

**TANZANIA LEAF TOBACCO COMPANY LIMITED**

**ANNUAL REPORT**

**AND**

**AUDITED FINANCIAL STATEMENTS**

**31 MARCH 2022**

# TANZANIA LEAF TOBACCO COMPANY LIMITED

## ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

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## **TANZANIA LEAF TOBACCO COMPANY LIMITED**

### **GENERAL INFORMATION FOR THE YEAR ENDED 31 MARCH 2022**

#### **PRINCIPAL PLACE OF BUSINESS**

Mazimbu Road  
Morogoro  
Tanzania

#### **MAIN 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  
Certified Public Accountants  
4<sup>th</sup> Floor, Tanhouse Tower,  
Plot No. 34/1, Ursino South  
New Bagamoyo Road  
P. O. Box 2475  
Dar es Salaam

# TANZANIA LEAF TOBACCO COMPANY LIMITED

## DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2022

### 1. INTRODUCTION

The Directors submit their report together with the audited financial statements for the year ended 31 March 2022, which disclose the state of affairs of Tanzania Leaf Tobacco Company Limited (the "Company").

Subsequent to the year end on 18<sup>th</sup> June 2022, the Company changed its name to Mkwawa Leaf Tobacco Limited.

### 2. INCORPORATION

The Company is incorporated in Tanzania under the Companies Act, 2002 as a private company limited by shares.

### 3. PRINCIPAL ACTIVITIES

The company is currently not trading. The principal activities of the Company was the contracting of grower co-operatives for the purchase of leaf tobacco, procuring and overseeing the primary processing of the tobacco, and the sale of the processed tobacco for the export and local market. The Company wrote off its investment in its subsidiary company being a 65% shareholding in Association of Tanzania Tobacco Traders Limited (ATTT) in the prior year. The subsidiary company is now in the final stages of liquidation.

Performance during the year was as follows:

	<b>Actual tonnage sold</b>	
	<b>2022</b>	<b>2021</b>
Virginia Flue Cured	-	2,583

#### **Principal activities of the subsidiary**

The subsidiary company's principal activities until 30 September 2015 were to administer tobacco purchases, assist in the transport logistics of moving the tobacco purchases from the market centres to Morogoro, coordinate grower relations through the co-operative primary societies and assist the dealers in executing their agronomy programmes. From 1 October 2015, the subsidiary was restructured, and the functions of coordinating grower relations and the agronomy programmes were taken over by the subsidiary company's shareholders. The subsidiary's operations ceased in February 2017 and all staff were retrenched as at 28 February 2017. The subsidiary went into voluntary liquidation on 31<sup>st</sup> January 2021. The directors believe that no proceeds will be realised from the liquidation process and the investment in the subsidiary was written off in the year ending 31 March 2021.

The results and financial position of the subsidiary are not consolidated in these financial statements.

### 4. MISSION AND VISION STATEMENT

When the Company was operating it strived to be the supplier of choice to purchasers of leaf tobacco and tobacco-related services, while maintaining a competitive rate of return on required resources and honouring its core values of integrity, professionalism, and loyalty.

# TANZANIA LEAF TOBACCO COMPANY LIMITED

## DIRECTORS' REPORT (Continued) FOR THE YEAR ENDED 31 MARCH 2022

### 5. DIRECTORS

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

<u>Name</u>	<u>Position</u>	<u>Nationality</u>	<u>Alternate</u>	<u>Age</u>	<u>Profession</u>
<u>Directors</u>					
CR Stonebridge	Member	British		63	Chartered Accountant
AM Huwel – Appointed 3 June 2022	Member	Tanzanian		42	Businessman
RE Micklem – Appointed 1 March 2022 – Resigned 3 June 2022	Member	South African	F Fedetto	40	Business Management Specialist
DR Meisel – Appointed 1 March 2022 – Resigned 3 June 2022	Member	South African	F Fedetto	56	Chartered Accountant
GS Taylor – Resigned 1 March 2022	Member	South African		58	Agricultural Economist
NS Marlborough – Resigned 1 March 2022	Member	British		60	Lawyer
RA Sinamtwa – Resigned 31 March 2022	Member	Tanzanian		57	Lawyer

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

#### Company Secretary

CR Stonebridge

### 6. CORPORATE GOVERNANCE

The Board of 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.

## TANZANIA LEAF TOBACCO COMPANY LIMITED

### DIRECTORS' REPORT (Continued) FOR THE YEAR ENDED 31 MARCH 2022

#### 6. CORPORATE GOVERNANCE (Continued)

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

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:

- (a) The effectiveness and efficiency of operations;
- (b) The safeguarding of the Company's assets;
- (c) Compliance with applicable laws and regulations;
- (d) The reliability of accounting records;
- (e) Business sustainability under normal as well as adverse conditions; and
- (f) Responsible behaviour towards all stakeholders.

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 financial year and is of the opinion that they met accepted criteria.

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

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

#### 7. MANAGEMENT TEAM

The management of the Company is under the Financial Director and is organised under the following departments:

- (a) Finance and Administration Department;
- (b) Legal and Corporate Affairs;
- (c) Information Technology Department; and
- (d) Human Resources Department.

#### 8. CAPITAL STRUCTURE

The Company's capital structure as at 31 March 2022 was as shown below:

##### **Authorised**

200,005 ordinary shares of TZS 20 each (2021: 200,005 ordinary shares of TZS 20 each).

##### **Issued and fully paid**

1,000 ordinary shares of TZS 20 each (2021: 1,000 ordinary shares of TZS 20 each).

## TANZANIA LEAF TOBACCO COMPANY LIMITED

### DIRECTORS' REPORT (Continued) FOR THE YEAR ENDED 31 MARCH 2022

#### 9. COMPANY SHAREHOLDING

As at 31 March 2022, the Company shares were owned by Continental Tobacco S.A. and Ultoco Services S.A., both incorporated in Switzerland as follows:

Shareholder	No. of shares	Shareholding (%)
Continental Tobacco S.A.	999	99.9
Ultoco Services S.A.	1	0.1
	<u>1,000</u>	<u>100</u>

Note 24 below discloses the changes in the shareholding structure of the Company subsequent to the year-end.

#### 10. OPERATIONAL AND FINANCIAL REVIEW

##### *Performance for the year*

The Company did not have any turnover during the financial year ended 31 March 2022 which is down 100% compared to the prior year due to a 100% decrease in volume of operation as the Company did not trade during the year.

The Company incurred an operating loss of TZS 4.413 billion (2021: Loss of TZS 4.464 billion). The marginal decrease in operating loss of TZS 0.045 billion is mainly due to the decrease in gross profit of TZS 2.551 billion, as the company did not trade during the year, which was offset by the decrease in administrative and other expenses of TZS 2.596 billion. The main reason for this decrease is the decrease in staff costs and other operating expenses as the Company was not fully operational in 2021/2022.

##### *Industry and business environment*

The Company was part of Universal Corporation, which is the world's leading leaf tobacco merchant and processor. The majority of the Company's products were exported and therefore the Company operated in an environment of world-wide market over/under supply conditions and price competitiveness. The Company did not contract for tobacco in the 2021/2022 financial year. As a result of the sale of the company to AMY Holdings the company will resume operations in the new financial year.

##### *Future developments*

The Company plans to restart full operations in the next financial year, which will now also include processing activities in the factory, which will be leased from Tanzania Tobacco Processors Limited – a sister company.

# TANZANIA LEAF TOBACCO COMPANY LIMITED

## DIRECTORS' REPORT (Continued) FOR THE YEAR ENDED 31 MARCH 2022

### 11. RESULTS AND DIVIDENDS

The loss after tax for the year of TZS 3.65 billion has been deducted from the shareholders' equity (2021: loss after tax of TZS 4.46 billion). The Directors are not currently discussing a possible dividend with the shareholders.

### 12. RESOURCES

Employees with appropriate skills and experience in running the business are a key resource available to the Company and they assist in pursuing the Company's business objectives.

### 13. PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks that may significantly affect the Company's strategies and development are mainly operational, fraud and financial risks. Below is a description of these risks:

#### **Operational risk**

The Company faces the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Some of the operational risks include poor employment practices such as discrimination, health and safety, compensation, clients and services delivery, damage to assets by natural disasters and terrorism, theft, business disruption and system failures, and other execution, delivery and process management failures.

#### **Fraud risk**

The Company's activities expose it to a variety of fraud risks that may be perpetrated by members of the public, contractors, employees, or other stakeholders to gain by deceit, financial or other benefits. The key risk areas are identified, and controls have been put in place to reduce the likelihood of occurrence. Also, a reward system has been put in place to reward staff and third parties (e.g. employees under sub-contractors) that will help to reveal to top management the fraudsters and their activities.

#### **Financial risk**

The Company's activities expose it to a variety of financial risks and the activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. More details on the financial risks facing the Company are presented in Note 3 to the financial statements.

### 14. SERIOUS PREJUDICIAL MATTERS

In the opinion of the Directors, there are no serious prejudicial matters that can affect the Company.

# TANZANIA LEAF TOBACCO COMPANY LIMITED

## DIRECTORS' REPORT (Continued) FOR THE YEAR ENDED 31 MARCH 2022

### 15. SOLVENCY

The Directors consider the Company's solvency position as shown in the statement of financial position to be satisfactory.

### 16. WELFARE OF EMPLOYEES

#### **Relationship between management and employees**

There were continued good relations between employees and management 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.

#### **Training facilities**

In addition to training organised by the Company at no cost, during the year, a total of TZS 2.3 million was used for staff training in order to improve employee technical skills and hence effectiveness (2021: TZS 2.0 million).

#### **Medical assistance**

All members of staff with their immediate family members were availed full medical coverage.

#### **Health and safety**

The Company has a strong safety and security section which ensures that a culture of safety prevails 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.

#### **Financial assistance to staff**

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

#### **Persons with disabilities**

Applications for employment by persons with disabilities 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 National Social Security Fund, a publicly administered pension plan on a mandatory basis which qualifies to be a defined contribution plan.

## **TANZANIA LEAF TOBACCO COMPANY LIMITED**

### **DIRECTORS' REPORT (Continued) FOR THE YEAR ENDED 31 MARCH 2022**

#### **17. GENDER PARITY**

As at 31 March 2022, the Company had 28 employees, out of whom 8 were female and 20 were male (2021: total of 22 employees, out of which 6 were female and 16 were male).

#### **18. POLITICAL AND CHARITABLE DONATIONS**

The Company did not make any political donations during the year (2021: None).

#### **19. CORPORATE SOCIAL RESPONSIBILITY**

As the Company was not operating it did not participate in any Corporate Social Responsibility programmes (2021: Supported tobacco growing areas by providing lights for a community sports facility and masks for district hospitals and clinics).

#### **20. RELATIONSHIP WITH STAKEHOLDERS**

The Company continued to maintain a good relationship with all stakeholders including the regulators.

#### **21. RELATED PARTY TRANSACTIONS AND BALANCES**

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

#### **22. GOING CONCERN CONSIDERATIONS**

The Company incurred a loss TZS 3,654 million during the year ended 31 March 2022. However, as at that date, the Company's current and total assets exceed its current and total liabilities by TZS 17,454 million and TZS 23,081 million respectively.

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 the new shareholders will restart operations and will provide sufficient working capital for these operations.

#### **23. IMPACT OF 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 the Company's resumed operations will not be significantly impacted by COVID-19 in the year ending 31 March 2023. COVID-19 did not have an impact on the judgements, estimates and assumptions applied by the Company.

# TANZANIA LEAF TOBACCO COMPANY LIMITED

## DIRECTORS' REPORT (Continued) FOR THE YEAR ENDED 31 MARCH 2022

### 24. EVENTS AFTER THE REPORTING PERIOD

#### Acquisition by AMY Holdings Limited

On 03<sup>rd</sup> June 2022, the shareholders of Tanzania Leaf Tobacco Company Limited sold the shares in the company to AMY Holdings Limited, a company based in Tanzania. The Company is therefore no longer part of the Universal Corporation Group.

The Company's shareholding structure disclosed on Note 9 above has changed as follows as a result of this acquisition:

<u>Shareholder</u>	<u>No. of shares</u>	<u>Shareholding (%)</u>
AMY Holdings Limited	9,998	99.9%
Yusra M Huwel	1	0.1%
	<u>10,000</u>	<u>100%</u>

As a result of this acquisition, on 18<sup>th</sup> June 2022, the Company changed its name to Mkwawa Leaf Tobacco Limited.

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

### 25. AUDITOR

Ernst & Young was the Company's auditor for the year ended 31 March 2022 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 2023 will be considered at the Annual General Meeting.

### BY ORDER OF THE BOARD

  
\_\_\_\_\_  
Director – CR Stonebridge

19<sup>th</sup> August 2022  
Date

## **TANZANIA LEAF TOBACCO COMPANY LIMITED**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31 MARCH 2022**

The Tanzania Companies Act, CAP 212 No. 12 of 2002 (the "Companies Act") 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. It also requires the Directors to ensure that the Company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company. 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 the requirements of the Companies Act.

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 the requirements of the Companies Act. 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.



**Director – CR Stonebridge**

**19<sup>th</sup> August 2022**  
**Date**

## TANZANIA LEAF TOBACCO COMPANY LIMITED

### DECLARATION BY THE HEAD OF FINANCE FOR THE YEAR ENDED 31 MARCH 2022

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

It is the duty of a professional accountant to assist the Board of Directors to discharge the responsibility of preparing 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 Leaf Tobacco Company Limited hereby acknowledge my responsibility of ensuring that the financial statements for the year ended 31 March 2022 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 Leaf Tobacco Company 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: 19<sup>th</sup> August 2022

**REPORT OF THE INDEPENDENT AUDITOR  
To the members of Tanzania Leaf Tobacco Company Limited**

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

***Opinion***

We have audited the financial statements of Tanzania Leaf Tobacco Company Limited (the "Company") set out on pages 16 to 56, which comprise the statement of financial position as at 31 March 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and 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 Leaf Tobacco Company Limited as at 31 March 2022, 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.

***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 Leaf Tobacco Company 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 Leaf Tobacco Company 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 (FCPA 867)**  
**Partner**  
**For and on behalf of Ernst & Young**  
**Certified Public Accountants**  
**Dar es Salaam, Tanzania**

Date: 02/09 2022

**TANZANIA LEAF TOBACCO COMPANY LIMITED**

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 MARCH 2022**

	Note	<u>2022</u> TZS' M	<u>2021</u> TZS' M
Revenue from contracts with customers	5	-	23,735
Cost of sales	6	-	<u>(21,184)</u>
<b>Gross profit</b>		-	<b>2,551</b>
Administrative expenses	6	(4,524)	(7,433)
Other operating gains	6	117	165
Other Gains/(losses)	8	<u>(6)</u>	<u>259</u>
<b>Operating loss</b>		<b>(4,413)</b>	<b>(4,458)</b>
Finance costs	9	<u>-</u>	<u>(6)</u>
<b>Loss before income tax</b>		<b>(4,413)</b>	<b>(4,464)</b>
Income tax credit	10(a)	<u>759</u>	<u>-</u>
<b>Loss for the year</b>		<b>(3,654)</b>	<b>(4,464)</b>
Other comprehensive income		<u>-</u>	<u>-</u>
<b>Total comprehensive loss for the year, net of tax</b>		<u><b>(3,654)</b></u>	<u><b>(4,464)</b></u>

**TANZANIA LEAF TOBACCO COMPANY LIMITED**

**STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2022**

	<u>Note</u>	<u>2022</u> <u>TZS' M</u>	<u>2021</u> <u>TZS' M</u>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	11	4,847	5,042
Prepaid land rentals	12	780	794
Deferred tax asset	13	-	-
		<u>5,627</u>	<u>5,836</u>
<b>Current assets</b>			
Trade and other receivables	14	18,912	22,510
Current income tax recoverable	10(b)	1,426	689
Cash and bank balances	15	248	272
		<u>20,586</u>	<u>23,471</u>
<b>TOTAL ASSETS</b>		<u>26,213</u>	<u>29,307</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	16(a)	-	-
Retained earnings		5,958	9,612
Other reserve	16(b)	17,123	17,123
		<u>23,081</u>	<u>26,735</u>
<b>Current liabilities</b>			
Trade and other payables	17	2,965	2,402
Provisions for other liabilities and charges	18	167	170
		<u>3,132</u>	<u>2,572</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>26,213</u>	<u>29,307</u>

The financial statements were authorised for issue by the Board of Directors on 19<sup>th</sup> August 2022 and were signed on its behalf by:

  
**CR Stonebridge**  
 Director

**TANZANIA LEAF TOBACCO COMPANY LIMITED**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MARCH 2022**

	<u>Share capital</u> TZS' M	<u>Retained earnings</u> TZS' M	<u>Other reserve</u> TZS' M	<u>Total</u> TZS' M
Balance as at 1 April 2021	-	9,612	17,123	26,735
Total comprehensive loss for the year, net of tax	-	(3,654)	-	(3,654)
<b>Balance as at 31 March 2022</b>	<b>-</b>	<b>5,958</b>	<b>17,123</b>	<b>23,081</b>
Balance as at 1 April 2020	-	14,076	17,123	31,199
Total comprehensive loss for the year, net of tax	-	(4,464)	-	(4,464)
<b>Balance as at 31 March 2021</b>	<b>-</b>	<b>9,612</b>	<b>17,123</b>	<b>26,735</b>

**TANZANIA LEAF TOBACCO COMPANY LIMITED**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH 2022**

	<b>2022</b>	<b>2021</b>
<b>Note</b>	<b>TZS' M</b>	<b>TZS' M</b>
<b>Operating activities</b>		
Cash generated by / (used in) operations	21      205	(1,205)
Bonus paid	18      (310)	(213)
Current income tax paid	10(c)      (36)	(34)
Interest paid	-	(6)
	<u>(141)</u>	<u>(1,458)</u>
<b>Investing activities</b>		
Proceeds from disposals of property, plant and equipment	117	594
	<u>117</u>	<u>594</u>
<b>Net cash flows from investing activities</b>		
	<u>(24)</u>	<u>(864)</u>
<b>Net decrease in cash and cash equivalents</b>		
	(24)	(864)
<b>Movement in cash and cash equivalents</b>	272	1,136
At the beginning of the year	<u>272</u>	<u>1,136</u>
<b>At the end of the year</b>	<b>15      248</b>	<b>272</b>

## **TANZANIA LEAF TOBACCO COMPANY LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022**

#### **1. GENERAL INFORMATION**

The financial statements of Tanzania Leaf Tobacco Company Limited (the "Company") for the year ended 31 March 2022 were authorised for issue in accordance with a resolution of the Board of Directors as indicated under the statement of financial position. The Company is a limited liability company incorporated and domiciled in Tanzania. Further information on the Company is disclosed on page 2 and in the Directors' Report.

#### **2. 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) Basis of preparation**

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 on the historical basis and comply with the requirements of the Companies Act, CAP 212 Act No. 12 of 2002, of Tanzania. The financial statements are presented in Tanzanian Shillings (TZS), rounded to the nearest million (TZS'M) except where otherwise indicated.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

##### **(b) Going concern**

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

##### **(c) New and amended standards effective during the year**

In the current year, the following amendment became effective for the current financial year. The relevance and impact of this amendment to the Company's operations and financial statements is as described below.

## TANZANIA LEAF TOBACCO COMPANY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2022

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### (c) New and amended standards effective during the year (Continued)

###### **Covid-19-Related Rent Concessions beyond 30 June 2021 – Amendments to IFRS 16** *(Effective for annual periods beginning on or after 1 April 2021)*

In March 2021, the Board amended the conditions of the practical expedient in IFRS 16 that provides relief to lessees from applying the IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the covid-19 pandemic.

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.

Following the amendment, the practical expedient now applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. Lessees will apply the amendment retrospectively, recognising the cumulative effect of initially applying it 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 they first apply the amendment.

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.

##### (d) New and amended standards and interpretations 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 accounting periods beginning on or after 1 April 2022 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 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)

## TANZANIA LEAF TOBACCO COMPANY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2022

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### (d) New and amended standards and interpretations not yet effective (Continued)

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

- 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 2024)**

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 must be applied retrospectively. The Company is currently assessing the impact of the amendments.

###### **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.

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.

## TANZANIA LEAF TOBACCO COMPANY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2022

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### (d) New and amended standards and interpretations not yet effective (Continued)

###### **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 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 not expected to have a material impact on the Company.

###### **Definition of Accounting Estimates - Amendments to IAS 8 (Effective for reporting periods beginning on or after 1 January 2023)**

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of ‘accounting estimates’. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 MARCH 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) New and amended standards and interpretations not yet effective (Continued)

**Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2 (Effective for reporting periods beginning on or after 1 January 2023)**

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Company is currently assessing the impact of the amendments to determine the impact they will have on the Company's accounting policy disclosures.

**IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities (Effective for reporting periods beginning on or after 1 January 2022)**

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received by the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

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

**IAS 41 Agriculture – Taxation in fair value measurements (Effective for reporting periods beginning on or after 1 January 2022)**

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued amendment to IAS 41 Agriculture. The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted.

The amendments are not applicable to the Company.

## TANZANIA LEAF TOBACCO COMPANY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2022

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### (d) New and amended standards and interpretations not yet effective (Continued)

###### **Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12 (Effective for annual periods beginning on or after 1 January 2023)**

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability.

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

##### (e) 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:

## TANZANIA LEAF TOBACCO COMPANY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2022

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### (e) Revenue recognition (Continued)

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

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

##### Contract 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.

##### (f) 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.

## TANZANIA LEAF TOBACCO COMPANY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2022

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### (g) 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.

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>Years</u>
Buildings	8 – 50
Motor vehicles	4 – 5
Furniture, machinery & equipment	8 – 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.

##### (h) 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 LEAF TOBACCO COMPANY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2022

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### (i) 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.

##### (j) 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 MARCH 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Taxation (Continued)

**Deferred tax (Continued)**

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.

**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.

## TANZANIA LEAF TOBACCO COMPANY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2022

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### (k) 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.

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.

**TANZANIA LEAF TOBACCO COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 MARCH 2022**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(l) Employees benefits**

*(i) Retirement benefit obligations*

The Company pays contributions to the statutory National Social Security Fund (NSSF). This is a publicly administered pension plan, 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 the fund does 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.

**(m) 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.

**(n) 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.

## TANZANIA LEAF TOBACCO COMPANY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2022

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### (o) 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:

- 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 3 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 LEAF TOBACCO COMPANY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2022

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### (o) Financial Instruments (Continued)

###### Loans receivable at amortised cost

###### Classification

Loans to group companies (Note 14) 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.

###### 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 8).

Details of foreign currency risk exposure and the management thereof are provided in the financial risk management (Note 3).

###### 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).

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.

## TANZANIA LEAF TOBACCO COMPANY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2022

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### (o) Financial Instruments (Continued)

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 (Note 3).

##### **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 14).

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.

## TANZANIA LEAF TOBACCO COMPANY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2022

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### (o) Financial Instruments (Continued)

###### 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 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 other operating gains / (losses) (Note 8).

Details of foreign currency risk exposure and the management thereof are provided in the financial risk management (Note 3).

###### 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 17) and the financial risk management note (Note 3).

###### Borrowings and loans from related parties

###### Classification

Loans from group companies (Note 17) 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.

# TANZANIA LEAF TOBACCO COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2022

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (o) Financial Instruments (Continued)

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 9.)

Borrowings expose the company to liquidity risk and interest rate risk. Refer to note 3 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 8).

Details of foreign currency risk exposure and the management thereof are provided in the specific loan notes and in the financial risk management (Note 3).

#### Trade and other payables

##### Classification

Trade and other payables (Note 17), 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.

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 9).

Trade and other payables expose the company to liquidity risk and possibly to interest rate risk. Refer to Note 3 for details of risk exposure and management thereof.

**TANZANIA LEAF TOBACCO COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 MARCH 2022**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(o) Financial Instruments (Continued)**

**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 8).

Details of foreign currency risk exposure and the management thereof are provided in the financial risk management note (Note 3).

**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.

**(p) 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.

**(q) 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.

## TANZANIA LEAF TOBACCO COMPANY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2022

#### 3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

##### Categories of financial instruments

	2022 TZS'M	2021 TZS'M
<b>Financial assets</b>		
Trade and other receivables (Note 14)	10,350	8,033
Cash and bank balances (Note 15)	248	272
	<u>10,598</u>	<u>8,305</u>
<b>Financial liabilities</b>		
Trade and other payables (Note 17)	<u>2,965</u>	<u>2,402</u>

##### 3.1 Financial risk factors

The Company's principal financial liabilities comprised 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 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.

Risks management is carried out by management under the policies approved by the Board of Directors and in line with guidance from group management and group policies. Policies are reviewed and agreed upon at Company level in order to manage the financial risks as summarised below:

##### ***Foreign currency risk***

The Company has financial assets and liabilities denominated in United States Dollars ("US\$"). As a result, the Company is subject to transaction and translation exposure from fluctuations in foreign currency exchange rates. Exposure to foreign currency risk is mitigated by the fact that the Company maintains its proceeds on US Dollars bank accounts. Consequently, the effect of foreign currency risk is not significant and therefore management does not hedge against foreign currency risk. Moreover, this exposure does not result in a significant risk as foreign currency assets and liabilities are normally settled within a fairly short time.

TANZANIA LEAF TOBACCO COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 MARCH 2022

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

3.1 Financial risk factors (Continued)

*Foreign currency risk (Continued)*

	<u>Denominated in US\$</u>	
	<b>2022</b>	<b>2021</b>
	<b>TZS'M</b>	<b>TZS'M</b>
<b>Financial assets</b>		
Trade and other receivables (Note 14)	5,962	4,586
Cash and bank balances (Note 15)	191	179
	<u><b>6,153</b></u>	<u><b>4,765</b></u>
<b>Financial liabilities</b>		
Trade and other payables (Note 17)	2,374	1,796
	<u><b>3,779</b></u>	<u><b>2,969</b></u>

At 31 March 2022, if the functional currency had strengthened/weakened by 10% against the US Dollar with all other variables held constant, post-tax loss for the year would have been TZS 378 million (2021: TZS 297 million) lower/higher, mainly as a result of foreign exchange gains/losses on translation of US Dollar denominated trade and other receivables, bank balances and trade and other payables. The US\$ to TZS foreign exchange rate at 31 March 2022 was 2,321.05 (2021: 2,318.89).

***Interest rate risk***

The Company is not exposed to interest rate risk as it has no interest-bearing financial instruments.

**TANZANIA LEAF TOBACCO COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 MARCH 2022**

**3. FINANCIAL RISK MANAGEMENT (Continued)**

**3.1 Financial risk factors (Continued)**

***Credit risk***

Credit risk arises from deposits with banks, as well as trade and other receivables. The Company does not have any significant concentration of credit risk.

Regulated banks and financial institutions are used by the Company for banking services. These banks in which the Company's bank accounts are held, publish and issue to the public their quarterly and annual financial performance which help the Company to assess the performance of those banks and make early decisions, where necessary, on the safety of the bank balances in those banking counterparties.

No collateral is held for any of the financial assets.

All receivables that are neither past due nor in default are within their approved credit limits, and no receivables have had its terms renegotiated.

The maximum exposure to credit risk is as presented below:

	<u>2022</u> TZS '000	<u>2021</u> TZS '000
Trade and other receivables	10,350	8,033
Bank balances	248	272
	<u>10,598</u>	<u>8,305</u>

Except for the credit losses on advances for future crop (Note 14) there are no credit loss allowances (2021: Nil) and the costs are equal to the fair value of the balances.

***Liquidity risk***

Prudent liquidity risk management for the Company implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities. The Company aims at maintaining flexibility in funding by seeking such funding from the shareholders or banks when required. Management monitors rolling forecasts of the Company's liquidity reserves on the basis of expected cash flows.

The table below analyses the Company's non-derivative 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.

	<u>Less than 1 year</u> TZS' M	<u>Between 1 and 2 years</u> TZS' M	<u>Between 2 and 5 years</u> TZS' M
<b>At 31 March 2022</b>			
Trade and other payables	<u>2,965</u>	<u>-</u>	<u>-</u>
<b>At 31 March 2021</b>			
Trade and other payables	<u>2,402</u>	<u>-</u>	<u>-</u>

## TANZANIA LEAF TOBACCO COMPANY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2022

#### 3. FINANCIAL RISK MANAGEMENT (Continued)

##### 3.2 Capital risk management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern and to maintain an optimal capital structure to reduce the cost of capital. The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net external borrowings divided by total capital. Net external borrowings are calculated as total borrowings less cash and cash equivalents. Total capital is calculated as total equity, as shown in the statement of financial position, plus net external borrowings.

The Company's strategy is to maintain the gearing ratio of between 5% and 10%. The Company had no external borrowing as at year-end (2021: None).

##### 3.3 Fair value estimation

The carrying amounts of the Company's financial instruments approximate their fair values due to the short-term nature of the financial instruments.

#### 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

##### 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:

## TANZANIA LEAF TOBACCO COMPANY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2022

#### 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

##### Judgments (Continued)

###### ***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.

##### 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 and equipment***

Critical estimates are made by the directors in determining the useful lives and residual values of property 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 and equipment used are set out in Note 2(g) and the carrying amounts are set out in Note 11.

## TANZANIA LEAF TOBACCO COMPANY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2022

#### 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

##### Estimates and assumptions (Continued)

###### **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 10 and 13.

###### **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.

Refer to Notes 11 and 12 for further disclosures on non-financial assets.

**TANZANIA LEAF TOBACCO COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 MARCH 2022**

<b>5. REVENUE FROM CONTRACTS WITH CUSTOMERS</b>	<b>Notes</b>	<b>2022 TZS' M</b>	<b>2021 TZS' M</b>
Virginia flue cured		-	<u>23,735</u>
<b>6. NATURE OF EXPENSES</b>			
Processing and shipping charges		-	935
Employee benefits expense	7	1,848	2,671
Decrease in net realisable value write-downs		-	(2,061)
Travelling expenses		124	159
Write-off of investment in subsidiary		-	1,169
Subsidiary company – fees and liquidations costs		40	229
Management fees –related party	22	(498)	(187)
Legal and other professional charges		509	763
Depreciation charge	11	195	344
Amortisation of prepaid land rentals	12	14	14
Directors' remuneration		1,220	1,216
Rent expense		183	273
Insurance expenses		195	247
Auditor's remuneration – statutory audit		89	193
Changes in inventories of finished goods		-	22,310
Profit on disposal of assets		(117)	(165)
Other expenses		605	342
		<u>4,407</u>	<u>28,452</u>
<b><i>Classified as:</i></b>			
Cost of sales		-	21,184
Administrative expenses		4,524	7,433
Other operating gains		(117)	(165)
		<u>4,407</u>	<u>28,452</u>
<b>7. EMPLOYEE BENEFITS EXPENSE</b>			
Salaries and wages		989	1,591
Increase in bonus provision net of prior year overprovision		293	342
Directors' bonus disclosed in Note 22(iv)		(198)	(198)
Social security costs – defined contribution plan		109	185
Other statutory payroll remittances		119	158
Other employee benefits expenses		536	593
		<u>1,848</u>	<u>2,671</u>
<b>8. OTHER (GAINS)/LOSSES</b>			
Net foreign exchange losses/(gains) on working capital items		<u>6</u>	<u>(259)</u>
<b>9. FINANCE COSTS</b>			
Interest expense		<u>-</u>	<u>6</u>

**TANZANIA LEAF TOBACCO COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 MARCH 2022**

**10. INCOME TAX**

**(a) Income tax expense**

	<b>2022</b>	<b>2021</b>
	<b>TZS' M</b>	<b>TZS' M</b>
The income tax expense for the year is made up as follows:		
Current tax charge – Current year	-	-
Current tax credit - Changes in prior year estimates	759	-
	<u>759</u>	<u>-</u>

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

Loss before income tax	(4,413)	(4,464)
Tax calculated at a tax rate of 30 %	(1,324)	(1,339)
Tax effect of:		
- Tax effect of permanent differences	26	448
- Impact of assessed current income tax loss	1,385	1,562
- Tax effect of temporary differences	(87)	(671)
<b>Current tax charge</b>	<u>-</u>	<u>-</u>

**(b) Current income tax recoverable**

At 1 April	689	655
Income tax charge – current year	-	-
Income tax credit – prior year (Note 10)	759	-
VAT recoverable offset	(58)	-
Income tax paid	36	34
<b>At 31 March</b>	<u>1,426</u>	<u>689</u>

**(c) Other tax issues**

Other tax related matters are disclosed on Note 20.

TANZANIA LEAF TOBACCO COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 MARCH 2022

11. PROPERTY AND EQUIPMENT

	<u>Buildings</u>	<u>Motor vehicles</u>	<u>Furniture, machinery &amp; equipment</u>	<u>Total</u>
	TZS' M	TZS' M	TZS' M	TZS' M
<b>2022</b>				
<b>At 1 April 2021</b>				
Cost	7,121	438	443	8,002
Accumulated depreciation	(2,189)	(438)	(333)	(2,960)
<b>Net carrying amount</b>	<b>4,932</b>	<b>-</b>	<b>110</b>	<b>5,042</b>
<b>Year ended 31 March 2022</b>				
Opening net carrying amount	4,932	-	110	5,042
Disposals	-	(105)	-	(105)
Depreciation charge	(156)	-	(39)	(195)
Depreciation on disposals	-	105	-	105
<b>Closing net carrying amount</b>	<b>4,776</b>	<b>-</b>	<b>71</b>	<b>4,847</b>
<b>At 31 March 2022</b>				
Cost	7,121	333	443	7,897
Accumulated depreciation	(2,345)	(333)	(372)	(3,050)
<b>Net carrying amount</b>	<b>4,776</b>	<b>-</b>	<b>71</b>	<b>4,847</b>
<b>2021</b>				
<b>At 1 April 2020</b>				
Cost	7,265	980	3,198	11,443
Accumulated depreciation	(2,142)	(966)	(2,520)	(5,628)
<b>Net carrying amount</b>	<b>5,123</b>	<b>14</b>	<b>678</b>	<b>5,815</b>
<b>Year ended 31 March 2021</b>				
Opening net carrying amount	5,123	14	678	5,815
Disposals	(144)	(542)	(2,755)	(3,441)
Depreciation charge	(157)	(14)	(173)	(344)
Depreciation on disposals	110	542	2,360	3,012
<b>Closing net carrying amount</b>	<b>4,932</b>	<b>-</b>	<b>110</b>	<b>5,042</b>
<b>At 31 March 2021</b>				
Cost	7,121	438	443	8,002
Accumulated depreciation	(2,189)	(438)	(333)	(2,960)
<b>Net carrying amount</b>	<b>4,932</b>	<b>-</b>	<b>110</b>	<b>5,042</b>

**TANZANIA LEAF TOBACCO COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 MARCH 2022**

**11. PROPERTY AND EQUIPMENT (continued)**

The Company has assets with original cost of TZS 574 million (2021: TZS 554 million) as summarised below, which have been fully depreciated but continued to be used.

	<u>2022</u>	<u>2021</u>
	TZS' M	TZS' M
Motor vehicles	333	439
Other	241	115
<b>Total</b>	<u><b>574</b></u>	<u><b>554</b></u>

The fixed assets register is kept at the Company's main office, Mazimbu Road, Morogoro.

The directors resolved to cease operations after the 2019/20 tobacco season and the Company is therefore currently inactive and will remain so for an unspecified period. Consequently, non-financial assets were tested for impairment. The recoverable amount was determined using the fair value less costs to sell. In 2019, 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 expected sales proceeds from the 2019/20 season contracted tobacco were used in the determination of the expected proceeds from tobacco sales. The proceeds from disposal of land and buildings were determined by a professional valuer, Knight Frank Tanzania Limited, while the proceeds from disposal of the other assets were estimated by management. The impairment testing results indicated no impairment charge as at the current year-end.

	<u>2022</u>	<u>2021</u>
	TZS' M	TZS' M
<b>12. PREPAID LAND RENTALS</b>		
<b>Cost</b>		
At start and end of year	<u>1,382</u>	<u>1,382</u>
<b>Accumulated amortisation</b>		
At start of year	588	574
Charge for the year	14	14
At end of year	<u>602</u>	<u>588</u>
<b>Net carrying amount at 31 March</b>	<u><b>780</b></u>	<u><b>794</b></u>

# TANZANIA LEAF TOBACCO COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2022

### 13. DEFERRED TAX

Deferred tax is calculated on all temporary differences under the liability method using a principal tax rate of 30%. The movement in the net deferred tax asset which has not been recognised as it is not probable that sufficient future taxable profit will be available to allow all or part of the deferred income tax asset to be utilised, was as follows:-

	<u>2022</u>	<u>2021</u>
	TZS' M	TZS' M
At start of the year	3,240	2,518
Movement not recognised	1,154	722
At end of year – Net deferred tax not recognised	<u>4,394</u>	<u>3,240</u>

The deferred tax asset computed at the rate of 30% is attributable to the following items:

Property, plant, equipment	609	519
Accumulated tax losses	(4,461)	(3,216)
General provisions and unrealised exchange losses	<u>(542)</u>	<u>(543)</u>
<b>Net deferred tax asset not recognised</b>	<b><u>(4,394)</u></b>	<b><u>(3,240)</u></b>

As a result of the Company not contracting for tobacco in FY 2021 and for the foreseeable future, there is little likelihood of future taxable income. On this basis, the deferred tax asset as at 31 March 2019 was reversed in FY 2020 and the deferred tax asset as at 31 March 2021 and 31 March 2022 have not been recognised.

**TANZANIA LEAF TOBACCO COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 MARCH 2022**

**14. TRADE AND OTHER RECEIVABLES**

	<b>2022</b>	<b>2021</b>
	<b>TZS' M</b>	<b>TZS' M</b>
<i>Financial instruments:</i>		
Advances for future crop	1,122	1,122
Less: Provision for expected credit losses	<u>(1,122)</u>	<u>(1,122)</u>
Advance for future crop – net	-	-
Receivable from related parties (Note 22(iii))	9,881	7,705
Deposits	86	27
Trade receivables	15	1
Other receivables	368	300
Total financial instruments	<u>10,350</u>	<u>8,033</u>
<i>Non-financial instruments</i>		
Value Added Tax (VAT) recoverable	8,362	14,078
Deposits and prepayments	200	399
Total non-financial instruments	<u>8,562</u>	<u>14,477</u>
Total trade and other receivables	<u><b>18,912</b></u>	<u><b>22,510</b></u>
Total trade and other receivables split as follows:		
Current	18,912	22,510
Non-current	-	-
	<u><b>18,912</b></u>	<u><b>22,510</b></u>
Financial instruments split as follows:		
Denominated in local currency	4,388	3,447
Denominated in foreign currency	5,962	4,586
Total financial instruments	<u><b>10,350</b></u>	<u><b>8,033</b></u>

**TANZANIA LEAF TOBACCO COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 MARCH 2022**

**14. TRADE AND OTHER RECEIVABLES (Continued)**

Movement in the expected credit losses on advances for future crop is as follows:

	<u>2022</u>	<u>2021</u>
	TZS' M	TZS' M
At start of year	1,122	1,122
Increase/(decrease) during the year	-	-
<b>At end of year</b>	<b><u>1,122</u></b>	<b><u>1,122</u></b>

The movement in the expected credit losses on advances for future crop has been included in 'cost of sales' in profit or loss. Amounts charged to the provision account are generally written off when there is no expectation of recovery.

Trade and other receivables are non-interest bearing and are generally on 30-day terms. At 31 March 2022, except for the advances for future crop, the probability of default for the other counterparties was insignificant and hence no expected credit losses have been recognised (2021: None).

The ageing of amounts past due but not in default is as follows:

	<u>2022</u>	<u>2021</u>
	TZS' M	TZS' M
Current – not past due	349	944
30 days	216	844
60 days	309	2,346
90 days	93	396
Over 120 days	17,945	17,980
	<b><u>18,912</u></b>	<b><u>22,510</u></b>

**15. CASH AND CASH EQUIVALENTS**

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

	<u>2022</u>	<u>2021</u>
	TZS' M	TZS' M
Local currency	57	93
Foreign currency	191	179
Cash at bank and on hand	<b><u>248</u></b>	<b><u>272</u></b>

Cash at bank earn interest at floating rates based on daily bank deposit rates.

**TANZANIA LEAF TOBACCO COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 MARCH 2022**

<b>16. SHARE CAPITAL AND OTHER RESERVES</b>	<b>Number of <u>shares</u></b>	<b>Value of <u>shares (TZS)</u></b>
<b>(a) Share capital</b>		
Authorised ordinary share capital of TZS 20 each	<u>200,005</u>	<u>4,000,100</u>
Issued and fully paid up share capital of TZS 20 each at 31 March 2022 and 31 March 2021	<u>1,000</u>	<u>20,000</u>

The value of the share capital of TZS 20,000 is not presented on the face of the statement of financial position because the financial statements are presented in Tanzania shillings TZS, rounded to the nearest million as stated in Note 2(a).

**(b) Other reserve**

The other reserve relates to the fair value gain on an interest-free borrowing from the holding company. The borrowing was fully repaid in 2013.

<b>17. TRADE AND OTHER PAYABLES</b>	<b><u>2022</u> TZS' M</b>	<b><u>2021</u> TZS' M</b>
<i>Financial instruments:</i>		
Trade creditors	2	12
Payables to related parties (Note 22 (iii))	2,145	1,525
Accrued expenses	814	820
Sundry creditors and other liabilities	<u>3</u>	<u>45</u>
Total financial instruments	2,965	2,402
<i>Non-financial instruments</i>	<u>-</u>	<u>-</u>
Total trade and other payables	<b><u>2,965</u></b>	<b><u>2,402</u></b>
Financial instruments split as follows:		
Denominated in local currency	591	606
Denominated in foreign currency	<u>2,374</u>	<u>1,796</u>
	<b><u>2,965</u></b>	<b><u>2,402</u></b>

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

## TANZANIA LEAF TOBACCO COMPANY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2022

#### 18. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	<u>Bonus</u> <u>TZS' M</u>
At 1 April 2021	170
Additional provision	307
Payments made during the year	<u>(310)</u>
<b>At 31 March 2022</b>	<b><u>167</u></b>
At 1 April 2020	33
Additional provision	348
Prior year overprovision	2
Payments made during the year	<u>(213)</u>
<b>At 31 March 2021</b>	<b><u>170</u></b>

This relates to the provision for personnel bonus. The change in the provisions during the year is charged to profit or loss through employee benefits expenses in Note 7.

#### 19. BORROWINGS

##### *Working capital facility with Universal Leaf Tobacco Co. Inc*

The shareholders have agreed in principal, to continue to provide or procure working capital for the Company so that it can continue as a going concern for the foreseeable future until the change in the shareholding takes place. As at 31 March 2022, the Company had a working capital facility of US\$1,500,000 which expires and must be fully repaid by 30 November 2022.

#### 20. CONTINGENT LIABILITIES

##### Legal matters

The Company is a defendant in various legal actions where claimants demand a total of TZS 1,098 billion (2021: TZS 1,098 million) for various reasons. In the opinion of the Directors, after taking appropriate legal advice, the outcome of such actions will not give rise to any significant loss. Consequently, no provision has been made in the financial statements.

## TANZANIA LEAF TOBACCO COMPANY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2022

#### 20. CONTINGENT LIABILITIES (Continued)

##### Tax matters

##### ***Settlement of prior year open tax assessments***

As noted in the prior year financial statements, in order to regularise the Company's tax position, the Company entered into discussions with the Tanzania Revenue Authority (TRA) and agreed with the TRA a tax charge, which effectively cleared all the tax years from 31 March 2008 to 31 March 2017. The agreed tax charge to settle these years was TZS 20,310 million.

Using the principles applied in the settlement process noted above, the Company also accrued an additional TZS 215 million tax charge for the tax year ended 31 March 2018, which has not yet been audited, by the TRA. No further adjustment is expected for the years ended 31 March 2019, 31 March 2020 and 31 March 2021.

The resultant income tax liability from the 31 March 2008 to 31 March 2017 assessments was settled through an offset of prior year income tax overpayments and TZS10,184 million set off against VAT amounts recoverable.

In addition to the above tax charge, the TRA also raised interest and penalties for the period 2008 to 2017, amounting to TZS 4,430 million. The Company requested a waiver of this interest and penalty amount. This request was turned down, and the Company has objected to this decision.

The Directors believe that no interest and penalties are due in line with the original settlement discussions. As such, no provision has been made in the financial statements for these additional charges.

##### ***Withholding tax on the prior years' export prepayment facility***

The TRA raised an assessment for withholding tax and interest of TZS1.862 billion based on imputed interest relating to the Company's tobacco export prepayment facility which the TRA have deemed to be a bridging loan arrangement.

The Company has objected to this assessment. The Directors believe that no withholding tax or interest as this facility was a prepayment for tobacco purchases which were fully acquitted through exports. As such, no provision has been made in the financial statements for these additional charges.

**TANZANIA LEAF TOBACCO COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 MARCH 2022**

**21. CASH FLOWS USED IN OPERATING ACTIVITIES**

	Notes	2022 TZS' M	2021 TZS' M
Loss before income tax		(4,413)	(4,464)
<b>Adjustments for:</b>			
Amortisation of prepaid leases	6	14	14
Write-off investment in subsidiary		-	1,169
Net bonus provision expense		307	351
Depreciation charge	6	195	344
Profit on disposal of assets	6	(117)	(65)
Interest expense	9	-	6
		(4,014)	(2,745)
<b>Changes in working capital:</b>			
- Decrease in inventories		-	20,255
- Decrease/(increase) in trade and other receivables <sup>1</sup>		3,656	(1,423)
- Increase/(decrease) in trade and other payables		563	(17,292)
<b>Cash generated from / (used in) operations</b>		<b>205</b>	<b>(1,205)</b>

<sup>1</sup>Includes the VAT recoverable amount of TZS 57 million offset with the current income tax recoverable as disclosed in Note 10(c).

**22. RELATED PARTY DISCLOSURES**

The ultimate holding company is Universal Corporation, a company incorporated in Richmond Virginia, United States of America. The Company's immediate majority holding company is Continental Tobacco S.A., incorporated in Switzerland. Related party relationships exist between the Company, its shareholders and other companies through common ownership or common directorship. During the year, the following transactions were carried out with related parties:

**(i) Sale of goods**

Universal Leaf Tobacco Co. Inc	-	22,353
Zimbabwe Leaf Tobacco	-	1,382
	-	<b>23,735</b>

**(ii) Purchase of services**

Fellow subsidiary (Tobacco processing services)	-	22
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**(iii) Management fees**

Fellow subsidiary	498	187
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**TANZANIA LEAF TOBACCO COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 MARCH 2022**

**22. RELATED PARTY DISCLOSURES (Continued)**

	<u>2022</u>	<u>2021</u>
	TZS' M	TZS' M
<b>(iv) Outstanding balances arising from sale and purchase of goods/services: -</b>		
<b>Receivables from:</b>		
Fellow subsidiaries	9,881	7,705
	<u>9,881</u>	<u>7,705</u>
<b>Payables to:</b>		
Fellow subsidiaries	2,145	1,525
	<u>2,145</u>	<u>1,525</u>

Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for the above related party balances. No expected credit losses have been recognised on amounts due from related parties as the probability of default by the counterparties was assessed to be insignificant.

**(v) Directors' remuneration**

Salaries and wages	977	973
Retirement benefits obligations – defined contribution plan	45	45
Bonus	198	198
	<u>1,220</u>	<u>1,216</u>

The details of the Directors' remuneration will be laid before the next Annual General Meeting.

**(vi) Compensation for key management personnel**

Salaries and wages	734	1,389
Retirement benefits obligations – defined contribution plan	65	139
Bonus	64	169
	<u>863</u>	<u>1,697</u>

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

## TANZANIA LEAF TOBACCO COMPANY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2022

#### 23. ULTIMATE HOLDING COMPANY

The ultimate holding Company until 3<sup>rd</sup> June 2022 was Universal Corporation, a company incorporated in Richmond Virginia, United States of America. As from 3<sup>rd</sup> June 2022, the holding company became AMY Holdings Limited a company based in Tanzania.

#### 24. IMPACT OF 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 the Company's resumed operations will not be significantly impacted by COVID-19 in the year ending 31 March 2023. COVID-19 did not have an impact on the judgements, estimates and assumptions applied by the Company.

#### 25. EVENTS AFTER THE REPORTING PERIOD

##### Acquisition by AMY Holdings Limited

On 03<sup>rd</sup> June 2022, Universal Corporation, the shareholders of Tanzania Leaf Tobacco Company Limited sold their shares in the company to AMY Holdings Limited, a company based in Tanzania. The Company is therefore no longer part of the Universal Corporation Group.

The Company's shareholding structure has changed as follows as a result of this acquisition:

<u>Shareholder</u>	<u>No. of shares</u>	<u>Shareholding (%)</u>
AMY Holdings Limited	9,998	99.9%
Yusra M Huwel	1	0.1%
	<u>10,000</u>	<u>100%</u>

As a result of this acquisition, on 18<sup>th</sup> June 2022, the Company changed its name to Mkwawa Leaf Tobacco Limited.

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