

MTIBWA SUGAR ESTATES LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

MTIBWA SUGAR ESTATES LIMITED

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

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MTIBWA SUGAR ESTATES LIMITED

**COMPANY INFORMATION
FOR THE YEAR ENDED 30 JUNE 2022**

Registered office

HEAD OFFICE:

Mtibwa Sugar Estates Limited
14 Nyerere Road
Vingunguti Industrial Area
P.O Box 16541
Dar es Salaam, Tanzania

ESTATES OFFICE:

Mtibwa Sugar Estates Limited
P.O.BOX 42, Mtibwa
Turiani
Morogoro, Tanzania

Company Secretary

Mr. Ibrahim Juma Ali
P.O Box 16541
Dar es Salaam
Tanzania

Auditors

BDO East Africa - Tanzania
Certified Public Accountants
4th Floor, ZO Spaces
Plot No. 4, New Bagamoyo Road
P.O Box 9912
Dar-es-Salaam, Tanzania

Legal advisors

FK Law Chambers
FK House
23 Ocean Road
P.O Box 20787
Dar es Salaam, Tanzania

Main Bankers

CRDB Bank Plc
Holland House Branch
Samora Avenue, Sokoine Drive
Dar es Salaam, Tanzania

MTIBWA SUGAR ESTATES LIMITED

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

1. Introduction

The members charged with governance present their report to the shareholders together with the audited financial statements of Mtibwa Sugar Estates Limited (“the Company”) for the year ended 30 June 2022, which disclose the state of affairs of the Company as at that date. This report has been prepared in accordance with the Tanzania Financial Reporting Standards (TFRS) No. 1, The Report by Those Charged with Governance issued by National Board of Accountants and Auditors (NBAA).

2. Incorporation

The Company was incorporated on 22 December 1961 in The United Republic of Tanzania under the Companies Act, No.12 of 2002 as a private Company Limited.

3. Company’s vision

The Company’s vision is to be the Leading Sugar Producer in the Region.

4. Company’s mission

The Company’s mission is to Work with Best Practices to Achieve Continuous Growth. We strive for profitable growth in our core business and values. Our core values are; honesty, integrity, ownership, innovation and teamwork.

5. Principal activities

Sugarcane growing and the production of sugar and related products are the main activities of Mtibwa Sugar Estates Ltd. Cane is supplied from the company’s own fields and some small portion from small out-growers in surrounding villages. Part of the sugar produced is exported to the EU under the Sugar Protocol while the remaining is sold locally.

6. Key performance indicators and liquidity

6.1 Production Performance

The Factory crushed a total of 458,455 Metric Tons of cane in 2021/2022 for both the estate and out growers against 494,361 Metric Tons of cane in 2020/2021.

6.2 Financial Performance

Production of sugar increased to 44,357 Metric Tons in 2021/2022 compared to 42,812 Metric Tons produced in 2020/2021.

Sales revenue has increased by TZS 2.1 billion due to increase in sugar production and revenue from sales of imported sugar compared to 2020/2021.

The following Key Performance Indicators (KPIs) are effective in measuring the delivery of the Company’s strategy and managing business;

Key performance indicators	Definition and calculation method	Ratios	
		2021/2022	2020/2021
Net profit margin	Net profit/Total revenue	5.19%	2.31%
Current ratio	Current asset/Current liability	0.78	0.82
Net income to Total assets	Net income/Total asset	1.40%	0.66%
Return on equity	Net income/Equity	6.10%	2.80%

As at year end the member of those charged with governance are conversant on the entities ability to meet its current liabilities when they fall due.

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

7. Composition of the board of Directors

The Directors of the company at the date of this report who, except as otherwise stated, served throughout the year are:

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

The Board is required to meet at least four times a year (quarterly) and oversee the management of the business. During the year the Board met twice.

The Company secretary as at 30 June 2022 was Mr. Ibrahim Juma Ali.

8. Corporate governance

The Board of directors consists of 4 directors. One of which hold executive positions in the Company. The Board takes overall responsibility for the Company, including responsibility for identifying key risk areas, considering and monitoring investment decisions, considering significant financial matters, and reviewing the performance of management business plans and budgets. The Board is also responsible for ensuring that a comprehensive system of internal control policies and procedures is operative, and for compliance with sound corporate governance principles.

The Board is required to meet at least four times a year (quarterly). The Board delegates the day-to-day management of the business to the General Manager who is also a board member assisted by senior management and facilitates the effective control of all the company's operational activities, acting as a medium of communication and coordination of all business activities.

The Company is committed to the principles of effective corporate governance. The directors also recognize the importance of integrity, transparency and accountability. The Board met twice during the financial year.

Outlined below is the attendance of the members at the board meetings held during the year;

Name of Director	Q1: 6 th Oct 2021	Q2: 2 nd Feb 2022	Attendance %
Mr. Seif A. Seif	✓	✓	100%
Mr. Nassor A. Seif	✓	✓	100%
Mr. Stanley Rau	✓	✓	100%
Mr. Ashwin D. Rana	✓	✓	100%

9. Capital structure

The company capital structure for the year under review is shown in note 20.

MTIBWA SUGAR ESTATES LIMITED

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

10. Management

The Management of the Company is under the Managing Director and is organized in the following departments;

- Factory Department.
- Civil Engineering Department
- Human Resource Department
- Risk Department
- Finance Department
- Agriculture Department
- Farm, Machine and Transport Department

11. Shareholders of the company

The shares of the Company are held as follows:

	<u>No. of shares</u>	<u>% Shareholding</u>
Superdoll Trailer Manufacture Co. (T) Limited	2,075,081	7%
Super Star Forwards Limited	2,075,070	7%
	<u>4,150,151</u>	<u>14%</u>

12. Results and dividend

The net profit for the year of TZS 4.6 billion (2020/2021: TZS 2 billion) has been added to retained earnings. During the year the Company did not declare any dividends (2020/2021: NIL).

The statement of affairs of the Company and operating results are fully set out on pages 13 and 14 respectively, and do not in our opinion, require any further comment.

13. Risk management and internal control

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 ongoing 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 behavior towards all stakeholders.

The efficiency of any internal control system is dependent on the strict observance of prescribed measures. There is always a risk of non-compliance of such measures by staff.

Whilst no system, of internal control can provide absolute assurance against misstatement or losses, the Company 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 ended 30 June 2022 and is of the opinion that they met accepted criteria.

14. Solvency

The state of affairs of the company as at 30 June 2022 is set out on page 14 of these Financial Statements.

The Board of directors confirms that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis. The Directors consider the Company to be solvent within the meaning ascribed by the Companies Act 2002. No matters have come to the attention of the Directors to indicate that the Company will not remain a going concern for the next 12 months from the date of this report.

The holding company and other related companies will continue to provide the necessary financial support to enable the Company to continue its future operations. The Directors are of the opinion that the Company will be a going concern in years ahead. Accordingly, the financial statements have been prepared on a going concern basis.

15. Employees' welfare

(i) Staffing

At the end of the year under review the company had 5,435 (2021: 4,883) permanent, seasonal and Casual employees.

(ii) Management and employees' relationship

The relationship between management and employees is governed by a Voluntary Agreement between the Tanzania Plantation and Agriculture Workers Union (TPAWU) and management that was registered by the Industrial Court of Tanzania on May 15, 2003. Management continues enjoying an amicable working relationship, entering into negotiations to renew the Collective Bargaining Agreement with the Trade Union (TPAWU). There were no unresolved complaints received by Management from the employees during the year. A healthy relationship continues to exist between management and the trade union for the period under review.

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

(iii) Training facilities

Training programs have been and are continually being developed to ensure employees are adequately trained at all levels. All employees have some form of annual training to upgrade skills and enhance development.

(iv) Medical assistance

Staff members are insured against work related accidents. All local staff with up to four dependents have medical insurance cover. Expatriate staff members are insured as well but not their dependents.

(v) Health and safety

The Company has a strong health and safety department which ensures that a strong culture of safety prevails at all times. A safe working environment is ensured for all employees and contractors by providing adequate and proper personal protective equipment, training and supervision as necessary.

(vi) Persons with disabilities

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

(vii) Employees Benefit Plan

The Company pays contributions to a publicly administered pension plan on mandatory basis which qualifies to be a defined contribution plan.

(viii) Working Conditions

Matters relating to remuneration, employees' benefits, and disciplinary procedures were handled within the context of the company's conditions of employment and the Voluntary agreement.

16. Gender parity

The Company is equal opportunity employer. It gives equal access to employment opportunities and ensures that the best available person is appointed to any given position free from discrimination of any kind and without regard to factors like gender, marital status, tribes, religion and disability which does not impair ability to discharge duties. During the year 2021/2022 1,524 staffs left the company.

Employees (permanent, seasonal and casual)	<u>2021/2022</u>	<u>2020/2021</u>
Male	4,412	3,940
Female	1,023	943
Total	<u>5,435</u>	<u>4,883</u>

17. Related party transaction

Details of transaction and balances with related parties are included in Note 22 to the financial statements. Any transaction with related parties is consummated on terms substantially equivalent to those that prevail in an arm's length transaction.

18. Subsequent events

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

19. Corporate Social Responsibility

Through its operations, the company contributes to the social and economic development of the country, particularly the local communities. The company complies with all applicable laws and regulations, especially concerning the environment, employment and competition.

20. Auditors

The company's auditors, BDO East Africa - Tanzania, have expressed their willingness to continue in office and are eligible to be re-appointed. A resolution proposing the re-appointment of BDO East Africa - Tanzania as auditors will be put to the Annual General Meeting.

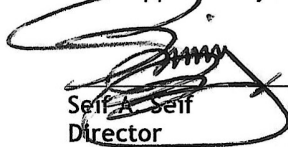
MTIBWA SUGAR ESTATES LIMITED

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

21. Acknowledgements

The members charged with governance accept responsibility for preparing these financial statements which show a true and fair view of the Company to the date of approval of the audited financial statements, in accordance with the applicable standards, rules, regulations and legal provisions. The members also confirm compliance with the provisions of the requirements of TFRS 1 and all other statutory legislations relevant to the Company.

The financial statements set out on pages 13 to 41, which have been prepared on a going concern basis, were approved by the board of directors and were signed on its behalf by:


Seif A. Seif
Director

19th Dec 2022
Date

MTIBWA SUGAR ESTATES LIMITED

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

The Tanzanian Companies Act 2002 requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company as at the end of the financial year and of its results for that year. It also requires the Directors to ensure that the Company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company. They are also responsible for safeguarding the assets of the Company.

The Directors accept responsibility for the annual financial statements that have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with the International Financial Reporting Standards and the requirements of the Tanzanian Companies Act 2002. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of its results. 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 Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Nothing has come to the attention of the Directors to indicate that the Company will not remain as a going concern for at least the twelve months from the date of this statement.

The financial statements set out on pages 13 to 41, which have been prepared on the going concern basis, were approved by the Board on 19th Dec 2022 and were signed on its behalf by:



Seif A. Seif
Director

MTIBWA SUGAR ESTATES LIMITED

**DECLARATION OF HEAD OF FINANCE/ACCOUNTANT
FOR THE YEAR ENDED 30 JUNE 2022**

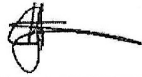
The National Board of Accountants and Auditors (NBAA), according to the power conferred under the Auditors and Accountants (Registration) Act. No. 33 of 1972, as amended by Act no. 2 of 1995, requires financial statements to be accompanied with a declaration issued by the Head of Finance/ Accounting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

It is the duty of a Professional Accountant to assist the Board of Directors/Governing Body/Management to discharge the responsibility of preparing financial statements of an entity showing true and fair view of the entity position and performance in accordance with applicable International Accounting Standards and statutory financial reporting requirements. Full legal responsibility for the preparation of financial statements rests with the Board of Directors as under Statement of Responsibilities by Those Charged with Governance on page 8.

I, Lyimo Herman C. being the Accountant of **Mtibwa Sugar Estate Limited** hereby acknowledge my responsibility of ensuring that financial statements for the year ended 30 June 2022 have been prepared in compliance with applicable accounting standards and statutory requirements.

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

Signed by: _____



Date: _____

19/12/2022

Position: Accountant.

NBAA Membership No: GA. 7191

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF MTIBWA SUGAR ESTATE LIMITED

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of Mtibwa Sugar Estate Limited as at 30 June 2022, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act, CAP 212 Act No. 12 of 2002.

What we have audited

The financial statements of Mtibwa Sugar Estate Limited set out on pages 13 to 41 comprise:

- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of financial position as at 30 June 2022;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Other information

The Directors are responsible for the other information. The other information comprises Directors' report but 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 thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above 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 on the other information, 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 AUDITORS TO THE MEMBERS OF MTIBWA SUGAR ESTATE LIMITED

Responsibilities of the Directors 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 Companies Act, CAP 212 Act No. 12 of 2002, and for such internal controls as the Directors determine are 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 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 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 judgment and maintain professional skepticism 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 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 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.



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REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF MTIBWA SUGAR ESTATE LIMITED

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 Act No. 12 of 2002 and for no other purposes.

As required by the Companies Act, CAP 212 Act No. 12 of 2002, we are also required to report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if the financial statements are not in agreement with the accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the company is not disclosed. In respect of the foregoing requirements, we have no matter to report.

Signed by:


Juvinal Betambira (TACPA 1994)
Engagement Partner
BDO East Africa Tanzania
Certified Public Accountants

19th December 2022
Date

MTIBWA SUGAR ESTATES LIMITED

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

	Notes	2022 TZS'000	2021 TZS'000
Sales	5	89,346,895	87,251,784
Gain/(loss) from changes in fair value of Consumable biological assets	17	4,934,440	3,958,878
Cost of sales	6	(70,759,079)	(72,015,860)
Gross profit		23,522,256	19,194,802
Other operating income	7	819,460	1,331,264
Administration expenses	8	(16,764,861)	(16,382,167)
Operating profit /(loss)		7,576,855	4,143,899
Finance costs	10	(2,940,274)	(2,124,105)
Profit/(loss) before taxation	27	4,636,581	2,019,794
Taxation		-	-
Profit/(Loss) for the year		4,636,581	2,019,794
Total comprehensive profit/(loss)		4,636,581	2,019,794

The accounting policies and notes on pages 17 to 41 form an integral part of these financial statements.

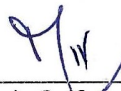
MTIBWA SUGAR ESTATES LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022

		2022	2021
	Notes	TZS'000	TZS'000
Assets			
Non-Current Assets			
Property, plant and equipment	12	206,717,885	211,700,031
Capital work in progress	13	55,697,755	31,776,107
Bearer biological assets	14	11,438,678	6,508,546
Investment in financial assets	15	240	240
		<u>273,854,558</u>	<u>249,984,924</u>
Current Assets			
Inventories	16	17,791,700	21,272,557
Consumable biological assets	17	34,858,783	29,924,343
Trade and other receivables	18	3,045,714	5,888,217
Cash and cash equivalents	19	1,679,890	245,883
		<u>57,376,087</u>	<u>57,331,000</u>
Total Assets		<u><u>331,230,645</u></u>	<u><u>307,315,924</u></u>
Equity and Liabilities			
Equity			
Share capital	20	45,562,224	45,562,224
Reserves		74,907,190	74,907,190
Retained earnings		<u>(44,198,126)</u>	<u>(48,834,707)</u>
		<u>76,271,288</u>	<u>71,634,707</u>
Liabilities			
Non-Current Liability			
Borrowings	23	<u>181,185,758</u>	<u>165,421,586</u>
		<u>181,185,758</u>	<u>165,421,586</u>
Current Liabilities			
Bank Overdraft	19	9,961,976	10,248,764
Trade & Other Payables	21	25,635,261	26,286,225
Amount due to related party	22	35,723,604	31,637,967
Borrowings	23	<u>2,452,758</u>	<u>2,086,675</u>
		<u>73,773,599</u>	<u>70,259,631</u>
Total Equity and Liabilities		<u><u>331,230,645</u></u>	<u><u>307,315,924</u></u>

The financial statements set out on pages 13 to 41, were approved for issue by the Board of Directors on 19th Dec 2022 and signed on its behalf by:


Seif A. Seif
Director


Nassor A. Seif
Director

The accounting policies and notes on pages 17 to 41 form an integral part of these financial statements.

The Independent Auditors Report on pages 10 to 12.

MTIBWA SUGAR ESTATES LIMITED

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

	Share Capital	Deposit on shares	Revaluation Reserve	Retained Earnings	Total
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
Balance at 1 July 2020	4,150,141	38,432,083	74,907,190	(50,854,499)	66,634,915
Issue of Shares	-	2,980,000	-	-	2,980,000
Profit/(Loss) for the year	-	-	-	2,019,794	2,019,794
Balance at 30 June 2021	4,150,141	41,412,083	74,907,190	(48,834,707)	71,634,709
Balance at 1 July 2021	4,150,141	41,412,083	74,907,190	(48,834,707)	71,634,709
Issue of Shares	-	-	-	-	-
Profit/(Loss) for the year	-	-	-	4,636,581	4,636,581
Balance at 30 June 2022	4,150,141	41,412,083	74,907,190	(44,198,126)	76,271,288

The accounting policies and notes on pages 17 to 41 form an integral part of these financial statements.

MTIBWA SUGAR ESTATES LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2022

	Notes	2022 TZS'000	2021 TZS'000
Cash flows from operating activities			
Cash from operations	25	23,218,703	5,431,252
Finance costs-interest		(2,932,873)	(2,196,012)
Net cash from/(used in) operating activities		20,285,830	3,235,240
Cash flows used in investing activities			
Purchase of property, plant and equipment	12	(7,094,055)	(5,295,362)
Additions to capital work in progress		(23,921,648)	(20,661,299)
Additions to bearer biological assets	14	(7,765,224)	(2,834,331)
Net cash used in investing activities		(38,780,927)	(28,790,992)
Cash flows (used in)/from financing activities			
Support from Associate Companies		4,085,637	6,400,402
Repayments of loans		(1,153,000)	
Receipts from fund provider		17,283,255	15,810,883
Net cash from (used in)/ financing activities		20,215,892	22,211,285
Total cash movement for the year		1,720,795	(3,344,467)
Cash at the beginning of the year		(10,002,881)	(6,658,414)
Total cash at end of the year	19	(8,282,086)	(10,002,881)

The accounting policies and notes on pages 17 to 41 form an integral part of these financial statements.

MTIBWA SUGAR ESTATES LIMITED

ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2022

1. General information

Mtibwa Sugar Estates Limited is a limited liability company incorporated and domiciled in the United Republic of Tanzania. The address of its registered office is Plot No. 14, Nyerere Road, Industrial Area, P.O. Box 16541, Dar es Salaam, and United Republic of Tanzania.

These financial statements will be submitted for consideration and approval at the forthcoming Annual General Meeting of shareholders of the company.

2. Presentation of Financial Statements

The financial statements of Mtibwa Sugar Estates Limited comply with the Tanzanian Companies Act 2002 and have been prepared in accordance with the International Financial Reporting Standards (IFRS). The financial statements are prepared under the historical cost convention, except that:

- (i) Certain property, plant and equipment are carried at deemed cost less depreciation;
- (ii) Consumable biological assets are stated at fair value.

These accounting policies are consistent with the previous period.

Going concern

For the year ended 30 June 2022 the Company reported a net profit of TZS 4.6 billion (2021: a net profit of TZS 2 billion) and operating cash flow of TZS 23 billion (2021 Operating cash flow of TZS 3.2 billion). As at 30 June 2022 the Company had net current liabilities of TZS 16.4 billion (2021: net current liability of TZS 12.9 billion) and had accumulated loss of TZS 44.2 billion in 2022 (2021: accumulated loss of TZS 48.8 billion). Operating conditions of the business have improved significantly with increased sugar production and revenue, with significant decrease on Operating Losses. Previous uncertainty has been significantly mitigated due to successful implementation of Turnaround Strategy including factory de-bottlenecking and introduction of agriculture best practice that has been carried out by the new Management.

Furthermore, the management has successfully concluded an amended senior restructuring and refinance facility agreement with CRDB whereby USD 10.4 Million has been disbursed during the year and drawdown of USD 2.2 million has been made, the balance to be disbursed in the financial year 2022/2023 (expansion plan which consist of construction of 25million cubic meter Irrigation Dam at Dakawa area and factory expansion which is currently going on with a target to complete before start of the next season that is August 2022).

Market conditions have improved significantly with stable increase in sugar price, increasing demand and stern Government policy on illegal sugar importation. The future market outlook looks favorably with Government vision and commitment to make Tanzania a self-sufficient sugar producer, eliminating sugar importation.

The financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realization of assets and settlement of liabilities in the ordinary course of business.

Having carefully assessed the likelihood of the shareholders securing additional funding, the Company's ability to effectively manage their expenditures and cash flows from operations, the Directors believe that the Company will continue to operate as a going concern for the foreseeable future. Therefore, the Directors consider it appropriate to prepare the financial statements on a going concern basis.

2.1 Significant judgments and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgment is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgments include:

Trade receivables and Loans and receivables

The Company assesses its trade receivables and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the Company makes judgments as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realizable value. Management has made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operating profit note.

Provisions

Provisions were raised and management determined an estimate based on the information available.

Taxation

Judgment is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and Deferred tax provisions in the period in which such determination is made.

The Company recognises the net future tax benefit related to Deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the Company to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the end of the reporting period could be impacted.

2.2 Biological assets

An entity shall recognize a biological asset or agricultural produce when and only when:

- the entity controls the asset as a result of past events;
- it is probable that future economic benefits associated with the asset will flow to the entity; and
- the fair value or cost of the asset can be measured reliably.

Bearer biological assets are measured at cost.

Standing cane is measured as fair value less cost to sell. The fair value of standing cane is the present value of expected net cash flows from the standing cane discounted at the relevant market determined pre-tax rate.

A gain or loss arising on initial recognition of agricultural produce at fair value less costs to sell is included in profit or loss for the period in which it arises.

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined rate is used to determine fair value.

Cane re-plantation expenditures are deferred at cost and amortized over 7 years.

Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

2.3 Revenue

Revenue from the sale of goods is recognized when all the following conditions have been satisfied:

- the Company has transferred to the buyer significant risks and rewards of ownership of the goods;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

Rental income on the investment property is recognized in profit or loss on a straight-line basis over the term of the lease. Rental income is presented in other income.

From 1st January 2020 the company has adopted a new revenue recognition standard, IFRS 15 Revenue from contracts with customers. The adoption of this standard has not had a material effect on the company's existing revenue recognition policy.

2.4 Taxes

Current Tax

Current Tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from and paid to the tax authorities in accordance with the Tanzanian Income Tax Act, 2004. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the Balance Sheet date.

Deferred Tax

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

Deferred Tax liabilities are recognized for all taxable temporary differences, except:

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

A Deferred Tax asset is recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. A Deferred Tax asset is not recognized when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

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

2.5 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases - lessor

The Company recognizes finance lease receivables in the statement of financial position.

Finance income is recognized based on a pattern reflecting a constant periodic rate of return on the Company's net investment in the finance lease.

2.5 Leases (continued)

Finance leases - lessee

Finance leases are recognized as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Operating leases - lessor

Operating lease income is recognized as an income on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income. Income for leases is disclosed under revenue in profit or loss.

Operating leases - lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term. The difference between the amounts recognized as an expense and the contractual payments are recognized as an operating lease asset. This liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

2.6 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognized in the period in which the service is rendered and are not discounted.

The Company contributes to the mandatory National Social Security Fund (NSSF), which is a defined contribution scheme, on behalf of its employees at varying rates. The rates are determined by local statute.

2.7 Property, plant and equipment

The cost of an item of property, plant and equipment is recognized as an asset 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.

Property, plant and equipment are initially measured at cost.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognized in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognized.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognized.

Property, plant and equipment are depreciated on a Straight-Line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses. The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Rate
Land development road and bridges	2.5%
Buildings	4%/10%
Irrigation systems	6%
Heavy equipment	20%
Motor Vehicles	25%
Plant and machinery	6%
Furniture fittings and equipment	10%/25%
Factory electricity and water supply	5%
Domestic electricity and water supply	5%

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

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

2.7 Property, plant and equipment (continued)

The gains or losses arising from de-recognition of an item of property, plant and equipment is included in profit or loss when the item is derecognized. The gains or losses arising from de-recognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

2.8 Financial instruments

Classification

The company; in accordance with the provisions of IFRS 9 classifies financial assets and financial liabilities into the following categories:

- Loans and receivables

Classification depends on the purpose for which the financial instruments were obtained/ incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through profit or loss, which shall not be classified out of the fair value through profit or loss category.

Initial recognition and measurement

Financial instruments are recognized initially when the Company becomes a party to the contractual provisions of the instruments.

The Company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

Subsequent measurement

Loans and receivables are subsequently measured at amortized cost, using the effective interest method, less accumulated impairment losses.

Amounts due to related parties

These include amounts due to/from holding companies and associate companies and are recognized initially at fair value plus direct transaction costs.

Amounts from related parties are classified as financial liabilities measured at amortized cost.

Amounts to related parties are classified as loans and receivables.

2.8 Financial instruments (continued)

Trade and other receivables

Trade receivables are measured at initial recognition at fair value and are subsequently measured at amortized cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognized in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognized is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced using an allowance account, and the amount of the loss is recognized in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings

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

2.9 Inventories

Inventories are measured at the lower of cost and net realizable value on weighted average basis.

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

The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable, and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

2.9 Inventories (continued)

The cost of inventories is assigned using the first-in, first-out (FIFO) basis. The same basis is used for all inventories having a similar nature and use to the entity.

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

2.10 Impairment of 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.

Irrespective of whether there is any indication of impairment, the Company also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing carrying amount with recoverable amount. This impairment test is performed annually and at the same time every period.
- tests goodwill acquired in a business combination for impairment annually.

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

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

An impairment loss is recognized for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:

- first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit and
- then, to the other assets of the unit, pro rata based on the carrying amount of each asset in the unit.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognized 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.

2.10 Impairment of assets (continued)

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 recognized for the asset in prior periods.

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

2.11 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all its liabilities.

Ordinary shares are classified as equity.

2.12 Cost of sales

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

The related cost of providing services recognized as revenue in the current period is included in cost of sales. Contract costs comprise:

- costs that relate directly to the specific contract;
- costs that are attributable to contract activity in general and can be allocated to the contract; and
- such other costs as are specifically chargeable to the customer under the terms of the contract.

2.13 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalization is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalized do not exceed the total borrowing costs incurred.

2.13 Borrowing costs (continued)

The capitalization of borrowing costs commences when:

- expenditures for the asset have occurred;
- borrowing costs have been incurred, and
- activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalization is suspended during extended periods in which active development is interrupted.

Capitalization ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognized as an expense in the period in which they are incurred.

2.14 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Tanzania Shillings, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognized in profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognized to other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognized to other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

Cash flows arising from transactions in a foreign currency are recorded in Tanzanian Shillings by applying to the foreign currency amount the exchange rate between the Tanzanian Shillings and the foreign currency at the date of the cash flow.

ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2022

3. Changes in accounting policy

The financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year except for the adoption of new or revised standards.

3.1 New Standards and Interpretations

In the current year, the Company has applied all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting periods beginning on or after 1st January 2022. None of these new and amended standards and interpretations had a significant effect on the company because they are either not relevant to the company's activities or require accounting which is not consistent with the company's current accounting policies.

Standards and interpretations not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods and which have not been adopted early. None of these are expected to have a significant effect on the Company, in particular:

New and revised Standards and Interpretations that are effective in 2022 and beyond;

Title	Description	Effective Date
<u>IAS 1 – Presentation of Financial Statements</u>	IAS 1 "Presentation of Financial Statements" sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows.	Effective January 1, 2011, earlier application is permitted. The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
<u>IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors</u>	IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" is applied in selecting and applying accounting policies, accounting for changes in estimates and reflecting corrections of prior period errors. The standard requires compliance with any specific IFRS applying to a transaction, event or condition, and provides guidance on developing accounting policies for other items that result in relevant and reliable information. Changes in accounting policies and corrections of errors are generally retrospectively accounted for, whereas changes in accounting estimates are generally accounted for on a prospective basis.	Effective January 1, 2011, earlier application is permitted. The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
<u>IAS 16 – Property, Plant and Equipment</u>	IAS 16 "Property, Plant and Equipment" outlines the accounting treatment for most types of property, plant and equipment. Property, plant and equipment is initially measured at its cost, subsequently measured either using a cost or revaluation model, and depreciated so that its depreciable amount is allocated on a systematic basis over its useful life.	Effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011, earlier application is permitted. The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2022

Title	Description	Effective Date
<u>IAS 37 – Provisions, Contingent Liabilities and Contingent Assets</u>	IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" outlines the accounting for provisions (liabilities of uncertain timing or amount), together with contingent assets (possible assets) and contingent liabilities (possible obligations and present obligations that are not probable or not reliably measurable).	Effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011, earlier application is permitted. The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
<u>IFRS 1 – First-time Adoption of International Financial Reporting Standards</u>	IFRS 1 "First-time Adoption of International Financial Reporting Standards" sets out the procedures that an entity must follow when it adopts IFRS for the first time as the basis for preparing its general purpose financial statements. The IFRS grants limited exemptions from the general requirement to comply with each IFRS effective at the end of its first IFRS reporting period.	Effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011, earlier application is permitted. The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
<u>IFRS 17 – Insurance Contracts</u>	IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.	The IASB tentatively decided to defer the effective date of IFRS 17, Insurance Contracts to annual periods beginning on or after January 1, 2022. [The IASB has also published 'Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)' to defer the fixed expiry date of the amendment also to annual periods beginning on or after January 1, 2023.]

4. Risk management

Financial risk management

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The Company only deposits cash with major banks with high quality credit standing and limits exposure to any counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, considering its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilization of credit limits is regularly monitored.

ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2022

	2022	2021
	TZS'000	TZS'000
Financial assets exposed to credit risk at year end were as follows:		
Trade and other receivables	3,045,714	5,888,217
Cash in hand	1,362	14,566
Cash equivalent	1,678,528	231,317
	<u>4,725,604</u>	<u>6,134,100</u>

****There was an error in splitting cash and cash equivalents together with Bank overdraft, this has been rectified in the year under review. None of the above assets are past due or impaired in trade receivables.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Company management maintains flexibility in funding by maintaining availability under committed credit lines.

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 shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company monitors capital based on the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities in foreign operations.

The Company does not hedge foreign exchange fluctuations.

Risk from biological assets

The Company is exposed to financial risks arising from changes in sugar prices. The Company does not anticipate that sugar prices will decline significantly in the foreseeable future. The Company has not entered into derivative contracts to manage the risk of a decline in sugar prices. The Company reviews its outlook for sugar prices regularly in considering the need for active financial risk management.

Interest rate risk

The Company has interest-bearing liability, the Company's income and operating cash flows can be affected with the changes in market interest rates. It has taken a loan from Industrial Development Corporation, South Africa to finance the extension, rehabilitation and modernization of the factory and estates. This loan is repayable in 14 equal semi-annual installments commencing from 12 months after the draw down period.

MTIBWA SUGAR ESTATES LIMITED

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

	2022 TZS'000	2021 TZS'000
5. Revenue		
Sale of sugar	89,346,895	87,251,784
	89,346,895	87,251,784
6. Cost of sales		
Purchase of sugarcane	11,885,077	9,507,976
Depreciation	6,788,618	5,723,667
Production expenses	38,457,160	35,325,086
Production employees' cost	15,883,019	14,504,707
Purchase of imported sugar	5,510,429	9,788,755
	78,524,303	74,850,191
Change in fair value of consumable biological assets	(7,765,224)	(2,834,331)
	70,759,079	72,015,860
7. Other operating income		
Sales of molasses	819,460	1,331,264
	819,460	1,331,264
8. Administration expenses		
Auditors' remuneration	-	115,000
Bank charges	67,897	49,165
Consultancy fees	139	38,632
Public relations	100,430	9,724
Depreciation	5,287,586	5,199,156
Employee costs	5,568,254	5,861,146
Stationery	52,732	152,041
Food stuffs	203,078	183,313
General expenses	856,997	466,830
Guarding and investigation	132,446	141,671
Insurance	247,554	341,827
Freight, transport and handling expenses	520,922	8,435
Licenses	493,723	136,620
Medical expenses	199,026	124,819
Other expenses	6,603	4,371
Postage	95,850	101,929
Consumables	277,784	46,810
Protective clothing	68,148	43,127
Repairs and maintenance	1,344,909	1,727,821
Staff welfare	399,128	1,064,449
Retirement Benefits	839,807	437,042
Entertainment	1,888	298
Rent	(40)	127,941
	16,764,861	16,382,167

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

	2022 TZS'000	2021 TZS'000
9. Operating profit/(loss)		
Operating profit/(loss) for the year is stated after accounting for the following:		
Audit fees	-	115,000
Depreciation on equipment	12,076,204	10,922,823
Employee costs	21,451,273	20,365,853
Amortization of bearer biological assets	<u>2,835,092</u>	<u>2,042,301</u>
10. Finance costs		
Interest expense	2,932,873	2,196,012
Exchange differences	<u>7,401</u>	<u>(71,907)</u>
	<u>2,940,274</u>	<u>2,124,105</u>

11. Taxation

No Current Income Tax charge as the Company made an Operating Loss for the year. The normal procedure for agreeing final Income Tax liability in Tanzania involves the Company filing its final Income Tax Returns with the Tanzania Revenue Authority (TRA) followed by TRA performing their own review of the Company's submissions and issuing their Notice of Final Income Tax Assessments to the Company. The Final Income Tax Assessment as maybe determined by TRA after their review and possible site visit may differ from the assessments determined by the Company and procedures are in place for the Company to object and appeal against the TRA assessments. It is common that a timeframe from the Company's own submission of its final Tax Returns and for TRA performing their reviews and issuing of Notice of Final Assessment may take several months or years.

The final Tax Return for the financial year ended 30 June 2022 is due on 31 December 2022. However, no tax liability is envisaged by Management due to current year losses and cumulative tax losses from previous years

Deferred Tax

Deferred Tax is calculated, in full, on all temporary timing differences under the liability method using a Principal Tax Rate of 30% (2021/2022: 30%).

The current year Deferred Tax Assets has not been recognized as it is not foreseeable that the Company will make taxable profits against which unutilized losses and other credits will reverse.

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

12. Property, plant and equipment	2022 TZS'000		2021 TZS'000			
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Land Development, roads, bridges and buildings	221,257,037	(49,044,770)	172,212,267	221,192,965	(43,530,999)	177,661,966
Irrigation system	20,237,252	(13,964,899)	6,272,353	20,237,252	(12,358,788)	7,878,464
Heavy equipment	37,604,742	(29,203,277)	8,401,465	31,755,431	(27,723,484)	4,031,947
Motor vehicles	2,853,386	(2,213,340)	640,046	2,837,900	(1,867,273)	970,627
Plant and machinery	47,821,344	(32,205,568)	15,615,776	47,652,665	(29,434,417)	18,218,248
Furniture, fittings and equipment	4,793,891	(2,831,960)	1,961,931	3,797,386	(2,567,387)	1,229,999
Factory electricity and water supply	1,877,984	(298,425)	1,579,558	1,877,984	(210,672)	1,667,312
Domestic electricity and water supply	139,713	(105,231)	34,482	139,713	(98,245)	41,468
Network Installation	13,940	(13,940)	-	13,940	(13,940)	-
Total	336,599,289	(139,940)	206,717,879	329,505,236	(117,805,205)	211,700,031

Statement of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Depreciation	Accumulated depreciation on disposed Assets	Total
Land Development, roads, bridges and buildings	177,661,965	64,072	-	(5,513,770)	-	172,212,267
Irrigation system	7,878,463	-	-	(1,606,110)	-	6,272,353
Heavy equipment	4,031,947	5,849,311	-	(1,479,793)	-	8,401,465
Motor vehicles	970,627	15,486	-	(346,067)	-	640,046
Plant and machinery	18,218,248	168,679	-	(2,771,151)	-	15,615,776
Furniture, fittings and equipment	1,229,999	996,505	-	(264,573)	-	1,961,931
Factory electricity and water supply	1,667,312	-	-	(87,753)	-	1,579,558
Domestic electricity and water supply	41,468	-	-	(6,986)	-	34,482
Network Installation	-	-	-	-	-	-
Total	211,700,029	7,094,053	-	(12,076,203)	-	206,717,879

MTIBWA SUGAR ESTATES LIMITED

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

12. Property, plant and equipment (continued)

Statement of property, plant and equipment - 2021		Opening balance	Additions	Disposals	Depreciation	Accumulated depreciation on disposed Assets	Total
Land Development, roads, bridges and buildings		183,565,048	-	-	(5,903,082)	-	177,661,966
Irrigation system		9,092,699	-	-	(1,214,235)	-	7,878,464
Heavy equipment		1,458,515	3,098,041	-	(524,609)	-	4,031,947
Motor vehicles		420,624	825,450	-	(275,447)	-	970,627
Plant and machinery		20,472,930	497,020	-	(2,751,702)	-	18,218,248
Furniture, fittings and equipment		514,159	874,851	-	(159,011)	-	1,229,999
Factory electricity and water supply		1,755,065	-	-	(87,753)	-	1,667,312
Domestic electricity and water supply		48,454	-	-	(6,986)	-	41,468
Total		217,327,494	5,295,362	-	(10,922,825)	-	211,700,031

Depreciation charge of TZS '000 6,788,618 has been charged in cost of sales (2021: TZS '000 5,723,667) and TZS'000 5,287,586 in administrative expenses (2021: TZS '000 5,199,156)

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

13. Capital work in progress	2022 TZS'000	2021 TZS'000	2021 TZS'000	2021 TZS'000
	Cost / Valuation	Capitalization during the year	Carrying value	Cost / Valuation
Land development, roads, bridges and buildings	32,351,879	-	32,351,879	19,249,144
Plant and machinery	14,222,837	-	14,222,837	5,707,565
Electrical Installation	9,123,039	-	9,123,039	6,819,398
Total	55,697,755	-	55,697,755	31,776,107

Statement of capital work in progress - 2022

	Opening balance	Additions	Capitalization during the year	Transfer to PPE	Transfer to income statement	Total
Land development, roads, bridges and buildings	19,249,144	13,102,735	-	-	-	32,351,879
Plant and machinery	5,707,565	8,515,272	-	-	-	14,222,837
Electrical Installation	6,819,398	2,303,641	-	-	-	9,123,039
Total	31,776,107	23,921,648	-	-	-	55,697,755

Statement of capital work in progress - 2021

	Opening balance	Additions	Capitalization during the year	Transfer to PPE	Transfer to income statement	Total
Land development, roads, bridges and buildings	11,106,181	8,142,963	-	-	-	19,249,144
Plant and machinery	319	5,707,246	-	-	-	5,707,565
Electrical Installation	8,307	6,811,091	-	-	-	6,819,398
Total	11,114,807	20,661,300	-	-	-	31,776,107

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

14. Bearer biological assets	Cost / Valuation	2022 TZS'000 Accumulated amortization	Carrying value	Cost / Valuation	2021 TZS'000 Accumulated amortization	Carrying value
Bearer Biological Assets	33,744,458	(22,305,780)	11,438,678	25,979,234	(19,470,688)	6,508,546
	33,744,458	(22,305,780)	11,438,678	25,979,234	(19,470,688)	6,508,546

Reconciliation of bearer biological assets - 2022

Bearer Biological Asset	Opening balance	Additions	Amortization	Total
	6,508,546	7,765,224	(2,835,092)	11,438,678

Reconciliation of bearer biological assets - 2021

Bearer Biological Assets	Opening balance	Additions	Amortization	Total
	5,716,516	2,834,331	(2,042,301)	6,508,546

Bearer biological assets represent cane replantation expenditures that have an expected life cycle of seven years, as they would normally generate seven crop harvests. The corresponding re-plantation costs are deferred and amortized over seven years.

MTIBWA SUGAR ESTATES LIMITED

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

	2022 TZS'000	2021 TZS'000
15. Investment in financial assets		
Co-operative Shop	140	140
T.F.A. Ltd	100	100
	<u>240</u>	<u>240</u>

The Directors are of the opinion that cost represents a reasonable value for the investment in financial assets.

16. Inventories

Consumables and spares	13,316,182	12,113,300
Raw sugar	2,491,393	7,146,020
Molasses	2,073,279	2,167,050
Sugar in process	517,489	452,830
	<u>18,398,343</u>	<u>21,879,200</u>
Less: Provision for impairment of inventories	<u>(606,643)</u>	<u>(606,643)</u>
	<u>17,791,700</u>	<u>21,272,557</u>

17. Consumable biological assets

At 1 July,	29,924,343	25,965,465
Gain / (Losses) arising from changes in fair value of standing cane	4,934,440	3,958,878
	<u>34,858,783</u>	<u>29,924,343</u>

18. Trade and other receivables

Trade receivables	542,381	277,450
Out-Growers	274,628	274,628
Employee costs in advance	1,154,061	1,422,203
Deposits	1,074,643	3,913,936
	<u>3,045,714</u>	<u>5,888,217</u>

In the opinion of the Directors, trade and other receivables approximate to their fair values.

MTIBWA SUGAR ESTATES LIMITED

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

	2022 TZS'000	2021 TZS'000
19. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	1,362	14,566
Balance at Bank	1,678,528	231,317
	<u>1,679,890</u>	<u>245,883</u>
Bank Overdraft	(9,961,976)	(10,248,764)
	<u>(9,961,976)</u>	<u>(10,248,764)</u>
Current assets	1,679,890	245,883
Current liabilities	(9,961,976)	(10,248,764)
	<u>(8,282,086)</u>	<u>(10,002,881)</u>
20. Share capital		
Authorized		
30,000,000 Ordinary shares of TZS 1,000	<u>30,000,000</u>	<u>30,000,000</u>
Issued and fully paid		
4,150,141 Ordinary shares issued and fully paid at TZS 1,000 each	4,150,141	4,150,141
Deposit on shares	41,412,083	41,412,083
	<u>45,562,224</u>	<u>45,562,224</u>
21. Trade and other payables		
Trade payables	23,955,498	21,524,873
Accrued expense	1,363,332	4,444,921
Other payables & Advance from customers	316,431	316,431
	<u>25,635,261</u>	<u>26,286,225</u>
In the opinion of the Directors, trade and other payables approximate to their fair values.		
Note: Balance of Kagera Sugar was allocated to the related party balance in both 2022 & 2021 period.		
22. Related party balances		
General Motors Investment Limited	11,545,524	9,839,901
Super Doll Trailers Manufacture Company (Tanzania) Limited	12,470,340	11,497,250
Supper Retread Tyres Ltd	2,124,746	2,124,746
Super star Forwarders Company Limited	6,284,508	5,894,702
Kagera Sugar	3,298,486	2,281,368
	<u>35,723,604</u>	<u>31,637,966</u>

MTIBWA SUGAR ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

	2022 TZS'000	2021 TZS'000
23. Borrowings		
<u>Non-Current Liability</u>		
Foreign Banks	115,327,169	116,480,169
Tanzanian Banks	65,858,589	48,941,417
	<u>181,185,758</u>	<u>165,421,586</u>
<u>Current Liability</u>		
Tanzanian Banks	2,452,758	2,086,675
	<u>2,452,758</u>	<u>2,086,675</u>

The Company borrowed USD 46,550,410 from Industrial Development Corporation, South Africa (IDC SA) to finance the extension, rehabilitation and modernization of the factory and construction of water Dam. Furthermore, the management has successfully concluded an amended senior restructuring and refinance facility agreement with CRDB whereby USD 10.4 Million has been disbursed during the year and drawdown of USD 2.2 million has been made, the balance to be disbursed in the financial year 2022/2023 (expansion plan which consist of construction of 25million cubic meter Irrigation Dam at Dakawa area and factory expansion which is currently going on with a target to complete before start of the next season that is August 2022).

24. Deferred tax

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 30% (2020/2021: 30%).

Deferred tax assets are recognized only to the extent that the realization of the related tax benefit is probable. No Deferred tax has been recognized in respect of the accelerated tax depreciation resulting from revaluation surplus due to unpredictability of the future realization of the revalued assets.

	2022 TZS'000	2021 TZS'000
25. Cash generated from operations		
Profit before taxation	4,636,581	2,019,794
Adjustments for:		
Depreciation	12,076,204	10,922,823
Amortization of Bearer biological assets	2,835,092	2,042,301
Finance costs	2,932,873	2,196,012
Changes in working capital:		
Inventories	3,480,856	(3,422,658)
Consumable Biological Assets	(4,934,440)	(3,958,878)
Trade and other receivables	2,842,503	(862,876)
Other Trade payables	(650,964)	(3,505,265)
	<u>23,218,705</u>	<u>5,431,253</u>

26. Events after the balance sheet

Dakawa project:

- The Dakawa project has now reached implementation stage having received approvals from both the CRDB and IDC banks and drawdown of part of the restructured existing facilities. The construction of the dam had started from August 2020 and was expected to be completed by February 2021, the project still in-progress and the completion extended to August 2022. The project will increase to the sugar production of 80,000tons by 2025.

Corporate governance:

- Our governance framework is structured to ensure compliance with the laws, regulations and codes of best practice. In pursuance of its ongoing commitment to ensure that the business is managed in an efficient, responsible and ethical manner and in the interests of all its stakeholders. Mtibwa remains committed to achieving the highest standards of corporate governance and corporate citizenship, by adhering to the relevant codes of best practice, principles of honesty, integrity, ownership, innovation and teamwork.

Recruitment:

- As part of the talent development and management, a graduate and diploma holders have been recruited and appointed into key positions. Aligned with this drive to secure higher levels of competence in the business, a Best Practice manual has been developed in agriculture that defines the best operating procedures for all operations from the preparation of land for planting to the harvesting of can for the factory. All key staffs are trained in best practice techniques using the Best Practice manual. In addition to technical training all key personnel have received leadership and team building training. Training is a key focus area for Mtibwa. A central training center has been established and is used extensively to upgrade the skills of the management and operators. Safety training is an ongoing activity as is the establishment and management of KPI's.

MTIBWA SUGAR ESTATES LIMITED**DETAILED INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2022**

		2022	2021
27. Detailed Income Statement	Notes	TZS'000	TZS'000
Revenue			
Sale of sugar	5	<u>89,346,895</u>	<u>87,251,784</u>
Cost of sales			
Cost of sugar produced		(70,759,079)	(72,015,860)
Change in fair value of consumable biological assets	17	<u>4,934,440</u>	<u>3,958,878</u>
(Gross loss)/Gross profit		23,522,256	19,194,802
Other income	7	819,460	1,331,264
Expenses	8	(16,764,861)	(16,382,167)
(Operating loss)/Operating profit	9	<u>7,576,855</u>	<u>4,143,899</u>
Finance costs	10	(2,940,274)	(2,124,105)
Profit (Loss) for the year		<u><u>4,636,581</u></u>	<u><u>2,019,794</u></u>