

TANZANIA TOBACCO PROCESSORS LIMITED

ANNUAL REPORT

AND AUDITED FINANCIAL STATEMENTS

31 MARCH 2021

TANZANIA TOBACCO PROCESSORS LIMITED

**ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

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TANZANIA TOBACCO PROCESSORS LIMITED

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

GENERAL INFORMATION

PRINCIPAL PLACE OF BUSINESS

Mazimbu Road
Morogoro
Tanzania

BANKERS

National Bank of Commerce (1997) Limited
P. O. Box 631
Morogoro

Standard Chartered Bank (Tanzania) Limited
P. O. Box 9011
Dar es Salaam

SOLICITORS

IMMMA Advocates
P. O. Box 72484
Dar es Salaam

COMPANY SECRETARY

Mr. Colin Stonebridge
P. O. Box 665
Morogoro

INDEPENDENT AUDITOR

Ernst & Young
4th Floor, Tanhouse,
Plot No. 34/1, Ursino South
New Bagamoyo Road
P. O. Box 2475
Dar es Salaam

TANZANIA TOBACCO PROCESSORS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2021

1. INTRODUCTION

The Directors submit their report together with the audited financial statements for the year ended 31 March 2021, which disclose the state of affairs of Tanzania Tobacco Processors Limited (the "Company").

2. PRINCIPAL ACTIVITIES

The principal activity of the Company is to process tobacco purchased by merchants. During the year the company did not operate or process any tobaccos. In 2020 the Company processed 27.68 million kilograms of green tobacco into 18.14 million kilograms of dry tobacco as follows:

Merchant	Green tobacco processed in Million Kgs		Dry tobacco in Million kgs	
	2021	2020	2021	2020
Tanzania Leaf Tobacco Company Ltd	-	15.99	-	10.61
JTI Leaf Services Ltd	-	11.69	-	7.53
	-	27.68	-	18.14

3. RESULTS AND DIVIDEND

The results for the year are set out in the statement of profit or loss and other comprehensive income and are summarized as follows:

	2021	2020
	TZS MIL	TZS MIL
(Loss)/profit before tax	(7,217)	5,948
Income tax credit/(charge)	2,130	(1,938)
(Loss)/profit for the year	(5,087)	4,010

Processing revenue at TZS 22 million (2020: TZS 30,050 million) was down 100% on prior year as the Company did not operate during the year.

Gross profit at TZS 22 million (2020: TZS 8,123 million) was down 100% on prior year as the Company did not operate during the year.

The Company made an operating loss before tax of TZS 7,217 million (2020: Profit of TZS 5,948 million) with the decrease of TZS 13,165 million being due to the Company not operating during the year.

The Directors will consider the payment of a dividend in the Annual General Meeting after considering the current financial position and future loan repayment commitments. In the year ended 31 March 2020, no dividend was declared or paid.

TANZANIA TOBACCO PROCESSORS LIMITED

DIRECTORS' REPORT (Continued) FOR THE YEAR ENDED 31 MARCH 2021

4. DIRECTORS AND SECRETARY

The Directors and Secretary who served during the year and to the date of this report are as follows:-

Directors

<u>Name</u>	<u>Position</u>	<u>Nationality</u>	<u>Alternate</u>	<u>Age</u>	<u>Profession</u>
GS Taylor	Member	South African	DR Meisel	57	Agricultural Economist
NS Marlborough	Member	British	DR Meisel	59	Lawyer
CR Stonebridge	Member	British		63	Chartered Accountant
RA Sinamtwa	Member	Tanzanian		56	Lawyer

Company Secretary

CR Stonebridge

In accordance with the Company's Articles of Association, the Directors are not required to retire by rotation.

None of the Directors had an interest in the shares of the Company at any time during the year. None of the Directors had a material interest in any contract of significance with the Company during the year.

5. RELATED PARTY TRANSACTIONS AND BALANCES

Balances due to/from related companies and relevant transactions are disclosed in Note 25 to the financial statements. The Company had balances with the following related companies as at year-end:

Company	Relation
Universal Leaf Tobacco Co. Inc	Holding company
Tanzania Leaf Tobacco Company (TLTC)	Sister company
Mozambique Leaf Tobacco Company	Sister company

6. DIRECTORS' EMOLUMENTS

During the year ended 31 March 2021, emoluments of Directors were as follows:

- Fees to Non-executive Directors: TZS Nil (2020: TZS Nil)
- Service fees, being salaries and other payments to Executive Directors including pension costs: TZS Nil (2020: TZS Nil).

TANZANIA TOBACCO PROCESSORS LIMITED

DIRECTORS' REPORT (Continued) FOR THE YEAR ENDED 31 MARCH 2021

7. SHAREHOLDING

The shareholding of the Company is as follows:

Name	Shares held '%	No. of shares	Value TZS Mil
Universal Leaf Tobacco Co. Inc. and Southern States Tobacco Co. Inc	90	6,291	6,293
Employees & Farmers' Trust	10	699	697
	<u>100</u>	<u>6,990</u>	<u>6,990</u>

8. BORROWINGS

At 31 March 2021, the Company's overdraft facility limit remained at US\$ 250,000. This overdraft facility was not renewed at 1 April 2021.

The Company has one medium term loan with the holding company, Universal Leaf Tobacco Co. Inc. The loan of US\$ 1,400,000 is repayable in seven quarterly instalments of US\$ 200,000 ending December 2022. The loan attracts interest of 5% per annum and is unsecured.

9. RESERVES

At 31 March 2021, the Company had retained earnings of TZS 1,235 million (2020: TZS 6,322 million) as set out in the statement of changes in equity.

10. SOLVENCY

The Directors consider the Company's solvency position to be satisfactory as shown in the Statement of Financial Position.

11. CORPORATE GOVERNANCE

Code of corporate practice and conduct

The Company is committed to the principles of effective corporate governance and the Board of Directors (the "Board") is of the opinion that the Company currently complies with these principles.

The Board of Directors

The Board consists of four Directors. The Board takes overall responsibility for the Company, including responsibility for identifying key risk areas, considering and monitoring investment decisions, considering significant financial matters, reviewing the performance of management against business plans and budgets, ensuring that a comprehensive system of internal control policies and procedures is operative, and for compliance with sound corporate governance principles.

The Board meets at least once in a year. The Board delegates the day-to-day management of the business to the Financial Director assisted by senior management. Senior management, where applicable, is invited to attend Board meetings.

TANZANIA TOBACCO PROCESSORS LIMITED

DIRECTORS' REPORT (Continued) FOR THE YEAR ENDED 31 MARCH 2021

11. CORPORATE GOVERNANCE (Continued)

The Board of Directors (Continued)

The Board accepts final responsibility for the risk management and internal control systems of the Company. It is the task of management to ensure that adequate internal financial and operational control systems are developed and maintained on an on-going basis in order to provide reasonable assurance regarding:

- The effectiveness and efficiency of operations;
- The safeguarding of the Company's assets;
- Compliance with applicable laws and regulations;
- The reliability of accounting records;
- Business sustainability under normal as well as adverse conditions; and
- Responsible behaviours towards all stakeholders.

The Board is chaired by a Non-Executive Director. The roles of the Chairman and Managing Director are separate, with each having set responsibilities.

The Board is confident that its members have the knowledge, talent and experience to lead the Company. The Non-Executive Directors are independent of management and exercise their independent judgment. With their depth of experience, they add value to Board deliberations. All Directors have access to the Company Secretary and his services and may seek independent professional advice if necessary.

It is the Company's philosophy to manage and control its business on a decentralized basis. Senior management meets on a monthly basis to review the results, operations, key financial indicators and the business strategy of the Company.

Performance evaluation and reward

The Company utilizes the results of market surveys to ensure market aligned salaries are paid and that market trends are followed in terms of changes in benefits, while at the same time taking into account the intrinsic value of individual contributions.

Business ethics and organizational integrity

The Company's Code of Conduct commits it to the highest standards of integrity, conduct and ethics in its dealings with all parties concerned, including its Directors, managers, employees, customers, suppliers, competitors, investors, shareholders and the public in general. The Directors and staff are expected to fulfill their ethical obligations in such a way that the business is run strictly according to fair commercial competitive practices.

Risk management and internal control

The efficiency of any internal control system is dependent on the strict observance of prescribed measures. There is always risk of non-compliance with such measures by staff. Whilst no system of internal control can provide absolute assurance against misstatement or losses, the Company's system is designed to provide the Board with reasonable assurance that the procedures in place are operating effectively.

The Board assessed the internal control systems throughout the current financial year and is of the opinion that they met accepted criteria.

TANZANIA TOBACCO PROCESSORS LIMITED

DIRECTORS' REPORT (Continued) FOR THE YEAR ENDED 31 MARCH 2021

11. CORPORATE GOVERNANCE (Continued)

The Board carries out risk and internal control assessment through the Internal Audit Department in collaboration with the parent company Internal Control Department.

Ethical behavior

The Company's Code of Conduct governs its activities, internal relations and interactions with stakeholders in accordance with its ethical values. It is expected of staff to maintain a high level of integrity and honesty in dealing with customers, suppliers, service providers and colleagues. Compliance with the Code of Conduct is the ultimate responsibility of the Managing Director and the Head of Human Resources, with day-to-day monitoring delegated to line management with the support of personnel officers.

The code is supplemented by the Company's responsibility philosophy as well as its employment practices, occupational health and safety controls.

The Company is also governed in accordance with Universal Leaf Tobacco's Code of Conduct, which is enforced through the Local Compliance Committee, which comprises executive board members and senior management.

Financial reporting and auditing

The Directors accept final responsibility for the preparation of the annual financial statements which fairly present:

- The financial position of the Company as at the end of the year under review;
- The financial results, as well as;
- The cash flows for the year.

The responsibility for compiling the annual financial statements was delegated to management. The external auditors report on whether the annual financial statements are fairly presented.

The Directors are satisfied that during the period under review:

- Adequate accounting records were maintained;
- An effective system of internal control and risk management, monitored by management, was maintained;
- Appropriate accounting policies, supported by reasonable and prudent judgments and estimates, were used consistently; and
- The financial statements were compiled in accordance with International Financial Reporting Standards and in the manner required by the Tanzanian Companies Act, 2002.

The Directors are also satisfied that no material event has occurred between the financial period-end and the date of this report.

The Directors are of the opinion that the Company has sufficient resources and commitments at its disposal to operate the business for the foreseeable future. As such, the financial statements have been prepared on a going concern basis.

TANZANIA TOBACCO PROCESSORS LIMITED

DIRECTORS' REPORT (Continued) FOR THE YEAR ENDED 31 MARCH 2021

12. FUTURE PLANS

There are no current plans for any further investment.

13. GOING CONCERN

The Company incurred a loss of TZS 5,087 million during the year ended 31 March 2021, and as of that date, the Company's current liabilities exceeded its current assets by TZS 125 million. Also, the Directors decided to cease operations after processing the 2019/20 tobacco season which was completed in October 2019.

The Directors have made an assessment of the Company's ability to continue as a going concern and have reasonable expectation that the Company will continue in existence for the foreseeable future. The financial statements have therefore been prepared on the basis of accounting policies applicable to a going concern. This assessment is based on the fact that no decision to wind up the Company has been made and none is expected to be made in the foreseeable future. The Company is expected to continue to be inactive for an unspecified period. Consequently, the level of expenditure required to run the Company in the foreseeable future will be low. For the foreseeable future, the directors expect that the Company will generate sufficient resources from the realisation of assets to enable the Company meet its liabilities and commitments as and when they fall due.

14. EMPLOYEE WELFARE

Training facilities

In addition to training organised by the Company at no cost, during the year, TZS 1 million was spent on staff training in order to improve employees' technical skills and hence effectiveness (2020: TZS 23 million).

Relationship between management and employees

The relationship between employees and management continued to be good during the year, with few complaints received by management from the employees through the Trade Union. A healthy relationship continues to exist between management and the Trade Union.

The Company is an 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 such as gender, marital status, religion, tribe and disability which does not impair ability to discharge duties.

Medical assistance

During the year, the Company outsourced treatment for all employees and their immediate family members.

Health and safety

During the year, the Company maintained a strong safety and security section which ensured that a culture of safety prevailed at all times. A safe working environment is ensured for all employees and contractors by providing adequate and proper personal protective equipment, training and supervision as necessary.

TANZANIA TOBACCO PROCESSORS LIMITED

DIRECTORS' REPORT (Continued) FOR THE YEAR ENDED 31 MARCH 2021

14. EMPLOYEE WELFARE (Continued)

Financial assistance to staff

Financial assistance is available on an emergency basis to confirmed employees depending on the assessment of and the discretion of management as to the unforeseen needs and circumstances. The Company also pays advances for emergencies. In addition, the Company facilitates bank loans for employees who are interested.

Persons with disabilities

Applications for employment by disabled persons are always considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and appropriate training and assistance is arranged. It is the policy of the Company that training, career development and promotion of disabled persons should, as far as possible and practical, be identical to that of other employees.

Employees benefit plan

The Company pays contributions to the National Social Security Fund, which is a publicly administered pension plan, on a mandatory basis. This fund is a defined contribution plan.

The average number of permanent employees during the year was 16 (2020: 67).

15. GENDER PARITY

As at 31 March 2021, the Company had 12 permanent employees, out of which 4 were female and 8 were male (2020: total of 25 permanent employees, out of which 10 were female and 15 were male).

16. ENVIRONMENTAL MATTERS

The Company complied with the Standards of Industrial Safety and Environmental Regulations established by the relevant Authorities.

17. EVENTS AFTER THE REPORTING PERIOD

COVID-19 pandemic

The COVID-19 pandemic continued to affect countries and businesses at the time of issuing this report. The risks arising from this pandemic could include market, services and supply chain disruptions, unavailability of key personnel, locations being quarantined, among others. The Directors have assessed that, at the time of issuing this report, it was impracticable to quantitatively determine and disclose the extent of the possible effects of the pandemic on the Company. However, the Directors expect that the Company will not be significantly impacted considering that the Company is expected to be inactive for an unspecified period.

There were no other events after the reporting period which require adjustment to or disclosure in the financial statements.

TANZANIA TOBACCO PROCESSORS LIMITED

**DIRECTORS' REPORT (Continued)
FOR THE YEAR ENDED 31 MARCH 2021**

18. AUDITOR

Ernst & Young was the Company's auditor for the year ended 31 March 2021 and has expressed willingness to continue in office and is eligible for reappointment. A resolution to appoint Ernst & Young for the year ended 31 March 2022 will be presented to the Annual General Meeting.

BY ORDER OF THE BOARD,



CR Stonebridge
Director

RA Sinamtwa
Director

Date: 20th August 2021

TANZANIA TOBACCO PROCESSORS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31 MARCH 2021

The Tanzania Companies Act, CAP 212 No. 12 of 2002 requires the Directors to prepare financial statements for each financial year that present fairly, in all material respects, the state of financial affairs of the Company as at the end of the financial year and of its operating results for that year. The Directors are also obliged to ensure that the Company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company. They are also responsible for safeguarding the assets of the Company.

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 and in compliance with the requirements of the Tanzanian Companies Act, CAP 212 No. 12 of 2002.

The Directors are of the opinion that the financial statements present fairly the state of the financial affairs of the Company and of its operating results in accordance with International Financial Reporting Standards and in the manner required by the Tanzanian Companies Act, CAP 212 No. 12 of 2002. 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.

The Company's Directors have made an assessment of the Company's ability to continue as a going concern and have reasonable expectation that the Company will continue in existence for the foreseeable future. The financial statements have therefore been prepared on the basis of accounting policies applicable to a going concern. This assessment is based on the fact that no decision to wind up the Company has been made and none is expected to be made in the foreseeable future. The Company is expected to be inactive for an unspecified period. Consequently, the level of expenditure required to run the Company in the foreseeable future will be low. For the foreseeable future, the directors expect that the Company will generate sufficient resources from realisation of assets to enable it meet liabilities and commitments as and when they fall due.



CR Stonebridge
Director



RA Sinamtwa
Director

Date: 20th August 2021

TANZANIA TOBACCO PROCESSORS LIMITED

**DECLARATION BY THE HEAD OF FINANCE
FOR THE YEAR ENDED 31 MARCH 2021**

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 financial statements of an entity showing a true and fair view of the entity's financial position and performance in accordance with International Financial Reporting Standards and the requirements of the Tanzanian Companies Act, CAP 212 Act No. 12 of 2002. Full legal responsibility for the preparation of the financial statements rests with the Board of Directors as stated under the Statement of Directors' Responsibilities on the previous page.

I, Colin Robert Stonebridge, being the Head of Finance of Tanzania Tobacco Processors Limited hereby acknowledge my responsibility of ensuring that the financial statements for the year ended 31 March 2021 have been prepared in compliance with International Financial Reporting Standards and the requirements of the Tanzanian Companies Act, CAP 212 Act No. 12 of 2002.

I thus confirm that the financial statements give a true and fair view of the financial position and results of Tanzania Tobacco Processors Limited as on that date and for the year then ended, and that the financial statements have been prepared based on properly maintained financial records.

Signature:  _____

Position: Financial Director

NBAA Membership No: TACPA 1641

Date: 20th August 2021

REPORT OF THE INDEPENDENT AUDITOR
To the members of Tanzania Tobacco Processors Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Tanzania Tobacco Processors Limited (the "Company") set out on pages 15 to 57, which comprise the statement of financial position as at 31 March 2021, 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 notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Tanzania Tobacco Processors Limited as at 31 March 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Tanzania Companies Act, CAP 212 No. 12 of 2002.

Basis for Opinion

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

Material uncertainty related to going concern

We draw attention to Note 2.3 to the financial statements, which indicates that the Company incurred a loss of TZS 5,087 million for the year ended 31 March 2021 and that as of that date, its current liabilities exceeded its current assets by TZS 125 million; and further that the directors resolved to cease operations and therefore the Company is inactive for an unspecified period. As stated in Note 2.3, these events or conditions, along with other matters as set forth in Note 2.3, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

The directors are responsible for the other information. The other information comprises the General 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.

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

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

REPORT OF THE INDEPENDENT AUDITOR (Continued)
To the members of Tanzania Tobacco Processors Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (Continued)

Director's responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Tanzania Companies Act, CAP 212 No. 12 of 2002, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with 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.

REPORT OF THE INDEPENDENT AUDITOR (Continued)
To the members of Tanzania Tobacco Processors Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (Continued)

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

- 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.

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 Tanzania Companies Act, CAP 212 No 12 of 2002 and for no other purposes.

As required by the Tanzanian Companies Act, CAP 212 No. 12 of 2002, 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 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: Joseph Sheffu
Partner: FCPA 867
For and on behalf of Ernst & Young
Certified Public Accountants
Dar es Salaam, Tanzania

Date: 30/8/ 2021

TANZANIA TOBACCO PROCESSORS LIMITED

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2021**

	Note	2021 TZS MIL	2020 TZS MIL
Revenue from contracts with customers	8	22	30,050
Cost of sales	9	-	(21,927)
Gross profit		22	8,123
Other income and operating expenses			
Other income	11	1,050	736
Administration costs	9	(7,928)	(2,402)
Operating (loss)/profit		(6,856)	6,457
Finance costs and foreign exchange losses	12	(361)	(509)
Operating (loss)/profit before tax		(7,217)	5,948
Income tax credit/(charge)	13	2,130	(1,938)
(Loss)/Profit for the year		(5,087)	4,010
Other comprehensive income		-	-
Total comprehensive (loss)/income for the year, net of tax		(5,087)	4,010
		2021 TZS'000	2020 TZS'000
Basic and diluted (loss)/earnings per share	14	(728)	574

TANZANIA TOBACCO PROCESSORS LIMITED

**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2021**

	Note	2021 TZS MIL	2020 TZS MIL
ASSETS			
Non-current assets			
Property, plant and equipment	15	9,106	15,620
Prepaid land rentals	16	636	634
		<u>9,742</u>	<u>19,706</u>
Current assets			
Inventories	17	5,049	5,637
Trade and other receivables	18	884	1,080
Corporation tax recoverable	19	3,264	3,242
Cash and bank balances	20	349	225
		<u>9,546</u>	<u>10,184</u>
TOTAL ASSETS		<u>19,288</u>	<u>26,438</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	21	6,990	6,990
Share premium		1	1
Retained earnings		1,235	6,322
		<u>8,226</u>	<u>13,313</u>
Liabilities			
Non-current liabilities			
Medium term loan: Non-current portion	22	1,391	3,228
Deferred tax liability	23	-	2,130
		<u>1,391</u>	<u>5,358</u>
Current liabilities			
Medium term loan: Current portion	22	1,855	4,612
Trade and other payables	24	7,816	3,155
		<u>9,671</u>	<u>7,767</u>
Total liabilities		<u>11,062</u>	<u>13,125</u>
TOTAL EQUITY AND LIABILITIES		<u>19,288</u>	<u>26,438</u>

The financial statements were approved for issue by the Board of Directors on 20th August 2021 and signed on its behalf by:


Director
CR Stonebridge


Director
RA Sinamtwa

TANZANIA TOBACCO PROCESSORS LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2021**

	Share capital	Share premium	Retained earnings	Total
	TZS MIL	TZS MIL	TZS MIL	TZS MIL
As at 1 April 2019	6,990	1	2,312	9,303
Total comprehensive income for the year, net of tax	-	-	4,010	4,010
As at 31 March 2020	6,990	1	6,322	13,313
As at 1 April 2020	6,990	1	6,322	13,313
Total comprehensive loss for the year, net of tax	-	-	(5,087)	(5,087)
As at 31 March 2021	6,990	1	1,235	8,226

TANZANIA TOBACCO PROCESSORS LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2021**

	<u>Note</u>	<u>2021</u> TZS MIL	<u>2020</u> TZS MIL
Operating activities			
Cash generated from operations	26	2,257	6,426
Tax paid	19	(22)	(1,460)
Interest paid	22	(343)	(511)
Net cash flows from operating activities		<u>1,892</u>	<u>4,455</u>
Investing activities			
Purchase of property, plant and equipment	15	-	(409)
Proceeds from disposal of property, plant and equipment		2,806	121
Net cash flows generated from/(used in) investing activities		<u>2,806</u>	<u>(288)</u>
Financing activities			
Repayment of medium-term loan	22	(4,574)	(4,555)
Net cash flows used in financing activities		<u>(4,574)</u>	<u>(4,555)</u>
Net increase/(decrease) in cash and cash equivalents		124	(388)
Cash and cash equivalents at 1 April		225	613
Cash and cash equivalents at 31 March	20	<u>349</u>	<u>225</u>

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TANZANIA TOBACCO PROCESSORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

1. GENERAL INFORMATION

The financial statements of Tanzania Tobacco Processors Limited (the "Company") for the year ended 31 March 2021 were authorised for issue in accordance with a resolution of the Board of Directors. The Company is a limited liability company incorporated and domiciled in Tanzania. Other details regarding the Company are disclosed on page 1 and in the Directors' Report.

2. BASIS OF PREPARATION AND GOING CONCERN

2.1 Basis of preparation

Measurement of items in the financial statements has been done on historical cost basis, except where otherwise stated in the accounting policies below. The financial statements are presented in Tanzania Shillings (TZS), rounded to the nearest million (TZS MIL) unless otherwise stated.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5.

2.2 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these financial statements, and the requirements of the Companies Act, 2002 of Tanzania.

2.3 Going concern

The Company incurred a loss of TZS 5,087 million for the year ended 31 March 2021 and as of that date, its current liabilities exceeded its current assets by TZS 125 million. Also, the directors decided to cease operations after processing the 2019/20 tobacco season which was completed in October 2019. The Company is therefore inactive for an unspecified period.

The above condition gives rise to a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern and, therefore, that it may be unable to realise assets and discharge liabilities in the normal course of business. The Company's directors have made an assessment of the Company's ability to continue as a going concern and have reasonable expectation that the Company will continue in existence for the foreseeable future. This assessment is based on the following factors:

- No decision to wind up the Company has been made and none is expected to be made in the foreseeable future. As the Company is currently inactive for an unspecified period, the level of expenditure required to run the Company during this period will be low. For the foreseeable future, the directors expect that the Company will generate sufficient resources from realisation of assets to enable it to meet its liabilities and commitments as and when they fall due.

TANZANIA TOBACCO PROCESSORS LIMITED

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

2. BASIS OF PREPARATION AND GOING CONCERN (Continued)

2.3 Going concern (Continued)

- The directors are not aware of any other material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern.

Based on the above, the directors have reasonable expectation that the Company will continue in existence for the foreseeable future. The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. NEW AND AMENDED STANDARDS THAT BECAME EFFECTIVE

In the current year, the Company has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Amendments to IFRS 16 Covid-19 Related Rent Concessions (*Effective date: 1 June 2020*)

In May 2020, the IASB amended IFRS 16 Leases to provide 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. The amendment does not apply to lessors. 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. 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. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if a number of conditions are met.

Lessees will apply the practical expedient retrospectively, recognising the cumulative effect of initially applying the amendment as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the amendment is first applied. The information required by paragraph 28(f) of *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors* is not required to be disclosed.

The amendment to IFRS 16 is expected to provide relief to lessees for accounting for rent concessions from lessors specifically arising from the COVID-19 pandemic. While lessees that elect to apply the practical expedient do not need to assess whether a concession constitutes a modification, lessees still need to evaluate the appropriate accounting for each concession as the terms of the concession granted may vary.

The Company does not have rent concessions that have occurred as a direct consequence of the COVID-19 pandemic therefore this amendment has no impact on the financial statements of the Company.

TANZANIA TOBACCO PROCESSORS LIMITED

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

3. NEW AND AMENDED STANDARDS THAT BECAME EFFECTIVE (Continued)

Amendments to IFRS 3: Definition of a Business (Effective date: 1 January 2020)

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

These amendments did not have an impact on the financial statements of the Company.

Amendments to IAS 1 and IAS 8: Definition of Material (Effective date: 1 January 2020)

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

These amendments had no impact on the financial statements of the Company.

Conceptual Framework for Financial Reporting issued on 29 March 2018 (Effective date: 1 January 2020)

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

These amendments had no impact on the financial statements of the Company.

TANZANIA TOBACCO PROCESSORS LIMITED

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

3. NEW AND AMENDED STANDARDS THAT BECAME EFFECTIVE (Continued)

Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7 (Effective date: 1 January 2020)

In September 2019, the IASB issued amendments to IFRS 9, IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments: Disclosures*, which concludes phase one of its work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting.

The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate (an RFR).

The amendments to IFRS 9

The amendments include a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

Application of the reliefs is mandatory. The first three reliefs provide for:

- The assessment of whether a forecast transaction (or component thereof) is highly probable
- Assessing when to reclassify the amount in the cash flow hedge reserve to profit and loss
- The assessment of the economic relationship between the hedged item and the hedging instrument

For each of these reliefs, it is assumed that the benchmark on which the hedged cash flows are based (whether or not contractually specified) and/or, for relief three, the benchmark on which the cash flows of the hedging instrument are based, are not altered as a result of IBOR reform.

These amendments had no impact on the financial statements of the Company as the Company does not have any hedging relationships.

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The Company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company's accounting periods beginning on or after 1 April 2021 or later periods:

IFRS 17 Insurance Contracts (Effective for reporting periods beginning on or after 1 January 2023)

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue

TANZANIA TOBACCO PROCESSORS LIMITED

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

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE (Continued)

IFRS 17 Insurance Contracts (Effective for reporting periods beginning on or after 1 January 2023) (Continued)

them, as well as to certain guarantees and financial instruments with discretionary participation features.

A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.

This standard is not applicable to the Company.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current (Effective for reporting periods beginning on or after 1 January 2023)

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:

- 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 only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Reference to the Conceptual Framework – Amendments to IFRS 3 (Effective for reporting periods beginning on or after 1 January 2022)

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

TANZANIA TOBACCO PROCESSORS LIMITED

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

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE (Continued)

Reference to the Conceptual Framework – Amendments to IFRS 3 (Effective for reporting periods beginning on or after 1 January 2022) (Continued)

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are not expected to have a material impact on the Company.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 (Effective for reporting periods beginning on or after 1 January 2022)

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling 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..

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Company.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37 (Effective for reporting periods beginning on or after 1 January 2022)

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.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022.

The amendments are not expected to have a material impact on the Company.

TANZANIA TOBACCO PROCESSORS LIMITED

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

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Judgments

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

Determining the lease term of contracts with renewal and termination options

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 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.

The Company includes the renewal period as part of the lease term for the leases recognised. The Company typically exercises its option to renew for leases because there will be a significant negative effect on operations if a replacement asset is not readily available. The renewal periods for leases are not included as part of the lease term if they are not reasonably certain to be exercised. 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.

Refer to Note 16 for further disclosures on prepaid land rentals.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting 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.

Property, plant and equipment

Critical estimates 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 from initial estimates. The depreciation rates are based on the estimated useful lives of the assets.

The depreciation rates of property, plant and equipment used are set out in Note 6(c) and the carrying amounts are set out in Note 15.

TANZANIA TOBACCO PROCESSORS LIMITED

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

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

Estimates and assumptions (Continued)

Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the forecast period and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

Impairment losses are recognised in profit or loss. Refer to Notes 15 and 16 for further disclosures on non-financial assets.

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of business relationships and, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences in interpretation may arise for a wide variety of issues depending on the conditions prevailing in the country.

Deferred tax assets are recognised for 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 judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

More information on taxes including the carrying amounts of the balances affected is presented in Notes 13, 19, 23 and 28.

TANZANIA TOBACCO PROCESSORS LIMITED

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

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(a) Revenue recognition

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 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.

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. Revenue from the sale of tobacco contracts, as part of the ordinary activities of the operation, 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 equipment.

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).

TANZANIA TOBACCO PROCESSORS LIMITED

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

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Revenue recognition (Continued)

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.

(b) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of primary economic environment in which the Company operates (the "functional currency"). The financial statements are presented in TZS, rounded to the nearest million which is the Company's functional and presentation currency.

Transactions and balances

Transactions in foreign currencies are initially recorded in TZS using rates of exchange ruling at the dates of transaction. Foreign exchange gains/losses resulting from the settlement of such transactions and from translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

(c) Property and equipment

All categories of property and equipment are initially recorded at historical cost. Subsequently, the assets are stated at historical costs excluding day to day servicing, less accumulated depreciation and accumulated impairment in value. Historical costs include expenditure that is directly attributable to the acquisition of the items and the capitalisation of borrowing costs on qualifying assets and adjustments in respect of hedge accounting, where appropriate. Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit and loss account during the financial year in which they occurred.

TANZANIA TOBACCO PROCESSORS LIMITED

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

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Property and equipment (Continued)

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation on assets is calculated using the straight-line method to write down their costs to their residual values over their estimated useful lives, as follows:

<u>Asset type</u>	<u>Rate</u>
Buildings	2.5%
Plant and machinery	10%
Furniture and fittings	10%
Motor vehicles	25%
Computer equipment	20%
Clinical equipment	10%
Office equipment	10%

Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other income in profit or loss.

(d) Prepaid land rentals

These represent prepaid lease rentals for various title deeds of right of occupancy of land located in Tanzania and are initially recorded at cost. Subsequently, the prepaid leases are stated at historical cost less accumulated amortisation. Amortisation of long-term lease prepayments is calculated using the straight-line method to write down the cost to their residual value over their remaining lease period.

TANZANIA TOBACCO PROCESSORS LIMITED

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

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Impairment of non-financial assets

The Company assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

(f) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprised the actual cost of purchase and processing, plus allocated direct overheads. The cost of consumables is determined on a weighted average basis and include costs incurred in bringing the inventories to their condition and locations. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses and, where appropriate, the cost of conversion from their existing state to a finished condition. Provision is made where necessary for obsolete, redundant, defective stocks or when their selling prices have declined. Provision is for specific items identified.

TANZANIA TOBACCO PROCESSORS LIMITED

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

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Taxation

Current tax

Current tax assets and liabilities for the current and prior periods 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 by the reporting date. The current tax rate is 30%.

Deferred tax

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

Deferred tax liabilities are recognised for all taxable temporary and 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 utilized.

The carrying amount of deferred income 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 income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year 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 income tax relating to items recognised directly in equity is recognised in equity and not in the profit or loss. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

TANZANIA TOBACCO PROCESSORS LIMITED

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

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Taxation (Continued)

Value added tax

Revenues, expenses and assets are recognised net of the amount of value added tax except where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and receivables and payables that are stated with the amount of value added tax included. The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

(h) Provisions and contingencies

Provisions are recognised when:

- the company has a present obligation 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 obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the business or part of a business concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

TANZANIA TOBACCO PROCESSORS LIMITED

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

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Provisions and contingencies

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised.

(i) Employees benefits

(i) Retirement benefit obligations

The Company pays contributions to various Tanzanian Statutory Social Security Funds. These are publicly administered pension plans, and the contributions are on a legislated mandatory basis. They are defined contribution schemes. A defined contribution scheme is a pension plan under which the Company pays fixed contributions into a separate entity.

The Company has no legal or constructive obligations to pay further contributions if these funds do not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The Company's contributions to the defined contribution schemes are charged to profit or loss in the year to which they relate.

(ii) Other entitlements

The estimated monetary liability for employees' accrued annual leave entitlement at the reporting date is recognised as an expense accrual.

(j) Share capital

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

(k) Dividend distribution

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

(l) Financial Instruments

Financial instruments held by the company are classified in accordance with the provisions of IFRS 9 Financial Instruments. Broadly, the classification possibilities, which are adopted by the company, as applicable, are as follows:

Financial assets which are equity instruments:

- Mandatorily at fair value through profit or loss; or
- Designated as at fair value through other comprehensive income. (This designation is not available to equity instruments which are held for trading or which are contingent consideration in a business combination).

Financial assets which are debt instruments:

TANZANIA TOBACCO PROCESSORS LIMITED

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

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(I) Financial Instruments (Continued)

- Amortised cost. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows); or
- Fair value through other comprehensive income. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is achieved by both collecting contractual cash flows and selling the instruments); or
- Mandatorily at fair value through profit or loss. (This classification automatically applies to all debt instruments which do not qualify as at amortised cost or at fair value through other comprehensive income); or
- Designated at fair value through profit or loss. (This classification option can only be applied when it eliminates or significantly reduces an accounting mismatch).

Derivatives which are not part of a hedging relationship:

- Mandatorily at fair value through profit or loss.

Financial liabilities:

- Amortised cost; or
- Mandatorily at fair value through profit or loss. (This applies to contingent consideration in a business combination or to liabilities which are held for trading); or
- Designated at fair value through profit or loss. (This classification option can be applied when it eliminates or significantly reduces an accounting mismatch; the liability forms part of a group of financial instruments managed on a fair value basis; or it forms part of a contract containing an embedded derivative and the entire contract is designated as at fair value through profit or loss).

Note 7 Financial Risk Management presents the financial instruments held by the Company based on their specific classifications.

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the company are presented below:

TANZANIA TOBACCO PROCESSORS LIMITED

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

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(I) Financial Instruments (Continued)

Loans receivable at amortised cost

Classification

Loans to group companies (note 18) are classified as financial assets subsequently measured at amortised cost.

They have been classified in this manner because the contractual terms of these loans give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the company's business model is to collect the contractual cash flows on these loans.

Loans receivable at amortised cost (Continued)

Recognition and measurement

Loans receivable are recognised when the company becomes a party to the contractual provisions of the loan. The loans are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the loan initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Loans denominated in foreign currencies

When a loan receivable is denominated in a foreign currency, the carrying amount of the loan is determined in the foreign currency. The carrying amount is then translated to the Tanzanian Shilling equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in profit or loss in the other operating gains / (losses) (note 12).

Details of foreign currency risk exposure and the management thereof are provided in the financial risk management disclosures (note 7).

Impairment

The company recognises a loss allowance for expected credit losses on all loans receivable measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective loans.

The company measures the loss allowance at an amount equal to lifetime expected credit losses (lifetime ECL) when there has been a significant increase in credit risk since initial recognition. If the credit risk on a loan has not increased significantly since initial recognition, then the loss allowance for that loan is measured at 12 month expected credit losses (12 month ECL).

TANZANIA TOBACCO PROCESSORS LIMITED

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

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(I) Financial Instruments (Continued)

Impairment (Continued)

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a loan. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a loan that are possible within 12 months after the reporting date.

In order to assess whether to apply lifetime ECL or 12 month ECL, in other words, whether or not there has been a significant increase in credit risk since initial recognition, the company considers whether there has been a significant increase in the risk of a default occurring since initial recognition rather than at evidence of a loan being credit impaired at the reporting date or of an actual default occurring.

Significant increase in credit risk

In assessing whether the credit risk on a loan has increased significantly since initial recognition, the company compares the risk of a default occurring on the loan as at the reporting date with the risk of a default occurring as at the date of initial recognition.

The company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the counterparties operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information.

Irrespective of the outcome of the above assessment, the credit risk on a loan is always presumed to have increased significantly since initial recognition if the contractual payments are more than 30 days past due, unless the company has reasonable and supportable information that demonstrates otherwise.

By contrast, if a loan is assessed to have a low credit risk at the reporting date, then it is assumed that the credit risk on the loan has not increased significantly since initial recognition.

The company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increases in credit risk before the amount becomes past due.

Credit risk

Details of credit risk related to loans receivable are included in the specific notes and the financial risk management disclosures (note 7).

TANZANIA TOBACCO PROCESSORS LIMITED

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

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(I) Financial Instruments (Continued)

Trade and other receivables

Classification

Trade and other receivables, excluding, when applicable, VAT and prepayments, are classified as financial assets subsequently measured at amortised cost (note 18).

They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the company's business model is to collect the contractual cash flows on trade and other receivables.

Recognition and measurement

Trade and other receivables are recognised when the company becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Trade and other receivables denominated in foreign currencies

When trade and other receivables are denominated in a foreign currency, the carrying amount of the receivables are determined in the foreign currency. The carrying amount is then translated to the Rand equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in profit or loss in other operating gains / (losses) (note 12).

Details of foreign currency risk exposure and the management thereof are provided in the financial risk management disclosures (note 7).

Impairment

The company recognises a loss allowance for expected credit losses on trade and other receivables, excluding VAT and prepayments. The amount of expected credit losses is updated at each reporting date.

The company measures the loss allowance for trade and other receivables at an amount equal to lifetime expected credit losses (lifetime ECL), which represents the expected credit losses that will result from all possible default events over the expected life of the receivable.

Credit risk

Details of credit risk are included in the trade and other receivables note (note 18) and the financial risk management note (note 7).

TANZANIA TOBACCO PROCESSORS LIMITED

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

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(I) Financial Instruments (Continued)

Borrowings and loans from related parties

Classification

Loans from group companies (note 22) are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

Borrowings and loans from related parties are recognised when the company becomes a party to the contractual provisions of the loan. The loans are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Interest expense, calculated on the effective interest method, is included in profit or loss in finance costs (note 12).

Borrowings expose the Company to liquidity risk and interest rate risk. Refer to note 7 for details of risk exposure and management thereof.

Loans denominated in foreign currencies

When borrowings are denominated in a foreign currency, the carrying amount of the loan is determined in the foreign currency. The carrying amount is then translated to the Tanzanian Shilling equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in profit or loss in the other operating gains / (losses) (note 12).

Details of foreign currency risk exposure and the management thereof are provided in the specific loan notes and in the financial risk management disclosures (note 7).

Trade and other payables

Classification

Trade and other payables (note 24), excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

They are recognised when the company becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any.

TANZANIA TOBACCO PROCESSORS LIMITED

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

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Financial Instruments (Continued)

Trade and other payables (Continued)

Recognition and measurement (Continued)

They are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

If trade and other payables contain a significant financing component, and the effective interest method results in the recognition of interest expense, then it is included in profit or loss in finance costs (note 12).

Trade and other payables expose the company to liquidity risk and possibly to interest rate risk. Refer to note 7 for details of risk exposure and management thereof.

Trade and other payables denominated in foreign currencies

When trade payables are denominated in a foreign currency, the carrying amount of the payables are determined in the foreign currency. The carrying amount is then translated to the Tanzania Shilling equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in profit or loss in the other operating gains / (losses) (note 12).

Details of foreign currency risk exposure and the management thereof are provided in the financial risk management note (note 7).

Cash and cash equivalents

Cash and cash equivalents are stated at carrying amount which is deemed to be fair value.

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.

(m) Cash and cash equivalents

Cash and cash equivalents include cash in hand, demand and time deposits with banks whose original maturities do not exceed three months and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

TANZANIA TOBACCO PROCESSORS LIMITED

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

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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
- 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.

7. FINANCIAL RISK MANAGEMENT

The Company's principal financial liabilities comprised interest bearing borrowings, and trade and other payables. The main purpose of these financial liabilities is to raise finance for the Company's operations. The Company's financial assets include trade and other receivables and cash and bank balances, which arise directly from its operations. All the Company's financial assets are classified as debt instruments at amortised cost (2017: loans and receivables) while the financial liabilities are classified as financial liabilities at amortised cost.

The main risks arising from the Company's financial instruments are liquidity risk, market risk and credit risk. Market risk comprises interest rate risk, foreign exchange risk and price risk. The Company does not have significant exposure to price risk since no price sensitive financial instruments are held. Policies are reviewed and agreed upon at Company level in order to manage the financial risks as summarised below:

Treasury risk management

The Company does not enter into derivative transactions for trading or speculative purposes.

Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for the owners and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may sell seek for financing from the shareholders or borrow funds from third parties.

TANZANIA TOBACCO PROCESSORS LIMITED

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

7. FINANCIAL RISK MANAGEMENT (Continued)

Capital risk management (Continued)

The capital structure of the Company consists of financial liabilities net of cash and cash equivalents and equity attributable to shareholders. The directors review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on the review, the directors analyse and assess the capital mix to determine the level and the optimality of the financing strategy including the impact on the financial results. The directors consider the source and cost of financing, that is, whether to get financing from shareholders or use credit from third parties, and how the Company's strategy to have sufficient capital will be impacted.

The Company has no externally imposed capital requirements.

Credit risk

Credit risk is the risk that a counter party to a financial instrument will fail to perform or fail to pay amounts due causing financial loss to the Company. Potential concentration of credit risk consists principally of the fellow subsidiary trade debtor which is considered to be recoverable. The Company deposits cash only with regulated banks. With respect to the trade and other receivables that are neither impaired nor past due, there are no indications as of the reporting date that the debtors will not meet their payment obligations.

The maximum exposure to credit risk is as presented below:

	<u>2021</u>	<u>2020</u>
	TZS MIL	TZS MIL
Trade and other receivables (Note 18)	35	197
Cash and bank balances (Note 20)	349	225
	<u>384</u>	<u>422</u>

There are no credit loss allowances (2020: Nil) and the costs are equal to the fair value of the balances.

Foreign currency risk

The Company enters into contracts denominated in foreign currencies primarily United States Dollars ("USD"). In addition, the Company has assets and liabilities denominated in USD. As a result, the Company is subject to transaction and translation exposure from fluctuations in foreign currency exchange rates. Foreign currency risk is managed by billing customers in foreign currency so as to protect the Company from the volatility associated with local currency depreciation. Under this arrangement, increases or decreases in the Company's foreign denominated liabilities are partially offset by gains and losses in foreign denominated debtors. Efforts are also made to ensure significant liabilities are negotiated into local currency with prompt payment of outstanding liabilities.

The Company's exposure to foreign currency risk is mainly to USD which is the foreign currency in which the Company transacts most. The table below discloses the Company's exposure to USD (All amounts are in TZS MIL).

TANZANIA TOBACCO PROCESSORS LIMITED

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

7. FINANCIAL RISK MANAGEMENT (Continued)

Foreign currency risk (Continued)

	Denominated in US\$	
	2021	2020
Financial assets		
Trade and other receivables (Note 18)	-	133
Cash and bank balances (Note 20)	<u>236</u>	<u>94</u>
	236	227
Financial liabilities		
Medium term loan (Note 22)	3,246	7,840
Trade and other payables (Note 24)	<u>4,659</u>	<u>810</u>
	7,905	8,650
Net foreign currency exposure	<u>(7,669)</u>	<u>(8,423)</u>

At 31 March 2021, if the USD had weakened/strengthened by 5% against the TZS with all other variables held constant, the impact on pre-tax profit for the year would have been TZS 384 million higher/lower (2020: TZS 421 million). Exposure to other currencies is not significant. A change in 5% is used when the net foreign currency transaction risk is reported internally to key management personnel to assess reasonably possible change in foreign exchange rates.

Interest rate risk

The Company's income and operating cash flows are substantially independent of changes in market interest rates. The interest rates for the significant borrowings are fixed at the commission of the loan or at the time of renewal.

The table below summarises the exposure to interest rate risk. Included are the Company's financial assets and liabilities at carrying amounts, categorized by the earlier of contractual reprising or maturity dates.

As at 31 March 2021	3 – 12 months	>12 months	Non- interest bearing	Total 2021
	TZS MIL	TZS MIL	TZS MIL	TZS MIL
Financial assets				
Trade and other receivables	-	-	35	35
Cash and bank balances	<u>-</u>	<u>-</u>	<u>349</u>	<u>349</u>
	-	-	384	384
Financial liabilities				
Trade and other payables	-	-	7,816	7,816
Medium term loan	<u>1,855</u>	<u>1,391</u>	<u>-</u>	<u>3,246</u>
	1,855	1,391	7,816	11,062
Interest sensitivity gap	<u>(1,855)</u>	<u>(1,391)</u>		

TANZANIA TOBACCO PROCESSORS LIMITED

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

7. FINANCIAL RISK MANAGEMENT (Continued)

Interest rate risk (Continued)

As at 31 March 2020	3 – 12 months	>12 months	Non- interest bearing	Total 2020
	TZS MIL	TZS MIL	TZS MIL	TZS MIL
Financial assets				
Trade and other receivables	-	-	197	197
Cash and cash equivalents	-	-	225	225
	<u>-</u>	<u>-</u>	<u>422</u>	<u>422</u>
Financial liabilities				
Trade and other payables	-	-	3,155	3,155
Medium term loan	4,612	3,228	-	7,840
	<u>4,612</u>	<u>3,228</u>	<u>3,155</u>	<u>10,995</u>
Interest sensitivity gap	<u>(4,612)</u>	<u>(3,228)</u>		

**TANZANIA TOBACCO PROCESSORS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 MARCH 2021**

7. FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk

Liquidity risk is termed as the risk arising when the Company is unable to meet its obligations from maturing commitments due to insufficient funds. The Company has set the Finance Department which monitors the maturity gap of the Company's assets against maturing liabilities.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Financial liabilities	Up to 3 months		Up to 6 months		Up to 12 months		Up to 1 year		Total
	TZS MIL		TZS MIL		TZS MIL		TZS MIL		
31 March 2021									
Trade and other payables	3,908		2,345		1,563		-		7,816
Medium term loan	502		497		976		1,420		3,395
	4,410		2,842		2,539		1,420		11,211
31 March 2020									
Trade and other payables	1,577		946		632		-		3,155
Medium term loan	1,246		1,232		2,376		3,421		8,275
	2,823		2,178		3,008		3,421		11,430

TANZANIA TOBACCO PROCESSORS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 MARCH 2021

8. REVENUE FROM CONTRACTS WITH CUSTOMERS	2021 TZS MIL	2020 TZS MIL
Tanzania Leaf Tobacco Co. Ltd –		
Shipping/Processing	22	15,675
JTI Leaf Services Ltd	-	14,375
	<u>22</u>	<u>30,050</u>
 9. NATURE OF EXPENSES		
Audit fees	26	173
Cleaning and waste removal	130	304
Communications	49	81
Cost of stock sold	667	-
Depreciation charge (Note 15)	3,573	3,851
Electricity and water	151	1,317
Employee costs (Note 10)	747	7,657
Fuel	18	2,130
Insurance	422	587
Licenses	140	369
Management Fee	187	-
OSHA and ISO	-	53
Other	18	483
Packing materials	-	2,351
Printing	8	55
Processing consumables	4	95
Professional and legal fees	262	288
Rates	143	150
Repairs and maintenance	259	3,000
Security	969	1,213
Travel	22	172
Loss on sale of fixed assets	133	-
	<u>7,928</u>	<u>24,329</u>
 Classified as:		
Cost of sales	-	21,927
Administration costs	7,928	2,402
	<u>7,928</u>	<u>24,329</u>

TANZANIA TOBACCO PROCESSORS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 MARCH 2021

10. EMPLOYEE COSTS	2021 TZS MIL	2020 TZS MIL
Salaries and wages	396	4,572
Allowances	110	587
Bonus net of prior year overprovision	44	529
Statutory social security cost – defined contribution plan	47	574
Other statutory levies	28	313
Training	1	23
Protective clothing	5	272
Canteen costs	-	410
Medical costs	75	289
Other employee benefits	41	88
	<u>747</u>	<u>7,657</u>
11. OTHER INCOME		
Rental income	265	344
Sundry income	785	277
Gain on sale of fixed assets	-	111
Clinic revenue	-	4
	<u>1,050</u>	<u>736</u>
12. FINANCE COSTS AND FOREIGN EXCHANGE (GAIN)/LOSS		
Interest expense (Note 22)	343	512
Foreign exchange losses/(gains)	18	(3)
	<u>361</u>	<u>509</u>
13. INCOME TAX		
Income tax (credit)/charge		
Current income tax charge – current year	-	1,426
Deferred tax (credit)/charge (Note 23)	(2,130)	512
	<u>(2,130)</u>	<u>1,938</u>
Reconciliation of actual tax to the expected tax using the statutory tax rate:		
(Loss)/profit before tax	<u>(7,217)</u>	<u>5,948</u>
Tax at the statutory rate of 30%	(2,165)	1,784
Effect of timing differences	1,375	(186)
Effect of permanent differences	(1,130)	35
Tax loss created/(utilised)	1,920	(207)
Current income tax expense	<u>-</u>	<u>1,426</u>

TANZANIA TOBACCO PROCESSORS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 MARCH 2021

14. EARNINGS PER SHARE

Basic earnings per share amounts is calculated by dividing the profit/(loss) 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 is calculated by dividing the profit/(loss) attributable to ordinary equity holders of the Company 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. The calculation is based on:

	2021	2020
(Loss)/profit attributable to ordinary shareholders (TZS Mil)	<u>(5,087)</u>	<u>4,010</u>
Weighted average number of ordinary shares	<u>6,990</u>	<u>6,990</u>
(Loss)/profit per share (TZS'000/share)	<u>(728)</u>	<u>574</u>

The basic and diluted (loss)/profit per share are the same since there were no diluting shares for the years presented.

TANZANIA TOBACCO PROCESSORS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 MARCH 2021

15. PROPERTY, PLANT AND EQUIPMENT

2021	Buildings TZS MIL	Plant & Machinery TZS MIL	Motor Vehicles TZS MIL	Work-in- progress TZS MIL	Other assets* TZS MIL	Total TZS MIL
Cost						
At 1 April 2020	16,907	46,748	1,158	3,032	4,070	71,915
Disposals	(2)	(5,985)	(777)	(3,032)	(2,490)	(12,286)
At 31 March 2021	16,905	40,763	381	-	1,580	59,629
Depreciation and impairment						
At 1 April 2020	10,833	39,470	1,141	1,510	3,341	56,295
Charge for the year	423	2,939	8	-	203	3,573
Disposal depreciation	(3)	(4,784)	(782)	(1,510)	(2,266)	(9,345)
At 31 March 2021	11,253	37,625	367	-	1,278	50,523
Net carrying amount						
At 31 March 2021	5,652	3,138	14	-	302	9,106
At 31 March 2020	6,074	7,278	17	1,522	729	15,620

*Other assets include computer equipment, office equipment and furniture.

TANZANIA TOBACCO PROCESSORS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 MARCH 2021

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

2020	Buildings	Plant & Machinery	Motor Vehicles	Work-in-progress	Other assets*	Total
	TZS MIL	TZS MIL	TZS MIL	TZS MIL	TZS MIL	TZS MIL
Cost						
At 1 April 2019	16,890	46,471	1,629	3,364	3,654	72,008
Additions	-	-	-	409	-	409
Transfers	25	277	23	(741)	416	-
Disposals	(8)	-	(494)	-	-	(502)
At 31 March 2020	16,907	46,748	1,158	3,032	4,070	71,915
Depreciation and impairment						
At 1 April 2019	10,415	36,323	1,604	1,510	3,090	52,942
Charge for the year	422	3,147	31	-	251	3,851
Disposal depreciation	(4)	-	(494)	-	-	(498)
At 31 March 2020	10,833	39,470	1,141	1,510	3,341	56,295
Net carrying amount						
At 31 March 2020	6,074	7,278	17	1,522	729	15,620
At 31 March 2019	6,475	10,148	25	1,854	564	19,066

*Other assets include computer equipment, office equipment and furniture and clinic equipment.

TANZANIA TOBACCO PROCESSORS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 MARCH 2021

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Company has assets with original cost of TZS 17,255 million (2020: TZS 18,750 million) as summarised below, which have been fully depreciated but continued to be utilised in the generation of income.

Asset group	Original cost	
	2021	2020
	TZS MIL	TZS MIL
Plant and machinery	16,246	15,424
Motor vehicles	358	1,073
Other assets	651	2 253
Total	17,255	18,750

The directors resolved to cease operations after the 2019/20 tobacco season and thereafter remain dormant for an unspecified period. Consequently, in 2019, non-financial assets were tested for impairment. The recoverable amount was determined using the fair value less costs to sell. The fair value was determined by discounting the estimated future cash flows from use of the assets for one tobacco processing cycle and the estimated proceeds from sale of the assets thereafter. The discount rate used was 16%.

The processing fees agreed with the Company's customers were used in the determination of the expected proceeds from processing tobacco. The proceeds from disposal of land and buildings were determined by a professional valuer, Knight Frank, while the proceeds from disposal of the other assets were estimated by management.

No further impairment was deemed necessary for 2021.

16. PREPAID LAND RENTALS

Land rights (right of occupancy)	1,126	1,133
Disposal	-	(6)
Impairment	(490)	(493)
	636	634

The land rights are for 99 years and are renewable. Refer to the disclosures under Note 15 on impairment of non-financial assets.

17. INVENTORIES

Inventories comprise of:

Spares	4,705	5,281
Packing materials	29	81
Fuel, protective clothing and consumables	315	275
	5,049	5,637

Total inventories are stated at the lower of cost and net realisable value.

No inventories were written down during the year (2020: Nil)

TANZANIA TOBACCO PROCESSORS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 MARCH 2021

	2021 TZS MIL	2020 TZS MIL
18. TRADE AND OTHER RECEIVABLES		
Financial instruments		
Staff debtors	-	36
Amount due from related company (Note 25)	-	20
Sundry debtors	35	141
Total financial instruments	<u>35</u>	<u>197</u>
Non-financial instruments		
Prepayments	121	243
VAT recoverable and other tax objection deposits	728	640
Total non-financial instruments	<u>849</u>	<u>843</u>
Total trade and other receivables	<u>884</u>	<u>1,080</u>
Total trade and other receivables split as follows:		
Current	884	1,080
Non-current	-	-
	<u>884</u>	<u>1,080</u>
Financial instruments split as follows:		
Denominated in local currency	35	64
Denominated in foreign currency	-	133
Total financial instruments	<u>35</u>	<u>197</u>
Trade and other receivables are non-interest bearing and are generally on 30-day terms. No expected credit losses have been recognised as the probability of default of the counterparties is insignificant.		
The ageing analysis of trade and other receivables is as follows:		
Current – not past due	108	127
30 days	59	218
60 days	59	121
90 days	116	41
Over 120 days	542	573
	<u>884</u>	<u>1,080</u>
19. CORPORATION TAX RECEIVABLE		
At 1 April	3,242	3,208
Current year charge (Note 13)	-	(1,426)
Paid during the year	22	1,460
At 31 March	<u>3,264</u>	<u>3,242</u>

TANZANIA TOBACCO PROCESSORS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 MARCH 2021

20. CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flows, the year-end cash and cash equivalents comprise the following:

	2021 TZS MIL	2020 TZS MIL
Local currency	113	131
Foreign currency	236	94
	<u>349</u>	<u>225</u>

The Company had an overdraft facility of US\$ 250,000 with Standard Chartered Bank Tanzania Limited. The purpose of the overdraft facility is to finance working capital requirements. The facility is secured for US\$ 312,500, under a guarantee from the ultimate parent company. Interest is payable at the 6-month LIBOR rate plus 4.5% per annum calculated on the daily overdrawn balances and payable monthly in arrears. The effective interest rate for the year was 5% (2020: 5%). The facility expired on 31st March 2021 and has not been renewed.

The undrawn facility at 31 March 2021 was US\$ 250,000 (2020: US\$ 750,000).

Cash at bank earns interest at floating rates based on the daily bank deposit rates.

21. SHARE CAPITAL

	2021 TZS MIL	2020 TZS MIL
Authorised share capital		
10,000 ordinary shares of TZS 1,000,000 each	<u>10,000</u>	<u>10,000</u>
Issued share capital		
Issued and fully paid 6,990 ordinary shares of TZS 1,000,000 each	<u>6,990</u>	<u>6,990</u>

22. MEDIUM TERM UNSECURED LOANS

Universal Leaf Tobacco Co. Inc.		
Non - current portion	1,391	3,228
Current portion: recognised under current liabilities	<u>1,855</u>	<u>4,612</u>
	<u>3,246</u>	<u>7,840</u>

TANZANIA TOBACCO PROCESSORS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 MARCH 2021

22. MEDIUM TERM UNSECURED LOANS (Continued)

The Company has one remaining loan with the holding company as follows:

- Loan 1 of US\$ 8,400,000 was to finance the purchase of plant and machinery in the 2015 financial year. The remaining balance at 31 March 2021 was US\$ Nil.
- Loan 2 of US\$ 5,400,000 was to finance the purchase of new warehousing and tobacco handling equipment in the 2020 financial year. The remaining balance as at 31 March 2021 was US\$ 1,400,000, repayable in 7 quarterly instalments of US\$ 200,000.

Both loans attract an interest rate of 5% per annum charged on the quarter end balance and are unsecured. The movement in the loans was as follows:

	Loan 1 TZS MIL	Loan 2 TZS MIL	Total TZS MIL
At 31 March 2021			
Opening balance			
Principal amount	2,767	5,073	7,840
Interest accrued	107	236	343
Principal paid	(2,744)	(1,830)	(4,574)
Interest paid	(107)	(236)	(343)
Foreign exchange differences	(23)	3	(20)
Closing balance	<u>-</u>	<u>3,246</u>	<u>3,246</u>
	Loan 1 TZS MIL	Loan 2 TZS MIL	Total TZS MIL
At 31 March 2020			
Opening balance			
Loan balance	5,554	6,924	12,478
Interest accrued	212	300	512
Principal paid	(2,738)	(1,817)	(4,555)
Interest paid	(211)	(300)	(511)
Foreign exchange differences	(50)	(34)	(84)
Closing balance	<u>2,767</u>	<u>5,073</u>	<u>7,840</u>

TANZANIA TOBACCO PROCESSORS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 MARCH 2021

	2021	2020
	TZS MIL	TZS MIL
23. DEFERRED TAX LIABILITY		
Details of the deferred tax liability are as follows:		
Movement in the deferred tax liability		
At 1 April	2,130	1,618
(Credit)/charge for the year	<u>(2,130)</u>	<u>512</u>
Net deferred tax liability at 31 March	<u>-</u>	<u>2,130</u>
The net deferred tax liability is made up as follows:		
Accelerated capital allowances	1,735	2,461
Unrealised foreign exchange losses	(82)	(331)
Tax losses carried forward	<u>(1,653)</u>	<u>-</u>
	<u>-</u>	<u>2,130</u>
24. TRADE AND OTHER PAYABLES		
Financial instruments		
Trade payables	12	425
Sundry payables and accruals	99	88
Due to related companies (Note 25)	7,705	2,642
Total financial instruments	<u>7,816</u>	<u>3,155</u>
Non-financial instruments	<u>-</u>	<u>-</u>
Total trade and other payables	<u>7,816</u>	<u>3,155</u>
Financial instruments split as follows:		
Denominated in local currency	3,157	2,345
Denominated in foreign currency	4,659	810
	<u>7,816</u>	<u>3,155</u>

The payables are non-interest bearing and are on 30 days settlement terms.

TANZANIA TOBACCO PROCESSORS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 MARCH 2021

25. RELATED PARTY DISCLOSURES

The holding company is Universal Leaf Tobacco Company Inc., a company incorporated in Richmond, Virginia, U.S.A. Transactions and balances with related parties during the year were as follows:

	<u>2021</u>	<u>2020</u>
	TZS MIL	TZS MIL
Sales to related company:		
Tanzania Leaf Tobacco Company Limited	22	15,675
Interest paid to related parties:		
Tanzania Leaf Tobacco Company Limited – Management Fee	187	-
Universal Leaf Tobacco Co. Inc. - Interest	343	511
Amount due to related companies:		
Tanzania Leaf Tobacco Company	7,705	2,642
	<u>7,705</u>	<u>2,642</u>

Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided for the above related party payables.

The ultimate parent company provided a guarantee for the Company's overdraft facility as disclosed in Note 20.

Loan due to related party:		
Universal Leaf Tobacco Co. Inc.	3,246	7,840

Refer to Note 22 for the terms and conditions of this loan.

Amount due from related company:		
Mozambique Leaf Tobacco Company/ Limbe Leaf Tobacco Company	-	20

Compensation for key management personnel:

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including the directors. The compensation for key management personnel including executive directors was as follows:

Salaries and other short-term benefits	225	1,964
Post-employment benefits	22	242
	<u>247</u>	<u>2,206</u>

Non-executive directors' remuneration

No remuneration was paid to non-executive directors during the year (2020: Nil).

TANZANIA TOBACCO PROCESSORS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 MARCH 2021

26. CASH GENERATED FROM OPERATIONS	Notes	2021	2020
		TZS MIL	TZS MIL
(Loss)/profit before tax		(7,217)	5,948
Adjustment for non-cash items:			
Depreciation charge	15	3,573	3,851
Unrealised exchange gains		(20)	(84)
Loss/(gain) on disposal of fixed assets	9&11	133	(111)
Interest expense	12	343	512
Working capital changes:			
Decrease in inventories		588	1,698
Decrease in trade and other receivables		196	71
Increase/(decrease) in trade and other payables		4,661	(5,459)
		2,257	6,426

27. COMMITMENTS

The Company had no capital commitments as at the year-end (2020: None).

28. CONTINGENT LIABILITIES

Litigation

As at 31 March 2021, the Company had no unresolved cases involving staff disputes.

Taxation

The normal procedure for agreeing final income tax liabilities in Tanzania involves the Company filing its final income tax self-assessment return with the Tanzania Revenue Authority (TRA) followed by TRA performing its review of the Company's submissions and issuing notice of final income tax assessment to the Company. The TRA final income tax assessment as may be determined after the TRA review and/or audit may differ from the Company's self-assessment. The Tanzania tax laws stipulate the tax assessment objection and appeal procedures that the Company may follow in case of disagreement with the TRA assessments. It is possible that the timeframe between the Company's self-assessment and TRA issuing its notice of final tax assessment may be several months or years.

The Company duly submitted the final income tax self-assessment returns for all the prior years. TRA has issued tax assessments up to the 2018 financial year. The Company objected to and then appealed against the tax assessments for the financial years 2006 to 2008 amounting to TZS 1,988 million. The Company has also objected to and then appealed against the tax assessments for the financial years 2009 to 2011 amounting to TZS 531 million.

**TANZANIA TOBACCO PROCESSORS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 MARCH 2021**

28. CONTINGENT LIABILITIES (Continued)

Taxation (Continued)

The TRA have issued an assessment for withholding tax on imported services of TZS 9,9 million covering the years 2014 to 2016. The company objected to this assessment. The TRA have not yet responded to this objection. The directors have assessed, based on advice by the Company's tax consultants and lawyers, the status of the open withholding tax assessments and do not anticipate liabilities that may have a material impact on the Company's financial statements.

The TRA have issued a VAT assessment for TZS 4,179 million covering the years 2014 to 2016. The Company objected to this assessment. The TRA did not accept the grounds for objection and the matter is now with the Tanzania Revenue Appeals Board.

The directors have assessed, based on advice by the Company's tax consultants and lawyers, the status of the above open tax assessments and do not anticipate liabilities that may have a material impact on the Company's financial statements.

29. EMPLOYEES

The average number of permanent employees for the year was 16 (2020: 67).

30. FAIR VALUE

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

31. ULTIMATE HOLDING COMPANY

The Company's ultimate holding company is Universal Corporation, a company incorporated in Richmond, Virginia, United States of America.

32. EVENTS AFTER THE REPORTING PERIOD

COVID-19 pandemic

The COVID-19 pandemic continued to affect countries and businesses at the time of issuing these financial statements. The risks arising from this pandemic could include market, services and supply chain disruptions, unavailability of key personnel, locations being quarantined, among others. The directors have assessed that, at the time of issuing this report, it was impracticable to quantitatively determine and disclose the extent of the possible effects of the pandemic on the Company. However, the directors expect that the Company will not be significantly impacted considering that the Company is expected to be inactive for an unspecified period.

There are no other events subsequent to the reporting period that require disclosure in or adjustment to the financial statements.