

KAGERA SUGAR LIMITED
ANNUAL REPORT
AND
AUDITED FINANCIAL STATEMENTS
30 JUNE 2022

KAGERA SUGAR LIMITED

**ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

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KAGERA SUGAR LIMITED

COMPANY INFORMATION FOR THE YEAR ENDED 30 JUNE 2022

REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

Kagera Sugar Limited
P.O. Box 815
Bukoba

DIRECTORS

Mr. Seif A. Seif
Mr. Nassor A. Seif
Mr. Ashwin D. Rana
Mr. Stanley Rau

MAIN BANKERS

Absa Bank Tanzania Limited
P.O. Box 5137
Dar es Salaam

Stanbic Bank Tanzania Limited
P.O. Box 7647
Dar es Salaam

CRDB Bank Limited
P.O. Box 268
Dar es Salaam

TIB Development Bank
P.O. Box 9373
Dar es Salaam

NBC Bank Ltd
P. O. Box 1863
Dar es Salaam

CITI Bank Tanzania Ltd
P.O. Box 71625
Dar es Salaam

LAWYER

FK Law Chambers
FK House
23 Ocean Road
Sea View
P.O. Box 20787
Dar es Salaam

AUDITOR

Ernst & Young
EY House
162/1 – Mzinga Way 14111 Oysterbay Peninsular
P.O. Box 2475
Dar es Salaam

KAGERA SUGAR LIMITED

REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2022

1. INTRODUCTION

The directors are pleased to submit their report together with the audited financial statements for the year ended 30 June 2022 along with the state of financial affairs of the Company.

2. PRINCIPAL ACTIVITIES

The principal activities of the Company are sugar cane cultivation, processing and sale of sugar.

3. INCORPORATION AND REGISTRATION

Kagera Sugar Limited is incorporated in Tanzania under Companies Act, 2002 as a private company limited by shares. The Company's registration number is 5036. Details of the Company's principal place of business and registered place of business are on page 46.

4. DEVELOPMENTS

In the year ended 30 June 2022, the Company invested TZS 91 billion into its fixed assets. The Company has budgeted to crush 1,243,730 metric tons of cane and produce 118,154 metric tons of sugar in year 2023. During the year, the Company crushed 974,754 metric tons of cane and produced 98,166 metric tons of sugar.

5. RESULTS

The performance of the Company during the year is set out on page 12 of these financial statements. The following information is also reported in the income statement as set out on page 12.

	2022	2021
	TZS'000	TZS'000
Sugar sales	205,148,723	175,199,000
Profit for the year before tax	27,322,721	11,798,172

6. RESERVES

Details of the movements in the issued share capital and reserves are given in the statement of changes in equity on page 14. At 30 June 2022 the Company had total equity of TZS 411 billion (2021: TZS 339 billion).

7. DIVIDEND

The directors do not recommend payment of dividend (2021: TZS Nil).

8. DIRECTORS

The directors of the Company at the date of this report, all of who have served throughout the year are:

Name	Nationality	Title
Mr. Seif A. Seif	Tanzanian	Chairman
Mr. Nassor A. Seif	Tanzanian	Director
Mr. Ashwin D. Rana	Zimbabwean	Director
Mr. Stanley Rau	South African	Director

KAGERA SUGAR LIMITED

REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2022

9. DIRECTORS' INTERESTS IN THE SHARES OF THE COMPANY

Mr. Seif A. Seif and Mr. Nassor A. Seif have interests in the issued and fully paid up shares of the Company by virtue of their shareholdings in Super Star Forwarders Company Limited and Super Doll Trailer Manufacturing Company Limited.

10. DIRECTORS' REMUNERATION

The directors are not paid any remuneration by the Company.

11. SHAREHOLDING

Shareholding for the Company is as below:

Name	Share %	No. of shares Unit	Value TZS'000
30 June 2022			
Superdoll Trailer Mfg. Co. Ltd.	50	76,000	76,000
Superstar forwarders Co. Ltd.	50	76,000	76,000
	100	152,000	152,000
30 June 2021			
Superdoll Trailer Mfg. Co. Ltd.	50	76,000	76,000
Superstar forwarders Co. Ltd.	50	76,000	76,000
	100	152,000	152,000

12. CAPITAL STRUCTURE

The Company capital structure for the year under review is shown below:

	2022 TZS'000	2021 TZS'000
Authorised, issued and fully paid 152,000 ordinary shares of TZS 1,000/= each	152,000	152,000

13. ORGANISATION STRUCTURE

The management of the Company is under the Chief Executive Officer and is organised in the following functions:

- General Management
- Agriculture
- Factory
- Tractor Workshop
- Civil Engineering
- Finance
- Human Resource
- Information Systems and;
- Corporate Governance

KAGERA SUGAR LIMITED

REPORT BY THOSE CHARGE WITH GOVERNANCE (Continued) FOR THE YEAR ENDED 30 JUNE 2022

14. KEY MANAGEMENT PERSONNEL OF THE COMPANY

The key management personnel who served the Company during the year ended 30 June 2022 were:
Mr Ashwin.D. Rana Chief Executive Officer

15. ACCOUNTING POLICIES

The annual financial statements are prepared on the underlying assumption of a going concern. The Company's accounting policies, which are laid out on pages 16 to 31 are subject to an annual review to ensure continuing compliance with International Financial Reporting Standards.

16. ACQUISITIONS AND DISPOSALS

There was no material disposal or acquisition of business during year 2022 (2021: Nil).

17. RELATED PARTY TRANSACTIONS

Details of transactions and balances with related parties are disclosed in Note 22 to the financial statements.

18. SOLVENCY

The Company's state of affairs at 30 June 2022 is set out on page 13 of these financial statements. At 30 June 2022 the Company has TZS 20.8 billion of Net Current Asset, (2021: Net Current Liabilities of TZS 3.2 billion).

19. SUBSEQUENT EVENTS

The Company subsequently deposited TZS 17.9 billion to bank namely CITI, CRDB, ABSA and NBC for servicing of phase 2B and 3 loan interest as well as principal repayment of phase 2B ABSA loan instalment.

20. EMPLOYEE WELFARE

Management/employee relationship

The relationship between employees and management continued to be good. Complaints are resolved through meetings and discussions. Work morale is good and there were no unresolved complaints from workers. To enhance the relationship between the Company and its employees the Company entered into a voluntary agreement with Tanzania Plantation and Agricultural Workers Union (TPAWU) on 1 October 2021. This agreement remained in force up to 30 September 2022.

The Company has continued to maintain conducive working environment in terms of offices, canteen, medical facilities and transport.

Training

Trainings given to staff are either external training or internal training. External training is through external courses and internal training is on the job. External trainings are reviewed and used when considered appropriate. During the year the Company spent TZS 109 million for training of its staff (2021: TZS 619 million).

KAGERA SUGAR LIMITED

REPORT BY THOSE CHARGE WITH GOVERNANCE (Continued) FOR THE YEAR ENDED 30 JUNE 2022

20. EMPLOYEE WELFARE (Continued)

Management/employee relationship

Canteen facility

Canteen facilities are available, and meals are provided to its seasonal employees for free. During the year the Company spent TZS 994 million for canteen facility (2021: TZS 931 million).

Financial help

The Company provides financial assistance to employees depending on assessment of the need and the current liquidity position of the Company. The outstanding staff loan at year end was TZS 57 million (2021: TZS 39 million).

21. ENVIRONMENTAL MATTERS

The Company complied with standards of Industrial Safety and Environmental Regulations established by various authorities to the best of its knowledge. The Company was certified by OSHA for the compliance with the Occupational Health and Safety Act.

22. CORPORATE GOVERNANCE

The Directors are committed to the principles of good corporate governance and recognize the need to conduct the business in accordance with generally accepted best practice. In so doing the Directors therefore confirm that:

- The Board of Directors met regularly throughout the year;
- They retain full and effective control over the Company and monitor executive management;
- The positions of Chairman and Managing Director are held by different people;
- The Board accepts and exercises responsibility for strategic and policy decisions, the approval of budgets and the monitoring of performance; and
- They bring skills and experience from their own spheres of business to complement the professional experience and skills of the management team.

23. SOCIAL AND POLITICAL DONATIONS

The Company did not make any political donations during the year.

24. GENDER PARITY

The Company is equal opportunity employer. It gives equal access to employment opportunities and ensures that the best available person is appointed to any given position free from discrimination of any kind and without regard to factors like gender, marital status, tribes, religion and disability which does not impair ability to discharge duties.

KAGERA SUGAR LIMITED

**REPORT BY THOSE CHARGE WITH GOVERNANCE (Continued)
FOR THE YEAR ENDED 30 JUNE 2022**


25. AUDITOR

The Company's external auditor, Ernst & Young, has expressed willingness to continue in office and is eligible for re-appointment. A resolution proposing the re-appointment of Ernst & Young as the external auditor of the Company for the financial year ending 30th June 2022 will be put to the Annual General Meeting.

BY ORDER OF THE BOARD OF DIRECTORS


Name: Seif A. Seif

Title: Chairman

Signature: 

Name: Nassor A. Seif

Title: Director

Signature: 

Date: 30th November 2022

KAGERA SUGAR LIMITED

**STATEMENT OF BY THOSE CHARGED WITH GOVERNANCE
FOR THE YEAR ENDED 30 JUNE 2022**

The Companies Act, 2002 of Tanzania requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of financial affairs of the Company as at the end of the financial year and of its profit or loss of the Company for that year and the cash flow statement. It also requires the directors to ensure that the Company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company. The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud, error and other irregularities.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act, 2002 of Tanzania. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of its profit or loss.

The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Despite of the liquidity challenge that faces the Company as indicated in Note 1 to the financial statements, the directors confirm that they have formulated business plans and taken decision that will make the Company to continue operating as a going concern for at least twelve months from the date of this statement.

Name: Seif A. Seif

Title: Chairman

Signature: 

Name: Nassor A. Seif

Title: Director

Signature: 

Date: 30th November 2022

KAGERA SUGAR LIMITED

**DECLARATION BY THE REGISTERED ACCOUNTANT
FOR THE YEAR ENDED 30 JUNE 2022**

The National Board of Accountants and Auditors (NBAA) according to the power conferred to it under the Auditors and Accountants (Registration) Act No. 33 of 1972, as amended by Act No. 2 of 1995, requires financial statements to be accompanied with a declaration issued by the Head of Finance responsible for the preparation of the financial statements of the entity concerned.

It is the duty of a professional accountant to assist the Board of Directors to discharge the responsibility of preparing the financial statement of the entity showing true and fair view position of the Company in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2002 of Tanzania. Full legal responsibility for the financial statements rests with the Board of Directors as stated in the Statement of Directors' Responsibilities on the previous page.

I SALAH KHALID, the management accountant for Kagera Sugar Limited hereby acknowledge my responsibility of ensuring that the financial statements for the year ended 30 June 2022 have been prepared in compliance with International Financial Reporting Standards and the requirements of the Companies Act, 2002 of Tanzania.

I thus confirm that the financial statements give a true and fair view position of Kagera Sugar Limited as that date and that they have been prepared based on properly maintained financial records.

Signature:



Signed by:

SALAH KHALID

NBAA Membership Number:

ACPA3744

Date:

30th November 2022

INDEPENDENT AUDITOR'S REPORT
To the shareholders of Kagera Sugar Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of Kagera Sugar Limited (the Company), as set out on pages 12 to 47; which comprise the statement of financial position as at 30 June 2022 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes, comprising of a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Kagera Sugar Limited as of 30 June 2022 and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards and the requirements of the Companies Act, 2002 of Tanzania.

Basis of opinion

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

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

Other Information included in the Company's 2022 Annual Report

The other information comprises the Company Information, Directors' Report, Statement of Directors' Responsibilities and the Declaration by the Head of Finance. The other information does not include the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Auditor's responsibility 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.

INDEPENDENT AUDITOR'S REPORT (Continued)
To the shareholders of Kagera Sugar Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (Continued)

Auditor's responsibility for the audit of the financial statements (Continued)

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. 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.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

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

INDEPENDENT AUDITOR'S REPORT (Continued)
To the shareholders of Kagera Sugar Limited

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

This report, including the opinion, has been prepared for, and only for, the Company's members as a body in accordance with the Companies Act, 2002 of Tanzania and for no other purposes.

As required by the Companies Act, 2002, of Tanzania we report to you, based on our audit, that:

- i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii) In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books;
- iii) The directors' report is consistent with the financial statements;
- iv) Information specified by the law regarding directors' remuneration and transactions with the Company is disclosed; and,
- v) The Company's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account.



Signed by: Deokari Mkenda (ACPA 3438)
For and on behalf of Ernst & Young
Certified Public Accountants
Dar es Salaam, Tanzania

Date: 16th December 2022

KAGERA SUGAR LIMITED**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2022**

		2022	2021
	Notes	TZS'000	TZS'000
Revenue	5	207,469,379	178,610,005
Gain on valuation of biological assets	11	13,502,480	15,004,808
Cost of sales	6	<u>(151,425,453)</u>	<u>(139,552,134)</u>
Gross profit		69,546,406	54,062,679
Other income	8	330,268	865,402
Administration expenses	6	<u>(38,805,776)</u>	<u>(41,634,088)</u>
Operating profit		31,070,897	13,293,993
Finance costs	9	<u>(3,748,176)</u>	<u>(1,495,821)</u>
Profit before tax		27,322,721	11,798,172
Income tax credit/charge	10	<u>44,034,349</u>	<u>(8,733,465)</u>
Profit for the year		<u>71,357,070</u>	<u>3,064,707</u>

KAGERA SUGAR LIMITED

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022**

ASSETS	Notes	2022 TZS'000	2021 TZS'000
Non-current assets			
Property, plant and equipment	12	615,889,646	573,408,091
Leasehold land	13	263,420	271,918
		<u>616,153,067</u>	<u>573,680,009</u>
Current assets			
Inventories	14	23,330,194	22,047,405
Bearer biological asset	11	93,508,436	80,005,956
Trade and other receivables	15	32,804,070	25,379,239
Income Tax Recoverable	10	450,000	450,000
Cash and bank balances	18	685,093	224,087
		<u>150,777,793</u>	<u>128,106,687</u>
TOTAL ASSETS		<u>766,930,860</u>	<u>701,786,696</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	20	152,000	152,000
Advance towards share capital	21	83,732,077	83,732,077
Revaluation reserve		258,462,420	258,462,420
Accumulated profit/(losses)		68,330,105	(3,026,965)
		<u>410,676,602</u>	<u>339,319,532</u>
Non-current liabilities			
Deferred tax liability	10	66,735,260	110,769,609
Interest-bearing loans and borrowings	17	159,588,163	120,378,224
		<u>226,323,423</u>	<u>231,147,832</u>
Current liabilities			
Trade and other payables	16	65,737,821	73,885,345
Contract liabilities	19	20,994,361	39,818,816
Bank overdraft	18	21,729,477	9,746,569
Interest-bearing loans and borrowings	17	21,469,176	7,868,604
		<u>129,930,835</u>	<u>131,319,334</u>
TOTAL EQUITY AND LIABILITIES		<u>766,930,860</u>	<u>701,786,696</u>

These financial statements were approved by the Board of Directors and authorised for issue on 30th November 2022 and were signed on its behalf by:

Name: Seif A. Seif Title: Chairman

Signature:



Name: Nassor A. Seif Title: Director

Signature:



KAGERA SUGAR LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2022**

	Share capital	Advance towards share capital	Revaluation reserve (*)	Accumulated losses	Total equity
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
At 1 July 2021	152,000	83,732,077	258,462,420	(3,026,965)	339,319,532
Profit for the year	-	-	-	71,357,070	71,357,070
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	71,357,070	71,357,070
At 30 June 2022	152,000	83,732,077	258,462,420	68,330,105	410,676,602
At 1 July 2020	152,000	83,732,077	258,462,420	(6,091,672)	336,254,825
Profit for the year	-	-	-	3,064,707	3,064,707
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	3,064,707	3,064,707
At 30 June 2021	152,000	83,732,077	258,462,420	(3,026,965)	339,319,532

KAGERA SUGAR LIMITED**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2022**

	Notes	2022 TZS '000	2021 TZS '000
Operating activities			
Profit before tax		27,322,721	11,798,172
Adjustment to reconcile profit before tax to net cash flows			
Non-cash:			
Depreciation of property, plant and equipment	12	48,058,706	42,158,598
Fair value gain on biological asset	11	(13,502,480)	(15,004,808)
Amortisation of leasehold land	13	8,497	8,497
Working capital adjustments:			
(Increase)/ Decrease in inventories		(1,282,789)	2,283,461
(Increase) / Decrease in trade and other receivables		(7,424,831)	578,570
(Decrease)/Increase in trade and other payables		(8,147,522)	27,511,006
(Decrease)/ Increase in Contract Liabilities		(18,824,453)	32,515,004
Income Tax paid		-	(5,007,588)
Net cash flows from operating activities		26,207,849	96,840,912
Investing activities			
Purchase of property, plant and equipment	12	(90,540,261)	(151,080,479)
Net cash flows used in investing activities		(90,540,261)	(151,080,479)
Financing activities			
Repayment of Irrigation loan		-	(3,742,244)
Repayment of term loan - Syndicate loan		-	(6,000,000)
(Repayment)/Release of phase 2B Expansion Loan		(5,528,217)	16,103,148
Release of phase 3 Expansion Loan		59,094,169	51,649,285
Repayment of Assets Finance Loan		(755,440)	(2,333,388)
Net cash flows from financing activities		52,810,511	55,676,801
Net increase in cash and cash equivalents		(11,521,902)	1,437,234
Cash and cash equivalents at beginning of the year		(9,522,483)	(10,959,716)
Cash and cash equivalents at end of the year	18	(21,044,384)	9,522,482

KAGERA SUGAR LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

The directors are pleased to submit their report together with the audited financial statements for the year ended 30 June 2022. The financial statements of the Corporation for the year ended 30 June 2022 were authorised for issue in accordance with a resolution of Directors as indicated on the report of directors.

Kagera Sugar Limited is a limited liability company incorporated and domiciled in Tanzania. Details of Company information are disclosed on page 1.

1. BASIS OF PREPARATION

These financial statements have been prepared on historical cost basis, except for the valuation of biological assets, property, plant and equipment that have been measured at fair value. The financial statements are presented in Tanzanian Shillings (TZS) and all values are rounded to the nearest thousand (TZS'000) except when otherwise indicated.

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations as issued by the International Accounting Standards Board (IASB) and comply with the requirements of the Companies Act, 2002 of Tanzania.

The preparation of financial statements in accordance with IFRS requires the use of certain significant accounting estimates and assumptions. It also requires the Board of Directors to exercise its judgment in the process of applying the Company's accounting policies. The areas involving high degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Going concern basis of preparation

The accompanying financial statements have been prepared on the basis of accounting principles applicable to a "going concern", which assume that the Company will continue in operation for at least one year from the date of the audit report and will be able to realize its assets and discharge its liabilities in the normal course of operations.

The Company's directors have made an assessment of the Company's ability to continue as a going concern and are satisfied that the Company has the resources to continue in business for the foreseeable future. The validity of this assumption is based on:

- The Company's ability to generate sufficient funds from its future trading, to meet its operational needs and repayment of long-term loans.
- the continuity of shareholders' supplementary financial support that may be required by the Company in the foreseeable future in the form of funding for capital expenditure and working capital; and
- the Company's ability to comply with repayment schedule on the term loans

2. NEW AND AMENDED STANDARDS AND INTERPRETATIONS

2.1 New and amended standards and interpretations that were effective during the year.

The company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective. The company applied for the first-time certain standards and amendments that are relevant to the operations and effective for annual reporting periods beginning on or after 1 January 2021. These changes did not have a material impact on the annual financial statements of the Company. The nature and the impact of each new standard or amendment is described below:

KAGERA SUGAR LIMITED**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30 JUNE 2022****2. NEW AND AMENDED STANDARDS AND INTERPRETATIONS (Continued)****2.1 New and amended standards and interpretation that were effective during the year (Continued)**

Standard or amendment	Key requirement
<p>Interest Rate Benchmark Reform – Phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16</p>	<p>Effective for annual periods beginning on or after 1 January 2021</p> <p>In August 2020, the IASB published Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. With publication of the phase two amendments, the IASB has completed its work in response to IBOR reform.</p> <p>The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendment includes the following practical expedients:</p> <ul style="list-style-type: none"> • To require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest • To permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. • To provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component <p>The amendment had no impact on the financial statements of the Company. The Company intends to use the practical expedients in future periods if they become applicable.</p>
<p>Covid-19-Related Rent Concessions beyond 30 June 2021 – Amendments to IFRS 16</p>	<p>Effective for annual periods beginning on or after 1 April 2021.</p> <p>In March 2021, the Board amended the conditions of the practical expedient in IFRS 16 that provides relief to lessees from applying the IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the covid 19 pandemic.</p> <p>As a practical expedient, a lessee may elect not to assess whether a covid-19 related rent concession from a lessor is a lease modification.</p> <p>A lessee that makes this election accounts for any change in lease payments resulting from the covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.</p> <p>Following the amendment, the practical expedient now applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.</p> <p>This amendment had no material impact on the financial statements of the Company.</p>

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30 JUNE 2022

2.2 New and amended standards and interpretations issued but not yet effective

The other new and amended standards and interpretations issued but not yet effective listed below are not expected to have a significant impact on the Company's financial statements.

Standard or amendment	Key requirement	Effective Date
Onerous Contracts – Cost of Fulfilling a Contract Amendments to IAS 37	In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.	1 January 2022
<i>Classification of Liabilities as Current or Non-current – Amendments to IAS 1</i>	In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify: <ul style="list-style-type: none"> • What is meant by a right to defer settlement • That a right to defer must exist at the end of the reporting period • That classification is unaffected by the likelihood that an entity will exercise its deferral right • That classification is unaffected by the likelihood that an entity will exercise its deferral right • That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification. 	1 January 2023
<i>Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16</i>	The amendment to IAS 16 <i>Property, Plant and Equipment</i> (PP&E) prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.	1 January 2022
Reference to the Conceptual Framework – Amendments to IFRS 3	Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date.	1 January 2022

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30 JUNE 2022**

2. NEW AND AMENDED STANDARDS AND INTERPRETATIONS (Continued)

2.2 New and amended standards and interpretations issued but not yet effective (Continued)

Standard or amendment	Key requirement	Effective Date
<i>Definition of Accounting Estimates - Amendments to IAS</i>	In February 2021, the Board issued amendments to IAS 8, in which it introduces a new definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.	1 January 2023
<i>Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2</i>	In February 2021, the Board issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements (the PS), in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by: • Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies And • Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures	1 January 2023
<i>AIP IAS 41 Agriculture - Taxation in fair value measurements</i>	Taxation in fair value measurements • The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41. • An entity applies the amendment to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022. Earlier application is permitted.	1 January 2023

Standards issued but not yet effective that are not expected to have a material impact on the company's financial statements

- IFRS 17 Insurance Contracts (effective for reporting periods beginning on or after 1 January 2023)
- AIP IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter (effective for annual reporting periods beginning on or after 1 January 2022) (effective for annual reporting periods beginning on or after 1 January 2022)
- AIP IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12 (effective for annual reporting periods beginning on or after 1 January 2023)
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 -postponed indefinitely.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30 JUNE 2022**

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies

Biological assets

In determining the fair value of biological assets, the Company uses the present value of expected future cash flows from the assets discounted at the current market determined pre-tax rate. The objective of a calculation of the present value of expected net cash flows is to determine the fair value of biological asset in its present location and condition. The Company considers this in determining an appropriate discount rate to be used in estimating expected net cash flows. Management uses estimates based on historical data relating to yields, prices and exchange rates.

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed to reduce any differences between estimates and actual experience. The significant assumptions made by the directors in determining the fair values of biological assets are set out in Note 11 of the financial statements

Depreciation rates for Property, plant and equipment

Judgements are made by the directors in determining the useful lives and residual values of property, plant and equipment based on the intended use of the assets and the economic lives of those assets. Subsequent changes in circumstances such as technological advances or prospective utilisation of the assets concerned could result in the actual useful lives or residual values differing.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(i) Foreign currency translation

The financial statements are presented in Tanzanian shillings, which is the Company's functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

(ii) Biological assets

Biological assets are measured on initial recognition and at each balance sheet date at its fair value less estimated costs to sale. A gain or loss arising on initial recognition of a biological asset at fair value less estimated costs to sale and from a change in fair value less estimated costs to sale of biological assets are included in profit or loss for the period in which it arises

(iii) Property, plant and equipment

All categories of property, plant and equipment are initially recorded at cost less accumulated depreciation and impairment losses. Such cost includes the cost of replacing part of the property, plant and equipment when that cost is incurred, if the recognition criteria are met Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in income statement as incurred Property, plant and equipment are subsequently measured at fair value less accumulated depreciation and impairment losses recognised after the date of revaluation. Valuations are performed after every five years to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Any revaluation surplus is credited to the assets revaluation reserve included in the equity section of the balance sheet, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

The difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the asset's original cost is transferred from the asset revaluation reserve to retained earnings upon disposal. Any revaluation reserve relating to the particular asset being sold is transferred to retained earnings. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

KAGERA SUGAR LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 JUNE 2022

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(iii) Property, plant and equipment (Continued)

Depreciation is calculated using straight line method basis over the useful life of the asset as follows:

Factory buildings and labour camps	10 years
Residential buildings	40 years
Plant and machinery (factory and workshop)	40 years
Residential furniture, fittings and equipment	10 years
Fuel tanks and water supply system	40 years
Meteorological, irrigation system, agricultural and radio equipment	10 years
Motor vehicles, motor cycles, tractors and trailers	4 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or 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 profit or loss in the year the asset is derecognised. The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

(iv) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use. The capitalised borrowing costs are amortised over the life of the qualifying asset. Other borrowing costs are recognised as an expense when incurred

(v) Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company's estimates 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.

Where 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 pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to equity. In this case the impairment is also recognised in equity up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(vi) Financial instruments

(a) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost include amounts due from related parties, bank balances and trade and other receivables.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(vi) Financial instruments (Continued)

(a) Financial assets (Continued)

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired, Or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Impairment of financial assets

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(vi) Financial instruments assets (Continued)

(a) Financial assets (Continued)

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- Probability of Default (PD): The PD is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.
- Exposure at Default (EAD): The EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- Loss Given Default (LGD): The LGD is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

The Company considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss or financial liabilities at amortised cost. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of financial liabilities at amortised cost, plus directly attributable transaction costs.

The Company's financial liabilities include amounts due to related parties, borrowings and trade and other payables, all of which are categorised as financial liabilities at amortised cost.

Subsequent measurement

After initial recognition, amounts due from related parties, trade and other payables and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest method (EIR) amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance cost in profit or loss.

De-recognition

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(vii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(viii) Current versus non-current classification

The Company presents assets and liabilities in the 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
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to 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 held primarily for the purpose of trading
- 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 Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

(ix) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, 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. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30 JUNE 2022

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Leases

The Fund assesses at contract inception whether a contract is, or contains, a lease. 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.

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

The company 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). 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 expense on a straight-line basis over the lease term.

Leases that do not transfer to the company substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Contingent rental payable is recognised as an expense in the period in which they it is incurred.

i) Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. 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 basis over the shorter of the lease term and the estimated useful lives of the assets. If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

ii) Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement 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 remeasured 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. The Company's lease liabilities is under note 37

ii) Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30 JUNE 2022**

(x) Leases (Continued)

not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

Determining the lease term of contracts with renewal and termination options – Company as lessee

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has several lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise

either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The Company included the renewal period as part of the lease term for leases of plant and machinery with shorter non-cancellable period (i.e., three to five years). The Company typically exercises its option to renew for these leases because there will be a significant negative effect on production if a replacement asset is not readily available. The renewal periods for leases of property and equipment with longer non-cancellable periods (i.e., 10 to 15 years) are not included as part of the lease term as these are not reasonably certain to be exercised. In addition, the renewal options for leases of motor vehicles are not included as part of the lease term because the Company typically leases motor vehicles for not more than five years and, hence, is not exercising any renewal options. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

(xi) Revenue recognition

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements:

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Revenue represents income arising in the course of an entity's ordinary activities, which leads to an increase of economic benefits during the accounting period. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements because it typically

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(xi) Revenue recognition (Continued)

controls the goods or services before transferring them to the customer. Revenue is stated net of value-added tax (VAT) discounts, rebates and other similar allowances.

Revenue from the sale of goods, as part of the ordinary activities, is recognized as recurring revenue. Revenue from sale of goods is recognized at the point in time when control of the goods is transferred to the customer, generally on delivery of the goods.

The Company recognises revenue from provision of services over time, using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Company.

The five-step model stipulated in IFRS 15 Revenue from contracts with customers is applied when accounting for revenue from contracts with customers. The Company accounts for a revenue contract with a customer only when all the following criteria are met:

- The parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations;
- The Company can identify each party's rights regarding the goods or services to be transferred;
- The Company can identify the payment terms for the goods or services to be transferred;
- The contract has commercial substance (i.e., the risk, timing or amount of future cash flows is expected to change as a result of the contract); and
- It is probable that the Company will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, customer loyalty points). Contract balances

Contract assets: A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

Trade receivables: A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to the accounting policies on financial assets.

Contract liabilities: A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the entity transfers goods or services to the customer, a contract liability is recognized when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the entity performs under the contract.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(xii) Taxation

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from, or paid to, the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Current income tax relating to items recognised outside profit or loss is recognised outside profit or loss in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred income tax

Deferred tax is provided for using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, 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, except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences 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 profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

Deferred tax relating to items recognised outside of profit or loss is recognised outside of profit or loss in correlation to the underlying transaction either in other comprehensive income or directly in equity.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30 JUNE 2022

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(xii) Taxation (Continued)

Deferred income tax (Continued)

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Value added tax (VAT)

Revenue, expenses and assets are recognized net of value added tax except:

- Where the VAT incurred on purchase of assets and/or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable.
- Receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

(xiii) Post-employment obligations

The Company makes contributions in respect of staff retirement benefits to statutory National Social Security Fund. The Company's obligations in respect of these contributions are limited to 10% of the employees' gross salary.

The Company contributions to retirement benefit schemes are charged to the income statement in the year they are incurred.

(xiv) Leasehold land

Leasehold land is initially recorded at cost. Subsequently, it is stated at historical cost less cumulative amortisation. Amortisation is calculated using the straight-line method to write down the cost amount over the lease period.

(xv) Inventories

Inventories are stated at the lower of cost and net realizable value. Damage and obsolete inventories are provided for in full, as identified by the technical personnel.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Finished goods and work in progress	Fair value of cane at the point of harvest, cost of direct materials and labour, other direct cost and a proportion of manufacturing overheads based on normal operating capacity (but excluding borrowing costs) up to the stage of completion of the product
Chemicals and lubricants, General stores - consumables, factory and other equipment spares	Purchase cost using weighted average cost

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

KAGERA SUGAR LIMITED**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30 JUNE 2022**

	2022	2021
	TZS'000	TZS'000
5. REVENUE		
Sugar Sales	205,148,723	175,199,000
Sale of molasses	2,320,655	3,411,005
	<u>207,469,378</u>	<u>178,610,005</u>
6. EXPENSES BY NATURE		
Depreciation and amortisation expenses	48,067,204	42,167,094
Employee benefit costs (Note 7)	38,383,524	35,936,499
Change in inventories of finished goods	(4,681,012)	3,147,368
Repairs and maintenance	31,157,291	28,812,020
Fuel and lubricants	12,306,000	8,068,523
Fertilisers and chemicals	9,463,006	8,111,483
Packing materials	3,556,011	1,823,888
Other raw materials and consumables used	11,878,904	10,236,872
Power and electricity	8,396,692	5,265,548
Transportation	4,770,962	5,710,553
Other expenses	26,932,648	31,906,373
Total cost of goods sold and administration expenses	<u>190,231,230</u>	<u>181,186,221</u>
Cost of sales	151,425,453	139,552,134
Administration expenses	38,805,777	41,634,087
	<u>190,231,230</u>	<u>181,186,221</u>
7. EMPLOYEE BENEFIT COSTS		
Wages and salaries	34,173,022	31,918,346
Skills development levy	552,497	894,144
Pension costs – defined contributions plans	3,658,005	3,124,009
	<u>38,383,524</u>	<u>35,936,499</u>
8. OTHER INCOME		
Sale of Agriculture Services	136,394	126,126
Hospital services	101,443	45,576
Sale of Scrap		236,409
Miscellaneous income	92,430	457,289
	<u>330,267</u>	<u>865,400</u>
9. FINANCE COSTS		
Unrealised exchange loss	(219,569)	(250,295)
Interest on loan and overdraft facility	3,967,745	1,744,917
Facility and guarantee fees	-	1,200
	<u>3,748,176</u>	<u>1,495,822</u>

KAGERA SUGAR LIMITED**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30 JUNE 2022****10. TAXATION**

	2022 TZS'000	2021 TZS'000
Income tax credited /(charged) to profit or loss		
Current tax charge	-	-
Additional assessment in respect of prior years	-	8,733,465
Deferred tax charge	(44,034,349)	-
	<u>(44,034,349)</u>	<u>8,733,465</u>

The normal procedure for agreeing final income tax liability in Tanzania involves the Company filing its final income tax returns with the Tanzania Revenue Authority (TRA) followed by TRA performing their own review of the Company's submissions and issuing their notice of final income tax assessments to the Company. The final income tax assessment as may be determined by TRA after their review and possible site visit may differ from the assessments determined by the Company and procedures are in place for the Company to object and appeal against the TRA assessments. It is common that a timeframe from the Company's own submission of its final tax returns and for TRA performing their reviews and issuing of notice of final tax assessment may take several months or years. TRA has done the assessment of company's submission up to financial year ended 30 June 2020. The final tax return for the financial year ended 30 June 2022 is due on 31 December 2022.

Deferred Tax

Deferred tax is calculated, in full, on all temporary timing differences under the liability method using a principal tax rate of 30% (2021: 30%).

2022 Deferred tax (Asset) /Liability

	At start of the year	Charged /(credited) to profit or loss	At end of the year
	TZS'000	TZS'000	TZS'000
Property, plant and equipment	121,389,730	(35,897,228)	85,492,502
Bearer biological assets	4,501,442	-	4,501,442
Tax losses carried forward	(15,900,469)	(7,358,215)	(23,258,684)
Tax Credits not recognised	778,906	(778,906)	-
	<u>110,769,609</u>	<u>(44,034,349)</u>	<u>66,735,260</u>

Deferred tax asset was recognised in previous year as was not foreseeable that the Company would make sufficient taxable profits against which unutilised losses carried forward and other credits will reverse.

2021 Deferred tax (Asset) /Liability

	At start of the year	Charged /(credited) to profit or loss	At end of the year
	TZS'000	TZS'000	TZS'000
Property, plant and equipment	106,682,305	14,707,425	121,389,730
Bearer biological assets	712,223	3,789,219,	4,501,442
Tax losses carried forward	(4,803,716)	(11,096,753)	(15,900,469)
Tax Credits not recognised	8,178,797	7,399,391	778,906
	<u>110,769,609</u>	<u>-</u>	<u>110,769,609</u>

KAGERA SUGAR LIMITED**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30 JUNE 2022****10. TAXATION (Continued)**

Tax Recoverable	2022 TZS'000	2021 TZS'000
Opening balance	450,000	4,175,877
Additional assessment in respect of prior years	-	4,557,588
Tax recoverable written off	-	(4,175,877)
Tax paid during the year	-	5,007,588
Closing balance	450,000	450,000

11. BIOLOGICAL ASSETS

	2022 TZS'000	2021 TZS'000
Opening balance	80,005,956	65,001,148
Gain/(loss) on valuation	13,502,480	15,004,808
Closing balance	93,508,436	80,005,956

Standing cane plantations are carried at fair value less estimated costs to sale. The fair value of standing cane plantation was determined based on the discounted net present values of expected net cash flows from the assets, discounted at a current market-determined pre-tax rate. In determining the fair values of standing cane plantation, the directors have made certain assumptions about the yields and market prices of sugar in future years, and the costs of running the estates. The key assumptions made concerning the future (projected over 12 months) are as follows:

- Climatic conditions will be normal and irrigation will compensate for short rains;
- The average market price of sugar, will be TZS 1,694,915 per ton throughout the projection period;
- Risk free rate on Bank of Tanzania Treasury bills will be at 4.73% (2021: 5.03%) throughout the projection period; and
- The discount rate applied to the expected net cash flow was 11.21% (2021:11.63%)

The Company has 14,000 hectares of standing cane located in Misenyi and 6000 hct at Kitengule (Karagwe district) in Tanzania with a fair value of TZS 93,508 billion (2021: 13,970 hectares with a fair value of TZS 80.006 billion). During the year, the Company's sugarcane plantations produced 1,123,730 tonnes.

KAGERA SUGAR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30 JUNE 2022**

12. PROPERTY, PLANT AND EQUIPMENT

	Land development, roads, bridges and culverts and culverts	Buildings	Plant and machinery	Furniture and equipment	Motor Vehicles	Heavy equipment	Irrigation Systems	Capital work in Progress (CWIP)	Total
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
Cost									
As at 1 July 2021	111,183,747	46,190,577	242,361,847	12,601,235	13,331,409	52,858,281	108,819,663	111,229,256	698,576,014
Additions	12,260,031	2,021,025	1,868,245	1,170,576	522,218	2,472,348	1,079,014	83,427,863	90,540,264
Transfer from CWIP			37,574,000	7,427			43,436,664	(95,299,154)	-
As at 30 June 2022	123,443,778	48,211,602	281,804,092	13,779,238	13,853,626	55,330,629	153,335,343	99,357,965	789,116,278
Depreciation									
As at 1 July 2021	33,243,298	8,560,419	14,090,431	4,491,963	9,950,462	26,748,775	28,082,576	-	125,167,925
Charge for the year	11,118,374	3,187,208	6,073,876	1,182,245	1,829,822	13,718,482	10,948,696	-	48,058,706
As at 30 June 2022	44,361,673	11,747,627	20,164,307	5,674,209	11,780,284	40,467,257	39,031,272	-	173,226,632
Net carrying amount									
As at 30 June 2022	79,082,105	36,463,974	261,639,785	8,105,029	2,073,342	14,863,372	114,304,070	99,357,965	615,889,646
As at 30 June 2021	77,940,449	37,630,158	228,271,416	8,109,272	3,380,947	26,109,506	80,737,087	111,229,256	573,408,091

KAGERA SUGAR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30 JUNE 2022**

12. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Land development, roads, bridges and culverts and culverts	Buildings	Plant and machinery	Furniture and equipment	Motor Vehicles	Heavy equipment	Irrigation Systems	Capital work in Progress (CWIP)	Total
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
As at 1 July 2020	98,446,973	40,949,952	189,778,406	7,089,917	12,247,771	41,608,626	84,945,924	72,427,969	547,495,538
Additions	-	-	2,516,039	5,432,804	1,083,638	11,249,655	463,724	130,334,617	151,080,476
Transfer from CWIP	12,736,774	5,240,625	50,067,402	78,514	-	-	23,410,015	(91,533,330)	-
As at 30 June 2021	111,183,747	46,190,577	242,361,847	12,601,235	13,331,409	52,858,281	108,819,663	111,229,256	698,576,014
Depreciation									
As at 1 July 2020	23,398,601	5,610,091	9,334,298	3,668,553	6,723,136	14,708,077	19,566,572	-	83,009,328
Charge for the year	9,844,697	2,950,328	4,756,133	823,410	3,227,326	12,040,698	8,516,004	-	42,158,597
As at 30 June 2021	33,243,298	8,560,419	14,090,431	4,491,963	9,950,462	26,748,775	28,082,576	-	125,167,925
Net carrying amount									
As at 30 June 2021	77,940,449	37,630,158	228,271,416	8,109,272	3,380,947	26,109,506	80,737,087	111,229,256	573,408,091
As at 30 June 2020	75,048,373	35,339,860	180,444,107	3,421,365	5,524,635	26,900,549	65,379,351	72,427,969	464,486,209

KAGERA SUGAR LIMITED**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30 JUNE 2022****12. PROPERTY, PLANT AND EQUIPMENT (Continued)**

The Company's property, plant and equipment were re-valued as at 30 June 2018 by Fello Consultant Limited, Dar es Salaam, independent professional, registered and licence valuers at the depreciated replacement cost. The revaluation surplus was credited to the revaluation reserves account in shareholder's equity. If the assets were stated on historical cost basis, the amount would be as follows:

	2022	2021
	TZS'000	TZS'000
Cost	260,105,600	211,723,936
Accumulated depreciation	<u>(48,058,706)</u>	<u>(42,158,597)</u>
Net carrying amount	<u>212,046,894</u>	<u>169,565,339</u>

The Syndicated loan has been secured against Company's assets as disclosed in Note 18.

13. LEASEHOLD LAND

Opening balance	841,250	841,250
Amortisation:		
At start of the year	(569,332)	(560,835)
Charge for the year	<u>(8,498)</u>	<u>(8,498)</u>
As at end of the year	<u>(577,830)</u>	<u>(569,332)</u>
Closing balance	<u>263,420</u>	<u>271,918</u>

The Company owns tracts of land measuring approximately 22,285.036 hectares and has title deed for the total land. The leasehold period of three title deeds issued is 99 years from 1954, 1959 and June 2012 for parcel 1 and parcel 2 of 825.57 hectares and 6,630.03 hectares for parcel 3 of 14,829.436 hectares respectively.

14. INVENTORIES

Refined sugar	4,114,973	4,867,338
Sugar in process	690,516	108,672
Chemicals and lubricants	1,323,630	870,012
Factory and other equipment spares	16,818,829	15,753,801
General stores and consumables	<u>396,738</u>	<u>462,074</u>
Less: Provisions for obsolete and damaged stocks	<u>(14,493)</u>	<u>(14,493)</u>
	<u>23,330,194</u>	<u>22,047,404</u>

KAGERA SUGAR LIMITED**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30 JUNE 2022**

	2022 TZS'000	2021 TZS'000
15. TRADE AND OTHER RECEIVABLES		
Trade receivables	187,176	167,806
Staff debtors	1,106,127	1,377,921
Advance to suppliers	15,541,341	4,806,167
Receivable from the related parties (Note 22)	16,057,961	19,093,284
Other receivables	95,126	117,721
	<u>32,987,731</u>	<u>25,562,900</u>
Less: Provision for impairment loss	(183,661)	(183,661)
	<u>32,804,070</u>	<u>25,379,239</u>

Trade and other receivables comprise of the following amounts denominated in foreign currency:

United States Dollars	5,398,296	1,842,159
Euro	454,954	197,753
South African Rand	4,082,318	750,684
GBP	125,696	80,785
	<u>10,061,263</u>	<u>2,871,381</u>

Trade receivables are non-interest bearing and are generally settled on 15 – 30 day's terms. All trade receivables are current. Provision for impairment of receivables relates to upfront payment made to suppliers of which respective supplies have not been received.

16. TRADE AND OTHER PAYABLES

Trade payables	40,923,411	51,363,776
VAT Payable – net	6,091,858	2,193,016
Payable to the related parties (Note 22)	11,193,826	10,197,215
Staff related payables	1,444,314	1,562,466
Accrued expenses	4,492,108	7,144,919
Other payables	933,181	1,319,577
Accrued interest	659,123	104,376
	<u>65,737,821</u>	<u>73,885,345</u>

Trade and other payables comprise of the following amounts denominated in foreign currency:

United States Dollars	9,548,922	32,292,487
South African Rand	3,365,726	332,540
Euro	-	98,973
	<u>12,914,648</u>	<u>32,724,000</u>

Terms and conditions of the above financial liabilities are:

- i. Trade payables are non-interest bearing and are normally settled on 30 – 60 day's terms
- ii. Other payables are non-interest bearing and have an average term of 45 day.

* -Customer deposits balance has been reclassified to contract liabilities per IFRS 15. Refer to Note 19.

KAGERA SUGAR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30 JUNE 2022**

17.INTEREST – BEARING LOANS AND BORROWINGS

	2022	2021
	TZS'000	TZS'000
Asset Finance	3,557,960	4,313,401
Phase 2B Expansion Loan (17c)		
Barclays Term Loan 17	21,840,997	24,965,997
CRDB Term Loan	23,088,880	24,037,028
NBC Term Loan	21,826,046	23,281,116
CRDB Term Loan Phase 3	46,291,000	23,971,000
CITI Term Loan Phase 3	64,452,453	27,678,285
	181,057,338	128,246,827
Less: current portion		
Assets Finance 17(b)	(2,858,316)	(2,340,386)
Barclays Loan	(3,125,000)	(3,125,000)
CRDB Loan	(2,044,788)	(948,148)
NBC Loan	(2,910,139)	(1,455,070)
CRDB Loan- Phase 3	(3,109,404)	-
CITI Loan-Phase 3	(7,421,526)	-
	(21,469,175)	(7,868,604)
Non- current portion – Note 17(a)	159,588,163	120,378,223

(a) The maturity of non-current borrowings is as follows:

	2022	2021
	TZS'000	TZS'000
Between 1 and 2 years	21,469,175	7,868,604
Between 2 and 5 years	74,443,437	22,112,872
Above 5 Year	63,675,550	90,396,747
	159,588,163	120,378,223

KAGERA SUGAR LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 JUNE 2022

17. INTEREST – BEARING LOANS AND BORROWINGS (Continued)

- (b) The company has procured heavy machineries from Mantrac Tz Ltd to support its Agriculture expansion plan, the asset has been financed by Cat finance on 80% of the machine value at interest rate of 6.50% pa on reducing balance and repayment of the same is 48 months equal instalments and will be over by March 2023.
- (c) Phase 2B Expansion loan consists of lenders from ABSA Bank, CRDB Bank Plc and NBC Bank Plc and is secured by: a mortgage over the properties of the Company situated at Misenyi in the district of Bukoba; a debenture over all floating assets of the Company on pari-passu basis including present and future; personal guarantee by the directors of the Company; corporate guarantee from Super Doll Trailer Manufacture Company Limited and Super Star Forwarders Company Limited.

The loan attracts interest at the following rates: For TIB loan - 182 days Treasury bill rate plus a margin of 2.50% per annum up to a maximum of 14% per annum and minimum of 10% per annum. For CRDB loan - 182 days Treasury bill rate plus a margin of 3% per annum up to a maximum of 15% per annum and minimum of 11% per annum.

The loan attracts interest at the following rates: For ABSA loan - 182 days Treasury bill rate plus a margin of 6.50% per annum. For CRDB loan - 182 days Treasury bill rate plus a margin of 4.5% per annum up to a maximum of 14% per annum and minimum of 12% per annum. For NBC loan - 182 days Treasury bill rate plus a margin of 6.25% per annum.

The repayment of interest falls due in Sept 2020, then March 2020 and thereafter in Sept and March every year. Principal repayment will start after 2 years of moratorium which will end in 2021 for ABSA and March 2022 for CRDB & NBC after which it will be repaid over 8 years with repayments in Sept and March every year.

18. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following for the purpose of the cash flow statement:

	2022	2021
	TZS'000	TZS'000
Cash on hand & at banks	685,092	224,087
Bank overdrafts	(21,729,476)	(9,746,569)
	<u>21,044,384</u>	<u>9,522,482</u>
Cash and bank balances comprise of the following amounts denominated in foreign currency:		
United States Dollars	<u>122,092</u>	<u>55,233</u>

19. CONTRACT LIABILITIES

Opening balance – restated	<u>39,818,816</u>	<u>7,303,812</u>
Increase / (Decrease) during the year	<u>(18,824,455)</u>	<u>32,515,004</u>
Closing balance	<u>20,994,361</u>	<u>39,818,816</u>

KAGERA SUGAR LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 JUNE 2022

	2022 TZS'000	2021 TZS'000
20. SHARE CAPITAL		
Authorised, issued and fully paid 152,000 ordinary shares of TZS 1,000/= each	<u>152,000</u>	<u>152,000</u>
21. ADVANCE TOWARDS SHARE CAPITAL		
During the year, the shareholders injected Nil as advance towards share capital. The cumulative contribution from shareholders to date is TZS 83,732 billion.		
22. RELATED PARTY DISCLOSURES		
The Company is controlled by Super Star Forwarders Company Limited, incorporated in the United Republic of Tanzania. There are other companies that are related to Kagera Sugar Limited through common shareholdings or common directorships. The following table provides the balances and total amount of transactions, which have been entered into with related parties for the relevant financial year:		
	2022 TZS'000	2021 TZS'000
Purchase of goods and services		
Super Star Forwarders Company Limited (Transportation services)	2,726,790	3,066,200
Super Doll Trailer Manufacture Company Limited (Tyres and spares)	2,717,589	5,214,935
Pipe Industries Ltd. ()	6,588,562	3,360,105
General Motors Investments Limited (Equipment and spares)	606,437	1,603,882
Superretread Tyre Ltd. (Retreading Of Tyre)	64,053	54,885
	<u>12,703,431</u>	<u>13,300,007</u>
Amount due to related companies		
Super Doll Trailer Manufacture Company Limited.	3,378,697	3,771,211
Super Service Centre Company Tanzania Limited	2,188	2,188
Super Star Forwarders Company Limited	5,423,453	4,479,622
Super Retread Tyres Limited	4,218	363
General Motors Investments Limited	2,385,267	1,943,831
	<u>11,193,826</u>	<u>10,197,215</u>
Amount due from Related Companies		
Pipe Industry Ltd	16,057,961	19,093,284
	<u>16,057,961</u>	<u>19,093,284</u>
Key management personnel compensation		
Short term benefits	420,177	350,559
	<u>420,177</u>	<u>350,559</u>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30 JUNE 2022**

22. RELATED PARTY DISCLOSURES (Continued)

Key management personnel are described as those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any director of the Company. Key management personnel the CEO

Terms and conditions of transactions with related parties:

The sales to and purchases from related parties are made at normal market prices. Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 30 June 2021, the Company has not recorded any impairment of receivables relating to amounts owed by related parties (2020: Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

23. ULTIMATE HOLDING COMPANY

The ultimate holding Company is Super Star Forwarders Company Limited, a company incorporated in the United Republic of Tanzania.

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk, commodity price fluctuation risk and cash flow interest-rate risk. The Company's overall risk management programme seeks to minimize potential adverse effects on the Company's financial performance. Risk management is carried out by the management on behalf of the board of directors.

Credit risk

Potential concentration of credit risk consists partially of trade debtors. Trade debtors are presented net of allowance for doubtful debts. Accordingly, the Company has no significant credit risk which has not been adequately provided for. The Company's terms of credit sales are with customers who have proven credit worthiness and appropriate credit history. The Company has no significant concentrations of credit risk. Sales to retail customers are made in cash or via strict credit terms. The maximum exposure is as disclosed in Note 15 and 18 of the financial statements respectively.

There was no past due trade and receivables as at year end (2021: TZS None).

Foreign currency exposure

The Company has transactional currency exposures which arise from sales and purchases in currencies other than the Company's functional currency. It is the Company's policy to manage the foreign currency risk by billing customers in foreign currency and ensuring that significant liabilities are negotiated into local currency and paid promptly.

KAGERA SUGAR LIMITED**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30 JUNE 2022****24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)**

The following table demonstrates the sensitivity to a reasonable possible change in the foreign currency exchange rate, with all other variables held constant, of the Company's profit before tax (due to changes in the fair value of monetary assets and liabilities).

Year	Increase/decrease in US\$ rate	Effect on profit before tax in TZS'000
2022	+5%	(401,981)
	-5%	401,981
2021	+5%	(1,259,145)
	-5%	1,259,145

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 Company has adopted a non-speculative approach to the management of interest rate risk through the use of short-term and long-term loans.

Fluctuation in interest rates has an impact on the operating activities. In the ordinary course of business, the Company receives cash from its operations and is required to fund working capital and capital expenditure requirements. Funding deficits for the Company's operations have mainly been financed through cash advance from related companies, bank borrowings and overdrafts from financial institutions.

The following table demonstrates the sensitivity to a reasonable possible change in the interest rate, with all other variables held constant, of the Company's profit before tax (due to changes in the fair value of monetary assets and liabilities).

Year	Increase/decrease in basis point	Effect on profit before tax in TZS'000
2022	+5%	(372,001)
	-5%	372,001
2022	+5%	(87,245)
	-5%	87,245

KAGERA SUGAR LIMITED**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30 JUNE 2022****24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)****Liquidity risk**

The Company monitors its risk to shortage of funds using a recurring liquidity planning tool, which considers the maturity of both accounts receivables and projected cash flows from operations. The Company's objective is to maintain a balance to allow continuity of operations, as the policy of the Company is to raise funds entirely from its operation.

The table below summarises the maturity profile of the Company's financial liabilities:

	On demand TZS' M	Less than 3 months TZS' M	3 to 12 months TZS' M	2 to 5 years TZS'M	Over 5 years TZS'M
At 30 June 2022					
Interest bearing loans and borrowings	21,729		21,469	85,876	73,711
Liabilities payable on demand	5,393	6,985			
Trade and other payables	20,995	21,595	17,883	13,880	
Total financial liabilities	48,117	28,580	39,352	99,756	73,711
At 30 June 2021					
Interest bearing loans and borrowings			7,868	120,378	
Liabilities payable on demand		39,819		11,037	
Trade and other payables	20,795	27,999	12,765	1,289	-
Total financial liabilities	20,795	67,818	30,380	132,704	-

Commodity price fluctuation risk

The Company does anticipate sugar prices to fluctuate significantly. Currently, the Company reviews its outlook for world sugar prices regularly and enters into appropriate short-term forward sales wherever necessary. The Company has budgeted average selling price of TZS 1,694,915 per MT for year 2021.

KAGERA SUGAR LIMITED**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30 JUNE 2022****24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)*****Capital management policy***

The primary objective of the Company's capital management is to ensure a strong credit rating and healthy capital ratios in order to support business and maximise shareholders' value. The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt.

	2022	2021
	TZS'000	TZS'000
Trade and other payables	86,732,186	113,704,161
Interest-bearing loans and borrowings	202,786,815	137,993,396
Less: Cash and bank balances	(685,093)	(224,087)
Net debt	288,833,908	251,473,471
Equity	410,676,602	339,319,532
Capital and net debt	699,510,510	590,793,003
Gearing ratio	58.71%	42.57%

KAGERA SUGAR LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 JUNE 2022

25. COMMITMENTS & CONTINGENCIES

Lease commitments

The Company had not entered into any lease agreement and had no lease commitments at the year-end.

Capital commitments

At 30 June 2022, the Company had no capital commitment (2021: Nil).

Contingent liabilities

The Directors are not aware of any other major contingent liabilities that are required to be disclosed or recorded in accordance with International Financial Reporting Standards.

26. EVENTS AFTER THE REPORTING PERIOD

The Company subsequently deposited TZS 5.8 billion to bank namely CITI, CRDB, ABSA and NBC for servicing of phase 2B and 3 loan interest as well as principal repayment of phase 2B ABSA loan instalment.

27. INCORPORATION AND REGISTRATION

The Company is incorporated in Tanzania under the Companies Act, 2002 and domiciled in Tanzania. The Company's registration number is 5036. Company's principal place of business and registered place of business is: Kagera Sugar Limited, P.O. Box 815, Bukoba.

28. PROVISIONS

The Company had no provisions as at year end. (2021: NIL).

29. FAIR VALUE OF FINANCIAL INSTRUMENTS

Set out below is a comparison by class of the carrying amounts and fair value of the Company's financial instruments that are carried in the financial statements.

	Carrying amount TZS '000	Level 1 TZS '000	Level 2 TZS '000	Level 3 TZS '000
30 June 2022				
Financial assets				
Trade and other receivables	32,804,070	-		32,804,070
Cash and bank balances	685,093	-	685,093	0
Financial liabilities				
Trade and other payables	86,732,186	-		86,732,186
Interest-bearing loans and borrowings	181,057,338	-	181,057,338	6
Bank overdrafts	21,729,477	-	21,729,477	-

KAGERA SUGAR LIMITED**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30 JUNE 2022****29. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)**

Set out below is a comparison by class of the carrying amounts and fair value of the Company's financial instruments that are carried in the financial statements.

	Carrying amount TZS '000	Level 1 TZS '000	Level 2 TZS '000	Level 3 TZS '000
30 June 2021				
Financial assets				
Trade and other receivables	25,379,239	-		25,379,239
Cash and bank balances	224,087	-	224,087	-
Financial liabilities				
Trade and other payables	113,704,161	-		113,704,161
Interest-bearing loans and borrowings	128,246,827	-	128,246,827	-
Bank overdrafts	9,746,569	-	9,746,569	-

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

- Cash and bank balances, trade and other receivables, bank overdraft, and trade and other payables approximate their carrying amounts largely due to the short-term maturities of these instruments.
- Long-term fixed-rate borrowings are evaluated by the Company based on parameters such as interest rates and the risk characteristics of the financed project. As at 30 June 2022, the carrying amounts of such borrowings are not materially different from their calculated fair values.
- Fair value of unquoted financial assets is estimated using appropriate valuation techniques.