TROIS FRERES DISTILLERIES LIMITED

DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

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CORPORATE INFORMATION

DIRECTORS	:	Bernard D'Offay Richard D'Offay Duncan Macnab Mark Prechelt Amanda Bernstein Klaus Froehlich
SECRETARY	:	PKF Capital Markets (Seychelles) Limited 104, First Floor, Waterside Property, Eden Island, Seychelles
REGISTERED OFFICE	:	La Plaine St. Andre, Aux Cap, Mahé, Seychelles
PRINCIPAL PLACE OF BUSINESS	:	La Plaine St. Andre, Aux Cap, Mahé, Seychelles
AUDITOR	:	Baker Tilly Chartered Accountants Seychelles
BANKERS	:	The Mauritius Commercial Bank (Seychelles) Ltd Caravelle House P. O. Box 122 Victoria, Mahé, Seychelles

DIRECTORS' REPORT

The Directors present their report together with the consolidated audited financial statements of Trois Freres Distilleries Limited and its subsidiaries collectively, the Group for the year ended December 31, 2022.

PRINCIPAL ACTIVITIES

The Group has been engaged in the distilling of rum and vodka and importation and sale of alcoholic beverages. Effective the financial year under review the Group diversified into the business of treating, bottling and marketing potable water and its distribution and operating a shop at the Airport selling alcoholic beverages and other merchandise.

RESULTS

	2022	2021
	SR	SR
Profit for the year	**18,350,202**	12,656,139

DIVIDENDS

The Directors did not recommend declaration of any dividend for the financial year under review (2021 : SR. 6.5 million).

PROPERTY, PLANT AND EQUIPMENT

Additions of SR. 17,501,980 to property, plant and equipment during the year comprised equipment, motor vehicles, furniture and fixtures (2021: SR. 6,033,769). Disposals comprised of furniture and equipment carried at net book value of SR. 237,694 (2021: SR. nil).

Property, plant and equipment are stated at cost less accumulated depreciation. The Directors have estimated that the carrying amount of property, plant and equipment at the balance sheet date approximates its fair value.

DIRECTORS AND DIRECTORS' INTERESTS

The Directors of the Company and their interests in the shares of the Company since the date of the last report and the date of this report are:

	shares % held
Bernard D'Offay	25.16%
Richard D'Offay	24.73%
Duncan Macnab	10.99%
Mark Prechelt	10.99%
Amanda Bernstein	-
Klaus Froehlich	0.85%
	72.72%

EVENTS AFTER THE BALANCE SHEET DATE

There have been no material events that occurred since the balance sheet date that require adjustment to the consolidated financial statements and or to the disclosure thereto.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Board of Directors is responsible for the overall management of the affairs of the Group including the operations of the Group and making investment decisions.

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and in compliance with the Seychelles Companies Act, 1972. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies that fall within the accounting policies adopted by the Group; and making accounting estimates that are reasonable in the circumstances. The Board of Directors has the general responsibility of safeguarding the assets, owned by the Group and those that are held in trust and used by the Group. The Board of Directors confirm that the consolidated financial statements presented for audit are free from material misstatements and that they have met their aforesaid responsibilities.

The Directors hereby confirm that they have not entered into any contracts or arrangements (other than service contracts with the Group) and did not make any profit from the operations of the Group for the financial year under review (2021 : SR nil except for the acquisition of shares in H2-Eau (Pty) Limited and Quench Distribution (Pty) Ltd).

AUDITORS

The retiring auditor Messrs. Baker Tilly, Chartered Accountants, Seychelles being eligible offer themselves for reappointment.

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Bernard D'Offay Director	**Richard D'Offay** Director	**Duncan Macnab** Director
DocuSigned by: 7420669A25EB4B5...	DocuSigned by: Amanda Bernstein F1C1C07A483E4B9...	DocuSigned by: Klaus Froehlich 68DB02EA61EF48C...
Mark Prechelt Director	**Amanda Bernstein** Director	**Klaus Froehlich** Director

Dated: April 27, 2023
Victoria, Seychelles

bakertilly
Chartered Accountants

Suite 202/302, Allied Plaza
Francis Rachel Street
P.O. Box 285, Mahe
Republic of Seychelles
T: +248 432 1306 / F: +248 432 1307
E-mail: info@bakertillyjfc.com
URL: www.bakertillymkm.com

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF TROIS FRERES DISTILLERIES LIMITED

This report is made solely to the members of Trois Freres Distilleries Limited and its subsidiaries collectively (the "Group"), in terms of our engagement to conduct the audit on their behalf. Our audit work has been undertaken so that we might state to the members those matters which we are required to state to them in an Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members as a Group, for our audit work, for this report, or for the opinions we have formed.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Trois Freres Distilleries Limited and its subsidiaries, ("the Group") set out on pages 5 to 38 which comprise the consolidated statement of financial position at December 31, 2022, the related consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2022, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") and comply with the Seychelles Companies Act, 1972.

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 Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), together with the other ethical requirements that are relevant to our audit of the consolidated financial statements in Seychelles, and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Key audit matters identified and how they were addressed in the audit are stated on page 4 (a) of our audit opinion.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF TROIS FRERES DISTILLERIES LIMITED *Continued*

Key Audit Matter	How the matter was addressed in the audit
IFRS 16 Leases	
The Group has applied IFRS 16 leases with effect from January 1, 2022, which resulted in changes in the accounting policies. The Group elected not to restate comparatives as per the transitional provision available in IFRS 16.	We obtained an understanding of the changes in the Group's adoption and the level of internal controls implemented including the accounting, processes and system under the new accounting standard.
The change in accounting policy results in right-of-use assets and lease liabilities being recognised in the Statement of Financial Position. The incremental borrowing rate ('IBR') method has been applied.	We assessed the design and implementation of key controls pertaining to the application of IFRS 16. We also assessed the appropriateness of the discount rate applied in determining lease liabilities.
The adoption of IFRS in 2019 resulted in changes to process, systems and controls.	We verified the accuracy of the underlying lease data by agreeing a representative sample of leases to original contracts or other supporting information and checked the integrity and mechanical accuracy of the IFRS 16 calculations for each lease sampled through recalculation of the expected IFRS 16 adjustment and obtained written representations in regard to the decisions.
Because of the number of judgements which have been applied and the estimates made in determining the impact of IFRS 16, this area is considered as a key audit matter.	We determined if the disclosure made in the consolidated financial statements pertaining to leases, including disclosure relating to the transition to IFRS 16, were in compliance with IFRSs.
	We obtained an understanding of the changes in the Group's adoption and the level of internal controls implemented including the accounting, processes and system under the new accounting standard.
Restructuring and allocation of costs	
Due to restructuring carried out effective Janauary 1, 2022, the parent company started to share rent, and staff cost with respect to overlapping duties of certain management and other staff members who also work for the subsidiary. Those specific and common costs incurred are allocated by the parent company to its subsidiaries and units. The Group has identified them and allocated them on a systematic and logical basis to ensure tax compliance. The risk is medium to low since they fall in different tax regimes and impact the overall tax expense of the Group.	We performed the following **test of detail** below rather than seeking to rely on any of the Group's control because testing for recoverability through detailed testing is inherently the most effective means of obtaining audit evidence: *We assessed appropriateness and consistency of methodology applied by the Management in setting up key assumptions and obtained management representations.* *We identified and tested specific journal entries for cost allocation based on documented methodology, checked the arithmatical accuracy and overall compliance and completeness.*

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF TROIS FRERES DISTILLERIES LIMITED *Continued*

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 the financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment 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 Group's internal controls;

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- Conclude on the appropriateness of management's 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 Group'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 Group to cease to continue as a going concern; and

- 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 management, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF TROIS FRERES DISTILLERIES LIMITED *Continued*

Other Information

Management is responsible for the other information. The other information comprises the Directors' Report, which we obtained prior to the date of this auditor's report. Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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.

Responsibilities of the Directors for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements in accordance with International Financial Reporting Standards and in compliance with the Seychelles Companies Act, 1972 and for such internal control as Board determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, management is responsible for assessing the Group'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 management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Group's financial reporting process.

Report on Other Legal and Regulatory Requirements

Companies Act, 1972

We have no relationship with, or interests, in the Group other than in our capacity as auditors, tax and business advisers and dealings in the ordinary course of business. We have obtained all information and explanations we have required.

In our opinion, proper accounting records have been kept by the Group as far as it appears from our examination of those records and comply with the provisions of the Seychelles Companies Act, 1972.

Baker Tilly

BAKER TILLY
Chartered Accountants

Dated: April 27, 2023
Victoria, Seychelles

BAKER TILLY
P.O. Box 285
Seychelles
CHARTERED ACCOUNTANTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2022

	Notes	2022	2021
		SR	SR
ASSETS			
Non-current assets:			
Property, plant and equipment	5	**36,945,086**	27,008,563
Right-of-use assets	6	**9,287,094**	6,664,438
		46,232,180	33,673,001
Current assets:			
Inventories	7	**22,997,658**	12,249,223
Trade and other receivables	8	**43,204,430**	30,628,497
Cash and cash equivalents	10	**10,311,143**	13,729,397
		76,513,231	56,607,117
Total assets		**122,745,411**	90,280,118
EQUITY AND LIABILITIES			
Equity and reserves			
Share capital and reserves	11	**17,511,353**	17,510,100
Retained earnings		**41,831,088**	23,497,196
Equity attributable to equity holders of the parent		**59,342,441**	41,007,296
Non-controlling interests		**13,228**	(3,082)
Total equity		**59,355,669**	41,004,214
Non-current liabilities:			
Borrowings	12	**11,933,341**	3,656,261
Lease liabilities	6	**8,625,968**	6,538,184
Employee benefit obligations	14	**3,515,903**	2,889,443
		24,075,212	13,083,888
Current liabilities:			
Current tax liability	9	**4,220,393**	303,734
Borrowings	12	**9,385,891**	14,237,577
Lease liabilities	6	**1,530,752**	681,632
Deferred tax liabilities	13	**1,353,141**	243,585
Trade and other payables	15	**22,824,353**	14,225,488
Dividend		**-**	6,500,000
		39,314,530	36,192,016
Total liabilities		**63,389,742**	49,275,904
Total equity and Liabilities		**122,745,411**	90,280,118

These financial statements were approved for issue by the Board of Directors on April 27, 2023

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Bernard D'Offay
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Director

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Richard D'Offay
Director

DocuSigned by:
D. T. Macnab
2873A20BC4B14A9...
Duncan Macnab
Director

DocuSigned by:
7420669A25EB4B5...
Mark Prechelt
Director

DocuSigned by:
Amanda Bernstein
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Amanda Bernstein
Director

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Klaus Froehlich
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Klaus Froehlich
Director

The notes on pages 9 to 38 form an integral part of these financial statements
Independent auditor's report on pages 4 to 4 (c)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2022

	Notes	2022	2021
		SR	SR
Revenue from contracts with customers	2.25	**214,363,650**	114,282,660
Cost of sales	16	**(117,443,467)**	(69,242,683)
Gross profit		**96,920,183**	45,039,977
Other income		**58,268**	123,957
Employee costs	16	**(23,973,232)**	(14,232,799)
Administrative expenses	16	**(38,935,962)**	(16,545,444)
Foreign exchange gain		**1,487,360**	8,095,365
Finance costs	17	**(2,567,599)**	(2,013,477)
		32,989,018	20,467,579
Depreciation	5 & 6	**(7,894,260)**	(5,290,981)
Profit before tax	18	**25,094,758**	15,176,598
Tax charge	9 (b)	**(6,744,556)**	(2,520,459)
Profit and total comprehensive income for the year		**18,350,202**	12,656,139

The notes on pages 9 to 38 form an integral part of these financial statements
Independent auditor's report on pages 4 to 4 (c)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2022

	Share capital	Share premium	Retained earnings	Share controlling interests	Total
	SR	SR	SR	SR	SR
Balance at January 1, 2022	**10,600**	**17,499,500**	**23,497,196**	**(3,082)**	**41,004,214**
Profit for the year	**-**	**-**	**18,333,891**	**16,310**	**18,350,202**
Dividend	**-**	**-**	**-**	**-**	**-**
Movement during the year	**1,253**	**-**	**-**	**-**	**1,253**
Balance at December 31, 2022	**11,853**	**17,499,500**	**41,831,088**	**13,228**	**59,355,669**
Balance at January 1, 2021	10,000	-	17,340,420	(2,445)	17,347,975
Profit for the year	-	-	12,656,776	(637)	12,656,139
Dividend	-	-	(6,500,000)	-	(6,500,000)
Movement during the year	600	17,499,500	-	-	17,500,100
Balance at December 31, 2021	10,600	17,499,500	23,497,196	(3,082)	41,004,214

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2022

	Notes	2022	2021
		SR	SR
OPERATING ACTIVITIES			
Profit before tax		**25,094,758**	15,176,598
Adjustments for:			
Depreciation of property, plant and equipment	5	**7,327,763**	5,096,552
Depreciation of right-of-use assets	6 (a)	**566,497**	194,429
Increase in employee benefit obligations provision	14 (a)	**626,460**	563,121
Finance costs	17	**2,567,599**	2,013,477
FA4JR government grant		-	(123,957)
Profit on disposal of asset		**(58,268)**	-
Reversal of provision for credit impairment	8 (e)	**(300,295)**	12,202
Operating profit before working capital changes		**35,824,514**	22,932,422
Changes in working capital:			
Inventories	7	**(10,748,435)**	(1,615,178)
Trade and other receivables		**(12,275,638)**	(8,816,877)
Trade and other payables	15	**8,598,866**	(378,621)
Net cash generated from operations		**21,399,307**	12,121,746
Employee benefit obligations paid	14 (a)	**-**	(153,819)
Tax refund received		**329,891**	-
Tax paid	9 (a)	**(2,048,232)**	(25,891)
Net cash inflow from operating activities		**19,680,966**	11,942,036
INVESTING ACTIVITIES			
Additions to property, plant and equipment	5	**(17,501,980)**	(6,058,026)
Proceeds from disposal of equipment		**295,962**	-
Net cash outflow from investing activities		**(17,206,018)**	(6,058,026)
FINANCING ACTIVITIES			
Movement in borrowing net of exchange difference	12	**9,114,822**	(10,016,275)
Proceeds from share issue	11	**1,253**	17,500,100
FA4JR government grant		-	123,957
Dividends paid		**(6,500,000)**	-
Lease payments	6 (b)	**(1,182,913)**	(613,373)
Net cash inflow from financing activities		**1,433,162**	6,994,409
Net change in cash and cash equivalents		**3,908,110**	12,878,419
Movements in cash and cash equivalents:			
At January 1,		**1,274,180**	(11,604,239)
Increase		**3,908,110**	12,878,419
At December 31,	10	**5,182,290**	1,274,180

The notes on pages 9 to 38 form an integral part of these financial statements

Independent auditor's report on pages 4 to 4 (c)

1. GENERAL INFORMATION

Trois Freres Distilleries Limited is a limited liability company, incorporated and domiciled in the Republic of Seychelles. The registered office of the Company is located at La Plaine St. Andre, Aux Cap, Mahé, Seychelles.

The Company and its subsidiaries ("the Group") were engaged in distilling of rum and vodka, importation of alcoholic beverage and their distribution, treatment and distribution of portable water and operating a shop selling alcoholic beverages and other merchandise.

These consolidated financial statements of the Group are reported on the MERJ Exchange. These Group financial statements together with separate financial statements of the Company and its subsidiary will be submitted for consideration and approval at the forthcoming Annual General Meeting of Shareholders of the Group.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

A summary of the significant accounting policies, which have been applied consistently (subject to para 2.1 (c)), are set out below:

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Standards Interpretations Committee (the “Committee”), and comply with the Seychelles Companies Act, 1972 including any amendments thereof.

The Group has prepared the financial statements on the basis that it will continue to operate as a going concern.

The consolidated financial statements provide comparative information in respect of the previous period. In addition, the Group presents additional statement of financial position at the beginning of the period when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in the financial statements.

(a) Reporting and functional currency

The reporting and functional currency of the Group is Seychelles Rupee (“SR”), as most of the transactions are effected in Seychelles Rupees.

(b) Accounting estimates

The preparation of consolidated financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4 (Critical accounting estimates and judgements). The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which it affects and also future periods if it affects both current and future periods.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *Continued*

(c) Changes in accounting policies

The accounting policies adopted are consistent with those used in the previous financial year, except for the following new standards and amendments to IFRS that are mandatorily effective for accounting periods beginning on or after January 1, 2022:

(i) **New standards, improvements, interpretations and amendments issued**

- Amendments to IFRS 3 : Reference to the Conceptual Framework.
- Amendments to IAS 16 : Property, Plant and Equipment - Proceeds before intended use.
- Amendments to IAS 37 : Onerous Contracts - Costs of fulfilling a Contract.

- *Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle:-*

- *IFRS 1* : First-time Adoption of International Financial Reporting Standards - *Subsidiary as a first-time adopter.*
- *IFRS 9 Financial Instruments* : Fees in the '*10 per cent*' test for derecognition of financial liabilities.
- *IFRS 16 Leases* : Reimbursement of leasehold improvements.
- *IAS 41 Agriculture* : Taxation in fair value measurements.

These amendments had no impact on the financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

(ii) **New standards, improvements, interpretations and amendments issued but not yet effective**

The following new accounting standards, improvements, interpretations and amendments have been issued, but are not mandatory until the dates shown, and hence have not been early adopted by the Group in preparing the consolidated financial statements for the year ended December 31, 2022:

- IFRS 17 & its amendments : Insurance Contracts (January 1, 2023)
- IFRS 10 and IAS 28 : Sale or Contribution of Assets between and Investor and its Associate or Joint Venture (effective date yet to be set).
- IAS 1 : Classification of Liabilities as Current or Non-Current (January 1, 2023).
- IAS 1 and IFRS Practice Statement 2 : Disclosure of Accounting Policies (January 1, 2023).
- IAS 8 : Definition of Accounting Estimates (January 1, 2023).
- IAS 12 : Deferred Tax related to Assets and Liabilities arising from a Single Transaction (January 1, 2023).

Management anticipates that all of the above standards, improvements, interpretations and amendments will be adopted by the Group to the extent applicable from their effective dates. The adoption of these standards, improvements, interpretations and amendments is not expected to have a material impact on the consolidated financial statements of the Group in the year of their initial application.

The consolidated financial statements will provide comparative information in respect of the previous period. In addition, the Group will present an additional consolidated statement of financial position at the beginning of the preceding period when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in the consolidated financial statements. An additional consolidated statement of financial position as at the beginning of the prior period will be presented in these consolidated financial statements due to the retrospective correction of an error, if any.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *Continued*

2.2 **Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at December 31, 2022. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee).
- Exposure, or rights, to variable returns from its involvement with the investee.
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets, liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

(a) **Business combinations**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *Continued*

(a) **Business combinations** *Continued*

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

(b) **Investment in associates and joint ventures**

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investment in its associate and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date.

The consolidated statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity.

Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *Continued*

(b) Investment in associates and joint ventures *Continued*

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and noncontrolling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

2.3 Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value recognised at the date of acquisition. Initial cost of property, plant and equipment comprises its purchase price and any attributable costs of bringing the asset to its working condition for its intended use. Such cost also includes the cost of replacing components of the property, plant and equipment. Borrowing costs for long-term construction projects are capitalised only if the recognition criteria is met. 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 Group and the cost can be reliably measured.

Properties in the course of construction for operation purposes are carried at cost less any recognised impairment loss. Cost includes professional fees for qualifying assets and borrowing costs capitalised only if the project is viable and the Group would pursue it further. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use. Costs incurred for major maintenance are recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repairs and maintenance costs are charged to the consolidated statement of profit or loss.

Depreciation of property, plant and equipment is provided for on a straight line basis to write off the cost of each asset to the residual values over the expected useful lives as follows:

	Years
Buildings on leasehold land	25
Furniture and equipment	5
Computer equipment	3
Motor vehicles	5

Freehold land and construction work in progress are not depreciated.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or following disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *Continued*

2.3 Property, plant and equipment and depreciation *Continued*

The assets' residual values, useful lives and methods of depreciation are reviewed periodically and adjusted prospectively, if appropriate. The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount or amortised over a period determined by the management.

2.4 Leases

Leases and right-of-use assets

The Group assesses whether a contract is or contains a lease at inception of the contract, that is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group applies a single recognition and measurement approach for all leases, except for the short-term leases and leases with low-value assets that are recognised as an expense on a straight-line basis over the lease terms.

Right-of-use assets:

The Group recognises lease liabilities to make lease payments and right-of-use assets at the commencement date of the date representing the right to use the underlying assets. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, if any. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight line over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Leased land parcels	19 to 39 years

Leases liabilities

Lease liabilities are initially measured at the present value of the lease payments to be made over the remaining lease term and that are not paid at the commencement date, discounted by using the incremental borrowing rate as the interest rate implicit in the lease is not readily determinable.

After the initial measurement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Right-of-use assets and lease liabilities are presented as separate line items in the consolidated statement of financial position. Depreciation related to right-of-use assets, interest costs on lease liabilities and rent concessions are shown separately in the income statement.

Group as a lessor

Operating leases income is recognised as an income on a straight-line-basis over the lease term.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *Continued*

2.4 Leases *Continued*

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

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

2.5 Inventories

Inventories of the Group comprise distilled bottles of rum, vodka, beer, liquor and beverages, bottled potable water, merchandise, raw materials, spares and consumables. Inventories are stated at the lower of cost and net realisable value. In general cost is determined by a weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads but excludes borrowing costs. Net realisable value is based on estimated selling price less any further costs expected to be incurred.

Goods in transit is included in closing inventories at cost only when the risks and rewards of such goods have been transferred to the Group.

The Group reviews the carrying amount of inventories on a regular basis and provision is made for obsolescence if there is any change in usage pattern and physical form of inventories based on Management's appraisal.

2.6 Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Expected to be realised within twelve months after the reporting period; or
- Cash and cash equivalents unless restricted from being exchanged or available to be settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The terms of the liability that could at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Group classifies all other liabilities as non-current.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *Continued*

2.7 Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Initial measurement

Financial instruments are initially measured at the transaction price (including transaction costs except in the initial measurement of financial assets and liabilities that are measured at fair value through profit or loss) unless the arrangement constitutes, in effect, a financing transaction in which case it is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial instruments at

These include loans, trade receivables, trade payables and bonds. Those debt instruments which meet the criteria in section 11.8 (b) of the standard, are subsequently measured at amortised cost using the effective interest method. Debt instruments which are classified as current assets or current liabilities are measured at the undiscounted amount of the cash expected to be received or paid, unless the arrangement effectively constitutes a financing transaction.

At each reporting date, the carrying amounts of assets held in this category are reviewed to determine whether there is any objective evidence of impairment. If there is objective evidence, the recoverable amount is estimated and compared with the carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit and loss.

Financial instruments at cost

Equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably without undue cost or effort are measured at cost less impairment.

Financial instruments at fair

All other financial instruments, including equity instruments that are publicly traded or whose fair value can otherwise be measured reliably, without undue cost or effort, are measured at fair value through profit and loss.

If a reliable measure of fair value is no longer available without undue cost or effort, then the fair value at the last date of such a reliable measure was available is treated as the cost of the instrument. The instrument is then measured at cost less impairment until management are able to measure fair value without undue cost or effort.

2.8 Intangible assets

Intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses, if any. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in the consolidated statement of profit or loss when incurred.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *Continued*

2.9 Related parties

The Group enters into transactions with companies and entities that fall within the definition of a related party as contained in IFRS. Related parties comprise companies and entities under joint or common management or control, their partners and key management personnel, subsidiaries, joint ventures, parent, associates and other related parties.

2.10 Trade receivables

Trade receivables are stated at original invoice amount less provision as per the expected credit loss model. Bad debts are written off when there is no possibility of recovery.

The Group makes use of a simplified approach in accounting for trade receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating the provision, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix. The Group assesses impairment of trade receivables on a collective basis as they possess shared credit risk characteristics and they have been grouped based on the days past due (refer to note 9 for a detailed analysis of how the impairment requirements of IFRS 9 are applied).

2.11 Other current assets

Other current assets include fixed deposits, prepaid expenses, advances to suppliers, and other deposits and advances which are carried at amounts recoverable through collection of monies or receipt of goods or services. Prepaid expenses pertain mainly to rent and medical insurance. Other deposits pertain to security deposits and advances pertain to staff advances.

2.12 Impairment of financial assets

IFRS 9's impairment requirements use forward-looking information to recognise expected credit losses – the expected credit loss (ECL) model. Instruments within the scope of the requirements include financial assets measured at amortised cost, such as trade receivables measured under IFRS 15.

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

In applying this forward-looking approach, a distinction is made between:

- consolidated financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("Stage 1");
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is now low ("Stage 2"); and
- financial assets that have objective evidence of impairment at the reporting date ("Stage 3").

"12-month expected credit losses" are recognised for the first category while "lifetime expected credit losses" are recognised for the second category. Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *Continued*

2.13 Current and Deferred Tax

Current income tax

Income tax expense comprises current tax. Current tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity. Current tax is the expected tax payable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

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

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Value Added Tax

Expenses and assets are recognised net of the amount of Value Added Tax, except:

- When the Value Added Tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the Value Added Tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- When receivables and payables are stated with the amount of Value Added Tax included.

The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

2.14 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, at banks and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value, against which the bank overdrafts, if any, are deducted. Overdrafts are shown within borrowings under current liabilities on the consolidated statement of financial position.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *Continued*

2.15 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when the Group has a legal enforceable right to set off the recognised amounts and the Group intends either to settle on a net basis, or to realise the asset and liability simultaneously.

2.16 Impairment of non-financial assets

The Group assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the cash-generating unit to which the asset belongs is used. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation method is used.

2.17 Borrowings and borrowing costs

Borrowings are classified as current liabilities unless there is a formal agreement in place to defer repayment for a period in excess of 12 months, in which case the amount repayable after 12 months at the reporting date is classified as non-current liabilities.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

2.18 Trade payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether claimed by the supplier or not.

Monies received in advance for goods or services to be provided subsequent to the year end are recognised as advances from customers in current liabilities.

The carrying amounts of trade payables approximate their amortised cost.

2.19 Other payables

Liabilities are recognised for amounts to be paid in the future for goods or services received and advance received from customers, whether claimed by the supplier or not.

Monies received in advance for goods or services to be provided subsequent to the year-end are recognised as advances from customers in current liabilities.

The carrying amount of other payables approximate their amortised cost.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *Continued*

2.20 **Provisions**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

2.21 **Accruals**

Accruals are recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources, that can be reliably estimated, will be required to settle the obligation.

2.22 **Employee benefits obligations**

Provision is made for the end of service benefits due to employees in accordance with current applicable Labour Laws for their periods of service up to the reporting date. The provision for the end of service benefits is calculated annually based on their current basic remuneration.

Defined contribution plans

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

Defined benefit plans

A defined benefit plan is a post-employment benefit other than a defined contribution plan. Provision for post-employment benefits with respect to long service compensation commences and is recognized as soon as the employees meet the eligibility criteria specified under the Seychelles Employment Act with respect to completion of 5 years of continuous employment. The provision is made at one day for each completed month of service after completion of 5 years of continuous employment.

At the end of the each reporting period, accumulated post-employment benefits are measured in line with the applicable regulations for completeness. Shortfall, if any, is provided by a charge to profit or loss. Further provision is required for past services in the year if there is an increase in basic salary, since the effect of the increased salary would impact the existing provision. Provision is reversed to profit or loss when an employee defaults on the eligibility criteria at the time or before termination of his employment.

The liability recognized in the consolidated statement of financial position is the present value of the defined obligation at the reporting date.

2.23 **Foreign currencies**

Transactions in foreign currencies are translated to Seychelles Rupees at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to Seychelles Rupees at the exchange rate at that date. Foreign currency gains or losses on monetary items are the differences between the amortised cost in Seychelles Rupees 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 year.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *Continued*

2.23 Foreign currencies *Continued*

Non-monetary assets and liabilities in foreign currencies that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on the translation are recognised in the statement of profit or loss. However, foreign exchange difference arising from translation of the available-for-sale financial assets, if any, are recognised in other comprehensive income.

As at year end, the main exchange rates against the Seychelles Rupees were as follows:

Currencies	Exchange rates		Changes in % ge	
	2022	2021	**2022**	2021
United States Dollar	**14.07**	14.69	**4.24%**	31.93%
Euro	**15.12**	16.51	**8.42%**	37.53%

2.24 Equity

Ordinary shares are classified as equity.

2.25 Revenue recognition

Revenue arises from the sale of distilled rum, vodka, other imported alcoholic beverages locally and exports distilled rum and vodka, bottled potable water and other merchandise. The revenue is recognised based on the identified performance obligation method. The revenue is recognized at the point when risks and rewards of the goods are transferred to the customer which is the point of dispatch/collection by the customer on sales.

Revenue is recognised at a point in time when the Group satisfies performance obligations by transferring the promised goods to its customers. Revenue from the sale of products for a fixed price is recognised when or as the Group transfers control of the products to the customer. Invoices for goods transferred are due upon delivery to the customers.

(i) ***Sales***

Revenue from the sale of goods is recognized when the goods are delivered, and title is passed. Revenue of the Company comprised production and distribution of distilled rum and vodka, sale of other liquor and beverages, bottling and marketing potable water and sale of liquor, beverages and other merchandise.

(ii) ***Other income***

Other income is recognized on the accrual basis. Other income comprise interest and profit from disposal of property, plant and equipment.

2.26 Contingent liabilities

A contingent liability is disclosed when the Group has a possible obligation as a result of past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events, not wholly within the control of the Group; or when the Group has a present legal or constructive obligation, that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *Continued*

2.27 Expenses

Cost of sales include all costs directly attributable to the generation of revenue and includes cost of materials. All other expenses are classified as either employee costs, administrative expenses, or finance costs, as appropriate.

3. RISK MANAGEMENT

3.1 Financial risk management objectives and policies

The activities of the Group expose it to different financial risks, market risks (including currency and fair value interest risk), credit and liquidity risk. The Directors have the overall responsibility for the establishment, overseeing and monitoring of the Group's risk management framework and are assisted by the senior management. Senior management is responsible for designing, developing and monitoring the Group's risk management policies, which are approved by the Directors.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, focusing on the unpredictability of financial markets, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities and its role in the Republic of Seychelles. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. The following are the Group's exposures to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

(a) Foreign currency risk

Foreign currency risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates and can arise on financial instruments that are denominated in a currency other than the functional currency in which they are measured. The Group is exposed to currency risk arising from future commercial transactions and liabilities that are denominated in currencies other than the functional currency. The Group imports goods from foreign countries and is exposed to foreign exchange risk arising from various currency exposures.

The currencies in which these transactions are primarily denominated are Euro ("EUR") and United States Dollar ("USD"). The Group aims to aggregate a net position for each currency. If the Seychelles Rupee had weakened/strengthened against the above currencies by 5% with all other variables remaining constant, the impact (increase/(decrease)) on the results for the year would have been as depicted in the table hereunder mainly as a result of foreign exchange gains/(losses).

	Euro		US Dollar	
	2022	2021	**2022**	2021
	SR +/-	SR +/-	**SR +/-**	SR +/-
Impact on results:				
- Trade and other receivables	**(23,878)**	155,967	**204,550**	271,678
- Cash and cash equivalents	**(209,717)**	(615,959)	**201,515**	2,700
- Borrowings	**(774,519)**	(261,300)	**-**	-
- Trade and other payables	**(66,997)**	(32,452)	**(427,243)**	(347,309)

3. FINANCIAL RISK MANAGEMENT *Continued*

(a) **Foreign currency risk** *Continued*

The currency portfolio of financial assets and liabilities is summarised as follows:

	Financial assets		Financial liabilities	
	2022	2021	**2022**	2021
	SR	SR	**SR**	SR
USD	**8,121,300**	5,487,551	**9,571,313**	7,046,125
Euro	**456,963**	3,255,367	**23,692,364**	18,343,582
Seychelles Rupees	**44,874,256**	35,614,976	**19,810,710**	12,582,714
Others	**63,054**	-	**1,225,918**	1,366,721
	53,515,573	44,357,894	**54,300,305**	39,339,142

(b) **Cash flow and fair value interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group has long term borrowings issued at floating interest rates which expose the Group to fair value interest rate risk. The Group's policy is to maintain most of its borrowings at floating interest rates. If interest rates on floating rate borrowings had been one basis point higher/lower with all other variables held constant, results for the year would have been as shown below.

	2022	2021
	SR	SR
Bank borrowings - interest	**± 213,192**	± 177,273

(c) **Credit risk**

The Group's credit risk arises when a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group’s receivables from trade and other receivables.

The Group uses IFRS 9 guidelines to establish an allowance for impairment that represents its estimate of losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets and the current economic environment.

The Group has significant concentration of credit risk, with exposure spread a few major and over a large number of small counterparties and customers. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history.

3. FINANCIAL RISK MANAGEMENT *Continued*

3.1 Financial risk management objectives and policies *Continued*

(c) Credit risk *Continued*

Limited credit facilities are provided to a number of customers. The Group has policies that limit the amount of credit exposure to any one financial position. The credit concentration of the Group at the end of the reporting period is summarised as follows:

	2022	2021
	%	%
10 major counterparties	**23**	34
Others (diversified risk)	**77**	66
	100	100

Management does not expect any material losses from non-performance of these customers.

(d) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group, through its regular budgets and forecasts, manages liquidity to ensure that it will always have sufficient liquidity to meet its liabilities as and when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date.

	Less than 1 year	**Between 1 - 2 years**	**Between 2 - 3 years**	**More than 3 years**	**Total**
	SR	**SR**	**SR**	**SR**	**SR**
At December 31, 2022					
Borrowings	**9,385,891**	**4,257,038**	**2,639,856**	**5,036,447**	**21,319,232**
Lease liabilities	**1,530,752**	**1,530,752**	**1,530,752**	**5,564,464**	**10,156,720**
Trade and other payables	**22,824,353**	**-**	**-**	**-**	**22,824,353**
At December 31, 2021					
Borrowings	14,237,577	1,902,882	1,736,314	17,066	17,893,839
Lease liabilities	681,632	681,632	681,632	5,174,920	7,219,816
Trade and other payables	14,225,488	-	-	-	14,225,488

(e) Fair value estimation

The face values less any estimated credit adjustments for financial assets and liabilities with maturities of less than and more than one year are assumed to approximate their fair values.

3. FINANCIAL RISK MANAGEMENT *Continued*

3.1 Financial risk management objectives and policies *Continued*

3.2 Capital risk management

The Group's objective when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of the changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt adjusted capital. Net debt is calculated as total debt (as shown in the statement of financial position) less cash in hand and at bank. Adjusted capital comprises all components of equity (i.e. share capital and retained earnings).

During 2022, the Group's strategy, which has been changed from 2021, was to maintain the debt-to-adjusted capital ratio at a level in order to secure access to finance at a reasonable cost. The debt-to-adjusted capital ratios at December 31, 2022 and 2021 were as follows:

	2022	2021
	SR	SR
Total debt (note 12)	**21,319,232**	17,893,838
Less: cash and cash equivalents (note 10)	**(10,311,143)**	(13,729,397)
	11,008,089	4,164,441
Total equity	**59,355,669**	41,004,214
Debt-to-adjusted capital ratio	**18.55%**	10.16%

The change in debt-to-adjusted capital ratio is mainly due the stabilization of Seychelles Rupees during the year as compared to first five months of prior year.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Group's financial statements requires management to make estimates, judgments and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and judgments are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *Continued*

In the process of applying the Group's accounting policies, management has made the following estimates and judgments, which have the most significant effect on the amounts recognised in the financial statements:

4.1 ***Impairment of property, plant and equipment***

Decline in the value of property, plant and equipment could have a significant effect on the amounts recognised in the financial statements. Management assesses the possible impairment of property, plant and equipment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors considered important that could trigger an impairment review include:

(i) Significant change in the useful life which would be expected from the passage of time or normal use.

(ii) Evidence that the performance of the plant and equipment could have a negative impact on the operating results, hence the economic viability of the asset itself and where it is a component of a larger economic unit, the viability of that unit itself.

4.2 ***Estimated useful lives of property, plant and equipment***

Estimated useful lives and residual values of property, plant and equipment are assigned based on the intended use of the respective assets and their economic lives. Subsequently, if there are changes in circumstances, such as technological advances or prospective utilisation of the assets concerned that could result in the actual useful lives or residual values differing from initial estimates, the estimated useful lives and residual values need to be adjusted in line with the current circumstances. The Directors review the residual values and useful lives of major items of property, plant and equipment and determine necessary adjustments.

4.3 ***Depreciation policies***

Property, plant and equipment are depreciated to their residual values over their estimated useful lives. The residual value of an asset is the estimated net amount that the Group would currently obtain from its disposal, if the asset was already of the age, and in condition expected at the end of its useful life. The Directors therefore make estimates based on historical experience and use their best judgment to assess the useful lives of assets and to forecast their expected values at the end of their expected useful lives.

4.4 ***Provision for expected credit losses of trade receivables***

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default rates in the future.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *Continued*

4.5 *Employee benefit obligations*

Employee benefit obligations (other than defined monthly contributions to the Seychelles Pension Fund with no further obligations) comprise compensation for length of service determined which starts upon employees completing minimum 5 years of continuous service as per the provisions of the Seychelles Employment Act, 1999 (as amended). The present value of these obligations depends on a number of factors and assumptions that are required to be estimated for the purpose of determining the liability. The assumptions used in determining the net cost include the discount rate and any changes in these assumptions will impact the carrying amount of the total obligation.

The present value of the obligation is normally determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions.

Employment benefit liability has been determined using the method prescribed by the Seychelles Employment Act. The Management has estimated that the amount of liability provided will not be materially different had it been computed by an external actuary.

4.6 *Useful lives of right-of-use assets*

Right-of-use assets are depreciated over the remaining lease term as at the date of initial application of IFRS 16. In estimating the recoverable amount of the right-of-use asset, the Directors have made assumptions about the market rates for similar properties with similar lease terms. Due to the associated uncertainty, arising if any, it is possible that the estimates may need to be revised in the future.

4.7 *Leases - estimating the incremental borrowing rate*

The Group cannot readily determine the interest rate implicit in the leases, therefore it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group ‘would have to pay’, which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

4.8 *Limitation of sensitivity analysis*

Sensitivity analysis demonstrates the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. However, these sensitivities are non-linear and larger or smaller impacts should not be interpolated or extrapolated from the results derived.

Sensitivity analysis does not necessarily take into consideration that the Group's assets and liabilities are actively managed. Other limitations include the use of hypothetical market movements to demonstrate potential risk that only represent the Group's views of possible changes in the market in the near future that cannot be predicted with any certainty.

5. PROPERTY, PLANT AND EQUIPMENT

	Capital work in progress	Buildings on leasehold land	Furniture and equipment	Computer equipment	Motor vehicles	Total
	SR	SR	SR	SR	SR	SR
COST						
At January 1, 2021	417,254	25,039,782	22,624,057	1,200,834	6,676,875	55,958,802
Reclassification	(417,254)	417,254	-	-	-	-
Additions	-	829,516	5,050,729	177,781	-	6,058,026
At December 31, 2021	**-**	**26,286,552**	**27,674,786**	**1,378,615**	**6,676,875**	**62,016,828**
Additions	**-**	**1,288,587**	**14,647,044**	**741,964**	**824,385**	**17,501,980**
Disposal	**-**	**-**	**(255,962)**	**-**	**-**	**(255,962)**
At December 31, 2022	**-**	**27,575,139**	**42,065,868**	**2,120,579**	**7,501,260**	**79,262,846**
ACCUMULATED DEPRECIATION						
At January 1, 2021	-	6,961,150	16,282,137	1,051,336	5,617,090	29,911,713
Charge for the year	-	841,560	3,656,865	89,337	508,790	5,096,552
At December 31, 2021	**-**	**7,802,710**	**19,939,002**	**1,140,673**	**6,125,880**	**35,008,265**
Charge for the year	**-**	**1,020,732**	**5,596,851**	**199,097**	**511,083**	**7,327,763**
Disposal	**-**	**-**	**(18,268)**	**-**	**-**	**(18,268)**
At December 31, 2022	**-**	**8,823,442**	**25,517,585**	**1,339,770**	**6,636,963**	**42,317,760**
NET BOOK VALUE						
At December 31, 2022	**-**	**18,751,697**	**16,548,283**	**780,809**	**864,297**	**36,945,086**
At December 31, 2021	-	18,483,842	7,735,784	237,942	550,995	27,008,563

6. LEASES

(a) Right-of-use assets

	2022	2021
	SR	SR
Carrying amount:		
Land		
Cost at January 1,	**7,247,726**	7,247,726
Additions	**3,189,153**	-
Accumulated depreciation	**(1,149,785)**	(583,288)
Net book value as at December 31,	**9,287,094**	6,664,438

(b) Lease liabilities

Movements during the year:

	2022	2021
At January 1,	**7,219,816**	7,186,412
Additions	**3,189,153**	-
Accretion of interest	**930,664**	646,777
Payments	**(1,182,913)**	(613,373)
Balance as at December 31,	**10,156,720**	7,219,816
Current portion	**1,530,752**	681,632
Non-current portion	**8,625,968**	6,538,184
	10,156,720	7,219,816

(c) Maturity analysis – contractual undiscounted cash flows:

	2022	2021
Within one year	**1,530,752**	681,632
After one year but not more than five years	**5,618,515**	2,726,528
After 5 years	**20,419,392**	21,101,024
Total undiscounted lease liabilities at December 31,	**27,568,659**	24,509,184

Charge to the consolidated statement of profit or loss

The following amounts were charged to profit or loss:

	2022	2021
Depreciation of right of use assets	**566,497**	194,429
Interest on lease liability	**930,664**	646,777
Total amount recognised in the consolidated statement of profit or loss	**1,497,161**	841,206

7. INVENTORIES

	2022	2021
	SR	SR
At cost:		
Raw materials	**15,513,256**	9,121,525
Finished goods	**7,484,402**	3,127,698
	22,997,658	12,249,223

(a) The cost of inventories recognised as expense and included in cost of sales for the year amounted to **SR 117,443,467** (2021: SR 69,242,683) (note 16).

8. TRADE AND OTHER RECEIVABLES

	2022	2021
	SR	SR
Gross trade receivables	**33,244,241**	26,056,116
Less: provision for credit impairment (note (f))	**(42,991)**	(343,286)
Net trade receivables	**33,201,250**	25,712,830
Prepayments	**4,569,019**	4,513,788
Amount due from a shareholders	**5,036,447**	-
Other receivables	**397,714**	401,879
	43,204,430	30,628,497

(a) As at December 31, 2022, no trade receivables were fully impaired (2021: SR nil).

(b) As at December 31, 2022, trade receivables amounting to **SR 4,959,100** (2021: 1,115,752) were past due but not impaired. These relate to a number of independent clients for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows.

	2022	2021
	SR	SR
Between 2 to 3 months	**2,064,454**	187,058
Over 3 months	**2,894,646**	928,694
	4,959,100	1,115,752

(c) The carrying amounts of 'trade and other receivables' approximate their fair values.

(d) The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2022	2021
	SR	SR
Seychelles Rupee	**37,794,741**	22,075,606
Euro	**1,255,634**	3,119,332
US Dollar	**4,091,001**	5,433,559
Other currencies	**63,054**	-
	43,204,430	30,628,497

(e) The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security. Movement in the provision for credit impairment of trade and other receivables is as follows:

	2022	2021
	SR	SR
At January 1,	**343,286**	331,084
(Decrease)/increase in provision for credit impairment	**(300,295)**	12,202
At December 31,	**42,991**	343,286

(f) The other classes within trade and other receivables do not contain impaired assets.

9. CURRENT TAX LIABILITY

	2022	2021
	SR	SR
(a) Statement of financial position		
At January 1,	**303,734**	(104,606)
Prior year taxes paid	**(738,232)**	-
Refund received during the year	**329,891**	-
Current tax expense (note (c))	**5,635,000**	408,340
Advance tax paid	**(1,310,000)**	-
At December 31,	**4,220,393**	303,734
(b) Tax charge		
Tax charge for the year (note (c))	**5,635,000**	408,340
Deferred Tax (note 13 (b))	**1,109,556**	2,086,228
Corporate Social Responsibility Tax (note (e))	**-**	25,891
Total tax charge for the year	**6,744,556**	2,520,459
(c) Reconciliation between tax expense and accounting profit is as follows:		
Profit before tax	**25,094,758**	15,176,598
Tax calculated at applicable tax rates (note 9 (d))	**6,271,269**	3,794,149
Adjustment for items not allowable and/or not subject to tax	**341,610**	(1,843,460)
Accelerated capital allowances	**(723,021)**	(548,274)
Unutilised tax losses	**(254,858)**	(994,075)
Business tax charge for the year	**5,635,000**	408,340

(d) Tax rates

	2022	2021
Distillery operations		
Flat rate	**-**	25%
On the first SR. 1 million of taxable income	**25%**	-
On the excess of SR. 1 million of taxable income	**33%**	-
Other operations		
On the first SR. 1 million of taxable income	**15%**	25%
On the excess of SR. 1 million of taxable income	**25%**	30%

(e) Changes in taxes and tax rates

Business tax rates changed from January 1, 2022 which are detailed under Para (d) above. Corporate Responsibility Tax was repealed effective April 20, 2021.

10. CASH AND CASH EQUIVALENTS

	2022	2021
	SR	SR
Cash on hand	**66,072**	25,314
Balances with banks	**10,245,071**	13,704,083
	10,311,143	13,729,397
Denominated in the following currencies:		
Seychelles Rupees	**5,346,322**	13,539,368
Euro	**934,522**	136,036
US Dollar	**4,030,299**	53,993
	10,311,143	13,729,397

(a) At reporting date, balances held with the banks in foreign currencies are retranslated at the rates prevailing at that date.

(b) There were no contractual restrictions affecting use of bank balances at the reporting date.

(c) **Reconciliation to statement of cash flows**

The following figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:

	2022	2021
	SR	SR
Balances as above	**10,311,143**	13,729,397
Bank overdraft (note 12)	**(5,128,853)**	(12,455,217)
	5,182,290	1,274,180

(d) Terms and conditions with respect to bank overdraft are as detailed under note (12).

11. SHARE CAPITAL AND RESERVES

	2022	2021
	SR	SR
Authorised shares		
20,000,000 shares of SR 0.001 each	**20,000**	20,000
Ordinary shares issued and fully paid		
At January 1,	**10,600**	10,000
Issued during the year	**1,253**	600
At December 31,	**11,853**	10,600
Share premium	**17,499,500**	17,499,500
Balance as at December 31,	**17,511,353**	17,510,100

12. BORROWINGS

	2022	2021
	SR	SR
Term loans - Euro	**3,145,595**	5,226,006
Term loans - Seychelles Rupee	**13,044,784**	46,047
Overdraft - Euro	**5,128,853**	12,455,217
Loans from shareholders' and related companies (note (e))	**-**	166,568
	21,319,232	17,893,838
Analysed:		
Due beyond one year	**11,933,341**	3,656,261
Due within one year	**9,385,891**	14,237,577
	21,319,232	17,893,838
Due within one year		
Bank overdraft	**5,128,853**	12,455,217
Term loans due within one year	**4,257,038**	1,782,360
	9,385,891	14,237,577
Movements in term loans during the year:		
At January 1,	**5,272,053**	13,921,627
Received during the year	**14,870,000**	-
Loans taken over from on business combination	**732,932**	
Interest charged during the year	**1,115,062**	432,145
Repayments during the year	**(5,392,624)**	(8,690,072)
Exchange differences	**(407,044)**	(391,647)
Total borrowings - Term loans	**16,190,379**	5,272,053
Due within one year	**(4,257,038)**	(1,782,360)
Loans from shareholders' and related companies (note (e))	**-**	166,568
Term loans due beyond one year	**11,933,341**	3,656,261

(a) Term loans of SR. 14 million and € 500,000 (2021: SR. 4,415,796 and € 604,520) together with overdraft facilities of SR. 6 million and EUR 1.0 million (2021: EUR 1.3 million) from The Mauritius Commercial Bank (Seychelles) Limited are secured by a first line mortgage, floating charge and general floating charge of SR. 26.29 million (2021: SR. 20.39 million) and € 1.5 million over the Group's immovable properties in addition to the insurance coverage of those immovable properties. The facilities bear interest rates ranging from 5% to 8.5% per annum (2021: 4.25% to 11% per annum) and are repayable in monthly instalments. Overdrafts are renewable yearly. One loan was repaid during the year and another loan was taken during the year.

(b) Term loan of SR. 1.2 million from Absa Bank (Seychelles) Limited is secured by fixed and floating charge over the Group's assets for SR. 1.2 million and by assignment of over contract proceeds, bears interest at 5% per annum and is repayable in 60 monthly instalments of SR. 20,000. This was taken over from H2-EAU (Pty) Limited.

(c) Term loan of SR. 612,000 from Mauritius Commercial Bank (Seychelles) Limited (taken over from Quench Distribution (Pty) Limited at outstanding balance of SR. 488,472) carried interest at 9% per annum and was repayable in monthly instalments of SR. 12,856.04. The loan was fully repaid during the financial year under review.

12. BORROWINGS *Continued*

(d) Term loan of SR. 1.2 million from Mauritius Commercial Bank (Seychelles) Limited (taken over from Quench Distribution (Pty) Limited at outstanding balance of SR. 244,461) carried interest at 11% per annum and was repayable in monthly instalments of SR. 21,508.79. The loan was fully repaid during the financial year under review.

(e) Loans from shareholders and related parties are unsecured, interest free and do not have fixed repayment terms.

(f) The maturity profile and exposure of the Group's borrowings to interest-rate changes are detailed under note 3.1(d).

(g) The carrying amounts of the Group's borrowings are denominated in Seychelles Rupees and Euro and approximate their amortised costs.

13. DEFERRED TAX LIABILITY

(a) Deferred taxes are calculated on all temporary differences under the liability method at applicable rates as mentioned in note 9 (d).

(b) There is a legally enforceable right to offset deferred tax assets and deferred tax liabilities when the deferred taxes relate to the same fiscal authority. The movement in deferred tax account and amounts shown in the statement of financial position are as follows:

	2022	2021
	SR	SR
At January 1,	**(243,585)**	1,842,643
Charge to profit or loss (note 9 (b))	**(1,109,556)**	(2,086,228)
At December 31,	**(1,353,141)**	(243,585)

(c) The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same fiscal authority, is as follows:

	2022	2021
	SR	SR
Deferred tax liability (note (c)(i))	**(2,633,204)**	(1,581,525)
Deferred tax asset (note (c)(ii))	**1,280,063**	1,337,940
Net deferred tax liability	**(1,353,141)**	(243,585)

(i) **Deferred tax liability**

	Accelerated tax depreciation	
	2022	2021
	SR	SR
At January 1,	**(1,581,525)**	(857,804)
Credit for the year	**(1,051,679)**	(723,721)
At December 31,	**(2,633,204)**	(1,581,525)

13. DEFERRED TAX LIABILITY *Continued*

(ii) Deferred tax asset

	Lease liabilities	Allowance for expected credit loss	Employee benefit obligations	Accumulated tax losses	Total
	SR	SR	SR	SR	SR
At January 1, 2021	250,435	109,258	818,447	1,522,307	2,700,447
Charge/(credit)	20,704	4,027	135,069	(1,522,307)	(1,362,507)
At December 31, 2021	271,139	113,285	953,516	-	1,337,940
(Credit)/charge	**(104,878)**	**(100,185)**	**147,186**	**-**	**(57,877)**
At December 31, 2022	**166,261**	**13,100**	**1,100,702**	**-**	**1,280,063**

14. EMPLOYEE BENEFIT OBLIGATIONS

(a) Statement of financial position

Length of service compensation

	2022	2021
	SR	SR
Movement during the year:		
At January 1,	**2,889,443**	2,480,141
Provision made for the year (note 18 (a))	**626,460**	563,121
Paid during the year	**-**	(153,819)
At December 31,	**3,515,903**	2,889,443

(b) The Board is of the opinion that the provision for employee benefit obligations calculated at the reporting date based on the applicable regulations of Seychelles Employment Act, 1999 (as amended) would not materially differ from the amount that would have been computed based on an actuarial valuation as mandated by IAS 19.

15. TRADE AND OTHER PAYABLES

	2022	2021
	SR	SR
Trade payables	**16,686,559**	10,981,219
Amount due to a shareholder/director (note 15 (c))	**295,224**	2,999,853
Prepayments	**1,733,193**	-
Other payables	**4,109,377**	244,416
	22,824,353	14,225,488

(a) The carrying amounts of trade and other payables approximate their amortised cost.

15. TRADE AND OTHER PAYABLES *Continued*

(b) Trade and other payables are denominated in the following currencies:

	2022	2021
	SR	SR
Seychelles Rupee	**8,953,991**	5,150,282
Euro	**3,073,131**	662,358
US Dollar	**9,571,313**	7,046,126
Other currencies (MUR, GBP and ZAR)	**1,225,918**	1,366,722
	22,824,353	14,225,488

(c) The amount due to a shareholder/director is unsecured, non-interest bearing and has no definite repayment terms, but can be repaid at any time. It has therefore been classified as a current liability.

16. OPERATING AND OTHER EXPENSES

	2022	2021
	SR	SR
Cost of inventories (note 7 (a))	**117,443,467**	69,242,683
Depreciation of property, plant and equipment (note 5)	**7,327,763**	5,096,552
Depreciation of right-to-use assets (note 6 (a))	**566,497**	194,429
Advertising and sales promotion	**12,239,050**	7,516,767
Corporate social responsibility and donations	**-**	30,827
Electricity and water charges	**2,067,666**	442,454
Employee benefit expenses (note (a))	**23,973,232**	14,232,799
Entertainment	**2,601,834**	865,616
Freight and handling	**3,108,480**	914,305
Fuel and local conveyance	**1,398,939**	516,502
Insurance	**566,603**	415,614
Rental expenses	**2,100,247**	135,739
Repairs and maintenance	**2,433,059**	1,003,408
Travelling expenses	**869,910**	30,056
Telephone and internet	**948,299**	624,136
Legal and professional fees	**4,234,393**	422,473
Vehicle expenses	**705,620**	467,776
Printing, stationery and postage	**1,201,809**	614,364
Security expenses	**466,071**	236,182
Other expenses	**3,993,982**	2,309,225
	188,246,921	105,311,907

Summarised as follows:

- Cost of sales	**117,443,467**	69,242,683
- Employee costs	**23,973,232**	14,232,799
- Administrative expenses	**38,935,962**	16,545,444
- Depreciation	**7,894,260**	5,290,981
	188,246,921	105,311,907

16. OPERATING AND OTHER EXPENSES *Continue*

		2022	2021
		SR	SR
(a)	Employee benefit expenses is analysed as follows:		
	Salaries and wages	**20,635,796**	12,372,176
	Employee benefits and related expenses	**2,710,976**	1,297,502
	Employee benefits obligations provision (note 14 (a))	**626,460**	563,121
		23,973,232	14,232,799

17. FINANCE COSTS

	2022	2021
Interest on lease liabilities	**930,664**	646,777
Interest on bank borrowings	**1,121,027**	498,926
Interest on bank overdraft	**515,908**	867,774
	2,567,599	2,013,477

18. OPERATING PROFIT

	2022	2021
Operating profit is arrived at, after charging:		
Depreciation of property, plant and equipment (note 5)	**7,327,763**	5,096,552
Depreciation of right-of-use assets (note 6)	**566,497**	194,429
Auditor's remuneration	**224,500**	104,500
Directors' emoluments (note 19 (e))	**3,482,416**	2,659,160
Interest expense on borrowings	**1,636,935**	1,366,700
Interest expense on lease (note 6)	**930,664**	646,777
Rent and leases	**2,100,247**	135,739

19. RELATED PARTY BALANCES AND TRANSACTIONS

	Expenses	Due to related parties	Due from related parties
	SR	SR	SR
December 31, 2022			
Related parties transactions and balances:			
- Heirs D'Offay	**665,401**	**-**	**-**
- LPSA Investment Ltd	**-**	**-**	**100**
- LPSA Holdings Limited	**-**	**-**	**10,000**
Amounts due to related parties	**-**	**295,224**	**5,036,447**
Directors' emoluments (note (e))	**3,482,416**	**-**	**-**
	4,147,817	**295,224**	**5,046,547**
December 31, 2021			
Related parties transactions and balances:			
- Heirs D'Offay	424,464	-	-
- H2-Eau (Pty) Limited	-	44,850	-
- Quench Distribution (Pty) Ltd	-	-	1,818,186
- LPSA Investment Ltd	-	-	100
- LPSA Holdings Limited	-	-	10,000
Amounts due to related parties	-	2,999,853	-
Directors' emoluments (note (e))	2,659,160	-	-
	2,659,160	2,999,853	1,828,286

19. RELATED PARTY BALANCES AND TRANSACTIONS *Continued*

Transactions with related parties are made at normal market prices.

(a) Other terms and conditions have been included under the relevant notes.

(b) There have been no guarantees provided or received for any related party payables or receivables.

(c) For the year ended December 31, 2022, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2021: SR. nil).

(d) This assessment is undertaken at the end of each financial year through examining the financial position of the related party and the market in which the related party operates.

(e) **Directors and key management personnel emoluments**

	2022	2021
	SR	SR
Richard D'Offay	**1,271,400**	1,455,000
Bernard D'Offay	**1,052,350**	1,204,160
Amanda Bernstein	**27,000**	-
Mark Perchelt	**37,222**	-
Duncan Macnab	**37,222**	-
Klaus Froehlich	**37,222**	-
Alex De Maroussem	**1,020,000**	
	3,482,416	2,659,160

20. CAPITAL COMMITMENTS

The Group had no capital commitments approved by the Board at December 31, 2022 (2021 : SR. nil).

21. CONTINGENT LIABILITIES

The Group has obtained a guarantee facility of SR. 8.5 million (SR. 5 million) during the financial year under review. There were no other contingent liabilities as at December 31, 2022 (2021 : SR nil).

22. COMPARATIVES

Comparatives figures in these financial statements pertain to full operations of parent company before restructuring that was carried out effective January 1, 2022 wherein the Company retained its distillery and export operations and transferred distribution and retail sales function to its subsidiary. The Company during the year also started to operate a shop at the Airport to sell beverages and certain merchandise. The subsidiary, in addition to restructured operations transferred from the parent company, acquired operations of a water bottling company H2-EAU (Pty) Limited and an alcoholic beverages distribution company Quench Distribution (Pty) Limited (both companies previously operated independently as separate companies) in which two Company Directors jointly owned major shareholding.

TROIS FRERES DISTILLERIES LIMITED

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2022

	2022	2021
	SR	SR
INCOME		
Revenue from contracts with customers	214,363,650	114,282,660
Cost of sales	(117,443,467)	(69,242,683)
	96,920,183	45,039,977
Realised exchange gain	531,617	3,651,855
Unrealised exchange gain	955,743	4,443,510
Financial assistance	-	123,957
Profit on disposal of assets	58,268	-
	98,465,811	53,259,299
OVERHEADS		
Advertising and sales promotion	12,239,050	7,516,767
Auditor's remuneration	224,500	104,500
Bank charges	1,041,018	359,746
Bad debt written off	1,564,854	-
Cleaning expenses	21,031	5,037
Computer maintenance	987,978	289,862
Consumables	242,087	85,345
Corporate social responsibility	-	22,555
Distillery expenses	256,900	513,167
Donations	-	8,272
Electricity and water	2,067,666	442,454
Freight and handling charges	3,108,480	914,305
Fuel and local conveyance	1,398,939	516,502
Insurance and licenses	754,067	516,663
Interest expense on borrowings	1,636,935	1,366,700
Interest expense on lease	930,664	646,777
Legal and professional fees	4,009,893	317,973
Marketing and events cost	2,601,834	865,616
Office expenses	338,291	284,325
Other operating overheads	585,770	916,978
Pension contribution	1,343,381	484,708
Printing and stationery	1,201,808	614,364
Provision for retirement benefit obligation	626,460	563,121
Refuse removal	56,863	31,376
Rental expenses	2,100,247	135,739
Repairs and maintenance	1,445,081	713,545
(Reversal)/Provision for credit impairment	(300,295)	12,202
Salaries and wages	20,635,795	12,372,176
Security services	466,071	236,182
Staff training and welfare	667,142	308,564
Staff travelling and accommodation	700,454	504,231
Telephone and internet	948,299	624,136
Travelling expenses	869,910	30,056
Vehicle maintenance	705,620	467,776
	65,476,793	32,791,720
PROFIT FROM OPERATIONS	32,989,018	20,467,579
Depreciation of property, plant and equipment	(7,327,763)	(5,096,552)
Depreciation of right-of-use assets	(566,497)	(194,429)
PROFIT BEFORE TAX	25,094,758	15,176,598