

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Leases (Continued)

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

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

Short-term leases and leases of low-value assets

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

As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

Lease modification

Lease modification arise from changes to the underlying contract agreed between the lessee and lessor subsequent to commencement of the lease. The accounting for the modification depends on whether the modified terms increase or decrease the scope of the lease, and whether increases in scope require consideration to be paid that is commensurate with a 'standalone price' for the new scope of the lease.

As a Lessee

A lease modification is accounted for as separate lease if both of the following conditions exists:

- The modification increase the scope of the lease by adding the right to use one or more underlying assets; and
- The consideration for lease increases by an amount commensurate with the standalone price for the increase in scope.

Lessor – modifications to a finance lease

A lessor accounts for a modification to a finance lease as a *separate lease* if both of the following conditions exist:

- The modification increase the scope of the lease by adding the right to use one or more underlying assets; and
- The consideration for the lease increase by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Leases (Continued)

Lessor – modifications to an operating lease (Continued)

A lessor accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payment relating to the original lease as part of the lease payment for the new lease.

k) Financial assets

Initial recognition and measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus or minus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement

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

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment by investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Financial assets (Continued)

Financial assets – Business model assessment: policy

The company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Financial assets that are held for trading or are managed and whose performance is evaluated on fair value basis are measured at FVTPL.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Financial assets (Continued)

Financial assets - Assessment whether contractual cash flows are solely payments of principal and interest (Continued)

A Prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets - Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and including any interest or dividend income, are recognized in profit or loss.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Debt instruments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity instruments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Financial assets (Continued)

The Company classified its financial assets into one of the following categories:

- loans and receivables;
- held to maturity;
- available for sale; and
- at FVTPL, and within this category as:
 - held for trading;
 - derivative hedging instruments; or
 - designated as at FVTPL.

Financial assets at FVTPL	Measured at fair value and changes therein, including any interest or dividend income, were recognized in profit or loss.
Held-to-maturity financial assets	Measured at amortized cost using the effective interest method.
Loans and receivables	Measured at amortized cost using the effective interest method.
Available-for-sale financial assets	Measured at fair value and changes therein, other than impairment losses, interest income and foreign currency differences on debt instruments, were recognised in OCI and accumulated in the fair value reserve. When these assets were derecognised, the gain or loss accumulated in equity was reclassified to profit or loss.

Financial liabilities - Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative, or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Derecognition

Financial assets

The Company derecognises a financial asset when:

- the contractual rights to the cash flows from the financial asset expire; or
- it transfers the rights to receive the contractual cash flows in a transaction in which either:
 - substantially all of the risks and rewards of ownership of the financial asset are transferred; or
 - the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Financial assets (Continued)

Derecognition (Continued)

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

l) Impairment

Non-derivative financial assets

Financial instruments and contract assets

The Company recognises loss allowances for ECLs on:

- financial assets measured at amortised cost;
- debt investments measured at FVOCI; and
- contract assets.

The Company measures loss allowances at an amount equal to lifetime ECLs. Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 180 days past due.

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

l) Impairment (Continued)

Non-derivative financial assets (Continued)

Measurement of ECL's

ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The Company analysed historical sales, receivables aging, and loss data for the past three years to determine the appropriate basis for developing its expected lifetime credit loss on the trade receivables portfolio.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 180 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

Reversal of impairment

For assets measured at amortised cost: If an event occurring after the impairment was recognised caused the amount of impairment loss to decrease, then the decrease in impairment loss was reversed through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

l) Impairment (Continued)

Non-derivative financial assets (Continued)

Reversal of impairment (Continued)

Financial assets not classified as at FVTPL were assessed at each reporting date to determine whether there was objective evidence of impairment.

Non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than biological assets, investment property, inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, 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 or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

m) Offsetting financial instruments

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

n) 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;

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

n) Current versus non-current classification (Continued)

- 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.

o) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

p) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

q) Basic and Diluted earnings per share

Basic earnings per share are calculated by dividing net profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the Company (after deducting interest on the convertible non-cumulative redeemable preferences shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

r) Interest income

Interest earned on short-term investments is calculated using the effective interest method and recognized in the profit or loss statement over the investment period as finance income.

s) Rental income

Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms and included in other operating income. Further details have been covered in Note 8 (l)(ii) of these financial statements

t) Foreign exchange gain and losses

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

u) Finance costs

Finance expense comprises of interest expense on loans, Interest on lease liabilities and charge for loan arrangement fees. Interest expense is recognised using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

v) Cost of sales

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

w) Trade and other payable

Trade and other payables are obligations to pay for goods or services that have been acquired from suppliers in the ordinary course of business. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are initially measured at fair value and subsequently at amortized cost. The carrying value of trade and other payable are reasonable approximation of their fair values due to their short term in nature.

x) Bank overdraft and borrowings

Bank overdrafts (if any) and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the company's accounting policy for borrowing costs.

6. NEW STANDARD AND INTERPRETATIONS

New standards, amendments and interpretations effective and adopted during year

New currently effective requirements: The Company has adopted the following new standards and amendments during the year, including consequential amendments to other standards with the date of initial application by the Company being 1 January 2021. The nature and effects of the changes are explained below:

The adoption of the standards and amendments did not have a significant impact on the financial statements of the Company. These are summarized below:

Effective date	New standards or amendments
1 June 2020	COVID-19-Related Rent Concessions (Amendment to IFRS 16) Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)
1 April 2021	COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)

ALAF LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

6. NEW STANDARD AND INTERPRETATIONS (Continued)

New standards, amendments and interpretations effective and adopted during year (Continued)

Forthcoming requirements: This table lists the recent changes to the Standards that are required to be applied for annual periods beginning after 1 January 2021 and that are available for early adoption in annual periods beginning on 1 January 2021. However, the Company has not early adopted the new or amended standards in preparing these financial statements. The following new standards or amended standard are not expected to have significant impact on the Company financial statements.

Effective date	New standards or amendments	2021	2020
		TZS'000	TZS'000
1 January 2022	Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) Annual Improvements to IFRS Standards 2018–2020 Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) Reference to the Conceptual Framework (Amendments to IFRS 3)		
1 January 2023	Classification of Liabilities as Current or Non-current (Amendments to IAS 1) IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts Early application of IFRS 17 is permitted only for companies that also apply IFRS 9 Financial Instruments. Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) Definition of Accounting Estimates (Amendments to IAS 8) Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)		
Available for optional adoption/ effective date deferred indefinitely	The effective date for these amendments was deferred indefinitely. Early adoption continues to be permitted.		
7 REVENUE			
Revenue from contracts with customers		<u>334,049,506</u>	<u>243,583,616</u>
		<u>334,049,506</u>	<u>243,583,616</u>
Local sales		272,645,369	206,100,801
Export sales		<u>61,404,137</u>	<u>37,482,815</u>
		<u>334,049,506</u>	<u>243,583,616</u>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

	2021	2020
	TZS'000	TZS'000
8 OTHER OPERATING INCOME		
Profit on disposal of fixed assets	-	8,819
Interest received	40,888	216,340
Rental income **	222,091	417,039
Miscellaneous income	87,796	22,098
Insurance claims	945,329	(24,402)
	<u>1,296,104</u>	<u>639,894</u>

**The company leases out own property (godowns) These are of short term in nature has a lease term of 12 months or less and does not contain a purchase option. The company has classified these leases as operating leases and there is no transfer of substantially risks and rewards incidental to ownership of an underlying asset. The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date

	2021	2020
	TZS'000	TZS'000
Less than one year	222,091	417,039
Between one and five years	-	-
	<u>222,091</u>	<u>417,039</u>

	2021	2020
	TZS'000	TZS'000
9 COST OF SALES		
Consumption of goods	274,997,540	194,723,605
Human resource cost	7,304,722	6,759,441
Training	53,662	14,913
Water	6,193	4,112
Depreciation and amortization **	8,073,184	6,880,356
	<u>290,435,301</u>	<u>208,382,427</u>

** Depreciation on PPE amount to TZS 000' 8,913,252 (2020: TZS000' 7,893,332) and amortization to TZS 000' 17,685 (2020: TZS 000' 17,685) totalling to TZS000' 8,930,937 (2020: TZS 000' 7,911,017) out of which depreciation and amortization charged to cost of sales is TZS000' 8,073,184 (2020: TZS 000' 6,880,356) and to administrative expense TZS000' 857,753 (2020: TZS 000' 1,030,661).

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

	2021	2020
	TZS '000	TZS '000
10 ADMINISTRATIVE EXPENSES		
Human Resource Cost	10,796,543	9,426,998
Training for Staff	125,010	57,247
Environment, health & Safety	1,201,471	633,875
Repair & Maintenance	439,097	120,686
Security	715,085	718,472
Rent and Rates **	879,876	705,122
Licences & Other Fees	194,844	254,906
Insurance	987,740	1,263,216
IT and Communication Expenses	760,049	456,633
Printing & Stationery	65,929	103,104
Legal & Professional Fees	678,146	758,617
Books & Periodicals	3,074	3,016
Subscriptions	61,794	17,450
Motor Vehicle Running Expenses	411,915	338,490
Travelling	766,081	530,562
Entertainment	3,108	49,204
Donations & Gifts	28,575	13,845
Technical and Management Support Services Fees	1,362,308	1,465,306
Directors (Non-employees) Fees	5,908	7,290
Audit Fees	138,337	79,900
Corporate Social Responsibility (CSR)	163,572	71,597
General Expenses	208,012	82,870
Loss on disposal of fixed assets	7,895,006	-
Depreciation & Amortization	857,753	1,030,660
IFRS 16 - Depreciation Expense	145,560	164,057
	<u>28,894,793</u>	<u>18,353,123</u>

** Rental expenses pertain to short term lease has a lease term of 12 months or less, the Company recognise the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

** Loss on disposal of fixed assets represents de-recognition of carrying value (revalued) of asset components removed / discarded during capacity enhancement of Metal Coating Line. Revaluation reserve (net of deferred tax charge) corresponding to such components, so removed / discarded, is transferred from Revaluation Reserve to Retained Earnings through Other Comprehensive Income (OCI), as as per IAS 16.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

	2021	2020
	TZS '000	TZS '000
11 SELLING AND DISTRIBUTION EXPENSES		
Outward Freight & Delivery	2,483,313	1,456,811
Sales promotion and Advertisement	2,158,521	1,598,477
Export Documentation	122,808	183,472
Write-off	(14,757)	(11,038)
	<u>4,749,885</u>	<u>3,227,722</u>
	2021	2020
	TZS '000	TZS '000
12 FINANCE COSTS		
Interest on bank Borrowings	597,056	3,700,014
Foreign exchange loss	150,797	1,995,823
Bank charges	784,913	752,327
Interest on lease liability	47,346	58,163
	<u>1,580,112</u>	<u>6,506,327</u>
13 PROFIT BEFORE TAXATION		
Profit before taxation is stated after charging/(crediting):		
<i>In cost of sales:</i>		
Depreciation and amortisation	8,073,184	6,880,356
<i>In administrative expenses:</i>		
Depreciation and amortisation	857,753	1,030,660
Amortisation of Right of use assets	145,560	164,057
Directors fees	5,908	7,290
Auditors' remuneration	138,337	79,900
Legal & Professional Fees	678,146	758,617
Expected credit loss provision	756,502	649,688
<i>In finance cost:</i>		
Exchange Loss	150,797	1,995,823
And after crediting:		
Profit on sale of property, plant and equipment	-	(8,819)
Interest earned	<u>(40,888)</u>	<u>(216,340)</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

14 INCOME TAX

The major components of the income tax expense for the year ended 31 December 2021 and 2020 are:

	2021	2020
	TZS '000	TZS '000
Income tax expense		
<i>Current income tax:</i>		
Current income tax charge	8,129,893	3,778,728
Prior year tax	-	127,075
<i>Deferred income tax:</i>		
Deferred tax credit for the year	(4,467,078)	(1,580,034)
Prior years' deferred tax	400,485	-
Income tax expense reported in the statement of profit or loss and other comprehensive income	<u>4,063,300</u>	<u>2,325,769</u>

A reconciliation between tax expense and the product of accounting profit multiplied by corporate tax rate for the years ended 31 December 2021 and 2020 is as follows:

	2021	2020
	TZS '000	TZS '000
Profit before tax	<u>8,929,017</u>	<u>7,104,223</u>
Income tax rate of 30% (2020: 30%)	2,678,705	2,131,267
Expenses not deductible for tax purposes	968,918	67,427
Prior period tax	-	127,075
Restriction on Motor Vehicle	15,467	-
Income not subject to tax	(274)	-
Effect of previous years' deferred tax	400,484	-
Income tax expense	<u>4,063,300</u>	<u>2,325,769</u>
Effective rate of tax	<u>45.5%</u>	<u>32.7%</u>
Tax payable/(recoverable)		
At 1 January 2021	(1,723,993)	(692,237)
Charged during the year - current period	8,129,893	3,778,728
Charged during the year - prior period	-	127,075
Transfer to other receivable *	2,417,986	-
Paid during the year	<u>(6,778,480)</u>	<u>(4,937,559)</u>
At 31 December 2021	<u>2,045,406</u>	<u>(1,723,993)</u>

*These related to payment made for Tax Appeals.

ALAF LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

14 INCOME TAX (Continued)	2021 TZS '000	2020 TZS '000
Deferred tax		
Movement in net deferred tax liability:		
Opening Balance	24,074,954	16,761,761
Credit for the year	<u>(4,066,593)</u>	<u>7,313,193</u>
Closing Balance	<u>20,008,361</u>	<u>24,074,954</u>
The net credit for the year is made as follows:		
Deferred tax credit for the year	(7,959,652)	(1,774,940)
Prior years' deferred tax	(400,485)	-
Deferred tax benefit on IAS 19 impact	343,822	(20,905)
Deferred tax benefit on revaluation of assets	3,722,771	8,914,132
Expected credit loss provision	<u>226,951</u>	<u>194,906</u>
	<u>(4,066,593)</u>	<u>7,313,193</u>
The net deferred tax liability comprises the following:		
Revaluation surplus on property, plant and equipment	20,514,294	22,883,942
Accelerated depreciation of property, plant and Equipment	4,603,639	5,929,583
Impact of right of use of assets and liability	(5,352)	(2,653)
Impact on application of IAS 19	(343,822)	(20,905)
Retirement benefit obligation	(1,745,786)	(1,266,518)
Provision for doubtful debts	(3,358,390)	(3,245,522)
Net unrealised foreign exchange losses	175,742	(202,973)
Movement in other provisions	<u>168,036</u>	<u>-</u>
	<u>20,008,361</u>	<u>24,074,954</u>

15. EARNINGS PER SHARE

Basic Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

	2021 TZS'000	2020 TZS'000
Net profit for the year attributable to ordinary shareholders	<u>4,865,717</u>	<u>4,778,454</u>
Total number of ordinary shares*	<u>13,692,460</u>	<u>684,623,028</u>
Earnings per share - TZS	<u>355.4</u>	<u>7.0</u>

* The par value of shares was increased from existing TZS 20 per share to TZS 1,000 per share in the Annual General Meeting dated 4th December 2020, and the number of shares were consolidated to reflect the revised par value.

ALAF LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

15. EARNINGS PER SHARE (Continued)

Diluted earnings per share

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the Company (after deducting interest on the convertible non-cumulative redeemable preferences shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

Net profit for the year attributable to ordinary shareholders	<u>4,865,716</u>	<u>4,778,454</u>
Total number of ordinary shares	<u>13,692,460</u>	<u>684,623,028</u>
Earnings per share – TZS	<u>355.4</u>	<u>7.0</u>

16. LEASEHOLD LAND

	2021 TZS '000	2020 TZS '000
Cost	1,477,440	1,477,440
Additions	-	-
Accumulated Amortization	<u>(160,175)</u>	<u>(142,490)</u>
Closing balance	<u>1,317,265</u>	<u>1,334,950</u>
Opening balance	142,490	124,805
Amortization for the year	<u>17,685</u>	<u>17,685</u>
Closing balance	<u>160,175</u>	<u>142,490</u>

Leasehold land amortising is on the basis of remaining lease period. Total lease period was initially being 99 year and amortising is based on the remaining period of the lease.

ALAF LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

17 PROPERTY, PLANT AND EQUIPMENT

	Roads & Buildings TZS'000	Plant and Machinery TZS'000	Furniture and Equipment TZS'000	Motor Vehicles TZS'000	Dyes & Tools TZS'000	Fire Fighting Equipment TZS'000	Computers & Software TZS'000	Capital Work in Progress TZS'000	Total TZS'000
COST OR VALUATION									
At 1 January 2021	36,341,184	77,223,870	1,819,416	2,298,484	-	240,341	2,979,775	2,629,239	123,532,309
Additions	-	226,322	102,022	111,556	-	8,550	168,597	18,333,783	18,950,830
Transfers	-	-	-	-	-	-	-	-	-
Disposal	-	(8,561,444)	-	(61,491)	-	-	-	-	(8,622,935)
Revaluation Surplus / (Deficit)	-	-	-	-	-	-	-	-	-
AS AT 31 DECEMBER 2021	36,341,184	68,888,748	1,921,438	2,348,549	-	248,891	3,148,372	20,963,022	133,860,204
DEPRECIATION									
At 1 January 2021	575,003	2,941,070	1,488,124	1,981,043	-	5,034	2,179,636	-	9,169,910
Charge for the year	2,300,014	5,859,057	155,905	112,993	-	20,246	465,037	-	8,913,252
Disposal	-	(662,616)	-	(61,491)	-	-	-	-	(724,107)
Reversal on Revaluation	-	-	-	-	-	-	-	-	-
AS AT 31 DECEMBER 2021	2,875,017	8,137,511	1,644,029	2,032,545	-	25,280	2,644,673	-	17,359,055
NET BOOK VALUE									
AS AT 31 DECEMBER 2021	33,466,167	60,751,237	277,409	316,004	-	223,611	503,699	20,963,022	116,501,149

NB: Computers include - Software amount of net book value of TZS 384 million (2020: TZS 876 million).

Cost of Assets which are revalued:
Roads & Buildings: 2021 TZS 14,566,463 (2020: TZS 14,566,463)
Plant and Machinery: 2021 TZS 74,784,035 (2020: TZS 74,784,035)
Fire fighting equipment: 2021 TZS 384,188 (2020: TZS 384,188).

ALAF LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

17 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Roads & Buildings	Plant and Machinery	Furniture and Equipment	Motor Vehicles	Dyes & Tools	Fire Fighting Equipment	Computers & Software	Capital Work in Progress	Total
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
COST OR VALUATION									
At 1 January 2020	34,176,969	77,223,870	1,610,985	2,384,204	-	687,512	2,795,962	905,241	119,784,743
Additions	-	-	86,934	-	-	-	183,813	1,845,495	2,116,242
Transfers	-	-	121,497	-	-	-	-	(121,497)	-
Disposal	-	-	-	(85,720)	-	(447,171)	-	-	(85,720)
Revaluation	2,164,215	-	-	-	-	240,341	2,979,775	2,629,239	1,717,044
At 31 December 2020	<u>36,341,184</u>	<u>77,223,870</u>	<u>1,819,416</u>	<u>2,298,484</u>	-	<u>240,341</u>	<u>2,979,775</u>	<u>2,629,239</u>	<u>123,532,309</u>
DEPRECIATION									
At 1 January 2020	5,597,096	18,747,936	1,242,525	1,946,748	-	194,669	1,630,054	-	29,359,028
Charge for the year	1,640,663	5,299,125	245,599	120,015	-	38,348	549,582	-	7,893,332
Disposal	-	-	-	(85,720)	-	-	-	-	(85,720)
Revaluation	(6,662,756)	(21,105,991)	1,488,124	1,981,043	-	(227,983)	2,179,636	-	(27,966,730)
At 31 December 2020	<u>575,003</u>	<u>2,941,070</u>	<u>1,488,124</u>	<u>1,981,043</u>	-	<u>5,034</u>	<u>2,179,636</u>	-	<u>9,169,910</u>
NET BOOK VALUE									
At 31 December 2020	<u>35,766,181</u>	<u>74,282,800</u>	<u>331,292</u>	<u>317,441</u>	-	<u>235,307</u>	<u>800,139</u>	<u>2,629,239</u>	<u>114,362,399</u>

The Company has bank facilities which are secured as follows:

(a) Mortgage charge over plot no. 18A (Certificate of Occupancy No. 18541), Plot no. 18B (Certificate of Occupancy No. 18802), Plot No. 29 (Certificate of Occupancy No. 15322), Plot No. 188/1 (Certificate of Occupancy No. 59088), Plot No. 18E (Certificate of Occupancy No. 18796) and Plot No. 18D (Certificate of Occupancy No. 186085/27) shared pari passu with Standard Chartered Bank Tanzania Limited, Stanbic Bank Tanzania Limited and Citibank Tanzania Limited registered to cover USD 83.3 million (2020: USD 83.3 million).

(b) Debenture deed over all assets of the Company shared pari passu with Standard Chartered Bank Tanzania Limited, Stanbic bank Tanzania Limited and Citibank Tanzania Limited for USD 83.3 million (2020: USD 83.3) Firefighting equipment, plant and machinery were revalued in December 2019 (previously in 2014) by IATA Consulting Engineers, a firm of professional valuers on the basis of estimated present values. The buildings were revalued in December 2019 (previously in 2015) by Land Masters Combine Ltd on the basis of market comparable method.

ALAF LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

18 RIGHT OF USE ASSETS AND LEASE LIABILITIES - IFRS 16

(i) Amounts recognised in statement of financial position

	2021	2020
	TZS'000	TZS'000
Right of use assets		
Land	372,577	372,577
Land and building	261,363	261,363
Accumulated Depreciation	(309,617)	(164,057)
	<u>324,323</u>	<u>469,883</u>
Lease liabilities		
As at January	478,728	621,266
Interest expense during the year	47,346	58,163
Re-measurement*(termination)	-	(25,724)
Payment made during the year (principal and interest)	(183,909)	(174,977)
	<u>342,165</u>	<u>478,728</u>
Current lease liability	105,722	207,335
Non current lease liability	236,443	271,393
	<u>342,165</u>	<u>478,728</u>

(ii) The following are amounts recognised in statement of profit or loss and other comprehensive income:

	2021	2020
	TZS'000	TZS'000
Particulars		
Depreciation expense of right-of-use assets	145,560	164,057
Interest expense on lease liabilities	47,346	58,163
Expenses relating to lease of low value items for which the recognition exemption is applied	60,040	114,040
Total	<u>252,946</u>	<u>336,260</u>

(iii) The following are amounts recognised in statement of cash flows

Payment of lease liability (Principal)	136,563	116,814
Payment of interest lease liability	47,346	58,163
	<u>183,909</u>	<u>174,977</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

18 RIGHT OF USE ASSETS AND LEASE LIABILITIES - IFRS 16 (Continued)

(iv) Extension and termination options

The Company has lease contracts for "land, land & building" which are used for regular operations of its business. There are several lease contracts that include extension and termination options which are further discussed below.

The Company has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Company's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

	2021 TZS '000	2020 TZS '000
19 INVENTORIES		
Raw materials	77,490,312	39,125,696
Resaleables	6,639,786	3,719,836
Packing materials	364,399	442,086
Spares, accessories and consumables	24,443,422	27,116,824
Fuel, oils and lubricants	417,255	323,415
Finished goods	18,543,290	6,208,481
	<u>127,898,464</u>	<u>76,936,338</u>

Inventories consumed during the year amounted to TZS 274,997,540,000 (2020 - TZS 194,723,605,000) included in cost of sales.

ALAF LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 TZS '000	2020 TZS '000
20 TRADE AND OTHER RECEIVABLES		
Trade receivables - Third parties	35,358,257	34,536,689
Receivables from related parties (Note 27)	15,908,047	5,258,142
	<u>51,266,304</u>	<u>39,794,831</u>
Less: Provision for expected Credit Losses	(11,194,632)	(10,818,406)
	<u>40,071,672</u>	<u>28,976,425</u>
Add: Other receivables	24,147,966	17,250,910
Other tax receivable (refer to note 28)	2,417,986	-
Prepayments	6,609,636	469,479
	<u>73,247,260</u>	<u>46,696,814</u>
Movement in provision for bad and doubtful debts:		
Opening balance	10,818,406	10,168,718
Re-classification*	(380,276)	-
Addition as per Expected Credit Loss Model (Net)	756,502	649,688
Closing balance	<u>11,194,632</u>	<u>10,818,406</u>

*Re-classification – pertains to reversal of advance payment.

Terms and conditions of trade and other receivable as follows:

- i) Local trade receivables are non-interest bearing and are normally settled on 15 to 60 days terms.
- ii) Export trade receivables are non-interest bearing and are normally settled on 60 to 180 days terms.

As at 31st December, the aging analysis of trade receivable is as follows:

	2021 TZS'000	2020 TZS'000
	28,951,426	
31 to 60 days		18,865,297
61 to 90 days	4,603,184	2,508,968
91 and Above	17,711,694	18,420,566
	<u>51,266,304</u>	<u>39,794,831</u>

21. CASH AND CASH EQUIVALENT

	2021 TZS'000	2020 TZS'000
Cash on hand	48,387	257,457
Cash at banks	1,381,777	6,478,950
	<u>1,430,164</u>	<u>6,736,407</u>

ALAF LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

21. CASH AND CASH EQUIVALENT (Continued)

For the purpose of cash flow cash and cash equivalents comprise of the following at 31 December 2021:

	2021 TZS'000	2020 TZS'000
Cash at banks and on hand	1,430,164	6,736,407
Bank overdraft (Note 25b)	<u>(21,952,824)</u>	<u>(6,693,335)</u>
	<u>(20,522,660)</u>	<u>43,072</u>

As at the reporting date, the Company recorded a bank ledger overdraft balance of TZS 20,571,046,754 (2020: TZS 214,385,273) in its statement of financial position as compared to bank overdraft balance of TZS 20,571,046,754 (2020: TZS 172,053,535).

22. SHARE CAPITAL

	2021 TZS'000	2020 TZS'000
(a) Authorised shares:		
750,000,000 Ordinary shares of TZS 20 each	-	15,000,000
15,000,000 Ordinary shares of TZS 1000 each	<u>15,000,000</u>	<u>-</u>
	<u>15,000,000</u>	<u>15,000,000</u>
(b) Issued and fully paid:		
13,692,460 Ordinary Shares of TZS 1,000 each	<u>13,692,460</u>	<u>-</u>
684,623,028 Ordinary Shares of TZS 20 each	<u>-</u>	<u>13,692,460</u>

* Reduction in number of shares in 2021 is due to consolidation of shares subsequent to increase in par value of shares from TZS 20 per share to TZS 1,000 per share without an increase in authorised, called up or paid up share capital vide Annual General Meeting held on 4th December 2020.

23. REVALUATION RESERVE

The non distributable reserve relates to the revaluation surplus that arose from the revaluation of plant and machinery. The reserve is not distributable to the shareholders. The movement in the reserve is included in the statement of changes in equity.

REVALUATION OF BUILDING, PLANT MACHINERY AND FIRE EQUIPMENT

Building:

Buildings includes warehouses and related infrastructure including fencing. Buildings are stated at revalued amounts.

Land Masters, an independent professional valuers firm, was engaged to revalue the land and buildings as of 31st December 2019. Buildings valued at TZS 36,341,184,000. The resulting surplus on the revaluation of buildings is TZS 8,826,971,000 was credited to revaluation reserve in the year 2020 and is being released over the remaining useful life of the buildings. Deferred tax liability thereon amounted to TZS 2,648,091,300 was recognised in the revaluation reserve as well.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

23. REVALUATION RESERVE (Continued)

Plant & machinery and fire fighting equipment

TATA Consulting Engineers Limited (TEC), India, an independent professional consultant firm, was engaged to revalue the Plant and Machinery as of 31st December 2019. Plant and machinery revalued at TZS 75,756,393,000 and fire fighting equipment revalued at TZS 240,341,000. The resulting surplus on the revaluation of plant and machinery and fire fighting equipment of TZS 20,886,803,000 was credited to revaluation reserve in the year 2020. Deferred tax liability thereon amounted to TZS 6,266,040,900 was recognised in the revaluation reserve as well.

Valuation technique	Unobservable inputs	Inter-relationship between key unobservable inputs and fair value
<p>Building Adopted the Comparative Method of Valuation, sometimes referred to as the Direct Capital Comparison Method to value buildings. By this method, a Valuer equates value of the property under appraisal to a value of a known comparable property whereby the latter's value is taken to be the best price that can be obtained by the property being valued, with due allowance made for value affecting differences between the subject property and the comparable property.</p>	<ul style="list-style-type: none"> - Cost of construction per square meter. - Depreciation basis on useful life (ranging from 3% to 9%). 	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> - Cost of construction per square meter increase/(decreases). - Change in useful life depreciation rate.
<p>Plant and equipment Revaluation of Plant & Machinery at ALAF Limited, based on Estimated present value.</p>	<p>Revaluation of Plant & Machinery at ALAF Limited, based on physical verification of plant & equipment during plant visit & review of relevant documents made available. In some cases, where documents pertaining to technical specifications of equipment were not available, TATA Consulting Engineers (TCE) assumed those technical information after due inspection and discussion with ALAF Limited executives and also from TCE's past experience.</p> <ul style="list-style-type: none"> - Estimated present value equivalent to Depreciated replacement value. - Depreciated replacement value is equivalent to replacement value less depreciation. - Expected useful life ranges from 3 years to 30 years. - Depreciation basis on useful life (ranging from 3.7% to 33%). 	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> - Change in useful life. - Change in basis of depreciation. - Change in the salvage value. - Change in valuation method used.
<p>The above are categorized as level 3 fair value based on the inputs to the valuation techniques used.</p>		

ALAF LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

23. REVALUATION RESERVE (Continued)

	2021 TZS'000	2020 TZS'000
Balance at 1 January	53,395,866	32,596,224
(Reversal) / Addition to revaluation reserve	(7,898,828)	29,713,774
Deferred tax thereon at 30%	-	(8,914,132)
Deferred tax release	4,066,593	-
Closing Balance	<u>49,563,631</u>	<u>53,395,866</u>

The revaluation reserve represents the surplus of valuation over historical cost of the buildings and plant & machinery.

24. RETIREMENT OBLIGATIONS

	2021 TZS'000	2020 TZS'000
At 1st January	4,291,411	4,055,646
Charge during the year	1,160,096	1,099,816
Paid during the year	(106,080)	(933,734)
(Gain)/loss	(1,146,073)	69,683
At 31 December	<u>4,199,354</u>	<u>4,291,411</u>

The company has an unfunded non-contributory employee retirement benefits obligation for permanent and pensionable employees (the "Arrangement") which provides for lump sum payments to its employees on their retirement age or those allowed to retire early or those who deceases while in employment, based on length of service and salary at retirement and qualifies as a defined benefit plan.

A firm of professional actuaries Muhanna & Co, carried out the actuarial valuation of the arrangement as at 31 December 2021 using the Projected Unit Method.

As at 31 December 2021 the present value of the accrued (past service) liability in respect of retirement benefits was TZS 4,199.354 million (2020 TZS 4,291.411 million). Loss/(gain) net of deferred tax is taken to Other reserves. The principal assumptions used in the actuarial valuation are:

- (i) Discount rate of 2021: 14.80% (2020: 15.50%)
- (ii) Inflation 2021: 3.5% (2020: 4%)
- (iii) Rate of salary escalation of 2021: 3% (2020: 4%) for union members
- (iv) Rate of salary escalation of 2021: 6.5% (2020: 6%) for non-union members
- (v) Retirement age 2021: 60 years (2020: 60 years)
- (vi) Mortality pre-retirement 2021: 80% (2020: 80%)

The 'notional' company contribution rate to meet the cost of future accrual of retirement benefits is estimated at 6.2% (2020: 8.3%) of salaries per annum. The next valuation is due on 31 December 2022.

Other reserve represents surplus/(deficit) on actuarial valuation and is not available for distribution 2021 TZS 2,089.609 million (2020: TZS 1,287.357 million).

ALAF LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

24. RETIREMENT OBLIGATIONS (Continued)

Sensitivity analysis of actuarial liability

The below table analysis result of main parameters of the Scheme.

- Scenario 1: Increase in discount rate by 1%
- Scenario 2: decrease in discount rate by 1%
- Scenario 3: increase in inflation rate by 1%
- Scenario 4: decrease in inflation rate by 1%
- Scenario 5: increase in withdrawal rate by 1%

Changing Parameter 2021	Baseline	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
Discount rate	14.8%	15.8%	13.8%	14.8%	14.8%	14.8%
Salary increase	6.5%	6.5%	6.5%	7.5%	5.5%	6.5%
Actuarial liability (TShs'000)	4,199,354	3,910,715	4,526,279	4,303,508	3,716,928	4,224,915
Service cost	6.2%	5.7%	6.8%	6.4%	5.3%	6.4%

Changing Parameter 2020	Baseline	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
Discount rate	15.50%	16.50%	14.50%	11.30%	11.30%	15.50%
Salary increase	8%/10%	8%/10%	8%/10%	9%/11%	7%/9%	8%/10%
Actuarial liability (TShs'000)	4,291,411	3,722,321	4,423,227	4,435,177	3,719,166	4,136,859
Service cost	8.3%	7.5%	9.1%	9.2%	7.5%	8.7%

The weighted average duration of the liability as at 31 December 2020 is 16 (2020 :9.4)

25. INTEREST BEARING LOANS AND BORROWINGS

	2021 TZS '000	2020 TZS '000
a Interest Bearing Long Term Loans		
Stanbic Bank Tanzania Limited		
At 1st January	5,792,812	7,844,828
Received during the year	-	-
Paid During the year	(2,148,608)	(2,052,016)
	<u>3,644,204</u>	<u>5,792,812</u>
Non current	1,532,831	3,686,335
Current	<u>2,111,373</u>	<u>2,106,477</u>
	<u>3,644,204</u>	<u>5,792,812</u>

Loan from the Stanbic Bank Tanzania Limited of US Dollar 3.64 million is repayable in 4 years in 16 equal instalments i.e from December 2019 to September 2023, and is accruing interest at 6 months LIBOR plus 3.5%. These are secured term loans. The Fair value of the long term approximates its carrying value as the interest rate is assessed to approximates the market rate.

ALAF LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

25. INTEREST BEARING LOANS AND BORROWINGS (Continued)

	2021 TZS '000	2020 TZS '000
b Bank overdraft		
Standard Chartered Bank Tanzania Limited	12,579,802	5,771,830
Stanbic Bank	8,246,040	921,505
Citibank Tanzania Limited	1,126,982	-
	<u>21,952,824</u>	<u>6,693,335</u>

The interest rates applicable during the year were 5% to 7% per annum for the USD facilities (2020: 5% to 7% per annum) and 7% to 17% per annum for the TZS facilities (2020: 7% to 17% per annum).

Loans and overdraft facilities are secured on pari passu basis by the following securities:

- (i) Mortgage charge over plot no. 18A (Certificate of Occupancy No. 18541), Plot no. 18B (Certificate of Occupancy No. 18802), Plot No. 29 (Certificate of Occupancy No. 15322), Plot No. 188/1 (Certificate of Occupancy No. 59088), Plot No. 18E (Certificate of Occupancy No. 18796) and Plot No. 18D (Certificate of Occupancy No. 186085/27) shared pari passu with Standard Chartered Bank Tanzania Limited, Citibank Tanzania Limited and Stanbic Bank Tanzania Limited, and registered to cover USD 83.3 million. (2020: USD 83.3 million).
- (ii) Debenture deed over all assets of the Company shared pari passu Standard Chartered Bank Tanzania Limited, Stanbic Bank Tanzania Limited and Citibank Tanzania Limited for USD 83.3 million (2020: USD 83.3 million).
- (iii) The company complied with all loan covenants

26 TRADE AND OTHER PAYABLES	2021 TZS '000	2020 TZS '000
Trade creditors	95,825,598	70,456,072
Payable to related parties (refer to note 27)	52,067,332	17,716,542
Other creditors and accruals	7,696,932	1,562,924
	<u>155,589,862</u>	<u>89,735,538</u>

Terms and conditions of trade and other payable as follows:

- i) Local trade payables are non interest bearing and normally settled in 30 days terms.
- ii) Foreign trade payables are non interest bearing and normally settled in 180 days terms.

27. RELATED PARTIES TRANSACTIONS

The ultimate parent company is Safal Investments (Mauritius) Limited (incorporated in Mauritius).

Related party relationships exist between shareholders, fellow group companies, companies under common ownership, and Directors and key group management personnel.

During the year, the Company made sales and purchases to and from its group companies as shown below.

ALAF LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

27. RELATED PARTIES TRANSACTIONS (Continued)

	2021 TZS '000	2020 TZS '000
Sales of goods and services to sister companies;	<u>23,221,806</u>	<u>22,392,126</u>
Purchase of goods and services from sister companies;	<u>114,563,008</u>	<u>31,505,111</u>
Amount owed by sister companies;	<u>15,908,047</u>	<u>5,258,142</u>
Amount owed to sister companies;	<u>52,067,332</u>	<u>17,716,542</u>

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made on the course of business which result to outstanding balances due to or from sister companies. Outstanding balances at the year-end are unsecured.

Compensation of key management personnel of the Company

	2021 TZS '000	2020 TZS '000
Short term employee benefits - Remuneration - CEO*	614,258	183,637
Directors' fees		
- Mr. Asubisye Usaje	-	3,145
- Mr. Johannes Karungura	-	4,145
- Mr. Godfrey Kitundu	3,018	-
- Mr. Joseph Sheffu	2,168	-
- Mr. Masha John Mshomba	<u>722</u>	-
	<u>5,908</u>	<u>7,290</u>

*Remuneration to CEO in 2020 represents cost for 4 months only, as the position remained vacant until 31st December 2020.

28. COMMITMENTS AND CONTINGENCIES

Capital commitments

At 31 December 2021, the Company had no capital commitments (2020: TZS 2,094 million).

Guarantee

The Company has given a guarantee of TZS 200 million to CRDB Bank Plc to finance the ALAF SACCOS which in turn provides financial assistance to its members who are Company employees.

Legal claims

As at 31 December 2021, the Company was a defendant in several lawsuits. The plaintiffs are claiming damages and interest thereon for the loss caused by the Company due to breach of contracts, unlawful termination of employment and staff retrenchment exercise. The Company has filed counter-claims against the plaintiffs. The total principal amount claimed in the various lawsuits approximates TShs 98 million (2020: TShs 197 million). In the opinion of the Directors and Company's Legal Counsel, no material liabilities are expected to crystallize from these lawsuits.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

28 COMMITMENTS AND CONTINGENCIES (Continued)

Tax

The normal procedure for agreeing final income tax liability involves the Company filing final income tax returns to Tanzania Revenue Authority (TRA) followed by TRA performing its own review of the Company's tax returns and issuing notice of final income tax assessment. The final income tax assessment as may be determined by TRA after its review and possible site visit may differ from the self-assessments done by the Company and legal procedures are in place to object to and appeal against the TRA assessments. It is common that the timeframe from submission of final tax self-assessment returns and for TRA performing its reviews and issuing of notice of final tax assessment may be several months or years.

Currently the Company has the following on-going appeals with TRA. The Directors have assessed that the Company is more likely to be successful in defending its position as such no provision in the financial statements has been determined to be necessary.

TRA assessment of disallowed expenditure for the period 2013, TZS 772 million, import duty dispute for the period 2015 - 2017 amounting to TZS 536 million, assessment of additional VAT of TZS 2,089 million for 2014 - 2016. Assessment for corporate tax TZS 385 million for 2015 and TZS 387 million for 2016.

29 EMPLOYEE BENEFITS

Employees are members of either the National Social Security Fund (NSSF) or the Parastatal Pension Fund (PPF). The contributions to these funds are fixed and are charged to statement of profit or loss and other comprehensive income in the year in which the contributions are incurred.

Refer to Note 24 for further disclosures on employee retirement benefits.

30 FINANCIAL RISK MANAGEMENT

The Company's financial liabilities include trade and other payables, and interest bearing term loans and bank overdrafts. The main purpose of these financial liabilities is to raise finance for the operations of the Company. The Company's financial assets include trade and other receivables and cash and cash equivalents which arise directly from its operations.

The Company's activities expose it to financial risks, including liquidity risk, credit risk and market risk which includes the effects of changes in foreign currency exchange rates and interest rates. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance.

Risk management is carried out by the Finance Department of the Company under policies approved by the Board of Directors. Risk management policies and systems are reviewed regularly to reflect changes in market conditions. A description of the significant risk factors is included below together with the risk management policies applicable.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

30 FINANCIAL RISK MANAGEMENT (Continued)

Foreign currency risk

The Company operates wholly in Tanzania and its assets and liabilities are reported in TZS. Sales are invoiced in TZS and USD. Payments for outstanding debts are accepted in both TZS and USD. The main raw materials, Steel, Aluminium Silicon Alloy, Zinc and Color Coated Steel Coils are imported and are payable for in USD. The Company keeps cash in TZS and USD to match the payment obligations in the respective currencies.

To mitigate foreign exchange risk, the Company may employ hedging technique such as swaps. The natural hedge provided by export sales also serves to reduce foreign exchange exposures.

Foreign currency sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in the TZS to USD 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). The Company's exposure to foreign currency changes for all other currencies is not material.

	Change in US Dollar rate	Effect on profit before tax USD	Effect on profit before tax TZS '000
2021	5%	3,294,170	7,625,377
	-5%	(3,294,170)	(7,625,377)
2020	5%	1,489,993	3,449,050
	-5%	(1,489,993)	(3,449,050)

The Company was exposed to the currencies disclosed in the table below (All amounts are in TZS '000)

At 31 December 2021	Exposure in USD
Financial assets	
Trade and other receivables	15,908,047
Cash and bank balances	(1,819,773)
Total financial assets	<u>14,088,274</u>
Financial liabilities	
Trade and other payables	144,438,323
Bank overdrafts	15,101,973
Interest bearing loans	3,644,204
Total financial liabilities	<u>163,184,500</u>
Foreign exchange risk gap	<u>(149,096,226)</u>
At 31 December 2020	
Financial assets	
Trade and other receivables	5,258,142
Cash and bank balances	3,826,515
Total financial assets	<u>9,084,657</u>

ALAF LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

30 FINANCIAL RISK MANAGEMENT (Continued)

The Company was exposed to the currencies disclosed in the table below (All amounts are in TZS '000)

Financial liabilities	Exposure in USD
Trade and other payables	75,050,263
Bank overdrafts	3,609,109
Interest bearing loans	5,792,812
Total financial liabilities	84,452,184
Foreign exchange risk gap	(75,367,527)

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. Potential concentration of credit risk consists principally of trade and other receivables. Trade receivables comprise a large and widespread customer base and the Company performs ongoing credit evaluations on the financial condition of its customers. The amounts presented in the statement of financial position are net of allowances for expected credit losses, estimated by the Company's management based on prior experience, the current economic environment and forward looking information.

The amount that best represents the Company's maximum exposure to credit risk without taking into account the value of any collateral obtained was:

	Fully performing	Past due but not impaired	Total
At 31 December 2021	TZS'000	TZS'000	TZS'000
Trade receivables	18,256,631	5,906,994	24,163,625
Due from related parties	15,294,418	613,629	15,908,047
Other receivables	24,147,966	-	24,147,966
Bank balances	1,381,777	-	1,381,777
Total credit exposure	59,080,792	6,520,623	65,601,415

	Fully performing	Past due but not impaired	Total
At 31 December 2020	TZS'000	TZS'000	TZS'000
Trade receivables	18,260,292	5,457,991	23,718,283
Due from related parties	4,648,074	610,068	5,258,142
Other receivables	17,250,910	-	17,250,910
Bank balances	6,478,950	-	6,478,950
Total credit exposure	46,638,226	6,068,059	52,706,285

Set out below is the information about the credit risk exposure on the Company's trade receivables due from third parties and related parties using a provision matrix:

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

30 FINANCIAL RISK MANAGEMENT (Continued)

	Current/ Others	Days past due				Total
		91-180 days	181-360 days	360-540 days	>540 days	
At 31 December 2021						
Gross carrying amount (TZS'M)	39,924,706	172,430	170,622	859,502	10,139,044	51,266,304
Expected credit loss rate (%)	1.10%	10.02%	27.12%	91.23%	100.00%	
Expected credit loss (TZS'M)	207,955	17,271	46,273	784,089	10,139,044	11,194,632
At 1 January 2020						
Gross carrying amount (TZS'M)	27,617,972	605,839	721,274	1,304,865	9,544,881	39,794,831
Expected credit loss rate (%)	0.3%	11.5%	35.8%	67.0%	100.0%	
Expected credit loss (TZS'M)	71,546	69,657	258,001	874,321	9,544,881	10,818,406

Interest rate risk

Interest rate risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's borrowings with floating interest rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on borrowings. With all other variables held constant, the Company's profit before tax is affected through the impact on floating rate borrowings as follows:

	Increase / decrease in basis points	Effect on profit before tax USD	Effect on profit before tax TZS '000
2021	+ 40	(14,807)	(34,117)
	- 40	14,807	34,117
2020	+ 40	91,338	211,429
	- 40	(91,338)	(211,429)

The assumed movement in the basis points for interest rate sensitivity analysis is based on the currently observable market environment.

The table below summarizes the Company's exposure to interest rate risk. Included in the table are the Company's financial instruments at carrying amounts, categorized by the earlier of contractual re-pricing or maturity dates.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

30 FINANCIAL RISK MANAGEMENT (Continued)

	<1 month TZS'000	>1 - 12 months TZS'000	Non-interest bearing TZS'000	Total TZS'000
At 31 December 2021				
Financial assets				
Trade receivables	-	-	24,163,625	24,163,625
Due from related parties	-	-	15,908,047	15,908,047
Other receivables	-	-	24,147,966	24,147,966
Cash and bank balances	-	-	1,430,164	1,430,164
	-	-	65,649,802	65,649,802
Financial liabilities				
Trade and other payables	-	-	95,825,599	95,825,599
Due to related parties	-	-	52,067,332	52,067,332
Lease liability	-	-	342,165	342,165
Bank overdrafts	21,952,824	-	-	21,952,824
Interest bearing loans	-	3,644,204	-	3,644,204
	21,952,824	3,644,204	148,235,096	173,832,124
Net exposure	(21,952,824)	(3,644,204)	(82,585,294)	(108,182,322)
	<1 month TZS'000	>1 - 12 months TZS'000	Non-interest bearing TZS'000	Total TZS'000
At 31 December 2020				
Financial assets				
Trade receivables	-	-	23,718,283	23,718,283
Due from related parties	-	-	5,258,142	5,258,142
Other receivables	-	-	17,250,910	17,250,910
Cash and bank balances	-	-	6,736,407	6,736,407
	-	-	52,963,742	52,963,742
Financial liabilities				
Trade and other payables	-	-	70,456,072	70,456,072
Due to related parties	-	-	17,716,542	17,716,542
Lease liability	-	-	478,728	478,728
Bank overdrafts	6,693,335	-	-	6,693,335
Interest bearing loans	-	5,792,812	-	5,792,812
	6,693,335	5,792,812	88,651,342	101,137,489
Net exposure	(6,693,335)	(5,792,812)	(35,687,600)	(48,173,747)

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises because of the possibility that the entity could be required to pay its liabilities when the entity does not have sufficient liquid assets to meet the obligations.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

30 FINANCIAL RISK MANAGEMENT (Continued)

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the Company's short to medium - term funding and liquidity management requirements.

The Company manages liquidity risk by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. The Directors may from time to time at their discretion raise or borrow monies for the Company as they deem fit.

The following tables includes the Company's remaining contractual maturity for its financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay.

	On demand	Less than 12 months	After 1 year	Total
	TZS '000	TZS '000	TZS '000	TZS '000
At 31 December 2021				
Trade and other payables	-	95,825,599	-	95,825,599
Due to related parties	-	52,067,332	-	52,067,332
Bank overdrafts	21,952,824	-	-	21,952,824
Interest bearing loans	-	2,111,373	1,532,831	3,644,204
Finance leases	-	105,722	236,443	342,165
	<u>21,952,824</u>	<u>150,110,026</u>	<u>1,769,274</u>	<u>173,832,124</u>
At 31 December 2020				
Trade and other payables	-	72,018,996	-	72,018,996
Due to related parties	-	17,716,542	-	17,716,542
Bank overdrafts	6,693,335	-	-	6,693,335
Interest bearing loans	-	2,106,477	3,686,335	5,792,812
Finance leases	-	207,335	271,393	478,728
	<u>6,693,335</u>	<u>92,049,350</u>	<u>3,957,728</u>	<u>102,700,413</u>

31 FAIR VALUES

The fair values of the Company's financial instruments reasonably approximate the carrying amounts due to the short term nature of the instruments or fact that long term instruments bear interest rates that are in line with market interest rates.

The Company uses the following hierarchy for determining and disclosing the fair value of assets and liabilities by valuation technique:

Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data

Interest rate swaps are disclosed as level 2 because the fair values are obtained directly from the vendor bank.

ALAF LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2021**

31 FAIR VALUES (Continued)

Revaluation of plant machinery and fire equipment

The fair value of plant machinery was determined using the estimated present value method as at 31 December 2019.

The fair values were based on the valuation performed by Tata Consulting Engineers Limited, an accredited independent value with valuation experience in similar assets.

Revaluation of buildings

The fair value of buildings was determined using the market comparable method as at 31 December 2019. This means that valuations performed by valuers were based on active market prices, adjusted for differences in the nature, location or condition of the specific buildings. The fair values were based on the valuation performed by Land Masters Combine Limited, an accredited independent value with valuation experience in similar assets.

The valuations for the plant, machinery, firefighting equipment and buildings are classified into level 3 hierarchy since the significant inputs into the valuations are the open market prices for investment property in the same location and these are unobservable, either directly or indirectly from the market.

There have been no transfers into or out of this fair value hierarchy.

The management assessed that fair values of cash and cash equivalents, trade and other receivables, trade and other payables approximate their carrying amounts largely due to short-term maturities of these instruments. Borrowing have interest rate approximating to the market rate.

32 DIVIDEND

Proposed dividend of TZS 3,423,115,000 for financial year 2020 was approved during annual general meeting held on 8th September 2021. The same was paid in September 2021 respectively.

The Company had also declared a dividend of TZS 6,846,230,000 for the year 2019, approved during Annual General Meeting held on 4th March 2021, which was paid in March 2021.

33 EMPLOYEES

The number of employees as at 31 December 2021 was 470 (2020: 461).

34 EVENTS AFTER THE REPORTING PERIOD

The Directors are not aware of any material events or circumstances have arisen between the accounting date and the date of this report that require additional disclosure in the financial statements.

35. COMPARATIVES

Where necessary, the comparatives figures have been reclassified to conform to changes in presentation in the current year.