

**TANZANIA TOBACCO PROCESSORS LIMITED**

**ANNUAL REPORT  
AND AUDITED FINANCIAL STATEMENTS**

**31 MARCH 2022**

# TANZANIA TOBACCO PROCESSORS LIMITED

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

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## **TANZANIA TOBACCO PROCESSORS LIMITED**

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

#### **GENERAL INFORMATION**

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

Mazimbu Road  
Morogoro  
Tanzania

##### **BANKERS**

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

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

##### **SOLICITOR**

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,  
Plot No. 34/1, Ursino South  
New Bagamoyo Road  
P. O. Box 2475  
Dar es Salaam

# TANZANIA TOBACCO PROCESSORS LIMITED

## DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 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 Tobacco Processors Limited (the "Company").

Subsequent to the year end on 21<sup>st</sup> June 2022, the Company changed its name to Mkwawa Tobacco Processors Limited.

### 2. PRINCIPAL ACTIVITIES

The principal activity of the Company is to process tobacco purchased by merchants. The Company did not operate during the year.

### 3. RESULTS AND DIVIDEND

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

	<u>2022</u>	<u>2021</u>
	<u>TZS MIL</u>	<u>TZS MIL</u>
Loss before tax	(5,465)	(7,217)
Income tax credit/(charge)	(2,037)	2,130
<b>Loss for the year</b>	<b><u>(7,502)</u></b>	<b><u>(5,087)</u></b>

There was no processing revenue (2021: TZS 22 million) which was a 100% decrease from prior year as the Company did not operate during the year.

The Company made an operating loss before tax of TZS 5,465 million (2021: TZS 7,217 million) with the decrease of TZS 1,752 million being due to the Company not operating during the year.

The Directors will consider the payment of a dividend in the Annual General Meeting after considering the current financial position and future loan repayment commitments. In the year ended 31 March 2021, no dividend was declared or paid.

## TANZANIA TOBACCO PROCESSORS LIMITED

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

#### 4. DIRECTORS AND SECRETARY

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

<u>Directors Name</u>	<u>Position</u>	<u>Nationality</u>	<u>Alternate</u>	<u>Age</u>	<u>Profession</u>
CR Stonebridge	Member	British		63	Chartered Accountant
AM Huwel – Appointed 3 June 2022	Member	Tanzanian		42	Business Man
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		56	Lawyer

**Company Secretary**  
CR Stonebridge

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

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

#### 5. RELATED PARTY TRANSACTIONS AND BALANCES

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

<b>Company</b>	<b>Relation</b>
Universal Leaf Tobacco Co. Inc	Holding company
Tanzania Leaf Tobacco Company (TLTC)	Sister company

## TANZANIA TOBACCO PROCESSORS LIMITED

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

#### 6. DIRECTORS' EMOLUMENTS

There were no emoluments paid to Directors during the year (2021: Nil)

#### 7. SHAREHOLDING

The shareholding of the Company is as follows:

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

Note 18 below discloses the changes in the shareholding structure of the Company subsequent to the year-end.

#### 8. BORROWINGS

The Company has one medium term loan with the holding company, Universal Leaf Tobacco Co. Inc. The loan of US\$ 1,200,000 is repayable in six quarterly instalments of US\$ 200,000 commencing 30 September 2022 and ending December 2023. The loan attracts interest of 5% per annum and is unsecured. Further details are disclosed on Note 22 to the financial statements.

#### 9. RESERVES

At 31 March 2022, the Company had accumulated losses TZS 6,267 million (2021: Retained earnings of TZS 1,235 million) as set out in the statement of changes in equity.

#### 10. SOLVENCY

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

#### 11. CORPORATE GOVERNANCE

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

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

## **TANZANIA TOBACCO PROCESSORS LIMITED**

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

#### **11. CORPORATE GOVERNANCE (Continued)**

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

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

The 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.

#### **12. FUTURE PLANS**

With the change in the shareholding on 03<sup>rd</sup> June 2022 disclosed below on Note 18, the Directors have confirmed that the Company will be renting the entire factory premises and assets to a sister company who will then be conducting the processing operations that were previously being carried out by the Company. There are no current plans for any further capital investment.

#### **13. GOING CONCERN**

The Company incurred a loss of TZS 7,502 million during the year ended 31 March 2022, and as of that date, the Company's current liabilities exceeded its current assets by TZS 5,161 million.

Included in the current liabilities is TZS 9,881 million due to Tanzania Leaf Tobacco Company Limited (TLTC), a sister company. TLTC has given an undertaking not to demand payment of this liability until the Company has sufficient cash resources and to continue providing funding and or other support needed to make it possible for the Company to meet its financial obligations.

The Directors have made an assessment of the Company's ability to continue as a going concern and have reasonable expectation that the Company will continue in existence for the foreseeable future. The financial statements have therefore been prepared on the basis of accounting policies applicable to a going concern. This assessment is based on the fact the new shareholders will restart the tobacco operations of the sister company (TLTC) and the Company will be renting the entire factory premises and its assets to TLTC, consequently earning rental income. Based on this the directors expect that the Company will generate sufficient resources from the rental activities to enable the Company meet its liabilities and commitments as and when they fall due.

## TANZANIA TOBACCO PROCESSORS LIMITED

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

#### 14. EMPLOYEES and WELFARE

The Company's employees were all transferred to Tanzania Leaf Tobacco Company Limited on 1<sup>st</sup> April 2021, therefore the Company does not have any employees. The Company's activities are carried out by Tanzania Leaf Tobacco Company Limited, a sister company.

#### 15. GENDER PARITY

As at 31 March 2022, the Company had no employees (2021: total of 12 permanent employees, out of which 4 were female and 8 were male).

#### 16. ENVIRONMENTAL MATTERS

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

#### 17. COVID-19 PANDEMIC CONSIDERATIONS

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 future rental activities will not be significantly impacted. COVID-19 did not have an impact on the judgements, estimates and assumptions applied by the Company.

#### 18. EVENTS AFTER THE REPORTING PERIOD

##### Acquisition by AMY Holdings Limited

On 03<sup>rd</sup> June 2022, the shareholders of Tanzania Tobacco Processors Limited sold its 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 7 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	6,989	99.99%
Yusra M Huwel	1	0.01%
	<u>6,990</u>	<u>100%</u>

As a result of this acquisition, on 21<sup>st</sup> June 2022, the Company changed its name to Mkwawa Tobacco Processors Limited.

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

**TANZANIA TOBACCO PROCESSORS LIMITED**

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

**19. 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 ending 31 March 2023 will be presented in the Annual General Meeting.

**BY ORDER OF THE BOARD,**

  
CR Stonebridge  
Director

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

## **TANZANIA TOBACCO PROCESSORS LIMITED**


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

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

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and in compliance with the requirements of the Tanzanian Companies Act, CAP 212 No. 12 of 2002.

The Directors are of the opinion that the financial statements present fairly the state of the financial affairs of the Company and of its operating results in accordance with International Financial Reporting Standards and in the manner required by the Tanzanian Companies Act, CAP 212 No. 12 of 2002. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

The Company's Directors have made an assessment of the Company's ability to continue as a going concern and have reasonable expectation that the Company will continue in existence for the foreseeable future. The financial statements have therefore been prepared on the basis of accounting policies applicable to a going concern. This assessment is based on the fact that the new shareholders will restart the tobacco operations of the sister company – Tanzania Leaf Tobacco Company Limited (TLTC) and the Company will be renting the entire factory premises and its assets to TLTC, consequently earning rental income. Also, TLTC has given an undertaking not to demand payment of the liability of TZS 9,881 million until the Company has sufficient cash resources. Therefore, the directors expect that the Company's rental activities will generate sufficient resources to enable it meet liabilities and commitments as and when they fall due.

  
Q.R. Stonebridge  
Director

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

## **TANZANIA TOBACCO PROCESSORS 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 Tobacco Processors 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 Tobacco Processors Limited as on that date and for the year then ended, and that the financial statements have been prepared based on properly maintained financial records.

Signature: 

Position: Financial Director

NBAA Membership No: TACPA 1641

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

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

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

#### **Opinion**

We have audited the financial statements of Tanzania Tobacco Processors Limited (the "Company") set out on pages 13 to 55, 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 Tobacco Processors 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 Tobacco Processors Limited***

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (Continued)**

***Director's responsibility for the financial statements***

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

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

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

***Auditor's responsibilities for the audit of the financial statements***

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

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

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

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

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (Continued)**

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

This report, including the opinion, has been prepared for, and only for, the Company's members as a body in accordance with the Companies Act, CAP 212 No 12 of 2002 and for no other purposes.

As required by the 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 TOBACCO PROCESSORS LIMITED**

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


	Note	<u>2022</u> TZS MIL	<u>2021</u> TZS MIL
Revenue from contracts with customers	8	-	22
Cost of sales	9	-	-
<b>Gross profit</b>		-	<b>22</b>
<b>Other income and operating expenses</b>			
Other income	11	898	1,050
Administration costs	9	(6,205)	(7,928)
<b>Operating loss</b>		<b>(5,307)</b>	<b>(6,856)</b>
Finance costs and foreign exchange losses	12	(158)	(361)
<b>Operating loss before tax</b>		<b>(5,465)</b>	<b>(7,217)</b>
Income tax (charge)/credit	13	(2,037)	2,130
<b>Loss for the year</b>		<b>(7,502)</b>	<b>(5,087)</b>
Other comprehensive income		-	-
<b>Total comprehensive loss for the year, net of tax</b>		<b>(7,502)</b>	<b>(5,087)</b>
		<b>2022</b> TZS'000	<b>2021</b> TZS'000
<b>Basic and diluted loss per share</b>	<b>14</b>	<b>(1,073)</b>	<b>(728)</b>

**TANZANIA TOBACCO PROCESSORS LIMITED**

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

	Note	<u>2022</u> TZS MIL	<u>2021</u> TZS MIL
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	15	6,642	9,106
Prepaid land rentals	16	636	636
Deferred tax asset	23	-	-
		<u>7,278</u>	<u>9,742</u>
<b>Current assets</b>			
Inventories	17	3,552	5,049
Trade and other receivables	18	1,448	884
Corporation tax recoverable	19	1,165	3,264
Cash and bank balances	20	98	349
		<u>6,263</u>	<u>9,546</u>
<b>TOTAL ASSETS</b>		<u><b>13,541</b></u>	<u><b>19,288</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	21	6,990	6,990
Share premium		1	1
(Accumulated Loss)/Retained earnings		<u>(6,267)</u>	<u>1,235</u>
		<u>724</u>	<u>8,226</u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Medium term loan: Non-current portion	22	1,393	1,391
		<u>1,393</u>	<u>1,391</u>
<b>Current liabilities</b>			
Medium term loan: Current portion	22	1,392	1,855
Trade and other payables	24	10,032	7,816
		<u>11,424</u>	<u>9,671</u>
<b>Total liabilities</b>		<u><b>12,817</b></u>	<u><b>11,062</b></u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>13,541</b></u>	<u><b>19,288</b></u>

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

  
 Director  
 CR Stonebridge

**TANZANIA TOBACCO PROCESSORS LIMITED**

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

	<b>Share capital</b>	<b>Share premium</b>	<b>Retained earnings</b>	<b>Total</b>
	<b>TZS MIL</b>	<b>TZS MIL</b>	<b>TZS MIL</b>	<b>TZS MIL</b>
As at 1 April 2020	6,990	1	6,322	13,313
Total comprehensive income for the year, net of tax	-	-	(5,087)	(5,087)
<b>As at 31 March 2021</b>	<b>6,990</b>	<b>1</b>	<b>1,235</b>	<b>8,226</b>
As at 1 April 2021	6,990	1	1,235	8,226
Total comprehensive loss for the year, net of tax	-	-	(7,502)	(7,502)
<b>As at 31 March 2022</b>	<b>6,990</b>	<b>1</b>	<b>(6,267)</b>	<b>724</b>

**TANZANIA TOBACCO PROCESSORS LIMITED****STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH 2022**

	<b>Note</b>	<b>2022 TZS MIL</b>	<b>2021 TZS MIL</b>
<b>Operating activities</b>			
Cash generated from operations	26	58	2,257
Tax paid/offset	19	62	(22)
Interest paid	22	(145)	(343)
<b>Net cash flows from/(used in) operating activities</b>		<b>(25)</b>	<b>1,892</b>
<b>Investing activities</b>			
Proceeds from disposal of property, plant and equipment		232	2,806
<b>Net cash flows generated from investing activities</b>		<b>232</b>	<b>2,806</b>
<b>Financing activities</b>			
Repayment of medium-term loan	22	(458)	(4,574)
<b>Net cash flows used in financing activities</b>		<b>(458)</b>	<b>(4,574)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(251)</b>	<b>124</b>
Cash and cash equivalents at 1 April		349	225
<b>Cash and cash equivalents at 31 March</b>	<b>20</b>	<b>98</b>	<b>349</b>

## **TANZANIA TOBACCO PROCESSORS LIMITED**

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

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

The financial statements of Tanzania Tobacco Processors Limited (the "Company") for the year ended 31 March 2022 were authorised for issue in accordance with a resolution of the Board of Directors. The Company is a limited liability company incorporated and domiciled in Tanzania. Other details regarding the Company are disclosed on page 1 and in the Directors' Report.

#### **2. BASIS OF PREPARATION AND GOING CONCERN**

##### **2.1 Basis of preparation**

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

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

##### **2.2 Statement of compliance**

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

##### **2.3 Going concern**

The Company incurred a loss of TZS 7,502 million for the year ended 31 March 2022 and as of that date, its current liabilities exceeded its current assets by TZS 5,161 million.

The Company's directors have made an assessment of the Company's ability to continue as a going concern and have reasonable expectation that the Company will continue in existence for the foreseeable future. This assessment is based on the following factors:

- The new shareholders will restart the tobacco operations of the sister company – Tanzania Leaf Tobacco Company Limited (TLTC) and the Company will be renting the entire factory premises and its assets to TLTC, consequently earning rental income. For the foreseeable future, the directors expect that the Company will generate sufficient resources from the rental charges to enable it to meet its liabilities and commitments as and when they fall due.

## TANZANIA TOBACCO PROCESSORS LIMITED

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

#### 2. BASIS OF PREPARATION AND GOING CONCERN (Continued)

##### 2.3 Going concern (Continued)

- Included in the current liabilities is TZS 9,881 million due to TLTC. TLTC has given an undertaking not to demand payment of this liability until the Company has sufficient cash resources and to continue providing funding and or other support needed to make it possible for the Company to meet its financial obligations.
- The directors are not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern.

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

#### 3. NEW AND AMENDED STANDARDS THAT BECAME EFFECTIVE

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

##### **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.

## TANZANIA TOBACCO PROCESSORS LIMITED

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

#### 4. STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

## TANZANIA TOBACCO PROCESSORS LIMITED

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

#### 4. STANDARDS ISSUED BUT NOT YET EFFECTIVE (Continued)

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

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.

##### ***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.

## TANZANIA TOBACCO PROCESSORS LIMITED

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

#### 4. STANDARDS ISSUED BUT NOT YET EFFECTIVE (Continued)

##### **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.

##### **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.

## TANZANIA TOBACCO PROCESSORS LIMITED

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

#### 4. STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

##### **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) (Continued)**

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.

##### **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.

## TANZANIA TOBACCO PROCESSORS LIMITED

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

#### 5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

##### **Judgments**

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

##### ***Determining the lease term of contracts with renewal and termination options***

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

The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

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

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

##### **Estimates and assumptions**

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

##### ***Property, plant and equipment***

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

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

## TANZANIA TOBACCO PROCESSORS LIMITED

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

#### 5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

##### Estimates and assumptions (Continued)

###### *Impairment of non-financial assets*

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

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

###### **Taxes**

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

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

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

## TANZANIA TOBACCO PROCESSORS LIMITED

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

#### 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

##### (a) Revenue recognition

Revenue represents income arising in the course of an entity's ordinary activities, which leads to an increase of economic benefits during the accounting period. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer. Revenue is stated net of value-added tax (VAT) discounts, rebates and other similar allowances.

The Company recognises revenue from provision of services over time, using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Company. Revenue from the sale of tobacco contracts, as part of the ordinary activities of the operation, is recognized as recurring revenue. Revenue from sale of goods is recognized at the point in time when control of the goods is transferred to the customer, generally on delivery of the equipment.

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

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

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

## TANZANIA TOBACCO PROCESSORS LIMITED

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

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

##### (a) Revenue recognition (Continued)

###### Contract assets

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

###### Trade receivables

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

###### Contract liabilities

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

##### (b) Foreign currency translation

###### Functional and presentation currency

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

###### Transactions and balances

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

##### (c) Property and equipment

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

## TANZANIA TOBACCO PROCESSORS LIMITED

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

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

##### (c) Property and equipment (Continued)

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

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

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

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

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

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

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

##### (d) Prepaid land rentals

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

## **TANZANIA TOBACCO PROCESSORS LIMITED**

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

#### **6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **(e) Impairment of non-financial assets**

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

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

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

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

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

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

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

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

##### **(f) Inventories**

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

## TANZANIA TOBACCO PROCESSORS LIMITED

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

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

##### (g) Taxation

###### **Current tax**

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date. The current tax rate is 30%.

###### **Deferred tax**

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

Deferred tax liabilities are recognised for all taxable temporary and all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred income tax relating to items recognised directly in equity is recognised in equity and not in the profit or loss. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

###### **Tax expenses**

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

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

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

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

## **TANZANIA TOBACCO PROCESSORS LIMITED**

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

#### **6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **(g) Taxation (Continued)**

###### ***Value added tax***

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

##### **(h) Provisions and contingencies**

Provisions are recognised when:

- the company has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

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

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

Provisions are not recognised for future operating losses.

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

A constructive obligation to restructure arises only when an entity:

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

## TANZANIA TOBACCO PROCESSORS LIMITED

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

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

##### (h) Provisions and contingencies (Continued)

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

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

Contingent assets and contingent liabilities are not recognised.

##### (i) Employees benefits

###### *(i) Retirement benefit obligations*

The Company had no contributions to various Tanzanian statutory social security funds as all staff left employment effective 31 March 2021.

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

##### (j) Share capital

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

##### (k) Dividend distribution

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

##### (l) Financial Instruments

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

Financial assets which are equity instruments:

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

Financial assets which are debt instruments:

## TANZANIA TOBACCO PROCESSORS LIMITED

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

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

##### (I) Financial Instruments (Continued)

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

Derivatives which are not part of a hedging relationship:

- Mandatorily at fair value through profit or loss.

Financial liabilities:

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

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

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

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

## **TANZANIA TOBACCO PROCESSORS LIMITED**

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

#### **6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **(I) Financial Instruments (Continued)**

##### **Loans receivable at amortised cost**

##### **Classification**

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

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

##### **Recognition and measurement**

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

They are subsequently measured at amortised cost.

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

##### **Loans denominated in foreign currencies**

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

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

##### **Impairment**

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

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

## **TANZANIA TOBACCO PROCESSORS LIMITED**

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

#### **6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **(I) Financial Instruments (Continued)**

##### **Impairment (Continued)**

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

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

##### **Significant increase in credit risk**

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

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

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

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

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

##### **Credit risk**

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

## **TANZANIA TOBACCO PROCESSORS LIMITED**

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

#### **6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **(I) Financial Instruments (Continued)**

###### **Trade and other receivables**

###### **Classification**

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

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

###### **Recognition and measurement**

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

They are subsequently measured at amortised cost.

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

###### **Trade and other receivables denominated in foreign currencies**

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

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

###### **Impairment**

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

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

###### **Credit risk**

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

## **TANZANIA TOBACCO PROCESSORS LIMITED**

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

#### **6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **(i) Financial Instruments (Continued)**

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

###### **Classification**

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

###### **Recognition and measurement**

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

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

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

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

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

###### **Loans denominated in foreign currencies**

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

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

##### **Trade and other payables**

###### **Classification**

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

###### **Recognition and measurement**

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

## **TANZANIA TOBACCO PROCESSORS LIMITED**

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

#### **6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **(l) Financial Instruments (Continued)**

##### **Trade and other payables (Continued)**

##### **Recognition and measurement (Continued)**

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

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

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

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

##### **Trade and other payables denominated in foreign currencies**

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

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

##### **Cash and cash equivalents**

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

##### **Offsetting of financial instruments**

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

##### **(m) Cash and cash equivalents**

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

## **TANZANIA TOBACCO PROCESSORS LIMITED**

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

#### **6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **(n) Current versus non-current classification**

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

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

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

The Company classifies all other liabilities as non-current.

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

#### **7. FINANCIAL RISK MANAGEMENT**

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

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

##### **Treasury risk management**

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

##### **Capital risk management**

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

## TANZANIA TOBACCO PROCESSORS LIMITED

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

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

##### Capital risk management (Continued)

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

The Company has no externally imposed capital requirements.

##### Credit risk

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

The maximum exposure to credit risk is as presented below:

	<u>2022</u>	<u>2021</u>
	TZS MIL	TZS MIL
Trade and other receivables (Note 18)	451	35
Cash and bank balances (Note 20)	98	349
	<u>549</u>	<u>384</u>

There are no credit loss allowances (2021: Nil) and the costs are equal to the fair value of the balances.

##### Foreign currency risk

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

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

**TANZANIA TOBACCO PROCESSORS LIMITED**

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

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

**Foreign currency risk (Continued)**

	<b>Denominated in US\$</b>	
	<b>2022</b>	<b>2021</b>
<b>Financial assets</b>		
Trade and other receivables (Note 18)	-	-
Cash and bank balances (Note 20)	11	236
	<u>11</u>	<u>236</u>
<b>Financial liabilities</b>		
Medium term loan (Note 22)	2,785	3,246
Trade and other payables (Note 24)	5,984	4,659
	<u>8,769</u>	<u>7,905</u>
<b>Net foreign currency exposure</b>	<u><b>(8,758)</b></u>	<u><b>(7,669)</b></u>

At 31 March 2022, if the USD had weakened/strengthened by 5% against the TZS with all other variables held constant, the impact on pre-tax profit for the year would have been TZS 438 million higher/lower (2021: TZS 384 million). Exposure to other currencies is not significant. A change in 5% is used when the net foreign currency transaction risk is reported internally to key management personnel to assess reasonably possible change in foreign exchange rates.

**Interest rate risk**

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

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

<b>As at 31 March 2022</b>	<b>3 – 12 months</b>	<b>&gt;12 months</b>	<b>Non- interest bearing</b>	<b>Total 2022</b>
	<b>TZS MIL</b>	<b>TZS MIL</b>	<b>TZS MIL</b>	<b>TZS MIL</b>
<b>Financial assets</b>				
Trade and other receivables	-	-	451	451
Cash and bank balances	-	-	98	98
	<u>-</u>	<u>-</u>	<u>549</u>	<u>549</u>
<b>Financial liabilities</b>				
Trade and other payables	-	-	10,032	10,032
Medium term loan	1,392	1,393	-	2,785
	<u>1,392</u>	<u>1,393</u>	<u>10,032</u>	<u>12,817</u>
<b>Interest sensitivity gap</b>	<u><b>(1,392)</b></u>	<u><b>(1,393)</b></u>		

**TANZANIA TOBACCO PROCESSORS LIMITED**

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

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

**Interest rate risk (Continued)**

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

**TANZANIA TOBACCO PROCESSORS LIMITED  
NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 MARCH 2022**

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

**Liquidity risk**

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

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

Financial liabilities	Up to 3 months		Up to 6 months		Up to 12 months		> 1 year		Total TZSMIL
	TZS MIL		TZS MIL		TZS MIL		TZS MIL		
<b>31 March 2022</b>									
Trade and other payables	1,003		1,003		8,026		-		10,032
Medium term loan	35		497		977		1,421		2,930
	<b>1,038</b>		<b>1,500</b>		<b>9,003</b>		<b>1,421</b>		<b>12,962</b>
<b>31 March 2021</b>									
Trade and other payables	3,908		2,345		1,563		-		7,816
Medium term loan	502		497		976		1,420		3,395
	<b>4,410</b>		<b>2,842</b>		<b>2,539</b>		<b>1,420</b>		<b>11,211</b>

**TANZANIA TOBACCO PROCESSORS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 MARCH 2022**

	<b>2022</b>	<b>2021</b>
	<b>TZS MIL</b>	<b>TZS MIL</b>
<b>8. REVENUE FROM CONTRACTS WITH CUSTOMERS</b>		
Tanzania Leaf Tobacco Co. Ltd – Shipping/Processing	-	22
	<u>-</u>	<u>22</u>
<b>9. NATURE OF EXPENSES</b>		
Audit fees	59	26
Cleaning and waste removal	93	130
Communications	36	49
Cost of inventory sold	1,077	667
Depreciation charge (Note 15)	2,380	3,573
Electricity and water	116	151
Employee costs (Note 10)	-	747
Fuel	13	18
Insurance	289	422
Licenses	51	140
Management Fee	498	187
Other	451	18
Printing	2	8
Consumables	1	4
Professional and legal fees	58	262
Rates	53	143
Repairs and maintenance	130	259
Security	895	969
Travel	3	22
Loss on sale of fixed assets	-	133
	<u>6,205</u>	<u>7,928</u>
<b>Classified as:</b>		
Cost of sales	-	-
Administration costs	6,205	7,928
	<u>6,205</u>	<u>7,928</u>

**TANZANIA TOBACCO PROCESSORS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 MARCH 2022**

	<b>2022</b>	<b>2021</b>
	<b>TZS MIL</b>	<b>TZS MIL</b>
<b>10. EMPLOYEE COSTS</b>		
Salaries and wages	-	396
Allowances	-	110
Bonus net of prior year overprovision	-	44
Statutory social security cost – defined contribution plan	-	47
Other statutory levies	-	28
Training	-	1
Protective clothing	-	5
Medical costs	-	75
Other employee benefits	-	41
	<u>-</u>	<u>747</u>
<b>11. OTHER INCOME</b>		
Rental income	258	265
Sundry income	492	785
Gain on sale of fixed assets	148	-
	<u>898</u>	<u>1,050</u>
<b>12. FINANCE COSTS AND FOREIGN EXCHANGE LOSSES</b>		
Interest expense (Note 22)	145	343
Foreign exchange losses	13	18
	<u>158</u>	<u>361</u>
<b>13. INCOME TAX</b>		
<b>Income tax (credit)/charge</b>		
Income tax charge – current year	-	-
Income tax charge – prior year	2,037	-
Deferred tax credit (Note 23)	-	(2,130)
	<u>2,037</u>	<u>(2,130)</u>
Reconciliation of actual tax to the expected tax using the statutory tax rate:		
(Loss)/profit before tax	<u>(5,465)</u>	<u>(7,217)</u>
Tax at the statutory rate of 30%	(1,640)	(2,165)
Effect of timing differences	110	1,375
Effect of permanent differences	-	(1,130)
Tax loss created/(utilised)	1,530	1,920
<b>Current income tax expense</b>	<u>-</u>	<u>-</u>

**TANZANIA TOBACCO PROCESSORS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 MARCH 2022**

**14. EARNINGS PER SHARE**

Basic earnings per share amounts is calculated by dividing the loss for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share amounts is calculated by dividing the loss attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. The calculation is based on:

	<b>2022</b>	<b>2021</b>
Loss attributable to ordinary shareholders (TZS Mil)	<u>(7,502)</u>	<u>(5,087)</u>
Weighted average number of ordinary shares	<u>6,990</u>	<u>6,990</u>
<b>Loss per share (TZS'000/share)</b>	<b><u>(1,073)</u></b>	<b><u>(728)</u></b>

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

**TANZANIA TOBACCO PROCESSORS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 MARCH 2022**

**15. PROPERTY, PLANT AND EQUIPMENT**

2022	Buildings TZS MIL	Plant & Machinery TZS MIL	Motor Vehicles TZS MIL	Other assets* TZS MIL	Total TZS MIL
<b>Cost</b>					
At 1 April 2021	16,905	40,763	381	1,580	59,629
Additions	-	-	-	-	-
Disposals	-	(289)	(349)	(126)	(764)
<b>At 31 March 2022</b>	<b>16,905</b>	<b>40,474</b>	<b>32</b>	<b>1,454</b>	<b>58,865</b>
<b>Depreciation and impairment</b>					
At 1 April 2021	11,253	37,625	367	1,278	50,523
Charge for the year	423	1,875	1	81	2,380
Disposal depreciation	-	(232)	(336)	(112)	(680)
<b>At 31 March 2022</b>	<b>11,676</b>	<b>39,268</b>	<b>32</b>	<b>1,247</b>	<b>52,223</b>
<b>Net carrying amount</b>					
At 31 March 2022	5,229	1,206	-	207	6,642
<b>At 31 March 2021</b>	<b>5,652</b>	<b>3,138</b>	<b>14</b>	<b>302</b>	<b>9,106</b>

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

**TANZANIA TOBACCO PROCESSORS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 MARCH 2022**

**15. PROPERTY, PLANT AND EQUIPMENT (Continued)**

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

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

**TANZANIA TOBACCO PROCESSORS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 MARCH 2022**

**15. PROPERTY, PLANT AND EQUIPMENT (Continued)**

The Company has assets with original cost of TZS 22,924 million (2021: TZS 17,255 million) as summarised below, which have been fully depreciated but continued to be utilised in the generation of income.

Asset group	Original cost	
	2022	2021
	TZS MIL	TZS MIL
Plant and machinery	22,084	16,246
Motor vehicles	32	358
Other assets	808	651
<b>Total</b>	<b>22,924</b>	<b>17,255</b>

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

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

No further impairment was deemed necessary for 2022.

**16. PREPAID LAND RENTALS**

Land rights (right of occupancy)	1,126	1,126
Impairment	-	(490)
	<b>636</b>	<b>636</b>

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

**17. INVENTORIES**

Inventories comprise of:

Spares	3,229	4,705
Packing materials	17	29
Fuel, protective clothing and consumables	306	315
	<b>3,552</b>	<b>5,049</b>

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

No inventories were written down during the year (2021: Nil)

**TANZANIA TOBACCO PROCESSORS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 MARCH 2022**

	<b>2022</b>	<b>2021</b>
	<b>TZS MIL</b>	<b>TZS MIL</b>
<b>18. TRADE AND OTHER RECEIVABLES</b>		
<b>Financial Instruments</b>		
Sundry debtors	451	35
Total financial instruments	<u>451</u>	<u>35</u>
<b>Non-financial instruments</b>		
Prepayments	104	121
VAT recoverable and other tax objection deposits	893	728
Total non-financial instruments	<u>997</u>	<u>849</u>
<b>Total trade and other receivables</b>	<b><u>1,448</u></b>	<b><u>884</u></b>
<b>Total trade and other receivables split as follows:</b>		
Current	1,448	884
Non-current	-	-
	<u>1,448</u>	<u>884</u>
<b>Financial instruments split as follows:</b>		
Denominated in local currency	451	35
Denominated in foreign currency	-	-
Total financial instruments	<u>451</u>	<u>35</u>
Trade and other receivables are non-interest bearing and are generally on 30-day terms. No expected credit losses have been recognised as the probability of default of the counterparties is insignificant.		
The ageing analysis of trade and other receivables is as follows:		
Current – not past due	107	108
30 days	21	59
60 days	8	59
90 days	10	116
Over 120 days	1,302	542
	<u>1,448</u>	<u>884</u>
<b>19. CORPORATION TAX RECEIVABLE</b>		
At 1 April	3,264	3,242
Current year charge (Note 13)	(2,037)	-
Paid/offset during the year	(62)	22
<b>At 31 March</b>	<b><u>1,165</u></b>	<b><u>3,264</u></b>

**TANZANIA TOBACCO PROCESSORS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 MARCH 2022**

**20. CASH AND CASH EQUIVALENTS**

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

	2022 TZS MIL	2021 TZS MIL
Local currency	87	113
Foreign currency	11	236
	<u>98</u>	<u>349</u>

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

**21. SHARE CAPITAL**

	2022 TZS MIL	2021 TZS MIL
<b>Authorised share capital</b>		
10,000 ordinary shares of TZS 1,000,000 each	<u>10,000</u>	<u>10,000</u>
<b>Issued share capital</b>		
Issued and fully paid 6,990 ordinary shares of TZS 1,000,000 each	<u>6,990</u>	<u>6,990</u>

**22. MEDIUM TERM UNSECURED LOANS**

Universal Leaf Tobacco Co. Inc.		
Non - current portion	1,393	1,391
Current portion: recognised under current liabilities	1,392	1,855
	<u>2,785</u>	<u>3,246</u>

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

- Loan 1 of US\$ 8,400,000 was to finance the purchase of plant and machinery in the 2015 financial year. The loan was fully repaid as at 31 March 2021.
- Loan 2 of US\$ 5,400,000 was to finance the purchase of new warehousing and tobacco handling equipment in the 2016 financial year. The remaining balance as at 31 March 2022 was US\$ 1,200,000, repayable in 6 quarterly instalments of US\$ 200,000 starting on 30 September 2022.

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

**TANZANIA TOBACCO PROCESSORS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 MARCH 2022**

**22 MEDIUM TERM UNSECURED LOANS (Continued)**

	<b>Loan 2</b> <b>TZS MIL</b>
<b>At 31 March 2022</b>	
Opening balance	
Principal amount	3,246
Interest accrued	145
Principal paid	(458)
Interest paid	(145)
Foreign exchange differences	(3)
<b>Closing balance</b>	<b>2,785</b>

	<b>Loan 1</b> <b>TZS MIL</b>	<b>Loan 2</b> <b>TZS MIL</b>	<b>Total</b> <b>TZS MIL</b>
<b>At 31 March 2021</b>			
Opening balance			
Loan balance	2,767	5,073	7,840
Interest accrued	107	236	343
Principal paid	(2,744)	(1,830)	(4,574)
Interest paid	(107)	(236)	(343)
Foreign exchange differences	(23)	3	(20)
<b>Closing balance</b>	<b>-</b>	<b>3,246</b>	<b>3,246</b>

**23. DEFERRED TAX ASSET**

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 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.

Details of the deferred tax asset are as follows:

	<b>2022</b> <b>TZS MIL</b>	<b>2021</b> <b>TZS MIL</b>
<b>Movement in the deferred tax:</b>		
At 1 April	-	2,130
Credit for the year	-	(2,130)
Movement not recognised	1,976	-
<b>Net deferred tax asset at 31 March</b>	<b>1,976</b>	<b>-</b>
<b>The net deferred tax asset is made up as follows:</b>		
Accelerated capital allowances	1,477	1,735
Unrealised foreign exchange losses	(81)	(82)
Tax losses carried forward	(3,372)	(1,653)
<b>Net deferred tax asset not recognised</b>	<b>1,976</b>	<b>-</b>

**TANZANIA TOBACCO PROCESSORS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 MARCH 2022**

**24. TRADE AND OTHER PAYABLES**

	<b>2022</b>	<b>2021</b>
	<b>TZS MIL</b>	<b>TZS MIL</b>
<b>Financial Instruments</b>		
Trade payables	29	12
Sundry payables and accruals	122	99
Due to related companies (Note 25)	9,881	7,705
Total financial instruments	<u>10,032</u>	<u>7,816</u>
<b>Non-financial Instruments</b>	<u>-</u>	<u>-</u>
<b>Total trade and other payables</b>	<u><b>10,032</b></u>	<u><b>7,816</b></u>
Financial instruments split as follows:		
Denominated in local currency	4,048	3,157
Denominated in foreign currency	5,984	4,659
	<u>10,032</u>	<u>7,816</u>

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

**25. RELATED PARTY DISCLOSURES**

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

	<b>2022</b>	<b>2021</b>
	<b>TZS MIL</b>	<b>TZS MIL</b>
<b>Sales to related company:</b>		
Tanzania Leaf Tobacco Company Limited	<u>-</u>	<u>22</u>
<b>Paid to related parties:</b>		
Tanzania Leaf Tobacco Company Limited – Management fee	498	187
Universal Leaf Tobacco Co. Inc. – Interest	<u>145</u>	<u>343</u>
<b>Amount due to related companies:</b>		
Tanzania Leaf Tobacco Company	<u>9,881</u>	<u>7,705</u>
	<u><b>9,881</b></u>	<u><b>7,705</b></u>

**TANZANIA TOBACCO PROCESSORS LIMITED  
NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 MARCH 2022**

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

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

	<b>2022</b>	<b>2021</b>
	<b>TZS MIL</b>	<b>TZS MIL</b>
<b>Loan due to related party:</b>		
Universal Leaf Tobacco Co. Inc.	<u>2,785</u>	<u>3,246</u>

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

**Compensation for key management personnel:**

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

Salaries and other short-term benefits	-	225
Post-employment benefits	-	22
	<u>-</u>	<u>247</u>

**Non-executive directors' remuneration**

No remuneration was paid to non-executive directors during the year (2021: Nil).

**TANZANIA TOBACCO PROCESSORS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 MARCH 2022**

26. CASH GENERATED FROM OPERATIONS	Notes	2022	2021
		TZS MIL	TZS MIL
Loss before tax		(5,465)	(7,217)
<b>Adjustment for non-cash items:</b>			
Depreciation charge	15	2,380	3,573
Unrealised foreign exchange gains		(3)	(20)
(Gain)/loss on disposal of fixed assets	9&11	(148)	133
Interest expense	12	145	343
<b>Working capital changes:</b>			
Decrease in inventories		1,497	588
(Increase)/decrease in trade and other receivables		(564)	196
Increase in trade and other payables		2,216	4,661
		<b>58</b>	<b>2,257</b>

**27. COMMITMENTS**

The Company had no capital commitments as at the year-end (2021: None).

**28. CONTINGENT LIABILITIES**

**Litigation**

As at 31 March 2022, the Company had no unresolved cases involving staff disputes.

**Taxation**

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

The Company duly submitted the final income tax self-assessment returns for all the prior years. TRA has issued tax assessments up to the 2021 financial year.

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

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

**TANZANIA TOBACCO PROCESSORS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 MARCH 2022**

**29. EMPLOYEES**

The average number of permanent employees for the year was Nil (2021: 16).

**30. FAIR VALUE**

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

**31. ULTIMATE HOLDING COMPANY**

The ultimate holding Company until 3rd 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.

**32. COVID-19 PANDEMIC CONSIDERATIONS**

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 future rental activities will not be significantly impacted. COVID-19 did not have an impact on the judgements, estimates and assumptions applied by the Company.

**33. EVENTS AFTER THE REPORTING PERIOD**

**Acquisition by AMY Holdings Limited**

On 3<sup>rd</sup> June 2022, the shareholders of Tanzania Tobacco Processors Limited sold its shares to AMY Holdings Limited, a company based in Tanzania.

The Company's shareholding structure disclosed on Note 7 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	6,989	99.99%
Yusra M Huwel	1	0.01%
	<u>6,990</u>	<u>100%</u>

As a result of this acquisition, on 21<sup>st</sup> June 2022, the Company changed its name to Mkwawa Tobacco Processors Limited.

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