

RUVUMA COAL MINING LIMITED
P.O. Box 7283
Dar es Salaam
Annual Report 2020

RUVUMA COAL LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020

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RUVUMA COAL LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020

CORPORATE INFORMATION

Board of Directors

<u>Name</u>	<u>Nationality</u>
Mr. Ali Afif Fawaz	Tanzanian
Mr. Ryan Weinand	South African

Registered Office of the Company

Paradiso, Mbinga,
Songea
P. O. Box 7283,
Dar Es Salaam
Tanzania

Auditors

Baker Tilly DGP & Co.,
Certified Public Accountants
P. O. Box 1314,
Dar Es Salaam
Tanzania

Company Secretary

Khudra Zubery Kiponda
P.O.Box 61506
Dar Es Salaam,
Tanzania

Bankers

First National Bank of Tanzania
Exim Bank (Tanzania) Limited
National Bank of Commerce (Tanzania) Limited

**RUVUMA COAL MINING LIMITED, P.O.BOX 7283, DAR ES SALAAM
ANNUAL REPORT AND FINANCIAL STATEMENTS**

**DIRECTORS REPORT
FOR THE YEAR ENDED 31ST DECMEBER 2020**

The Members,

Your directors' have pleasure in presenting their report along with the Audited Financial Statements for the financial year ended on 31st December 2020, which disclose the State of Affairs of your company.

1. PRINCIPAL ACTIVITIES

The principal activity of the Company is extracting and trading of coal.

2. COMPOSITION OF THE BOARD OF DIRECTORS

The directors of company at the date of this report and who served the company during the financial year 2020, except otherwise stated are:

Name	Position	Nationality
Mr. Ali Fawaz	Director	Tanzanian
Mr. Ryan Wienard	Director	South African

All the directors' have an interest in the company to the extent given under the heading 'Capital Structure'. The interest was fully disclosed at the board meetings.

3. CAPITAL STRUCTURE & SHAREHOLDING OF THE COMPANY

As at 31st December 2020, the paid up capital of the company consists of 20,000 ordinary shares of Tzs 7,500/- each and were held by the following shareholders:

Name of Shareholder	No. of ordinary shares	
	Current Year	Previous Year
Mr. Ali Fawaz	8,000	8,000
Mr. Ryan Wienard	4,000	4,000
Ms. Fatma Hassan Abdulbari	8,000	8,000
Total	20,000	20,000

4. CORPORATE GOVERNANCE

The Board of Directors consists of two directors. All of the directors are involved in day-to-day operations of the company. The Board takes overall responsibility for the Company, including responsibility of 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 meeting at regular intervals. The Board delegates the day-to-day management of the business to the CEO, the Director and the senior management. Senior management is invited to attend the board and management meetings and facilitates the effective control of all the Company's operational activities, as a medium of communication and coordination between all the various business units.

The company is committed to the principles of effective corporate governance.

The directors also recognize the importance of integrity, transparency and accountability.

**RUVUMA COAL MINING LIMITED, P.O.BOX 7283, DAR ES SALAAM
ANNUAL REPORT AND FINANCIAL STATEMENTS**

**DIRECTORS REPORT
FOR THE YEAR ENDED 31ST DECMEBER 2020**

5. 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 operations control systems are developed and maintained on an ongoing basis in order to provide reasonable assurance regarding:

- The efficiency and effectiveness of operations;
- The safeguarding of 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's internal control system is designed to provide the Board with reasonable assurance that the procedures in place are operating efficiently.

The Board assessed the internal control systems throughout the financial year ended 31st December 2020 and is of the opinion that they met accepted criteria.

The Board carries risk and internal control assessment through Board Meetings and Management meetings, on regular basis.

6. SOLVENCY

The Board of Directors confirms that applicable accounting standards have been followed and that the financial statements have been prepared on going concern basis. The Board of directors has reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

7. OPERATING RESULTS

The financial results for the period ending 31st December 2020 are set out in the financial statements of the report.

8. RELATED PARTY DISCLOSURE

The details of Related Party transaction were made at an 'Arm Length' price and disclosed in the notes to the accounts.

9. DIVIDENDS

The directors do not propose any dividends for the year.

10. DIRECTORS RESPONSIBILITIES

As directors, it is our responsibility to prepare the financial statements for each financial year that gives a true and fair view of the state of affairs of the company at the end of the financial year. We are also responsible for the keeping proper accounting records in line with the provisions of the Companies Act for taking reasonable steps to safeguard the assets of the Company, to prevent, detect fraud and other irregularities.

**RUVUMA COAL MINING LIMITED, P.O.BOX 7283, DAR ES SALAAM
ANNUAL REPORT AND FINANCIAL STATEMENTS**

**DIRECTORS REPORT
FOR THE YEAR ENDED 31ST DECMEBER 2020**

We confirm that suitable accounting policies have been adopted and applied consistently and reasonable and prudent judgments and estimates have been made in the preparation of the financial statements for the year ended on 31st December 2020. We also confirm that the applicable accounting standards have been followed and the financial statements have been prepared on a going concern basis.

11. AUDITORS

M/s. Baker Tilly DGP & Co. have expressed their willingness to continue in office and are eligible for re-appointment.

12. ACKNOWLEDGEMENTS

Your directors wish to place on records, their sincere thanks and deep sense of appreciation for the overwhelming co-operation and assistance received from the Government of Tanzania, the Tanzania Revenue Authority, Tanzania Port Authority, various other Government and Semi Government organizations, the bankers of the company and last but not the least the employees of the company. The management looks forward for the continued support from all for the coming future.

BY ORDER OF THE BOARD



Director:

Place: Dar es Salaam

Date: 30/6/21



Director

Place: Dar es Salaam

Date: 30/6/21

**RUVUMA COAL MINING LIMITED, P.O. BOX 7283, DAR ES SALAAM
ANNUAL REPORT AND FINANCIAL STATEMENTS**

FOR THE PERIOD ENDED 31ST DECEMBER 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Companies Act 2002 requires the Directors to prepare financial statements which give a true and fair view of the state of affairs of the Company as at the end of the financial period and of the operating results for that Period. It also requires the Directors to ensure that the Company maintains proper accounting records which disclose with reasonable accuracy the financial position of the Company. The Directors are also responsible for safeguarding the assets of the Company.

The Directors accept the responsibility for the financial statements which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, consistent with previous years, and in conformity with the International Financial Reporting Standards and the requirements of the Companies Act 2002. The Directors are of the opinion that the financial statements give a true and fair view of the state of financial affairs of the Company as at 31st December, 2020 and of its operating results for the Period then ended. The Directors further confirm the accuracy and completeness of the accounting records maintained by the Company which have been relied upon in the preparation of the financial statements, as well as on the adequacy of the systems of internal financial controls.

Approved by the Board of Directors on 30/06/ 2021 and signed on its behalf by:



Director
Place: Dar es Salaam
Date: 30 JUN 2021



Director
Place: Dar es Salaam
Date: 30 JUN 2021

**RUVUMA COAL LIMITED, P.O. BOX 7283, DAR ES SALAAM
ANNUAL REPORT AND FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31ST DECEMBER 2020

DECLARATION OF THE HEAD OF ACCOUNTING AND FINANCE

The National Board of Accountants and Auditors (NBAA) according to power conferred under the Auditors and Accountants (Registration) Act 33 of 1972, as amended by Act No. 2 of 1995, require 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 / Governing Body as under Directors Responsibility statement on an earlier page.

I, CPA JOYCE WILFRED, hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31st December 2020 have been prepared in compliance with the applicable accounting standard and statutory requirements. I thus confirm that the financial statements give a true and fair view position of the Ruvuma Coal Limited as on that date and that they have been prepared based on properly maintained financial records.

Signed: 

NBAA Membership No.: APA 3895

Date: 26th June 2021

INDEPENDENT AUDITOR'S REPORT**TO THE MEMBERS OF
RUVUMA COAL LIMITED****Opinion**

We have audited the financial statements of Ruvuma Coal Limited, which comprise the Statement of Financial Position as at 31st December 2020, 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 accompanying financial statements give a true and fair view of the financial position of the Company as at 31st December 2020 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the Companies Act, 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 National Board of Accountants and Auditors (Code of Ethics) By - Laws, 2013, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

1. Inventories and fixed assets have been valued and physically verified by the management.
2. On 11 March 2020, the World Health Organization declared Corona virus (COVID-19) outbreak a pandemic in recognition of its rapid spread across the globe. COVID-19 affects the company in certain uncertainties for the future financial position and performance of the Company. Uncertainties related to the potential effects of COVID-19 are relevant to understanding our audit of the financial statements. Our audits assess and challenge the reasonableness of estimates made by the company, the related disclosures and the appropriateness of the going concern assumption in the financial statements. The appropriateness of the going concern assumption depends on the assessment of the future economic environment and the company's future prospects and performance. The COVID-19 pandemic is an unprecedented challenge for humanity and for the economy globally, and at the date of this report its effects are subject to levels of uncertainty. An audit cannot predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to COVID.

Our report is not modified in respect of the above matter.

Other Matter

The financial statements of Ruvuma Coal Limited for the year ended 31st December 2019, were audited by another auditor who expressed an unmodified opinion on those financial statements on 22nd June 2020.

Other information

The directors are responsible for the other information. The other information comprises the Director's Report as required by the Companies Act, 2002, which we obtained prior to the date of this report. Other information does not include the Financial Statements and our auditor's report 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.

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, 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.

Auditor's responsibilities for the audit of 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 Company's internal control.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosure made by the directors.

Conclude on the appropriateness of the director's 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.


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

As required by the Companies Act, 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 purposes 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 director's report is consistent with the financial statements;
- iv) information specified by the law regarding director's 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 accounts.

For Baker Tilly DGP & Co.
Certified Public Accountants.


Kailas K. Bhattbhatt
Partner

Place : Dar es Salaam

Date : 30/06/2021



RUVUMA COAL LIMITED
P. O. Box 7283, Dar Es Salaam

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2020

PARTICULARS	NOTE	2020 Tzs ('000)	2019 Tzs ('000)
Revenue		27,251,974	-
Cost of Sales	4	25,811,180	-
Gross profit		1,440,795	-
<u>Less: Expenses</u>			
Administrative expenses	5	(685,390)	(51,981)
Selling and distribution expenses	6	(176,010)	-
Financial expenses	7	(52,487)	(6,918)
Mining Rehabailitation expenses		(532,010)	-
		<u>(1,445,898)</u>	<u>(58,899)</u>
Profit / (Loss) before tax		(5,103)	(58,899)
Less : Tax (expense) / credit	8	(72,137)	25,389
Profit / (Loss) after tax		<u>(77,240)</u>	<u>(33,510)</u>

The significant accounting policies on pages 13 to 19 and the notes on pages 20 to 25 form an integral part of these financial statements.

Report of the Independant Auditor's on page 7 & 8.

The financial statements on Pages 9 to 25 were approved by the Board of Directors and signed on behalf by:



Name: ALI FAWAZ

Director

Date: 30 JUN 2021


For

Name: RYAN WEINAND

Director

Date: 30 JUN 2021

RUVUMA COAL LIMITED
P. O. Box 7283, Dar Es Salaam

STATEMENT OF FINANCIAL POSITION AS ON 31ST DECEMBER 2020

PARTICULARS	NOTE	31st December 2020 Tzs ('000)	31st December 2019 Tzs ('000)
Non current assets			
Property, plant and equipment	17	3,821,908	569,815
Deferred tax assets	8	159,603	26,391
		<u>3,981,511</u>	<u>596,206</u>
Current assets			
Inventories	9	2,459,722	115,008
Trade and other receivables	10	4,249,738	431,644
Cash and cash equivalents	11	804,822	142,888
		<u>7,514,282</u>	<u>689,540</u>
Total assets		<u>11,495,793</u>	<u>1,285,746</u>
Equity			
Share capital	12	150,000	150,000
Retained earnings		<u>(161,970)</u>	<u>(83,882)</u>
		(11,970)	66,118
Non current liabilities			
Long term liabilities	13	890,205	1,213,534
Deferred tax liabilities	8	206,351	1,002
		<u>1,096,556</u>	<u>1,214,536</u>
Current liabilities			
Trade and other payables	14	7,571,520	4,244
Provisions	15	2,839,686	847,490
		<u>10,411,206</u>	<u>5,092</u>
Total equity and liabilities		<u>11,495,793</u>	<u>1,285,746</u>

The significant accounting policies on pages 13 to 19 and the notes on pages 20 to 25 form an integral part of these financial statements.

Report of the Independent Auditor's on page 7 & 8.

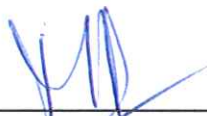
The financial statements on Pages 9 to 25 were approved by the Board of Directors and signed on behalf by:



Name: ALI AFIF FAWAZ

Director

Date: 30 JUN 2021


For

Name: RYAN WILLIAMS

Director

Date: 30 JUN 2021

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER 2020

Particulars	Share capital	Retained earnings	Total
	Tzs ('000)	Tzs ('000)	Tzs ('000)
<u>Year ended 31st December 2019</u>			
As at start of the year	150,000	(50,372)	99,628
Net profit / (loss)	-	(33,510)	(33,510)
At the end of the year	150,000	(83,882)	66,118
<u>Year ended 31st December 2020</u>			
As at start of the year	150,000	(83,882)	66,118
Prior period expenses		(847)	
Net profit / (loss)	-	(77,240)	(77,240)
At the end of the year	150,000	(161,970)	(11,122)


The significant accounting policies on pages 13 to 19 and the notes on pages 20 to 25 form an integral part of these financial statements.

Report of the Independent Auditor's on page 7 & 8.

The financial statements on Pages 9 to 25 were approved by the Board of Directors and signed on behalf by:


 Name: Ali Afele Fawwaz

Director
 Dated: 30 JUN 2021

For 
 Name: Ryan Mwanuzi

Director
 Dated: 30 JUN 2021

RUVUMA COAL LIMITED
P. O. Box 7283, Dar Es Salaam


STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST DECEMBER 2020

PARTICULARS	2020 Tzs ('000)	2019 Tzs ('000)
<u>Cash flows from operating activities</u>		
Profit / (Loss) before tax	(5,103)	(58,899)
<u>Adjustment for:</u>		
Depreciation and amortisation	312,325	1,113
Interest expense	50,738	-
Prior period adjustment	(847)	-
	<u>357,113</u>	<u>(57,786)</u>
<u>Movements in working capital:</u>		
(Increase)/ decrease in inventories	(2,344,715)	(115,008)
(Increase)/ decrease in trade and other receivables	(3,818,094)	(431,644)
Increase/ (decrease) in trade and other payables	10,406,115	5,091
Cash generated from operations	<u>4,600,419</u>	<u>(599,346)</u>
Less: Taxes paid	-	-
Net cash generated by operating activities (A)	<u>4,600,419</u>	<u>(599,346)</u>
<u>Cash flow from investing activities</u>		
Payments for purchase of property, plant and equipment	<u>(3,564,418)</u>	<u>(146,272)</u>
Net cash used in investing activities (B)	<u>(3,564,418)</u>	<u>(146,272)</u>
<u>Cash flow from financing activities</u>		
Increase/ (decrease) in long term liabilities	<u>(323,329)</u>	<u>771,320</u>
Net cash (used in) / generated by financing activities (C)	<u>(374,067)</u>	<u>771,320</u>
Net increase in cash and cash equivalents (A+B+C)	661,934	25,702
Cash and cash equivalents at the beginning of the year	142,888	117,186
Cash and cash equivalents at the end of the year	<u>804,822</u>	<u>142,888</u>

The significant accounting policies on pages 13 to 19 and the notes on pages 20 to 25 form an integral part of these financial statements.


Report of the Independent Auditor's on page 7 & 8.

The financial statements on Pages 9 to 25 were approved by the Board of Directors and signed on behalf by:


 Name: Ali Afif Farooq

Director

Dated: **30 JUN 2021**


 Name: Ryan Mwanuzi

Director

Dated: **30 JUN 2021**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020

1 GENERAL INFORMATION

Ruvuma Coal Limited is incorporated in Tanzania under the Companies Ordinance as a limited liability company and it is domiciled in Tanzania. The principal activities of the company are disclosed in the Note 1 of the Directors Report.

2 ADOPTION OF NEW AND REVISED STANDARDS & INTERPRETATIONS

a) Standards, Amendments to the standards and Interpretations effective in the year 2020

The following standards, amendments and new interpretations issued by the IFRIC and are mandatory for the accounting periods beginning on or after 1st January 2020:

- Amendments to IAS 1 and IAS 8: Definition of Material
- Amendments to IFRS 3: Definition of a business
- Amendments regarding Pre-replacement issues in the context of the IBOR reform:
 - IAS 39 Financial Instruments: Recognition and Measurement
 - IFRS 7 Financial Instruments: Disclosures
 - IFRS 9 Financial Instruments
- Annual Improvements to IFRS Standards 2018-2020 Cycle
 - IAS 41 Agriculture

The adoption of these standards, amendments and interpretations has not led to any change in the accounting policies of the Company.

b) Standards, Amendments and Interpretations issued, but not yet effective

A number of new standards, amendments to standards and interpretations are effective for forthcoming periods and the Company had not adopted any of these Standards, Amendments of interpretations from an early date. The management does not foresee any major change in the accounting policies of the Company due to such amendments.

- IAS 1 Presentation of Financial Statements (Amendment – Classification of Liabilities and Disclosure of accounting policies)
- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Definition of Accounting Estimates)
- IAS 16 Property, Plant and Equipment (Amendment – Prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use)
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendment – Costs to include when assessing whether a contract is onerous)
- IFRS 1 First-time Adoption of International Financial Reporting Standards (Amendment – Subsidiary as a first-time adopter)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020

- IFRS 3 Business Combinations (Amendment – Conceptual Framework)
- IFRS 4 Insurance Contracts (Amendment – The expiry date of the deferral approach)
- IFRS 16: Leases (Amendment – Exemption to lessees from assessing whether COVID-19-related rent concession is a lease modification and Replacement issues in the context of the IBOR reform)
- IFRS 17 Insurance Contracts
- Amendments regarding Replacement issues in the context of the IBOR reform:
 - IAS 39 Financial Instruments: Recognition and Measurement
 - IFRS 4 Insurance Contracts
 - IFRS 7 Financial Instruments: Disclosures
 - IFRS 9 Financial Instruments
- Annual Improvements to IFRS Standards 2018-2020 Cycle
 - IFRS 9 Financial Instruments

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Company in future periods.

3. SUMMARY OF ACCOUNTING POLICIES

3.1 The principal accounting policies adopted in the preparation of these financial statements are set out below.

A. BASIS OF PREPARATION

The financial statements have been prepared on a going concern basis.

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements are presented in the functional currency, Tanzania Shillings (Tsh). The policies set out below have been consistently applied to all the years presented except for those relating to the classification and measurement of financial instruments.

These financial statements have been prepared under the historical cost convention. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying company's accounting policies. The areas involving a high degree of judgement or complexity, on where assumptions and estimates are significant to the financial statement are disclosed in Note 3.2

B. REVENUE RECOGNITION

Revenue is recognised when the goods are sold and is represented net of VAT. Due to nature of final product coal, variation in quantity might be there. So revenue is booked on net basis and VAT charged accordingly to the customer.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020

C. FOREIGN CURRENCY TRANSLATION

(i) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional currency for the company is the Tanzania Shillings.

(ii) Transactions and balances

Foreign currency transactions are translated into Tanzania Shillings using the average exchange rate prevailing on monthly basis for the transactions. Monetary assets and liabilities at the balance sheet date, which are expressed in foreign currencies, are translated into Tanzania Shillings at rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the Statement of Profit or Loss and Other Comprehensive Income.

D. PROPERTY, PLANT AND EQUIPMENT

All property, plant and equipment are shown initially at cost, less subsequent depreciation and impairment. Cost includes expenditure directly attributable to the acquisition of the items. Subsequent costs are included in asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be reliably measured.

The management, on the basis of the estimation, when felt necessary undertakes revaluation of the assets and where ever the market price exceeds the realizable value, the assets are stated at realizable value and a reserve is created by the name Revaluation Reserves. Depreciation on such value is charged to revaluation reserve by way of transfer in the Statement of changes in equity.

Depreciation is calculated using the written down value method to allocate the cost of each asset to its residual value over the estimated useful life as follows:

	Rate (%)
Building	5.00
Plant & Machinery	12.50
Equipments	12.50
Motor Vehicle - Class I	37.50
Motor Vehicle – Class II	25.00
Furniture, Fixture & Office Equipments	12.50
Mine Infrastructure	SLM

Major renovations are depreciated over the remaining useful life of the related asset or to the date of the next major renovation, whichever is sooner. All other repairs and maintenance expenditures are charged to the Statement of Profit or Loss and Other Comprehensive Income during the financial period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gain or losses on disposals are determined by comparing the disposal proceeds with the carrying amount and are included in the Statement of Profit or Loss and Other Comprehensive Income.

E. IMPAIRMENT OF ASSETS

At each balance sheet date, the company reviews the carrying amounts of its Property, Plant and Equipment and Investment Property to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

F. OPERATING & FINANCE LEASES

The company is having no finance lease transaction during the period. The company has operating lease agreement during the period.

Operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset.

Payments received under operating leases are shown under the head 'Rental Income'.

Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Profit or Loss and Other Comprehensive Income on a straight-line basis over the period of the lease.

There are no future commitments arising out of operating lease agreements as on the date of balance sheet since all such agreements requires payments to be made in advance and the same have been disclosed under deposits and advance.

Residential premises lease is for a period of one year. The operating lease agreement requires advance payment for the entire period of lease.

G. INVENTORIES

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the weighted average method and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the open market less applicable selling expenses. Stores and consumables are stated at cost less any provision for obsolescence.

H. ACCOUNTS RECEIVABLE

Receivables are initially recognised at fair value and subsequently measured at their amortised costs using effective interest method. A provision for impairment trade

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020

receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the expected cash flows discounted at the effective interest rate. The amount of the provision is recognised in the Statement of Profit or Loss and Other Comprehensive Income.

I. CASH AND CASH EQUIVALENTS

Cash & Cash equivalents comprise of cash held by the company and current accounts operated with banks for company's normal trade transactions. The carrying amount of these assets approximates their fair value.

J. BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost and any difference between proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Profit or Loss and Other Comprehensive Income over the period of the borrowings using the effective interest method.

Borrowing costs are expensed in the period they accrue unless they can be related, with certainty, to fixed assets construction projects in which case they are capitalised as part of the asset's cost.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

K. DEFERRED INCOME TAXES

Income tax expense is the aggregate of the charge to the Statement of Profit or Loss and Other Comprehensive Income account in respect of current income tax and deferred income tax. Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the Tanzania Income Tax Act, 2004.

Deferred income tax is provided in full using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted at the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that the directors consider that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax is recognised as income tax benefit or expense in the year in which it arises.

Deferred tax assets and liabilities have not been recognised due to the Export Processing Zone exemption status of the company.

L. TAXATION

Income tax expense is the aggregate of the charge to the Statement of Profit or Loss and Other Comprehensive Income in respect of current income tax and deferred income

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020

tax. Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the Tanzania Income Tax Act, 2004.

M. EMPLOYEES BENEFITS

The Company has defined benefits contributions plans. Under defined contribution plan, the Company contributions to publicly administered pension plans (NSSF or PPF) on a mandatory basis. The Company has no further payment obligations once the contributions have been paid.

N. PROVISIONS

Provisions are recognized when the company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Where the Company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

O. Mine Closure, Site Restoration and Decommissioning Obligation

The company's obligation for land reclamation and decommissioning of structures consists of spending at both surface and underground mines in accordance with the guidelines from Mining Act and related regulation. The company estimates its obligation for Mine Closure, Site Restoration and Decommissioning based upon detailed calculation and technical assessment of the amount and timing of the future cash spending to perform the required work. Mine Closure expenditure is provided as per approved Mine Closure Plan. The basis for the estimate is the cubes of land displaced in the process of mining during the financial period.

P. Exploration and Evaluation Assets

Exploration and evaluation assets comprise capitalised costs which are attributable to the search for coal and related resources, pending the determination of technical feasibility and the assessment of commercial viability of an identified resource which comprises inter alia the following: acquisition of rights to explore, researching and analysing historical exploration data; gathering exploration data through topographical, geo chemical and geo physical studies; exploratory drilling, trenching and sampling; determining and examining the volume and grade of the resource; surveying transportation and infrastructure requirements; Conducting market and finance studies. The above includes employee remuneration, cost of materials and fuel used, payments to contractors etc. As the intangible component represents an insignificant/indistinguishable portion of the overall expected tangible costs to be incurred and recouped from future exploitation, these costs along with other capitalised exploration costs are recorded as exploration and evaluation asset. Exploration and evaluation costs are capitalised on a project by project basis pending determination of technical feasibility and commercial viability of the project and disclosed as a separate line item under non-current assets. They are subsequently measured at cost less accumulated impairment/provision. Once proved reserves are determined and development of mines/project is sanctioned, exploration and evaluation assets are transferred to "Development" under capital work in progress. However, if proved reserves are not determined, the exploration and evaluation asset is derecognised.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020

Q. Development Expenditure

When proved reserves are determined and development of mines/project is sanctioned, capitalised exploration and evaluation cost is recognised as assets under construction and disclosed as a component of capital work in progress under the head "Development". All subsequent development expenditure is also capitalised. The development expenditure capitalised is net of proceeds from the sale of coal extracted during the development phase.

On sale being commenced, the assets under capital work in progress are reclassified as a component of property, plant and equipment under the nomenclature "Other Mining Infrastructure". Other Mining Infrastructure are amortised from the year when the mine is brought under revenue in 20 years or working life of the project whichever is less.

3.2 FINANCIAL RISK MANAGEMENT

The Companies activities expose it to a variety of financial risks: foreign currency risk, credit risk etc. The Company's overall risk management programme seeks to minimize potential adverse effects on the financial performance. Risks management is carried out by the management on behalf of the Board of Directors.

Credit risk

The Company has no significant concentrations of credit risk. It has policies in place to ensure that the sales of products are made to customers with an appropriate credit history. Sales to retail customers are made in cash or via strictly credit terms.

Foreign currency risk

As and when the need arises, the Company enters into transactions denominated in foreign currencies (primarily United States Dollars ("US\$")). In addition, the Company has assets and liabilities denominated in United States Dollars ("US\$"). As a result, it is subject to transaction and translation exposure from fluctuations in foreign currency exchange rates. Occasionally, when considered prudent exposure to foreign currency risk is hedged, by forward contracts.

RUVUMA COAL LIMITED
P. O. Box 7283, Dar Es Salaam

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020

	2020	2019
	Tzs ('000)	Tzs ('000)
4 Cost of Sales		
Opening stock	6,564	-
Add: Mining cost	21,665,956	-
Less: Closing stock	(2,459,722)	-
Cost of material consumption	19,212,798	-
Add: Direct costs		
Mine Infrastructure Related Cost	922,183	-
Consultancy fee	20,215	-
Drilling, rig & blasting	93,873	-
Survey report expenses	24,731	-
Depreciation charges - direct	307,094	-
Geological consultation charges	15,671	-
Geological survey of Tanzania fee	700	-
Equipment charges	250,968	-
Fuel charges (Freight)	176,870	-
Mining clearing & inspection fee	761,862	-
Mining royalty fee	2,280,576	-
Transportation expenses	1,438,215	-
Fuel charges (Truck)	305,423	-
Total	25,811,180	-
5 Administrative expenses		
Audit fees	11,490	847
Salaries and wages	193,086	-
Depreciation / amortisation	5,231	1,113
Director's remuneration and fees	34,800	-
Water quality analysis charges	1,137	-
Fire safety and inspection	9,000	-
Fuel and vehicle expenses	11,373	-
Insurance expenses	36,153	-
IT service charges	30,675	-
Dues, rates, fees and license charges	4,400	2,525
Mileage allowance	37,693	-
NSSF contribution	11,146	-
Skills and development levy	6,478	-
Rent expenses	3,000	3,600
Professional and legal fees	4,025	18,032
Occupational Safety & Health	6,980	-
Repairs and maintenance - Truck	97,257	-
Workers compensation fund	1,701	-
Printing and stationery expenses	15,010	-
Security, parking and waiting charges	40,115	-
Subscription and other charges	27,010	-
Office expenses	21,797	-
Transportation and travelling expenses	43,230	12,650
General expenses	10,397	8,395
Vehicle hiring charges	1,468	4,819
Expected Credit Loss	20,738	-
Total	685,390	51,981

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020

	2020	2019	
	Tzs ('000)	Tzs ('000)	
6 Selling and distribution expenses			
City service levy charges	100,618	-	
Loading & offloading charges	4,967	-	
Export Expenses	70,425	-	
Total	176,010	-	
7 Financial expenses			
Bank charges	17,537	1,735	
Interest on loan from others	50,738	-	
Foreign exchange loss / (gain) - realised	1,596	5,183	
Foreign exchange loss / (gain) - unrealised	(17,384)	-	
Total	52,487	6,918	
8 Tax expenses			
Current tax	-	-	
Deferred tax	72,137	(25,389)	
Total	72,137	(25,389)	
Reconciliation of tax expenses:			
Net profit as per statement of profit or loss	(5,103)	(58,899)	
Tax @ 30 % (2019: 30%)	(1,531)	(17,773)	
Adjustment for:			
Effect of disallowances under tax laws	73,668	(7,617)	
Tax expenses as per books	72,137	(25,390)	
Break-up of deferred tax:			
	At start of the year	Charged to P&L	At end of the year
	Tzs ('000)	Tzs ('000)	Tzs ('000)
Deferred tax liabilities			
Property, plant and equipment			
- accelerated capital allowance	(1,002)	200,134	(201,136)
Unrealised foreign exchange gain	-	5,215	(5,215)
	<u>(1,002)</u>	<u>205,349</u>	<u>(206,351)</u>
Deferred tax asset			
Tax losses carried forward	26,391	26,391	-
Other temporary differences	-	(159,603)	159,603
	<u>26,391</u>	<u>(133,212)</u>	<u>159,603</u>
Net deferred tax liability / (asset)	25,389	72,137	(46,748)
9 Inventories			
Closing stock	2,459,722	115,008	
	2,459,722	115,008	

RUVUMA COAL LIMITED
P. O. Box 7283, Dar Es Salaam

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020

	2020	2019
	Tzs ('000)	Tzs ('000)
10 Trade and other receivables		
Advance to suppliers	245,874	431,644
Trade debtors	3,901,769	-
Less: Provision for Impairment	(20,738)	-
	<u>4,126,904</u>	<u>-</u>
VAT receivable	122,834	-
	<u>4,249,738</u>	<u>431,644</u>
11 Cash and cash equivalents		
Cash in hand	44,851	53,893
Cash at banks	759,971	88,995
	<u>804,822</u>	<u>142,888</u>
12 Share capital		
<u>Authorized capital</u>		
20,000 shares of Tzs. 7,500/- each	150,000	150,000
<u>Issued and paid up share capital</u>		
20,000 shares of Tzs. 7,500/- each	150,000	150,000
	<u>150,000</u>	<u>150,000</u>
13 Long term liabilities		
Loan from shareholder	890,205	1,213,534
	<u>890,205</u>	<u>1,213,534</u>
14 Trade and other payables		
Trade creditors	6,246,985	-
Interest payable on loan from director	45,664	-
City service levy payable	52,023	-
Advance from customers	765,042	-
Other payable	407,516	4,244
Withholding tax payable	54,292	-
	<u>7,571,520</u>	<u>4,244</u>
15 Provisions		
NSSF payable	6,134	-
PAYE payable	6,019	-
Workmens compensation fund payable	356	-
Mining provision	2,282,527	-
Provision for rehabilitation expense	532,010	-
Audit fees payable	11,490	847
SDL Payable	1,150	-
	<u>2,839,686</u>	<u>847</u>

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020

17 Property, plant & equipment

Particulars	Mine	Office	Computers	Plant &	Motor	Motor vehicles	Total
	Infrastructur Tzs ('000)	equipments Tzs ('000)	& Tzs ('000)	Equipment Tzs ('000)	vehicles Tzs ('000)	Class II Tzs ('000)	
Cost							
Balances at 1st January 2019	420,203	-	-	-	11,251	-	431,454
Additions	146,271	-	-	-	-	-	146,271
Balances at 31st December 2019	566,474	-	-	-	11,251	-	577,725
Balances at 1st January 2020	566,474	-	-	-	11,251	-	577,725
Additions	509,384	16,636	21,338	638,785	16,064	2,362,211	3,564,418
Balances at 31st December 2020	1,075,858	16,636	21,338	638,785	27,315	2,362,211	4,142,143
Accumulated depreciation							
Balances at 1st January 2019	-	-	-	-	6,797	-	6,797
Depreciation for the year	-	-	-	-	1,113	-	1,113
Balances at 31st December 2019	-	-	-	-	7,910	-	7,910
Balances at 1st January 2020	-	-	-	-	7,910	-	7,910
Depreciation for the year	53,793	768	771	15,757	3,692	237,544	312,325
Balances at 31st December 2020	53,793	768	771	15,757	11,602	237,544	320,235
Carrying value							
Balances at 31st December 2020	1,022,065	15,868	20,567	623,028	15,712	2,124,667	3,821,908
Balances at 31st December 2019	566,474	-	-	-	3,341	-	569,815

RUVUMA COAL LIMITED
P. O. Box 7283, Dar Es Salaam

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020

18 Related party disclosure

The Company has following related parties by virtue of common shareholding / directorship:

- 1) Villa Plast Limited (Common Directorship)
- 2) Mr. Ali Fawaz (Director)
- 3) Mr. Ryan Wienard (Director)

<u>Transactions:</u>	2020	2019
	Tzs ('000)	Tzs ('000)
Expense:		
1) Villa Plast Limited - Rent	3,000	-
2) Mr. Ali Fawaz - Interest	50,738	-
Loan repaid:		
1) Mr. Ali Fawaz	489,264	-
	31st December	31st December
	2020	2019
<u>Outstanding balances:</u>	Tzs ('000)	Tzs ('000)
Loan availed		
1) Mr. Ali Fawaz	890,205	1,213,534

19 Contingent liabilities and commitments

The management does not anticipate any contingent liabilities as at 31st December 2020.

- 20** Previous year's figures have been regrouped / rearranged wherever necessary to make them comparable with those of current year.

VILLA PLAST LIMITED
P.O. Box 7283, Dar Es Salaam

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020

21 Disclosure of the allowance for expected credit losses / impairment and ageing analysis

As at 31 December, the ageing analysis of dues from advance to suppliers and trade debtors is as under:

<u>As at 31 December 2020</u>	TOTAL	< 30 days	31 - 90 days	90 days - 1 year	Over 1 year
i) <u>Advance to suppliers:</u>					
Gross amount (TZS)	245,874	245,874	-	-	-
Expected Credit Loss rate (%)	0.50%	0.50%	1.00%	3.00%	100%
Expected Credit Loss (TZS)	1,229	1,229	-	-	-
ii) <u>Trade debtors:</u>					
Gross amount (TZS)	3,901,769	3,901,769	-	-	-
Expected Credit Loss rate (%)	0.50%	0.50%	2.00%	3.00%	100%
Expected Credit Loss (TZS)	19,509	19,509	-	-	-