

RUVUMA COAL MINING LIMITED
P.O. Box 7283
Dar es Salaam
Annual Report 2021

RUVUMA COAL LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

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RUVUMA COAL LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

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 DECEMBER 2021**

The Members,

Your directors' have pleasure in presenting their report along with the Audited Financial Statements for the financial year ended on 31st December 2021, 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 2021, 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 2021, 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 DECEMBER 2021**

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 2021 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
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**DIRECTORS REPORT
FOR THE YEAR ENDED 31ST DECEMBER 2021**

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 2021. 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: 13 MAY 2022



Director

Place: Dar es Salaam

Date: 13 MAY 2022

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

FOR THE PERIOD ENDED 31ST DECEMBER 2021

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, 2021 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 13/05/ 2022 and signed on its behalf by:



Director
Place: Dar es Salaam
Date: 13/05/2022



Director
Place: Dar es Salaam
Date: 13 MAY 2022

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

FOR THE YEAR ENDED 31ST DECEMBER 2021

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 Board as under Directors Responsibility statement on an earlier page.

I, CPA NTULI GILBERT MBA, hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31st December 2021 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: NTULI GILBERT

NBAA Membership No.: G/A 9453
Date: 13 MAY 2022

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 2021, and the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31st December 2021 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.

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

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.

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 : 18th May 2022

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 2021

PARTICULARS	NOTE	2021 Tzs'000	2020 Tzs'000
Revenue		69,949,651	27,251,974
Cost of sales	4	<u>55,567,705</u>	<u>25,811,180</u>
Gross profit		14,381,947	1,440,794
Other income	5	<u>19,822</u>	<u>-</u>
		14,401,769	1,440,794
<u>Less: Expenses</u>			
Administrative expenses	6	(5,662,547)	(1,217,400)
Selling and distribution expenses	7	(781,558)	(176,010)
Financial expenses	8	<u>(260,789)</u>	<u>(52,487)</u>
		(6,704,894)	(1,445,897)
Profit / (Loss) before tax		7,696,875	(5,103)
Less : Tax expense / credit	9	<u>(2,784,070)</u>	<u>(72,137)</u>
Profit / (Loss) after tax		<u>4,912,805</u>	<u>(77,240)</u>

The significant accounting policies on pages 13 to 18 and the notes on pages 19 to 24 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 24 were approved by the Board of Directors and signed on behalf by:



Mr. Ali Afif Fawaz
 Director **13 MAY 2022**
 Dated:



Mr. Ryan Weinand
 Director **13 MAY 2022**
 Dated:

STATEMENT OF FINANCIAL POSITION AS ON 31ST DECEMBER 2021

	NOTE	31st December 2021 Tzs'000	31st December 2020 Tzs'000
Non current assets			
Property, plant and equipment	19	13,718,847	3,821,908
Capital work-in-progress		2,586,697	-
		<u>16,305,544</u>	<u>3,821,908</u>
Current assets			
Inventories	10	1,896,948	2,459,722
Trade and other receivables	11	8,698,103	4,249,738
Cash and cash equivalents	12	5,397,394	804,822
		<u>15,992,445</u>	<u>7,514,282</u>
Total assets		<u>32,297,989</u>	<u>11,336,190</u>
Equity			
Share capital	13	150,000	150,000
Retained earnings		4,521,866	(161,970)
		<u>4,671,866</u>	<u>(11,970)</u>
Non current liabilities			
Long term liabilities	14	8,802,537	2,551,173
Borrowings	15	1,185,954	-
Deferred tax liabilities	9	751,424	46,748
		<u>10,739,915</u>	<u>2,597,921</u>
Current liabilities			
Trade and other payables	16	10,780,332	5,858,531
Provisions	17	3,887,333	2,891,708
Borrowings	15	354,149	-
Current tax	18	1,864,394	-
		<u>16,886,208</u>	<u>8,750,239</u>
Total equity and liabilities		<u>32,297,989</u>	<u>11,336,190</u>

The significant accounting policies on pages 13 to 18 and the notes on pages 19 to 24 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 24 were approved by the Board of Directors and signed on behalf by:



Mr. Ali Afif Fawaz
Director
Dated: 13 MAY 2022



Mr. Ryan Weinand
Director
Dated: 13 MAY 2022

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

STATEMENT OF CHANGE IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER 2021

Particulars	Share capital	Retained earnings	Total
	Tzs'000	Tzs'000	Tzs'000
<u>Year ended 31st December 2020</u>			
As at start of the year	150,000	(83,882)	66,118
Prior year adjustments	-	(847)	(847)
	<u>150,000</u>	<u>(84,729)</u>	<u>65,271</u>
Net profit / (loss)	-	(77,240)	(77,240)
At the end of the year	<u>150,000</u>	<u>(161,970)</u>	<u>(11,969)</u>
<u>Year ended 31st December 2021</u>			
As at start of the year	150,000	(161,970)	(11,970)
Prior year adjustments	-	(228,969)	(228,969)
	<u>150,000</u>	<u>(390,939)</u>	<u>(240,939)</u>
Net profit / (loss)	-	4,912,805	4,912,805
At the end of the year	<u>150,000</u>	<u>4,521,866</u>	<u>4,671,866</u>

The significant accounting policies on pages 13 to 18 and the notes on pages 19 to 24 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 24 were approved by the Board of Directors and signed on behalf by:



Mr. Ali Afif Fawaz
 Director **13 MAY 2022**
 Dated:



Mr. Ryan Weinand
 Director
 Dated: **13 MAY 2022**

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

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST DECEMBER 2021

PARTICULARS	2021 Tzs'000	2020 Tzs'000
<u>Cash flows from operating activities</u>		
Profit / (Loss) before tax	7,696,875	(5,103)
<u>Adjustment for:</u>		
Depreciation and amortisation	1,858,506	312,325
Prior period adjustment	<u>(228,969)</u>	<u>(847)</u>
	9,326,412	306,375
<u>Movements in working capital:</u>		
(Increase)/ decrease in inventories	562,774	(2,344,715)
(Increase)/ decrease in trade and other receivables	(4,448,366)	(3,818,094)
Increase/ (decrease) in trade and other payables	<u>5,917,426</u>	<u>10,406,115</u>
Cash generated from operations	11,358,246	4,549,681
Less: Taxes paid	<u>(215,000)</u>	<u>-</u>
Net cash generated by operating activities (A)	11,143,246	4,549,681
<u>Cash flow from investing activities</u>		
Payments of purchase of property, plant and equipment	(11,896,016)	(3,564,418)
Capital work in progress	<u>(2,586,697)</u>	<u>-</u>
Net cash (used in) / generated by investing activities (B)	(14,342,142)	(3,564,418)
<u>Cash flow from financing activities</u>		
Increase/(Decrease) in long term loan	<u>7,791,467</u>	<u>(323,329)</u>
Net cash (used in) / generated by financing activities (C)	7,791,467	(323,329)
Net increase in cash and cash equivalents (A+B+C)	4,592,571	661,934
Cash and cash equivalents at the beginning of the year	<u>804,822</u>	<u>142,888</u>
Cash and cash equivalents at the end of the year	5,397,393	804,822

The significant accounting policies on pages 13 to 18 and the notes on pages 19 to 24 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 24 were approved by the Board of Directors and signed on behalf by:



Mr. Ali Afif Fawaz
 Director
 Dated: 13 MAY 2022



Mr. Ryan Weinand
 Director
 Dated: 13 MAY 2022

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

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 2021

The following standards, amendments and new interpretations issued by the IFRIC and are mandatory for the accounting periods beginning on or after 1st January 2021:

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.

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 2021

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.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

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 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

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 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 contributes 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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

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.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

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
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NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

	2021 Tzs'000	2020 Tzs'000
4 Cost of sales		
Opening stock of raw materials	2,459,722	6,564
Add: Mining Cost	31,534,059	21,665,956
Less: Closing stock	<u>(1,896,948)</u>	<u>(2,459,722)</u>
Cost of material consumption	32,096,833	19,212,798
Add: Direct costs		
Mining Infrastructure expenses	1,283,590	273,697
Consultancy fee	396,604	20,215
Drilling, rig & blasting	509,192	93,873
Survey report expenses	44,492	24,731
Depreciation	1,826,073	307,094
Geological consultation charges	461,900	15,671
Geological survey of Tanzania fee	31,278	700
Equipment charges	638,944	250,968
Shipping operational expenses	2,555,818	-
Fuel charges (Freight)	359,002	176,870
Mining clearing & inspection fee	1,746,161	761,862
Mining operation expenses	1,732,638	648,487
Mining royalty fee	5,459,120	2,280,576
Transportation expenses	3,398,516	1,438,215
Fuel charges (Truck)	<u>3,027,544</u>	<u>305,423</u>
	<u>23,470,872</u>	<u>6,598,382</u>
Total cost of sales	<u>55,567,705</u>	<u>25,811,180</u>
5 Other income		
Insurance Income	19,822	-
Total	<u>19,822</u>	<u>-</u>
6 Administrative expenses		
Audit fees	12,179	11,490
Salaries and wages	1,340,335	193,086
Depreciation	32,435	5,231
Director's remuneration and fees	277,777	34,800
Water quality analysis charges	2,134	1,137
Fire safety and inspection	11,475	9,000
Fuel and vehicle expenses	9,615	11,373
General insurance expenses	99,029	36,153
IT service charges	2,097	30,675
Dues, rates, fees and license charges	31,528	4,400
Mileage allowance	-	37,693
NHIF	6,893	-
NSSF / PPF contribution - Admin	128,733	11,146
Rent expenses	1,059,826	3,000
Professional and legal fees	12,808	4,025
Workers compensation fund	9,682	1,701
Registration expenses	16,500	-
Repairs and maintenance - Truck	934,834	97,257
ROC fees	110	-
SDL cost	54,039	6,478
Printing and stationery expenses	29,211	15,010
Security, parking and waiting charges	26,400	40,115
Stamp duty	775	-
Subscription and other charges	15,446	27,010
Office expenses	69,352	21,797
Transportation and travelling expenses	149,436	43,230
Visa and permit expenses	26,982	-
General expenses	-	10,397
Occupational Safety & Health	14,525	6,980
Vehicle hiring charges	289,001	1,468
Mining Rehabilitation expenses	984,104	532,010
Expected Credit Loss	<u>15,286</u>	<u>20,738</u>
Total	<u>5,662,547</u>	<u>1,217,400</u>

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NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

	2021 Tzs'000	2020 Tzs'000	
7 Selling and distribution expenses			
City service levy charges	195,979	100,618	
Loading & offloading charges	73,879	4,967	
Export Expenses	511,700	70,425	
Total	781,558	176,010	
8 Financial expenses			
Bank charges	73,796	17,537	
Interest on bank overdraft	50,530	-	
Interest on loan from others	60,512	50,738	
Loan appraisal fee	40,938	-	
Foreign exchange loss / (gain) - realised	344	1,596	
Foreign exchange loss / (gain) - unrealised	34,669	(17,384)	
Total	260,789	52,487	
9 Tax expenses			
Current tax	2,079,394	-	
Deferred tax	704,676	72,137	
Total	2,784,070	72,137	
Reconciliation of tax expenses:			
Net profit as per statement of profit or loss	7,696,875	(5,103)	
Tax @ 30 % (2020: 30%)	2,309,062	(1,531)	
Adjustment for:			
Effect of disallowances under tax laws			
Permit and visa fees	-	-	
Others	475,008	73,668	
Tax expenses as per books	2,784,070	72,137	
Break-up of deferred tax:			
	At start of the	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	201,136	539,887	741,023
Unrealised foreign exchange gain	5,215	5,186	10,401
	206,351	545,073	751,424
Deferred tax asset			
Other temporary differences	(159,603)	159,603	-
	(159,603)	159,603	-
Net deferred tax liability / (asset)	46,748	704,676	751,424
10 Inventories			
Closing stock		1,896,948	2,459,722
		1,896,948	2,459,722

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NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

	2021 Tzs'000	2020 Tzs'000			
11 Trade and other receivables					
Advance to suppliers	-	245,873			
Prepaid expenses	68,280	-			
Trade debtors	7,204,732	3,901,769			
VAT receivable	1,461,115	122,834			
Less:					
Provision for Impairment	(36,024)	(20,738)			
	8,698,103	4,249,738			
As at 31 December 2021	TOTAL	< 30 days	31 - 90 days	90 days - 1 year	Over 1 year
i) Trade debtors:					
Gross amount (TZS)	7,204,732	7,204,732			
Expected Credit Loss rate (%)		0.5%	2%	3%	100%
	7,204,732	36,024			
12 Cash and cash equivalents					
Cash in hand	52,966	44,851			
Cash at banks	5,344,428	759,971			
	5,397,394	804,822			
13 Share capital					
Authorised capital					
20,000 shares of Tzs 7500/- each	150,000	150,000			
Issued and paid up share capital	150,000	150,000			
20,000 shares of Tzs 7,500/- each	150,000	150,000			
14 Long term liabilities					
Loan from shareholder	788,535	890,205			
Long term loan from others	8,014,002	1,660,968			
	8,802,537	2,551,173			

Loan from shareholder

In the year 2019 the shareholder, Ali Afif Mwanga advanced a 5 year loan to the company to support the mining operations of the company amounting to USD.750,000 at an interest rate of 5%.The agreement shall be in force and effective for the period 31 December 2019 to 31 December 2025.

Long term loan from others

i) In the year 2020, the company entered into a financing agreement with METL for the purchase of 20 Trucks and 20 Trailers at a total price of USD 680,000 and USD 500,000 respectively. The seller also provided side doors for each trailer at USD 3,500 per trailer and the total cost for side doors for 20 trailers shall be USD 70,000. Hence the total cost of the Vehicles shall be USD 1,250,000. In addition to the cost of the vehicles the company shall pay USD 33,136 towards insurance cost of the vehicles and USD 12,200 towards the tracking devices to be installed in the tractors. Therefore the total agreed consideration is USD 1,295,336 inclusive of VAT payable in 24 equal monthly installments from the date of signing the agreement.

The first guarantor Mr. Ali Afif Fawaz and Second Guarantor Mr. Hassan Ahmed Abdulbari have jointly agreed to stand as personal Guarantors of the company to purchase the trucks and trailers and accept to indemnify METL on failure of compliance of the terms of the Sale Agreement.

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NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

	2021 Tzs'000	2020 Tzs'000		
15 Borrowings				
Non current - Unsecured				
Long term loan from banks	1,185,954	-		
	<u>1,185,954</u>	<u>-</u>		
Current				
Short term loan from banks	354,149	-		
	<u>354,149</u>	<u>-</u>		
	<u>1,540,103</u>	<u>-</u>		
The facility	Interest	Amount USD'	Bank	Tenor
i) Term Loan I	8.25%	474,000	Exim Bank	On demand or upto 25.10.2025
ii) Term Loan II	8.25%	183,000	Exim Bank	On demand or upto 25.10.2025
iii) Term Loan III	8.25%	1,166,000	Exim Bank	24 Equal monthly instalments from the date of disbursement
Security details:				
i) Specific debenture over 8 Tipper Trucks purchased through Bank finance.				
ii) Specific debenture over the wash Machine purchased through Bank finance				
iii) Specific debenture over 18 TipperTrucks and 3 Tractors to be financed by the Bank.				
iv) General Debenture over entire present and future assets of the Company.				
v) Personal guarantee of shareholders/ Directors of the Company i.e., Ali Afif Awaz, Fatma Hassan Abdulbari and Ryan Wienand.				
16 Trade and other payables				
Trade creditors	10,094,980			4,586,017
Interest payable on loan from director	-			45,664
Other payables	-			407,516
Advance from customers	-			765,042
Withholding tax payable	685,352			54,292
	<u>10,780,332</u>			<u>5,858,531</u>
17 Provisions				
NSSF / PPF payable	53,315			6,133
PAYE payable	52,284			6,019
Workmens compensation fund payable	1,629			356
Mining provision	2,723,818			2,282,527
Provision for rehabilitation expense	984,104			532,010
Audit fees payable	11,485			11,490
SDL payable	10,287			1,151
City service levy payable	50,411			52,022
	<u>3,887,333</u>			<u>2,891,708</u>
18 Current tax				
Provision for tax current year tax	2,079,394			-
Advance tax paid	(215,000)			-
	<u>1,864,394</u>			<u>-</u>

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

19 Property, plant & equipment

Particulars	Mine	Plant &	Furniture and	Computers and	Motor vehicles	Motor vehicles	Total
	Infrastructure	Equipment	Office equipment	accessories	Class I	Class II	
	Tzs'000	Tzs'000	Tzs'000	Tzs'000	Tzs'000	Tzs'000	Tzs'000
Cost							
Balances at 1st January 2020	566,474	-	-	-	11,251	-	577,725
Additions	509,384	638,785	16,636	21,338	16,064	2,362,211	3,564,418
Balances at 31st December 2020	1,075,858	638,785	16,636	21,338	27,315	2,362,211	4,142,143
Balances at 1st January 2021	1,075,858	638,785	16,636	21,338	27,315	2,362,211	4,142,143
Additions	368,800	2,004,503	305,301	80,152	101,050	9,036,211	11,896,016
Disposal	(140,571)	-	-	-	-	-	(140,571)
Balances at 31st December 2021	1,304,086	2,643,288	321,937	101,490	128,365	11,398,422	15,897,588
Accumulated depreciation							
Balances at 1st January 2020	-	-	-	-	7,910	-	7,910
Depreciation for the year	53,793	15,757	768	771	3,692	237,544	312,325
Balances at 31st December 2020	53,793	15,757	768	771	11,602	237,544	320,235
Balances at 1st January 2021	53,793	15,757	768	771	11,602	237,544	320,235
Depreciation for the year	54,898	117,136	8,596	6,770	17,067	1,654,039	1,858,506
Balances at 31st December 2021	108,691	132,893	9,364	7,541	28,669	1,891,583	2,178,741
Carrying value							
Balances at 31st December 2021	1,195,395	2,510,395	312,573	93,949	99,695	9,506,839	13,718,847
Balances at 31st December 2020	1,022,065	623,028	15,868	20,567	15,712	2,124,667	3,821,908

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

20 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>	2021	2020
	Tzs ('000)	Tzs ('000)
Expenses		
In Tanzania		
1) Villa Plast Limited - Rent	6,000	3,000
2) Mr. Ali Fawaz - Interest	60,512	50,738
Loan repaid		
1) Mr. Ali Fawaz	(7,912,332)	489,264
<u>Outstanding balances:</u>	December	December
	2021	2020
	Tzs ('000)	Tzs ('000)
<u>Loan availed</u>		
1) Mr. Ali Fawaz	8,802,537	890,205

21 Contingent liabilities and commitments

The management does not anticipate any contingent liabilities as at 31st December 2021.

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

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COMPUTATION OF TAXABLE INCOME

2021
Tzs'000

Profit / (Loss) as per statement of profit or loss	7,696,875
Add:	
Depreciation and amortisation	1,858,508
Provision for impairment	15,286
Provision for rehabilitation expense	984,104
Visa and permit expenses	-
Unrealised forex loss - current year	34,669
	<u>10,589,442</u>
Less:	
Wear and tear allowance	3,658,130
Unrealised forex gain - current year	-
Unrealised forex loss - previous year	-
Taxable income / (loss)	<u>6,931,312</u>
Less: Brought forward of loss	-
Taxable income for the year	<u>6,931,312</u>
Tax on income @30%	2,079,394
Less:	
Advance tax paid	(215,000)
Tax payable/ (Discharge)	<u>1,864,394</u>

Wear and tear schedule

Particulars	Class	Class	Class	Class	Total
	I	II	III	IV	
Method of Depreciation	WDV	WDV	WDV	WDV	
Rate	37.50%	25.00%	12.50%	20.00%	
Opening balance at 1st January 2021	25,463	2,250,747	14,557	860,686	3,151,454
Additions	181,202	11,040,713	305,301	368,800	11,896,016
	206,665	13,291,461	319,858	1,229,486	15,047,470
Less: Disposal	-	-	-	(140,571)	(140,571)
	206,665	13,291,461	319,858	1,088,915	14,906,898
Wear and tear	77,499	3,322,865	39,982	217,783	3,658,130
Closing balance 31st December 2021	129,166	9,968,596	279,876	871,132	11,248,769