019 which disclose the state of affairs of AgDevCo Uganda Limited ("the Company").

**Incorporation**

The Company is a limited liability Company, incorporated on 15 September 2015 under the Companies Act of Uganda and domiciled in Uganda.

**Principal activities**

AgDevCo Uganda Limited is a subsidiary of AgDevCo Limited ("Parent"), an entity incorporated in the United Kingdom, which operates with locally managed subsidiaries in seven countries in sub-Saharan Africa (Mozambique, Ghana, Zambia, Malawi, Tanzania, Uganda, Rwanda). AgDevCo Limited and its subsidiaries ("the Group") is a social impact investor and agribusiness project developer. AgDevCo Limited invests patient capital in the form of debt and equity into early stage agribusinesses and develops greenfield agriculture opportunities. AgDevCo Uganda Limited supports the UK entity through monitoring and providing of hands-on support to expand, source and make investments.

**Results and dividends**

The loss for the year amounted to USD 3 (2018 loss: USD 3). The results are set out on page 8 of the financial statements.

**Directors**

The directors who held office throughout the year are set out on page 2.

**Auditor**

The auditor, KPMG, being eligible for reappointment has expressed willingness to continue in office in accordance with section 167(2) of the Companies Act of Uganda.

**Approval of annual financial statements**

The financial statements were approved and authorised for issue by the board of directors on 30 July 2020.

The directors are satisfied that the Company's anti - bribery, corruption and whistleblowing policies have been effectively implemented during the year.

**By the order of the Board**

**Director**

**Date** 30 July **2020**

## Statement of directors' responsibilities

The Company's directors are responsible for the preparation of financial statements that give a true and fair view of AgDevCo Uganda Limited comprising the statement of financial position as at 31 December 2019, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the Companies Act of Uganda.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the ability of the Company to continue as going concern and have no reason to believe that the business will not be a going concern in the year ahead.

**Approval of the financial statements**

The financial statements of AgDevCo Uganda Limited, as indicated in the first paragraph, were approved and authorised for issue by the board of directors on 30 JULY 2020 and were signed on its behalf by:

**Director** **Director**

Date: 30 JULY 2020

KPMG
**Certified Public Accountants**
3rd Floor, Rwenzori Courts
Plot 2 & 4A, Nakasero Road
P O Box 3509
Kampala, Uganda
Reg No. AF0026

Tel +256 312 170 080/1
Fax +256 414 340 318
Email info@kpmg.co.ug
Internet www.kpmg.com/eastafrica

# Independent auditor's report

**To the Members of AgDevCo Uganda Limited**

**Report on the Audit of Financial Statements**

## Opinion

We have audited the financial statements of AgDevCo Uganda Limited set out on pages 8 to 33, which comprise the statement of financial position as at 31 December 2019, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of AgDevCo Uganda Limited as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the Companies Act of Uganda.

## 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 the ethical requirements that are relevant to our audit of the financial statements in Uganda, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

## Other Information

The directors are responsible for the other information. The other information comprises information included in *the Annual Report* but does not include the financial statements and our auditors' 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, 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.

## Directors' responsibilities 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 Companies Act of Uganda, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

# Independent auditor's report

**To the Members of AgDevCo Uganda Limited**

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

## Directors' responsibilities for the Financial Statements (Continued)

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG

# Independent auditors' report

**To the Members of AgDevCo Uganda Limited (continued)**

**Report on Other Legal Requirements**

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

(i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;

(ii) In our opinion, proper books of account have been kept by the Company so far as appears from our examination of those books; and

(iii) The statements of financial position and comprehensive income are in agreement with the books of account.

The engagement partner on the audit resulting in this independent auditor's report is CPA Asad Lukwago - P0365.

**KPMG**
Certified Public Accountants
3rd Floor, Rwenzori Courts
Plot 2 & 4A, Nakasero Road
P.O. Box 3509
Kampala, Uganda

**Date:** 07 September **2020**

## Statement of comprehensive income

| | Note | For the year ended 31 December 2019 USD'000 | 2018 USD'000 |
|---|---|---|---|
| Grant income | 6 | 567 | 589 |
| Other income | 6 | 37 | - |
| **Total income** | | **604** | **589** |
| Other operating expenses | 7 | (127) | (203) |
| Employee benefit expenses | 8 | (471) | (378) |
| Depreciation | 10 | (7) | (7) |
| Foreign exchange losses | | (2) | (4) |
| **Operating expenses** | | **(607)** | **(592)** |
| **Loss before tax** | | **(3)** | **(3)** |
| Tax expense | 9 | - | - |
| **Loss for the year** | | **(3)** | **(3)** |
| Other comprehensive income for the year, net of tax | | - | |
| **Total comprehensive income for the year** | | **(3)** | **(3)** |

The notes on pages 12 to 33 are an integral part of these financial statements.

## Statement of financial position

| | Note | 2019 USD'000 | 2018 USD'000 |
|---|---|---|---|
| | | **As at 31 December** | |
| **Assets** | | | |
| **Non-current assets** | | | |
| Plant and equipment | 10 | - | 9 |
| **Total non-current assets** | | - | 9 |
| **Current assets** | | | |
| Other receivables | 11 | 25 | 15 |
| Cash and cash equivalents | 12 | 191 | 42 |
| Related party receivables | 16 | - | 103 |
| **Total current assets** | | **216** | **160** |
| **Total assets** | | **216** | **169** |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Related party payables | 16 | 28 | - |
| Other payables | 13 | 91 | 69 |
| **Total liabilities** | | **119** | **69** |
| **NET ASSETS** | | **97** | **100** |
| **Capital and Reserves** | | | |
| Share capital | 14 | 120 | 120 |
| Share premium | 14 | 661 | 661 |
| Accumulated losses | 15 | (684) | (681) |
| **Shareholder's funds** | | **97** | **100** |

The financial statements on page 8 to 33 were approved and authorised for issue by the Board of directors on 30 July 2020 and signed on its behalf by:

**Director** **Director**

The notes on pages 12 to 33 are an integral part of these financial statements

# Statement of changes in equity

| | Share capital USD'000 | Share Premium USD'000 | Retained earnings USD'000 | Total USD'000 |
|---|---|---|---|---|
| **Balance at 1 January 2018** | 3 | - | (678) | **(675)** |
| Conversion of shareholder loan to 40,000 shares at $2.94 each | 117 | - | - | **117** |
| Share premium on shares issued shares at $16.52305 each | - | 661 | - | **661** |
| Total comprehensive income for the year | - | - | (3) | **(3)** |
| **Balance at 31 December 2018** | **120** | **661** | **(681)** | **100** |
| Total comprehensive income for the year | - | - | (3) | **(3)** |
| **Balance at 31 December 2019** | **120** | **661** | **(684)** | **97** |

The notes on pages 12 to 33 are an integral part of these financial statements.

## Statement of cash flows

| | Note | For the year ended 31 December 2019 USD'000 | 2018 USD'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Loss before tax | | (3) | (3) |
| Depreciation | 10 | 7 | 7 |
| Gain on disposal | | 2 | - |
| **Changes in:** | | **6** | **4** |
| Other receivables | 11 | (10) | 3 |
| Related party receivables | 16 | 103 | (82) |
| Other payables | 13 | 22 | 31 |
| Related party payables | 16 | 28 | - |
| **Cash generated from/(used in) operating activities** | | **149** | **(44)** |
| Tax Paid | | - | - |
| **Net Cash generated from/(used in) operating activities** | | **149** | **(44)** |
| **Cash flows from financing activities** | | | |
| Issue of shares | | - | 778 |
| Loan repayment to parent | | - | (800) |
| **Net cash used in financing activities** | | **-** | **(22)** |
| **Net increase/(decrease) in cash and cash equivalents** | | **149** | **(66)** |
| Cash and cash equivalents at 1 January | 12 | **42** | **108** |
| **Cash and cash equivalents at 31 December** | 12 | **191** | **42** |

The notes on pages 12 to 33 are an integral part of these financial statements

# Notes to the financial statements

## 1. REPORTING ENTITY

AgDevCo Uganda Limited ("the Company") is domiciled in Uganda. The Company's registered office is 5th Floor, Redstone House, 7 Bandali Rise, Bugolobi, Kampala. AgDevCo Uganda Limited is a subsidiary of AgDevCo Limited, a company incorporated in the United Kingdom, which operates with locally managed subsidiaries in seven countries in sub-Saharan Africa (Mozambique, Ghana, Zambia, Malawi, Tanzania, Uganda and Rwanda). AgDevCo Limited and its subsidiaries ("the Group") is a social impact investor and agribusiness project developer. The Group invests patient capital in the form of debt and equity into early stage agribusinesses.

## 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

### a) Statement of compliance

The financial statements of AgDevCo Uganda Limited have been prepared in accordance with International Financial Reporting Standards (IFRS) and the Companies Act of Uganda. For purposes of reporting under the Companies Act of Uganda, the balance sheet in these financial statements is represented by the Statement of Financial Position and the Profit and Loss account is represented by the Statement of Comprehensive income.

### b) Basis of measurement

The financial statements have been prepared on the historical cost basis, except where otherwise stated in the accounting policies below.

### c) *Functional and presentation currency*

The financial statements are presented in United States Dollar rounded to the nearest thousand (USD '000), which is the Company's functional and presentation currency. The functional currency was determined by analysing the currency that mainly influences sales prices for goods and services and the currency of the environment whose competitive forces and regulations mainly determine the sales prices of goods and services as well as labour and other costs. AgDevCo Uganda Limited receives its funding in United States Dollars which is the functional currency of AgDevCo Limited ("the Parent"). Major costs are incurred in United States Dollars ("the Functional Currency").

### d) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates, as documented in Note 17. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation, uncertainty and critical judgement in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements included the following;

- Fair value of financial instruments
- Useful life of assets
- Income taxes

### e) Foreign currency translations

Transactions in foreign currencies are translated to the functional currency (United States Dollar) at the exchange rates operating at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate operating at that date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the period adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period.

# Notes to the financial statements (Continued)

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on translation are recognised in profit or loss.

## 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Company initially applied IFRS 16 Leases from 1 January 2019. A number of other new standards are also effective from 1 January 2019 but they do not have a material effect on the Company's financial statements.

The Company applied IFRS 16 by applying the short term leases exemption for the one office premises lease that the Company had as at 1 January 2019.As such there was no Right of use asset and lease liability recognised as at 1 January 2019.The Company continued recognising the rent expense in the Profit or loss and therefore the comparative information for 2018 was not restated i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

### (i) Definition of a lease

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16. This policy is applied to contracts entered into, on or after 1 January 2019.
On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

### (ii) As a lessee

As a lessee, the Company only had one lease for the office premises in bugolobi. The Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS 16, the Company recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price.

However, for leases of property the Company has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

### (ii) Leases classified as operating leases under IAS 17

Previously, the Company classified property leases as operating leases under IAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's' incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at either:

— their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the Company's incremental borrowing rate at the date of initial application: the Company applied this approach to its leases; or

— an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments: the Company applied this approach to all other leases.

The Company used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Company did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application.

**Impact on transition**

On transition to IFRS 16, the Company did not recognise any right-of-use assets and lease liabilities as the short term leases exemption was applied.

## 4. SIGNIFICANT ACCOUNTING POLICIES

### a) Grant income

Grant income is recognised in accordance with IAS 20 'Accounting for Government Grants and Disclosure of Government Assistance'. Government grants are recognised only when there is reasonable assurance that the entity will comply with any conditions attached to the grant and the funds will be received. Grant income is recognised systematically in the statement of comprehensive income over the periods in which the entity recognises expenses for the related costs or investments for which the grants are intended to fund. Subject to funding agreements, a certain amount of grant income is available to spend on operating activities. This is recognised as the related costs are recognised in the statement of comprehensive income on an accruals basis.

### b) Other income

Other income is derived from services provided such as business development, project development, reimbursement of legal expenses and grant income. In accordance with IFRS 15 the Company identifies contracts with customers with reference to the specific criterion provided in IFRS 15 and recognises income as performance obligations are met and once it is probable the Company will collect the consideration to which it is entitled under the contract.

### c) Other operating expenses

Other operating expenses are costs incurred in managing the day to day operations of the entity and are not capitalised as part of an investment. These include office running costs, professional fees for example audit fees, tax advisory fees and the legal fees, travel costs which include the flights and accommodation of staff on official duties.

### d) *Employee benefit expenses*

**(i) Defined contribution plan**

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

**(ii) Short-term employee benefits**

Short - term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee and the obligation can be estimated reliably.

**(iii) Key management personnel compensation**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any directors (whether executive or otherwise) of the Company. The directors did not receive remuneration for their services in 2019 (2018: Nil).

**e) Income tax**

**(i) Current income tax**

Current tax (liabilities)/assets for the current and prior periods are measured at the amount expected to be (paid to)/recovered from the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

**(ii) Deferred tax**

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction affects neither accounting profit nor taxable profit or loss.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of the assets or liabilities in a transaction that is not a business combination and affects neither accounting and taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the statement of financial position date.

**f) Plant and equipment**

**Recognition and measurement**

Items of plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset, the cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bring the asset to a working condition for its intended use and the cost of dismantling and removing the items and restoring the site on which they are located.

**Depreciation**

Depreciation is recognized in profit or loss on a straight-line balance basis over the estimated useful lives of each part of an item of property and equipment. Items of property and equipment are depreciated from the date that they are installed and ready for use.
The estimated useful lives/depreciation rates used for the current and comparative years of significant items of property equipment are as follows:

| | |
|---|---|
| Equipment | 25% |
| Leasehold improvements | Over the life of the lease |

**g) Other receivables**

The Company's other receivables comprise other receivables and prepayments in the statement of financial position

**h) Cash and cash equivalents**

For the purpose of the cash flow statement, cash and cash equivalents includes cash in hand, bank balances, financial instruments which are readily convertible in known amounts of cash and deposits repayable on demand or maturing within three months of inception, less any overdrafts or advances from banks repayable within three months or repayable on demand, from date of disbursement or date of confirmation of the advance.

**i) Other payables**

Other payables are short-term monetary liabilities that are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

**j) Issued share capital**

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as deduction from equity, net of any tax effects.

**k) Reserves**

The reserves within the Company are accumulated losses which are all other net losses not recognised elsewhere. No other reserves were recognised during the year.

**l) Related party transactions**

The Company is related to different companies through common directorships and shareholdings. These are accounted for in accordance with IAS 24 Related party disclosures. A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether there is a consideration given.

**m) Provisions**

A provision is recognized if, as a result of past events, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at the pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

# Notes to the financial statements (Continued)

**n) IFRS 16 Leases**

The Company has applied the short term lease exemption under IFRS 16 to the only lease it had as at 1 January 2019 and therefore the comparative information has not been restated and continues to be reported under IAS 17. The details of accounting policies under IAS 17 are disclosed separately.

**Policy applicable from 1 January 2019**

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.
This policy is applied to contracts entered into, on or after 1 January 2019.

**As a lessee**

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

*The right-of-use asset is subsequently depreciated using the straight-line method from the* commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by *impairment losses, if any, and adjusted for certain remeasurements of the lease liability.*

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, and the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property separately and lease liabilities separately in the statement of financial position.

**Short-term leases and leases of low-value assets**

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low value assets and short-term leases, including IT equipment. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

**Policy applicable before 1 January 2019**

**As a lessee**

For contracts entered into before 1 January 2019, the Company determined whether the arrangement was or contained a lease based on the assessment of whether:

— fulfilment of the arrangement was dependent on the use of a specific asset or assets; and

— the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:

— the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;

— the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or

In the comparative period, as a lessee the Company classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Company's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

**Amounts recognised in profit or loss**

| | **USD'000** |
|---|---|
| 2019 - Leases under IFRS 16 | |
| | |
| Interest on lease liabilities | - |
| Depreciation | - |
| Expenses relating to short-term leases | 40 |
| | |
| 2018 - Operating leases under IAS 17 | |
| | |
| Rent expense | 37 |

# Notes to the financial statements (Continued)

**o) Financial Instruments**

**(i) Financial assets:**

**Initial recognition and measurement**

Financial assets are recognized when the Company becomes a party to the contractual provisions of the instrument. The financial assets is classified according to the substance of the contractual arrangements entered into and the definitions of a financial asset.

Investments are stated at cost, the carrying amount is reduced if there is any indication of impairment in value. The financial assets include; cash deposits with banks, amounts due to related parties and other receivables.

At initial recognition, other receivables that do not have a significant financing component are measured at their transaction price.

Financial assets and financial liabilities are recognised initially at fair value; in case of a financial asset or financial liability at amortised cost, plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

**Classification and subsequent measurement**

On initial recognition, a financial asset is classified as measured at: amortized cost; FVOCI debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are classified on the basis of both:

— The entity's business model for managing the financial assets and

— The contractual cash flow characteristics of the financial asset.

The prevailing model for subsequent measurement of a financial asset under IFRS 9 is the fair value model (fair value through profit or loss).

Assets held solely to receive payments of principal and interest (SPPI) will be held at amortised cost, with all other financial assets held at fair value. A financial asset shall be subsequently measured at amortised cost if and only if both of the following conditions are met:

— The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

— The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payment of principal and interest on the principal amount outstanding.

This category includes: Bank deposits and other receivables.

**Other receivables**

Other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at an amortized cost using the effective interest method (EI), less impairment.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in other income in the consolidated statement of comprehensive income. The losses arising from impairment are recognized in the statement of comprehensive income as provisions.

**De-recognition**

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

— The rights to receive cash flows from the asset have expired;

— The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either

(a) the Company has transferred substantially all the risks and rewards of the asset, or

(b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset.

In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

**Offsetting financial assets and liabilities**

Financial assets and liabilities are offset and the net amount reported on the statement of financial position when there is a legally enforceable right to offset the recognised amount and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

**Fair value of financial assets and financial liabilities**

*Fair value of financial assets and financial liabilities is the price that would be received to sell an asset* or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

***ii) Financial Liabilities:***

**Initial recognition**

Financial liabilities are initially measured at fair value; in case of a financial liability at amortized cost, plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial liability.

**Classification and Subsequent measurement**

Financial liabilities are classified as measured at amortized cost or FVTPL.

Financial liabilities at fair value through profit or loss: A financial liability is classified as at FVTPL if it is classified as held-for-trading, it's a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expenses and foreign gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

The Company's financial liabilities include other payables and amounts due to related parties.

**De-recognition**

*A financial liability is derecognised when the obligation under the liability is discharged or cancelled or* expires: When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income.

**Impairment**

**(i) Financial assets**

A financial asset is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. An impairment loss in respect of a financial asset measured at amortized cost is calculated as a difference between its carrying amount and the present value of the estimated future cash flows discounting at the original effective interest rate.

**(ii) Non- financial assets**

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

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

p) **Comparatives**

Where necessary, comparatives have been adjusted to agree with the presentation in the current year.

q) **Recently issued accounting standards/new accounting pronouncements**
**New standards, amendments and interpretations effective and adopted during the year**

The Company has adopted the following new standards and amendments during the year ended 31 December 2019, including consequential amendments to other standards with the date of initial application by the Company being 1 January 2019. The nature and effects of the changes are explained below:

| New standard or amendments | Effective date |
|---|---|
| IFRS 16 Leases | 1 January 2019 |
| IFRIC 23 Uncertainty over Income Tax Treatments | 1 January 2019 |
| Prepayment features with negative compensation (Amendments to IFRS 9) | 1 January 2019 |
| Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28) | 1 January 2019 |
| Annual Improvements to IFRSs 2015 - 2017 Cycle (Amendments to IFRSs 3, IFRS 11, IASs 12 and IAS 23) | 1 January 2019 |

**IFRIC 23 Uncertainty over Income Tax Treatments**

IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities. Specifically, IFRIC 23 provides clarity on how to incorporate this uncertainty into the measurement of tax as reported in the financial statements.

IFRIC 23 does not introduce any new disclosures but reinforces the need to comply with existing disclosure requirements about:

- Judgements made;
- assumptions and other estimates used; and
- the potential impact of uncertainties that are not reflected.

IFRIC 23 applies for annual periods beginning on or after 1 January 2019. Earlier adoption is permitted. The application of these amendments did not have a material impact on the disclosure or on the amounts recognised in the Company's financial statements.

**Prepayment Features with Negative Compensation (Amendments to IFRS 9)**

The amendments clarify that financial assets containing prepayment features with negative compensation can now be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9.
(Include entity specific impact of the amendments)

The amendments apply for annual periods beginning on or after 1 January 2019 with retrospective application, early adoption is permitted.
Management's assessment indicates that the application of these amendments did not have a material impact on the disclosures or on the amounts recognised in the Company's financial statements.

**Long-term interests in Associates and Joint Ventures (Amendments to IAS 28)**

The amendments, which address equity-accounted loss absorption by long-term investments (LTI), involves the dual application of IAS 28 and IFRS 9 Financial Instruments. There has always been diversity in practice when accounting for the shares of the losses of an associate or joint venture after the equity interest has been reduced to nil. The share of further losses is required to be allocated to LTI. The introduction of new impairment requirements in IFRS 9 based on expected credit losses exacerbated the issue and prompted the IASB to find a solution before IFRS 9 became effective.
The adoption of these amendments did not have a significant impact on the financial statements of the Company.

**Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)**

The amendments require a company to use the updated assumptions when a change to a plan either an amendment, curtailment or settlement, takes place to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. Until now, IAS 19 did not specify how to determine these expenses for the period after the change to the plan. By requiring the use of updated assumptions, the amendments are expected to provide useful information to users of financial statements. The amendment will be applied retrospectively. IAS 28 Interest in Associates and Joint Ventures (amendment) (IAS28), this amendment clarifies that an entity should apply IFRS 9 including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture only when the equity method is not applied. The amendments will be applied retrospectively.
The adoption of these amendments did not have a significant impact on the financial statements of the Company.

**Annual Improvements to IFRSs 2015-2017 (Various standards)**

The IASB has issued various amendments and clarifications to existing IFRS, none of which is expected to have a significant impact on the Company's annual financial statement.

**r) New and amended standards and interpretations in issue but not yet effective for the year ended 31 December 2019**

At the date of authorisation of the financial statements of AgDevCo Uganda Limited for the year ended 31 December 2019, the following Standards and Interpretations were in issue but not yet effective;

| New standard or amendments | Effective for annual periods beginning on or after |
|---|---|
| Amendments to References to Conceptual Framework in IFRS Standards. | 1 January 2020 |
| Definition of a Business (Amendments to IFRS 3) | 1 January 2020 |
| Definition of Material (Amendments to IAS 1 and IAS 8). | 1 January 2020 |
| IFRS 17 Insurance contracts | 1 January 2023 |
| *Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)* | *1 January 2020* |

All Standards and Interpretations will be adopted at their effective date (except for those Standards and Interpretations that are not applicable to the Company).

The applicable standards and amendments are discussed below;

***Amendments to References to Conceptual Framework in IFRS Standards***

The IASB decided to revise the Conceptual Framework because certain important issues were not covered and certain guidance was unclear or out of date. The revised Conceptual Framework, issued by the IASB in March 2018, includes:

- A new chapter on measurement;
- Guidance on reporting financial performance;
- Improved definitions of an asset and a liability, and guidance supporting these definitions; and
- Clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

The IASB also updated references to the Conceptual Framework in IFRS Standards by issuing Amendments to References to the Conceptual Framework in IFRS Standards. This was done to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction.

Although we expect this to be rare, some companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.
The Company is assessing the potential impact of this interpretation on the financial statements.

***Definition of Material (Amendments to IAS 1 and IAS 8)***

The IASB refined its definition of material to make it easier to understand. It is now aligned across IFRS Standards and the Conceptual Framework.

The changes in Definition of Material (Amendments to IAS 1 and IAS 8) all relate to a revised definition of 'material' which is quoted below from the final amendments.

"Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The Board has also removed the definition of material omissions or misstatements from IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.
The amendments are effective from 1 January 2020 but may be applied earlier. However, the Board does not expect significant change – the refinements are not intended to alter the concept of materiality.

The Company is assessing the potential impact of this interpretation on the financial statements.

**Definition of a Business (Amendments to IFRS 3)**

Defining a business is important because the financial reporting requirements for the acquisition of a business are different from the requirements for the purchase of a group of assets that does not constitute a business. The proposed amendments are intended to provide entities with clearer application guidance to help distinguish between a business and a group of assets when applying IFRS 3.

In October 2018 the IASB issued this amendment to make it easier for companies to decide whether activities and assets they acquire are a business or merely a group of assets. The amendments:

• Confirm that a business must include inputs and a process, and clarified that: (i) the process must be substantive and (ii) the inputs and process must together significantly contribute to creating outputs.

• Narrow the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; and
Add a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.

The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period. Earlier application is permitted. The amendments are not expected to have a material impact on the Company.

***IFRS 17***

IFRS 17 supersedes IFRS 4 Insurance Contracts and aims to increase comparability and transparency about profitability. The new standard introduces a new comprehensive model ("general model") for the recognition and measurement of liabilities arising from insurance contracts. In addition, it includes a simplified approach and modifications to the general measurement model that can be applied in certain circumstances and to specific contracts, such as:

- Reinsurance contracts held;
- Direct participating contracts; and
- Investment contracts with discretionary participation features.

Under the new standard, investment components are excluded from insurance revenue and service expenses. Entities can also choose to present the effect of changes in discount rates and other financial risks in profit or loss or OCI.

The new standard includes various new disclosures and requires additional granularity in disclosures to assist users to assess the effects of insurance contracts on the entity's financial statements.

The standard is not applicable to the Company since the entity does not deal in insurance contracts.

### 5. *Going concern*

The Company incurred a net loss of USD 3,000 (2018: USD 3,000) for the year ended 31 December, 2019 and as at that date, the Company's total assets exceeded its total liabilities by USD 97,050.

The Company's operations are financed through grant funding by its parent and a total of USD 600,000 was disbursed during the year. The grant is a gift and non-repayable to the Parent.

The parent company AgDevCo Limited, through a letter of support, has pledged to provide financial support to finance AgDevCo operations for the next 12 months from the date of these financial statements.

Additionally, the Company has signed a Grant Deed with the parent to provide ongoing financial support.

Consequently, the directors of the Company have considered it appropriate to prepare these financial statements on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realization of assets and settlement of liabilities will occur in the ordinary course of business.

### 6. Income

| | 2019<br>USD'000 | 2018<br>USD'000 |
|---|---|---|
| Grant income | 567 | 589 |
| Other income | 37 | - |
| **Total income** | **604** | **589** |

The grant income is from AgDevCo Limited which is the parent company.

### 7. Other operating expenses

| | 2019<br>USD'000 | 2018<br>USD'000 |
|---|---|---|
| Professional fees | 38 | 92 |
| Travel costs | 25 | 47 |
| Office costs and supplies | 64 | 64 |
| **Operating expenses** | **127** | **203** |

### 8. Employee benefit expenses

| Employee benefit expenses (including directors) comprise: | 2019<br>USD'000 | 2018<br>USD'000 |
|---|---|---|
| Wages and salaries | 364 | 261 |
| Bonus | 64 | 31 |
| Pension | 33 | 21 |
| Employee benefits | 10 | 43 |
| Staff trainings and workshops | - | 22 |
| | **471** | **378** |

The average monthly number of employees during the year was 5 (2018:3)

## Notes to the financial statements (Continued)

### 9. Income tax

| | 2019<br>USD'000 | 2018<br>USD'000 |
|---|---|---|
| Statement of comprehensive income | | |
| Current income tax | - | - |
| Deferred tax charge | - | - |
| **Tax expense** | - | - |

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

| | 2019 | 2018 |
|---|---|---|
| Loss before tax | (3) | (3) |
| Tax calculated at the tax rate of 30% | (1) | (1) |
| Tax effect of: | | |
| Unrecognized tax losses | 1 | 1 |
| **Total tax expense** | - | - |

There were no changes in tax rates or factors affecting the future tax change.
Deferred tax asset of USD 205 (2018: USD 204) was not recognised.

**Deferred tax**

**Recognized deferred tax:**

No deferred tax was recognized during the year (2018: Nil).

**Unrecognized deferred tax:**

Deferred tax assets on tax losses carried forward are only recognised to the extent of certainty of availability of sufficient future taxable profits to utilise such losses against. The deferred tax asset has not been recognised on tax losses carried forward due to lack of certainty on the availability of future taxable profits against which such losses will be utilised.

| | At 1 January 2019 USD'000 | Revised as per final tax return USD'000 | Potential credit to P&L USD'000 | At 31 December 2019 USD'000 |
|---|---|---|---|---|
| Cumulative tax losses carried forward | (204) | - | (1) | (205) |
| **Deferred tax asset** | **(204)** | - | **(1)** | **(205)** |

| | At 1 January 2018 USD '000 | Revised as per final tax return USD '000 | Potential credit to P&L USD'000 | At 31 December 2018 USD'000 |
|---|---|---|---|---|
| Cumulative tax losses carried forward | (203) | - | (1) | (204) |
| **Deferred tax asset** | **(203)** | - | **(1)** | **(204)** |

*Deferred tax asset and liabilities are attributable to the following items:*

| | 2019 USD | 2018 USD |
|---|---|---|
| Property, plant and equipment | - | 1 |
| Tax loss carry-forwards | 204 | 203 |
| Unrealized exchange losses | 1 | - |
| **Deferred tax asset** | **205** | **204** |

**10. Plant and equipment**

| | Office Equipment USD'000 | Leasehold improvements USD'000 | Total USD'000 |
|---|---|---|---|
| **COST** | | | |
| Balance at 1 January 2018 | 3 | 19 | 22 |
| Additions | - | - | - |
| **Balance at 31 December 2018** | **3** | **19** | **22** |
| Balance at 1 January 2019 | 3 | 19 | 22 |
| Additions | - | - | - |
| Disposals | (3) | (19) | (22) |
| **Balance at 31 December 2019** | - | - | - |
| **DEPRECIATION** | | | |
| Balance at 1 January 2018 | 1 | 5 | 6 |
| Depreciation for the year | 1 | 6 | 7 |
| **Balance at 31 December 2018** | **2** | **11** | **13** |
| Balance at 1 January 2019 | 2 | 11 | 13 |
| Depreciation for the year | 1 | 6 | 7 |
| Disposals | (3) | (17) | (20) |
| Balance at 31 December 2019 | - | - | - |
| **NET BOOK VALUE** | | | |
| Balance at 31 December 2019 | - | - | - |
| Balance at 31 December 2018 | **1** | **8** | **9** |

**11. Other receivables**

| | *2019* USD'000 | *2018* USD'000 |
|---|---|---|
| Prepayments | 15 | 7 |
| Other receivables | 10 | 8 |
| **Total other receivables** | **25** | **15** |

The carrying amount of other receivables approximates their fair value

# Notes to the financial statements (Continued)

**12. Cash and cash equivalents**

| | 2019 USD'000 | 2018 USD'000 |
|---|---|---|
| Uganda Barclays – USD | 190 | 39 |
| Uganda Barclays – UGX | 1 | 3 |
| **Total cash and cash equivalents** | 191 | 42 |

The carrying amount of cash and cash equivalents approximates their fair value.

**13. Other payables**

| | 2019 USD'000 | 2018 USD'000 |
|---|---|---|
| Accrued expenses | 74 | 58 |
| Other payables – tax and social security payments | 17 | 11 |
| **Other payables** | 91 | 69 |

The carrying amount of other payables approximates their fair value.

**14. Issued share capital**

| | Ordinary shares | | Share Premium | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| **Authorised and fully paid up** | USD'000 | USD'000 | USD'000 | USD'000 |
| Balance at 1 January | 120 | 3 | 661 | - |
| Issued shares: 40,000@USD 2.940 | - | 117 | - | - |
| Share premium:40,000@19.52305 | - | - | - | 661 |
| Balance at 31 December | 120 | 120 | 661 | 661 |

All ordinary shares rank equally with regard to the Company's assets.

There was no share issues during the year. In 2018, the shareholder loan of USD 778,000 was converted into 40,000 ordinary shares with a par value of USD 2.940 each and share premium of USD 19.52305 each.

**15. Reserves**

| | 2019 USD'000 | 2018 USD'000 |
|---|---|---|
| Accumulated losses at 1 January | 681 | 678 |
| Loss for the year | 3 | 3 |
| Accumulated losses at 31 December | 684 | 681 |

**16. Related party transactions**

During the year, the Company had transactions with AgDevCo Holdings Limited which holds 100% (2018: 100%) of its share capital.

(a) Payments on behalf of the Company

| | 2019 USD'000 | 2018 USD'000 |
|---|---|---|
| Country Director salaries paid by Group | 98 | - |
| | **98** | - |

(b) Related party receivables

| | 2019 USD'000 | 2018 USD'000 |
|---|---|---|
| Grant receivable | - | 103 |
| | - | **103** |

(c) Related party payables

| | 2019 USD'000 | 2018 USD'000 |
|---|---|---|
| Country Director salaries paid by Group | 28 | - |
| | **28** | - |

**17. Use of estimates and judgement**

The Company makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

**Estimates and assumptions**

***Useful life of assets***

Critical estimates are made by directors in determining the useful lives of property and equipment based on the intended use and economic lives of those assets.

***Income taxes***

The Company is subject to income tax and significant judgment is required in determining the provisions for income tax. During the ordinary course of business there are transactions and calculations for which the ultimate tax determination is uncertain. As a result, the Company recognizes tax liabilities based on estimates of whether additional taxes and interest will be due. The Company believes that its accruals for tax liabilities are adequate for the period based on the interpretation of the tax law. This assessment relies on estimates and assumptions and may involve a series of complex judgements about future events. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact income tax expense in the period in which such determination is made.

***Fair value measurement of financial instruments***

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

All financial instruments are initially recognised at fair value, which is normally the transaction price. In certain circumstances, the initial fair value may be based on a valuation technique which may lead to the recognition of profits or losses at the time of initial recognition.

However, these profits or losses can only be recognised when the valuation technique used is based solely on observable market inputs.

When measuring the fair value of an asset or liability, the Company uses observable market data as far as possible. Fair values are categorised into different levels in the fair value hierarchy based on inputs used in the valuation techniques as follows:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value for the majority of the Company's financial instruments is not based on observable market prices. The tables below sets a comparison by category of the carrying amount and fair values of the Company's financial instruments.

| | Level 1 | Level 2 | Level 3 | Total Value | 2019 Carrying Value |
|---|---|---|---|---|---|
| | USD'000 | USD'000 | USD'000 | USD'000 | USD'000 |
| **Financial Assets** | | | | | |
| Cash and cash equivalents | - | 191 | - | 191 | 191 |
| Other receivables | - | 25 | - | 25 | 25 |
| **Total** | **-** | **216** | **-** | **216** | **216** |
| **Financial Liabilities** | | | | | |
| Related party payable | - | 28 | - | 28 | 28 |
| Other payables | - | 91 | - | 91 | 91 |
| **Total** | **-** | **119** | **-** | **119** | **119** |

| | Level 1 | Level 2 | Level 3 | Total Value | 2018 Carrying Value |
|---|---|---|---|---|---|
| | USD'000 | USD'000 | USD'000 | USD'000 | USD'000 |
| **Financial Assets** | | | | | |
| Cash and cash equivalents | - | 42 | - | 42 | 42 |
| Related party receivable | - | 103 | | 103 | 103 |
| Other receivables | - | 15 | - | 15 | 15 |
| **Total** | **-** | **160** | **-** | **160** | **160** |
| **Financial Liabilities** | | | | | |
| Other payables | - | 69 | - | 69 | 69 |
| **Total** | **-** | **69** | **-** | **69** | **69** |

### 18. Finance risk management

The Company is exposed through its operations to the following financial risks:

- Market risk
- Liquidity risk
- Capital risk

As common with other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes
for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

**Principal financial instruments**

The principal financial instruments used by the Company, from which financial instrument risk arises, are as follows: other receivables, cash and cash equivalents, loans and borrowings, trade and other payables.

**General objectives, policies and processes**

The Board has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function, reporting to the CEO and Executive Committee ("EC"). The Group's Audit and Risk Committee regularly reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets and makes recommendations to the Board. The key financial risks detailed below:

**(a) Market risk**

Market risk is the risk that changes in market prices, such as changes in interest rates or foreign exchange rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimizing returns.

Transactions are carried out within the guidelines set by the Board of directors.

**(i) Foreign exchange risk**

*Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will* fluctuate because of changes in foreign exchange rates. The Company's policy is, where possible, to settle liabilities denominated in its functional currency with the shareholder loan disbursed to bank accounts in that currency. Where the Company has liabilities denominated in a currency other than its functional currency (and has insufficient reserves of that currency to settle them), cash already denominated in that currency will, where possible, be transferred from one account to another.

The Company is predominantly exposed to currency risk on liabilities denominated in currencies other than United States Dollars. Apart from these particular cash flows, the Company aims to fund expenses in United States Dollars.

As at 31 December the Company's net exposure to foreign exchange risk was as follows – net foreign currency financial assets/ (liabilities):

| | 2019<br>USD<br>USD | 2019<br>USD<br>USH | TOTAL<br>USD | 2018<br>USD<br>USD | 2018<br>USD<br>USH | TOTAL<br>USD<br>USH |
|---|---|---|---|---|---|---|
| **Monetary assets** | | | | | | |
| Cash and cash equivalents | 190 | 1 | 191 | 39 | 3 | 42 |
| Other receivables | 22 | 3 | 25 | 15 | - | 15 |
| **Total assets** | **212** | **4** | **216** | **54** | **3** | **57** |
| ***Monetary liabilities*** | | | | | | |
| Other payables | (78) | (13) | (91) | (58) | (11) | (69) |
| **Total liabilities** | **(78)** | **(13)** | **(91)** | **(58)** | **(11)** | **(69)** |
| **Total net exposure** | **134** | **(9)** | **125** | **(4)** | **(8)** | **(12)** |

*The following significant USD/UGX exchange rate applied at the year-end:* 3,670 (2018:3,720)

**Foreign currency risk sensitivity analysis**

The effect of a 20% strengthening of the United States Dollar against the Uganda Shilling at the reporting date would, all other variables held constant, have resulted in a reduction in post-tax losses of USD 2 (2018: USD 3). A 20% weakening in the exchange rate would, on the same basis, have increased post-tax losses by USD 2 (2018: USD 3).

**(ii) Interest rate risk**

The Company does not have interest bearing assets or liabilities and as such is not exposed to interest rate risk.

***(b) Liquidity risk***

Liquidity risk arises from the Company's management of working capital. It is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due.

The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it ensures monies are available in cleared funds before commitments are made.

The Company's liquidity risk is managed centrally by the Group treasury function. Each operation has a facility with Group treasury, the amount of the facility being based on budgets. The budgets are set locally and agreed by the board in advance, enabling the Company's cash requirements to be anticipated. Where facilities of Company need to be increased, approval must be sought from the Group treasury function and the directors.

The contractual maturities (representing undiscounted contractual cash-flows) of current financial liabilities are all within 3 months.

| | Carrying amount USD '000 | 0 - 12 months USD '000 | 1 - 2 years USD '000 | Over 2 years USD '000 | Total USD '000 |
|---|---|---|---|---|---|
| Receivables | 25 | 25 | - | - | **25** |
| Cash and cash equivalents | 191 | 191 | - | - | **191** |
| Other payables | (119) | (119) | - | - | **(119)** |
| **At 31 December 2019** | **97** | **97** | **-** | **-** | **97** |
| **At 31 December 2018** | **91** | **91** | **-** | **-** | **91** |

***(c) Capital Risk***

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the capital structure. The capital structure of the Company consists of equity attributable to the equity holders of the Company, comprising share capital and accumulated losses as disclosed in the statement of changes in equity.

The Company does not have any debt financing and uses advances from AgDevCo Limited to fund day to day operations.

**19. Contingent liabilities**

As at 31 December 2019, the Company had no contingent liabilities (2018: Nil).

# Notes to the financial statements (Continued)

## 20. Subsequent events

Subsequent to year end, the global economy has seen high levels of market volatility in connection with the Covid-19 pandemic, which has had a macroeconomic impact across all industry sectors. The directors are closely monitoring the latest market developments relating to the pandemic and believe that this is a non-adjusting event for purposes of the 31 December 2019 financial statements. However, the directors believe that there may be an impact to the underlying investments financed by the Company, some of which may be material. The Company has performed an evaluation of subsequent events through to the date of the independent auditors report and noted no other reportable events that would require disclosure in the Company's financial statements.

## 21. Ultimate controlling party

The ultimate controlling party of the entity is AgDevCo Holdings Limited.