

SBC TANZANIA LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

SBC TANZANIA LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

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SBC TANZANIA LIMITED

CORPORATE INFORMATION

DIRECTORS:

Name:	Nationality:	Appointment date:
Mr. Faysal El Khalil (Chairman)	- Lebanese	- 5 April 2001
Mr. Ziad El Khalil (Executive Director)	- British	- 5 April 2001
Mr. Avinash Jha (CEO)	- Indian	- 8 April 2016
Mr. Georges Kolakez	- Lebanese	- 1 December 2016

REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS:

54/57 Nyerere Road
P.O. Box 4162
Dar es Salaam

SECRETARY:

Dr. Wilbert Kapinga
BOWMANS Tanzania Limited
2nd Floor, The Luminary
Cnr Haile Selassie and Chole Road
P.O. Box 78552, Masaki
Dar es Salaam

AUDITORS:

KPMG
2nd Floor, The Luminary
Plot No. 574
Haile Selassie Road, Msasani Peninsula Area
P.O. Box 1160
Dar es Salaam

BANKERS:

NBC Ltd
Corporate Branch
P.O. Box 9062
Dar es Salaam

Citibank Tanzania Ltd
Plot 1962, Toure Drive
P.O. Box 71625
Dar es Salaam

National Microfinance Bank Plc
NMB House Branch
P.O. Box 162309
Dar es Salaam

Standard Chartered Bank Tanzania
International House
P.O. Box 9011
Dar es Salaam

SBC TANZANIA LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 2020

The Directors have pleasure in submitting their report together with the audited financial statements for the year ended 31 March 2020, which disclose the state of affairs of the Company as at that date.

1. INCORPORATION

The Company was incorporated on 5 April 2001 in Tanzania under the Companies Act, 2002 as a private company limited by shares.

2. COMPANY'S VISION

To become one of Tanzania's most admired companies.

3. COMPANY'S MISSION

The Company's mission is to grow its beverages business ethically manufacturing and distributing world class brands whilst serving its customers and trade partners with uncompromising integrity. The Company strives to create evermore employment opportunities for Tanzanians and add economic whilst generating a fair return to its shareholders that exceeds their cost of capital.

4. PRINCIPAL ACTIVITIES

The Company manufactures, distributes and sells carbonated soft drinks under authority of PepsiCo. Inc, Purchase, New York.

5. COMPOSITION OF THE BOARD OF DIRECTORS

The Directors of the Company during the year and up to the date of this report are indicated on page 1.

6. CAPITAL STRUCTURE AND SHAREHOLDING

Capital structure

The Company's capital structure is shown below:

	2020	2019
	TZS'000	TZS'000
<i>Authorised share capital</i>		
57,028,000 Ordinary shares of TZS 1,000 each (2019: 57,028,000 ordinary shares of TZS 1,000 each)	<u>57,028,000</u>	<u>57,028,000</u>
<i>Issued and fully paid share capital</i>		
56,764,002 Ordinary shares of TZS 1,000 each (2019: 56,764,000 ordinary shares of TZS 1,000 each)	<u>56,764,002</u>	<u>56,764,000</u>

Shareholding

The issued and fully paid up share capital is held by:

	Number of shares held	
	2020	2019
Tanzania Bottling Company, SA	56,763,998	56,763,998
Mr. Ziad El Khalil	1	1
Mr. Avinash Jha	1	1
Mr. Fadi Anwar El Khalil	1	-
Mr. Sreenivasulu Akumalla	1	-
	<u>56,764,002</u>	<u>56,764,000</u>

SBC TANZANIA LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)

6. CAPITAL STRUCTURE AND SHAREHOLDING (CONTINUED)

Directors' interest in the shares of the Company

The Directors' interests in the issued and fully paid capital of the Company as at 31 March 2020 were:

Name	Shareholding - 2020	Shareholding - 2019
Mr. Ziad El Khalil	1 share	1 share
Mr. Avinash Jha	1 share	1 share

7. MANAGEMENT

The management of the Company is under the Chief Executive Officer and is organised in the following departments:

- Production & Quality Assurance;
- Sales & Marketing;
- Finance, Administration & Information Technology;
- Materials;
- Internal Audit;
- Legal;
- Human Resources; and
- Corporate Affairs.

8. FUTURE DEVELOPMENT PLANS

The Company will continue to focus on market expansion, new product development and expanding sales network to strengthen its market position. The Company, with enhanced production process, risk management, cost reduction and rationalization will continue to improve its profitability.

9. RESULTS AND DIVIDENDS

During the year the Company has a net loss of TZS 5.42 Billion (2019: TZS 11.61 Billion). The Directors do not recommend the payment of any dividend for the year (2019: Nil).

10. PERFORMANCE DURING THE YEAR

During the year the Company continued to manufacture, distribute and sell carbonated soft drinks under authority of PepsiCo. Inc, Purchase, New York. The results for the year are set out on page 14 of these financial statements.

11. RISK MANAGEMENT AND INTERNAL CONTROL

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

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

SBC TANZANIA LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)

11. RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

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 system is designed to provide the Board with reasonable assurance that the procedures in place are operating effectively.

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

The Board is directly responsible for risk and internal control assessment as a separate audit committee is not considered necessary.

12. GOING CONCERN

The Company's state of affairs as at 31 March 2020 is set out on page 13 of these financial statements.

The Company's current liabilities have exceeded the current assets by TZS 26.04 Billion as at 31 March 2020 (2019: TZS 28.81 Billion). During the year ended 31 March 2020 the Company incurred a net loss of TZS 5.42 Billion (2019: TZS 11.61 Billion).

The current liabilities of the Company consist of short-term borrowings of TZS 32.15 Billion (2019: TZS 29.98 Billion) and trade and other payables amounting to TZS 61.07 Billion (2019: TZS 53.91 Billion) which includes related party balance of TZS 20.61 Billion (2019: TZS 7.66 Billion).

With increased focus and targeted marketing expenditure for SBC products, management is confident that the Company will continue to grow in terms of its market share and revenue.

The holding company has continually supported the Company in the past and has confirmed that they will continue providing the required financial support to the Company in order to meet its commitments. This financial support will remain in place for the foreseeable future and until such time a positive net current assets position is restored. Accordingly, these financial statements have been prepared on the basis of accounting policies applicable to a going concern.

The Board of Directors and management have assessed and believe that the effects of the COVID-19 pandemic do not have a material impact on the financial statements for the year ended 31 March 2020 and does not amount to a material uncertainty over the Company's ability to continue as a going concern.

13. CORPORATE GOVERNANCE

The Board consists of four Directors. The Board takes overall responsibility for the Company, including responsibility for identifying key risk areas, considering and monitoring investment decisions, considering significant financial matters, and reviewing the performance of management business plans and budgets.

The Board is also responsible for ensuring that a comprehensive system of internal control policies and procedures is operative, and for compliance with sound corporate governance principles.

The Board is required to meet at least four times a year. The Board delegates the day to day management of the business to the Executive Director assisted by senior management. Senior management is invited to attend board meetings and facilitates the effective control of all the Company's operational activities, acting 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 recognise the importance of integrity, transparency and accountability. The Board met 4 times during the year.

SBC TANZANIA LIMITED

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)**

14. ADMINISTRATIVE MATTERS

The Company is capable of handling all administrative matters.

15. EMPLOYEE WELFARE

Management and employee relationship

The management and Tanzania Union of Industrial Commercial Organisation (TUICO) strive to implement best practices in human resources management and personnel policies.

Management/employee relationship continued to be good during the year.

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

Training facilities

The Company provides on-the-job training to all its employees in order to improve their technical skills and effectiveness. Employees are also considered for external training courses that upgrade skills and enhance development.

Medical assistance

The Company provides medical cover to its employees and eligible dependents through a Medical Insurance Scheme.

Health and safety

The Company continued to assure safety standards as required by factory ordinance and provided conducive working environment for employees.

Financial assistance to staff

Loans are available to all confirmed employees depending on the assessment of and the discretion of management as to the need and circumstances.

Persons with disabilities

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

Employees Benefit Plan

The Company pays contributions to National Social Security Fund, which is a publicly administered mandatory pension plan and qualifies to be a defined contribution plan.

The average number of employees during the year was 1,230 employees (2019 – 1,174 employees).

SBC TANZANIA LIMITED

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)**

16. GENDER PARITY

The Company had 1,230 employees (2019: 1,174 employees), out of which 155 were female (2019: 141 female) and 1,075 were male (2019: 1,033 male).

17. RELATED PARTY TRANSACTIONS

The details of related party balances and transactions are included in Note 21 of the financial statements.

18. POLITICAL DONATIONS

The Company did not make any political donations during the year.

19. ENVIRONMENTAL CONTROL PROGRAMME

The Company has invested in biomass boiler, with a view to reduce pollution from fossil fuels, and thereby move towards agro waste-based boiler for steam generation.

Biomass fuel is a clean, green and eco-friendly natural fuel. Emission from biomass fuel is cleaner compared to fossil fuel. Sulphur in the exhaust is practically nil and therefore less harmful to the environment. Carbon emission is also drastically reduced which helps in dropping global warming. Ash generated out of combustion of biomass fuel is non-hazardous and has other benefits of landfilling and gardening.

The Company uses rice husk, coffee husk, and saw dust as boiler fuel to generate steam which is further used in the process. This fuel is otherwise found burnt in open without any benefit.

To reduce carbon footprint, the Company has converted all its diesel operated forklift trucks into battery operated forklift trucks across all the operating locations.

20. CORPORATE SOCIAL RESPONSIBILITY

The Company continued supporting four orphanages, one in each city where it has a production facility, i.e. Arusha, Dar es Salaam, Mbeya and Mwanza. The Company's support is in the form of provision of clothing, food and school fees in order to improve the quality of lives of those orphans.

Additionally, the Company supported other schools with provision of furniture and other education equipment needs. The Company also supported the expansion of, and improvements at, the Mbeya Referral Hospital.

21. AUDITORS

KPMG has indicated their willingness to continue in office and are eligible for re-appointment. A resolution proposing the re-appointment of KPMG as auditors of the Company will be put to the Annual General Meeting.

By Order of the Board



Mr. Ziad El Khalil
Executive Director

Date: 28 September 2020



Mr. Avinash Jha
CEO & Director

Date: 28 September 2020

SBC TANZANIA LIMITED

**STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 MARCH 2020**

The Directors are responsible for the preparation of financial statements that give a true and fair view of SBC Tanzania Limited, comprising the Statement of Financial Position as at 31 March 2020, and the Statements of Profit or Loss and Other Comprehensive Income, Changes in Equity and Cash Flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information, in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2002.

The Directors are also responsible 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, and for maintaining adequate accounting records and an effective system of risk management.

The Directors have made an assessment of the ability of the Company to continue as going concern and have no reason to believe that the business will not be a going concern at least for the next twelve months from the date of approval of these financial statements. Accordingly, these financial statements have been prepared on the basis of accounting policies applicable to a going concern.

The auditors are responsible for reporting on whether the financial statements give a true and fair view in accordance with the applicable financial reporting framework.

Approval of financial statements

The financial statements of SBC Tanzania Limited, as identified in the first paragraph, were approved and authorised for issue by the Board of Directors on 28 September 2020.



.....
Mr Ziad El Khalil
Executive Director



.....
Mr Avinash Jha
CEO & Director

SBC TANZANIA LIMITED

**DECLARATION OF THE HEAD OF FINANCE
FOR THE YEAR ENDED 31 MARCH 2020**

The National Board of Accountants and Auditors (NBAA) according to the power conferred under the Auditors and Accountants (Registration) Act. No. 33 of 1972, as amended by Act No. 2 of 1995, requires financial statements to be accompanied with a Statement of Declaration issued by Head of Finance 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 to discharge the responsibility of preparing financial statements of an entity showing true and fair view position of the entity in accordance with international accounting standards and statutory reporting requirements. Full legal responsibility for financial statements rests with the Board of Directors as under Directors' Responsibility statement on an earlier page.

I, Abhinandya Sengupta, being the Finance Controller of SBC Tanzania Limited hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31 March 2020 have been prepared in compliance with applicable accounting standards and statutory requirements.

I thus confirm that the financial statements of SBC Tanzania Limited comply with applicable accounting standards and statutory requirements as on that date and that they have been prepared based on properly maintained financial records.

Signed: Asengupta.....

Position: Finance Controller

NBAA Membership No.: TCPA 1989

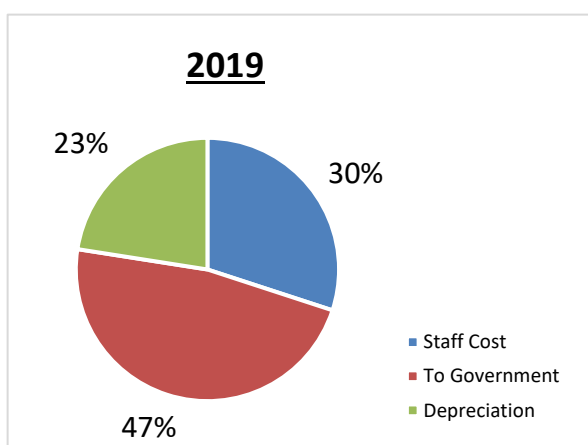
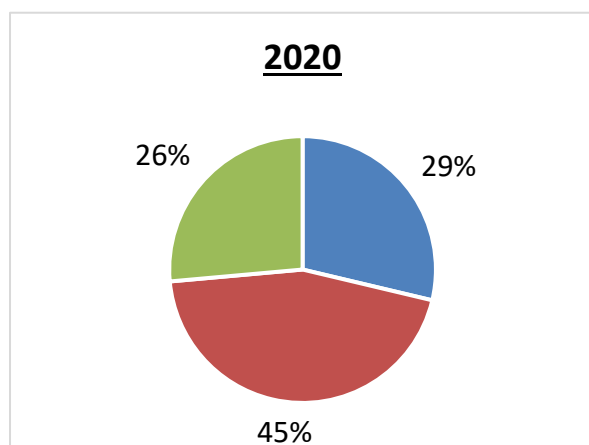
Date: 28 September 2020

SBC TANZANIA LIMITED

**VALUE ADDED STATEMENT
FOR THE YEAR ENDED 31 MARCH 2020**

Value added is defined as the value created by the activities of a business and its employees, and in the case of SBC Tanzania Limited, is determined as gross turnover less the expenses. The value added statement reports on the calculation of value added and its application among the stakeholders in the Company. This statement shows the total wealth created and how it was distributed, taking into account the amounts retained and reinvested in the Company for the replacement of assets and development of operations.

	2020	2019
	TZS'000	TZS'000
VALUE ADDED		
Gross turnover (including VAT)	341,284,764	304,874,119
Other income	2,916,167	2,542,393
Expenses	<u>(243,282,087)</u>	<u>(220,378,017)</u>
Value added	<u>100,918,844</u>	<u>87,038,495</u>
VALUE ALLOCATED		
To employees:		
- Staff cost	28,973,505	26,133,391
To government:		
- Net VAT	14,990,132	13,528,490
- Excise duty	18,495,103	16,697,892
- Direct tax	495,250	500,244
- Customs duties	11,298,104	10,572,061
To shareholders:		
- Cash dividends	-	-
To retention for expansion and growth:		
- Depreciation of property, plant & equipment and bottles & crates including impairment, and amortisation of intangible asset	32,085,522	31,212,196
- Retained loss for the year	<u>(5,418,772)</u>	<u>(11,605,779)</u>
Value allocated	<u>100,918,844</u>	<u>87,038,495</u>





KPMG
Certified Public Accountants
2nd Floor, The Luminary
Haile Selassie Road, Masaki
P O Box 1160
Dar es Salaam, Tanzania

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Email info@kpmg.co.tz
Internet www.kpmg.com/eastafrica

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SBC TANZANIA LIMITED

Report on the audit of the financial statements

Opinion

We have audited the financial statements of SBC Tanzania Limited ("the Company") set out on pages 13 to 49, which comprise the statement of financial position as at 31 March 2020, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of SBC Tanzania Limited as at 31 March 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by 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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)*, together with the ethical requirements that are relevant to our audit of the financial statements in Tanzania and, we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises the *Corporate Information, Report of the Directors, Statement of Directors' Responsibilities, Declaration of the Head of Finance and Value Added Statement* but does not include the financial statements and our auditors' report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibilities for the Financial Statements

As stated on page 7, the directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2002, and for such internal control as 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, 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 directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so. Directors are responsible for overseeing the Company's financial reporting process.



INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SBC TANZANIA LIMITED (CONTINUED)

Report on the audit of the financial statements (Continued)

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 disclosures made by the directors;
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with 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.



**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
SBC TANZANIA LIMITED (CONTINUED)**

Report on Other Legal and Regulatory Requirements

As required by the Companies Act, 2002 we report to you, based on our audit that:

- in our opinion, proper accounting records have been kept by SBC Tanzania Limited;
- the individual accounts are in agreement with the accounting records of the Company; and
- we obtained all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

KPMG
Certified Public Accountants (T)

Signed by: CPA Alexander Njombe (ACPA 2714)
Dar es Salaam

Date: 27 September 2020

SBC TANZANIA LIMITED

**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020**

	Notes	2020 TZS'000	2019 TZS'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	97,488,616	95,395,332
Bottles and crates	6	23,154,675	24,283,729
Intangible asset	7	611,325	-
Right-of-use assets	22	11,185,179	-
Deferred tax asset	14	-	411,038
		<u>132,439,795</u>	<u>120,090,099</u>
Current assets			
Inventories	8	34,930,675	32,235,563
Trade and other receivables	9	33,729,300	19,046,810
Current tax receivable	19	1,270,325	1,661,038
Cash and bank balances	10	2,235,615	2,138,970
		<u>72,165,915</u>	<u>55,082,381</u>
TOTAL ASSETS		<u>204,605,710</u>	<u>175,172,480</u>
EQUITY			
Equity attributable to equity holders			
Share capital	11	56,764,002	56,764,000
Revaluation reserve	5	10,273,621	3,204,775
Retained earnings		1,847,694	5,891,207
		<u>68,885,317</u>	<u>65,859,982</u>
LIABILITIES			
Non-current liabilities			
Loans and borrowings	12	27,792,745	23,867,683
Other payables	13	1,831,298	1,554,746
Deferred tax liability	14	1,162,849	-
Lease liabilities	22	6,730,729	-
		<u>37,517,621</u>	<u>25,422,429</u>
Current liabilities			
Loans and borrowings	12	9,988,425	9,954,000
Trade and other payables	13	61,073,656	53,913,373
Bank overdraft	10	22,166,128	20,022,696
Lease liabilities	22	4,974,563	-
		<u>98,202,772</u>	<u>83,890,069</u>
Total liabilities		<u>135,720,393</u>	<u>109,312,498</u>
TOTAL EQUITY AND LIABILITIES		<u>204,605,710</u>	<u>175,172,480</u>

The financial statements on pages 13 to 49 were approved and authorised for issue by the Board of Directors on 28 September 2020 and were signed on its behalf by:


.....
Mr Ziad El Khalil
Executive Director


.....
Mr Avinash Jha
CEO & Director

Notes and related statements forming part of these financial statements appear on pages 17 to 49.
Independent Auditors' Report appears on pages 10 to 12.

SBC TANZANIA LIMITED

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2020**

	Notes	2020 TZS'000	2019 TZS'000
Revenue	15	289,977,445	258,963,647
Cost of sales	16	<u>(197,492,122)</u>	<u>(186,494,289)</u>
Gross profit		92,485,323	72,469,358
Other operating income	17	2,916,167	2,542,393
Distribution expenses		(74,915,665)	(61,289,295)
Administration expenses		(23,459,660)	(22,682,043)
Impairment (charge)/release		<u>(114,660)</u>	<u>44,270</u>
Operating loss before financing costs		(3,088,495)	(8,915,317)
Exchange gain/(loss)		970,066	(1,269,200)
Finance cost		<u>(4,459,395)</u>	<u>(4,718,066)</u>
Loss before taxation	18	(6,577,824)	(14,902,583)
Tax credit	19(B)	<u>1,159,052</u>	<u>3,296,804</u>
Loss for the year		<u>(5,418,772)</u>	<u>(11,605,779)</u>
Other comprehensive income:			
<i>Items that will not be reclassified to profit or loss</i>			
Revaluation of property, plant and equipment		12,063,007	-
Deferred tax on revaluation of property, plant and equipment		<u>(3,618,902)</u>	<u>-</u>
Other comprehensive income for the year		8,444,105	-
Total comprehensive income/(loss) for the year		<u>3,025,333</u>	<u>(11,605,779)</u>
Loss per share	20	<u>TZS (95)</u>	<u>TZS (204)</u>

Notes and related statements forming part of these financial statements appear on pages 17 to 49.

Independent Auditors' Report appears on pages 10 to 12.

SBC TANZANIA LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2020**

	Share capital TZS'000	Revaluation reserve TZS'000	Retained earnings TZS'000	Total TZS'000
Balance at 1 April 2018	29,410,000	4,639,534	16,062,227	50,111,761
Total comprehensive income for the year:				
Loss for the year	-	-	(11,605,779)	(11,605,779)
<i>Other comprehensive income:</i>				
Disposal of revalued asset	-	(85,000)	85,000	-
Deferred tax on disposed asset	-	25,500	(25,500)	-
Release of revaluation reserve	-	(1,964,656)	1,964,656	-
Deferred tax on release of revaluation reserve	-	589,397	(589,397)	-
Total comprehensive loss for the year	-	(1,434,759)	(10,171,020)	(11,605,779)
Transactions with owners:				
Issue of ordinary shares (27,354,000 ordinary shares at TZS 1,000 per share)	27,354,000	-	-	27,354,000
Total transactions with owners	27,354,000	-	-	27,354,000
Balance at 31 March 2019	56,764,000	3,204,775	5,891,207	65,859,982
Balance at 1 April 2019	56,764,000	3,204,775	5,891,207	65,859,982
Total comprehensive income for the year:				
Loss for the year	-	-	(5,418,772)	(5,418,772)
<i>Other comprehensive income:</i>				
Disposal of revalued asset	-	-	-	-
Deferred tax on disposed asset	-	-	-	-
Release of revaluation reserve	-	(1,964,656)	1,964,656	-
Deferred tax on release of revaluation reserve	-	589,397	(589,397)	-
Revaluation of property, plant and equipment	-	12,063,007	-	12,063,007
Deferred tax on revaluation of property, plant and equipment	-	(3,618,902)	-	(3,618,902)
Total comprehensive income for the year	-	7,068,846	(4,043,513)	3,025,333
Transactions with owners:				
Issue of ordinary shares (2 ordinary shares at TZS 1,000 per share)	2	-	-	2
Total transactions with owners	2	-	-	2
Balance at 31 March 2020	56,764,002	10,273,621	1,847,694	68,885,317

Note:

The revaluation reserve represents the surplus of valuation over historical cost of the buildings and plant & machinery. This is being amortised to the retained earnings in line with the accounting policy stated in Note 3B(e). The revaluation reserve is not available for distribution.

Notes and related statements forming part of these financial statements appear on pages 17 to 49.

Independent Auditors' Report appears on pages 10 to 12.

SBC TANZANIA LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2020**

		2020	2019
		TZS'000	TZS'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the year		(5,418,772)	(11,605,779)
Adjustments for:			
- Tax	19(A)	(1,159,052)	(3,296,804)
- Depreciation on property, plant and equipment	5	17,043,716	16,885,321
- Depreciation on bottles and crates	6	14,977,548	14,326,875
- Amortization of intangible asset	7	64,258	-
- Loss on disposal of items of property, plant and equipment		56,845	41,389
- Write-off of disposal of items of property, plant and equipment		35,776	-
- Depreciation on right-of-use assets	22	3,477,745	-
- Interest expense on lease liabilities	22	495,383	-
- Exchange loss on lease liabilities	22	13,864	-
		<u>29,587,311</u>	<u>16,351,002</u>
Changes in:			
- Inventories		(2,695,112)	1,543,553
- Trade and other receivables		(14,915,321)	(5,259,416)
- Trade and other payables		7,436,835	(9,553,405)
Cash generated from operating activities		<u>19,413,713</u>	<u>3,081,734</u>
Income tax paid	19(B)	(495,250)	(500,244)
Net cash generated from operating activities		<u>18,918,463</u>	<u>2,581,490</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of items of property, plant and equipment	5	(7,253,126)	(9,180,799)
Acquisition of intangible asset	7	(675,583)	-
Proceeds from disposal of items of property, plant and equipment		86,511	54,985
Acquisition of bottles and crates	6	(13,848,494)	(13,887,900)
Net cash used in investing activities		<u>(21,690,692)</u>	<u>(23,013,714)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of ordinary shares	11	2	27,354,000
Loans received	12	13,896,000	-
Loans repayment	12	(9,936,513)	(7,455,112)
Payment of lease liabilities	22	(3,234,047)	-
Net cash generated from financing activities		<u>725,442</u>	<u>19,898,888</u>
Net decrease in cash and cash equivalents		(2,046,787)	(533,336)
Cash and cash equivalents at the beginning of the year		(17,883,726)	(17,350,390)
Cash and cash equivalents at the end of the year		<u>(19,930,513)</u>	<u>(17,883,726)</u>
<u>CASH AND CASH EQUIVALENTS COMPRISES:</u>			
Bank and cash balances		2,235,615	2,138,970
Bank overdraft		(22,166,128)	(20,022,696)
Cash and cash equivalents at the end of the year		<u>(19,930,513)</u>	<u>(17,883,726)</u>

Notes and related statements forming part of these financial statements appear on pages 17 to 49.

Independent Auditors' Report appears on pages 10 to 12.

SBC TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

1. REPORTING ENTITY

SBC Tanzania Limited (the “Company”) is a Company domiciled in Tanzania. The financial statements of the Company are for the year ended 31 March 2020.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies Act, 2002. This is the first set in which the company applied IFRS 16 Leases. The related changes in significant accounting policies are described in Note 3 (A).

(b) Basis of measurement

The financial statements are prepared on the historical cost basis except for the financial instruments at fair value through profit or loss, and buildings, plant & machinery which are measured at fair value.

(c) Functional and presentation currency

These financial statements are presented in Tanzanian Shillings (TZS), which is the Company’s functional currency. All financial information presented in Tanzanian Shillings has been rounded to the nearest thousand (TZS’000), unless otherwise stated.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the financial reporting date and the reported amounts of revenues and expenses during the financial reporting period. Although these estimates are based on the Directors’ best knowledge of current events, actual results may ultimately differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

Information about significant areas of estimations and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in Note 4.

(e) Going concern

The Company’s state of affairs as at 31 March 2020 is set out on page 13 of these financial statements.

The Company's current liabilities have exceeded the current assets by TZS 26.04 Billion as at 31 March 2020 (2019: TZS 28.81 Billion). During the year ended 31 March 2020 the Company incurred a net loss of TZS 5.42 Billion (2019: TZS 11.61 Billion).

The current liabilities of the Company consist of short-term borrowings of TZS 32.15 Billion (2019: TZS 29.98 Billion) and trade and other payables amounting to TZS 61.07 Billion (2019: TZS 53.91 Billion) which includes related party balance of TZS 20.61 Billion (2019: TZS 7.66 Billion).

SBC TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

(e) Going concern (Continued)

With increased focus and targeted marketing expenditure for SBC products, management is confident that the Company will continue to grow in terms of its market share and revenue.

The holding company has continually supported the Company in the past and has confirmed that they will continue providing the required financial support to the Company in order to meet its commitments. This financial support will remain in place for the foreseeable future and such time a positive net current assets position is restored. Accordingly, these financial statements have been prepared on the basis of accounting policies applicable to a going concern.

The Board of Directors and management have assessed and believe that the effects of the COVID-19 pandemic do not have a material impact on the financial statements for the year ended 31 March 2020 and does not amount to a material uncertainty over the Company's ability to continue as a going concern.

3. SIGNIFICANT ACCOUNTING POLICIES

A. New and amended Standards which became effective during the year

The Company has initially applied IFRS 16 *Leases* and IFRIC 23 *Uncertainty over Income tax Treatments* from 1 April 2019. Due to transition methods chosen by the Company in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards. The effect of initially applying IFRS 16 is shown on page 22.

(i) IFRS 16 – *Leases*

The Company initially applied IFRS 16 *Leases* from 1 April 2019. A number of other new standards are also effective from 1 April 2019, but they do not have a material effect on the Company's financial statements.

The Company applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application if any is recognised in retained earnings at 1 April 2019. Accordingly, the comparative information presented for 2019 is not restated – i.e. it is presented as previously reported under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

At inception of a contract, the Company assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

(a) Definition of a lease

Before 1 April 2019, the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 *Determining Whether an Arrangement Contains a Lease*. From 1 April 2019, the Company assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

SBC TANZANIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. New and amended Standards which became effective during the year (Continued)

(i) IFRS 16 – Leases (Continued)

(a) Definition of lease (Continued)

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were identified as leases before 1 April 2019. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 April 2019.

(b) As a lessee

As a lessee, the Company leases many assets including property and IT equipment. Before 1 April 2019, the Company classified leases as operating or finance lease based on its assessment of whether the lease transferred substantially all of the risks and rewards incidental to the ownership the underlying asset as a lessee. Under IFRS 16, the Company recognizes right-of-use assets and lease liabilities for most these leases i.e. these leases are on-balance sheet.

Leases classified as operating leases under IAS 17

Previously, the Company classified property leases as operating leases under IAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at 1 April 2019. Right-of-use assets are measured at either:

- their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the Company's incremental borrowing rate at the date of initial application; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued payments.

The Company has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Company used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Company:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets (e.g. IT equipment);
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

SBC TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. New and amended Standards which became effective during the year (Continued)

(i) IFRS 16 – Leases (Continued)

(b) As a lessee (Continued)

Leases classified as finance leases under IAS 17

The Company leases a number of motor vehicles, residential houses and depots. These leases were classified as finance leases under IAS 17. For these finance leases, the carrying amount of the right-of-use asset and the lease liability at 1 April 2019 were determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

Policy applicable from 1 April 2019 as a lessee

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16. This policy is applied to all contracts entered into, on or after 1 April 2019.

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

SBC TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. New and amended Standards which became effective during the year (Continued)

(i) IFRS 16 – Leases (Continued)

Policy applicable from 1 April 2019 as a lessee (Continued)

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets (less than TZS 10 Million) and short-term leases (less than 12 months), including IT equipment. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Policy applicable before 1 April 2019 as a lessee

Operating lease payments

Lease payments made under operating leases are recognised in profit or loss on straight line basis over the term of the lease.

Finance lease payments

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

SBC TANZANIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. New and amended Standards which became effective during the year (Continued)

(i) IFRS 16 – Leases (Continued)

Effects of the adoption of IFRS 16

- Impact on transition

On transition to IFRS 16, the Company recognised additional right-of-use assets (adjusted for any prepayment/payables) and additional lease liabilities. The lease liabilities have been adjusted by prepayments amounting to TZS 232,832,000 to arrive at the right-of-use asset.

	1 April 2019 TZS '000
Right-of-use asset	4,894,436
Lease liabilities	4,661,604

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 April 2019. The weighted average rate applied is 9.04% for TZS and 6.00% for USD.

	1 April 2019 TZS '000
Operating lease commitments at 31 March 2019 as disclosed under IAS 17	4,426,823
Discounted using the incremental borrowing rate at 1 April 2019	<u>(302,460)</u>
Finance lease liabilities recognized as at 31 March 2019	4,124,363
- Recognition exemption for leases of low-value assets	(79,923)
- Recognition exemption for leases with less than 12 months of lease term at transition	-
- Extension options reasonably certain to be exercised	<u>617,173</u>
Lease liabilities recognized at 1 April 2019	<u>4,661,604</u>

- Impact for the period

As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Company recognised TZS 4,894,436,000 of right-of-use assets and TZS 4,661,604,000 of lease liabilities as at 31 March 2020.

Also, in relation to those leases under IFRS 16, during the year the Company has recognised depreciation of TZS 3,477,745,000 and interest costs of TZS 495,383,000.

(ii) IFRIC 23 Uncertainty over income tax treatments

IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities, whilst also aiming at enhancing transparency. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority.

If an entity concludes that it is probable that the tax authority will accept an uncertain tax treatment that has been taken or is expected to be taken on a tax return, it should determine its accounting for income taxes consistently with that tax treatment. If an entity concludes that it is not probable that the treatment will be accepted, it should reflect the effect of the uncertainty in its income tax accounting in the period in which that determination is made. Uncertainty is reflected in the overall measurement of tax and separate provision is not allowed. There has not been an impact to the Company as a result of adoption of the standard.

SBC TANZANIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. The accounting policies set out below have been applied consistently to all periods presented in these financial statements

(a) Revenue recognition

Performance obligations and revenue recognition policies

Revenue represents the transaction price for sales of goods and services, and is stated net of value-added tax (VAT), rebates and discounts. Revenue is measured based on the consideration specified in a contract with a customer. The Company recognizes revenue when it transfers control over a good or service to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms and related revenue recognition policies.

Type of product/service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition
Sale of carbonated drinks.	Customers obtain control of the carbonated drinks when the goods are delivered and have been accepted. Payment of the transaction is due immediately, except for credit sales with a credit limit of up to 60 days.	Revenue is recognised when goods are supplied to and accepted by the customer.

(b) Financial instruments

Recognition and derecognition

Financial instruments, comprising financial assets and financial liabilities, are recognised in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or where it neither transfers nor retains substantially all of the risks and rewards of ownership and loses control. When control is retained, the Company continues to recognise the financial asset to the extent of its continuing involvement. Assets are also de-recognised when they are written off. Assets are written off when there is no reasonable expectation of further recoveries even though there may be enforcement actions ongoing.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legally enforceable right to set off the recognised amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

Classification and measurement

All financial assets and liabilities are initially recognised at fair value, which is usually the transaction price including, where appropriate, transaction costs, with the exception of trade receivables without a significant financing component, which are measured at their transaction price, determined in accordance with the Company's accounting policies for revenue. Subsequently, measurement depends on the financial assets/liabilities classification as follows:

SBC TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. The accounting policies set out below have been applied consistently to all periods presented in these financial statements (Continued)

(b) Financial instruments (Continued)

Classification and measurement (Continued)

Financial assets measured at fair value through profit or loss (FVTPL)

Non-equity financial assets are classified at fair value through profit or loss if they arise from contracts which do not give rise to cash flows which are solely principal and interest, or otherwise where they are held in a business model which mainly realises them through sale. Such assets are re-measured to fair value at the end of each reporting period. Gains and losses arising from re-measurement are taken to profit or loss, as are transaction costs.

Equity investments are classified as FVPL unless they are designated as at FVOCI on initial recognition. Dividends from equity investments, irrespective of whether classified as FVPL or FVOCI, are recognised in profit or loss as finance income.

Financial assets measured at FVOCI

Non-equity financial assets are classified at fair value through other comprehensive income where they arise from contracts which give rise to cash flows which are solely principal and interest and which are held in a business model which realises some through sale and some by holding them to maturity. They are recognised initially at fair value plus any directly attributable transaction costs, or in the case of trade receivables, at the transaction price.

At the end of each reporting period they are re-measured to fair value, with the cumulative gain or loss compared to their amortised cost being recognised in other comprehensive income and in the fair value reserve, except for the recognition in profit and loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gain and losses. When these assets are derecognised, the cumulative gain or loss is reclassified from equity to profit or loss.

Equity investments not held for trading purposes are designated as at FVOCI where they are considered strategic to the Company. Such designation is made on an instrument-by-instrument basis but may only be made if the investment meets the definition of equity from the issuer's perspective. Amounts accumulated in the fair value reserve in respect of these investments are transferred directly to retained earnings on the disposal of the investment. These investments are not subject to impairment.

Financial assets measured at amortised cost (AC):

Financial assets are held at amortised cost when they arise from contracts which give rise to contractual cash flows which are solely principal and interest and are held in a business model which mainly holds the assets to collect contractual cash flows.

These assets are measured at amortised cost using the effective interest method and are also subject to impairment losses. Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated on the amortised cost (i.e., gross carrying amount less loss allowance). Interest income is included in finance income.

SBC TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. The accounting policies set out below have been applied consistently to all periods presented in these financial statements (Continued)

(b) Financial instruments (Continued)

Impairment

The Company applied the simplified approach as such it is not mandatory to assess the existence of significant increase in credit risk or to define the term 'default' as this approach does not apply the concept of staging. The entity always measures the lifetime ECL of the trade receivable portfolio. Trade receivables do not contain a significant financing component thus the calculated provision amount is not discounted.

Given the nature of trade receivables and that almost 98% of sales are on cash basis, the entity has a policy to fully provide for all trade receivable balances that are due for over 90 days as credit is on provided to select customers which make up only 2% of the total sales.

Financial liabilities at amortised cost

Financial liabilities, except those designated as at FVPL, are stated at amortised cost using the effective interest method. Interest is included in finance expenses unless capitalised into property, plant and equipment.

Offsetting financial instruments

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

(c) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Foreign currency differences arising on retranslation are recognised in profit or loss in the period in which they arise.

(d) Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets (if any) that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

SBC TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. The accounting policies set out below have been applied consistently to all periods presented in these financial statements (Continued)

(d) Impairment of non-financial assets (Continued)

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes.

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(e) Property, plant and equipment

i) Recognition and measurement

Items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to the working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Borrowing costs related to the acquisition or construction of qualifying assets are capitalised as incurred.

SBC TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. The accounting policies set out below have been applied consistently to all periods presented in these financial statements (Continued)

(e) Property, plant and equipment (Continued)

i) Recognition and measurement (Continued)

Buildings and plant and machinery are carried at re-valued amounts, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made periodically (3 – 5 years) to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any surplus arising on the revaluation is recognised directly in a revaluation reserve within equity except to the extent that the surplus reverses a previous revaluation deficit on the same asset in the profit or loss, in which case the credit is recognised in the profit or loss. Any deficit on revaluation is recognised in the income statement except to the extent that it reverses a previous revaluation surplus on the same asset, in which case it is taken directly to the revaluation reserve.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised in the profit or loss under other operating income.

ii) Subsequent cost

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its costs can be measured reliably. The carrying amount of the replaced part is derecognised. The cost of day to day servicing of property, plant and equipment is recognised in profit or loss as incurred.

iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

• Buildings	50 years
• Plant and machinery	6 – 10 years
• Motor vehicles	4 – 8 years
• Furniture, fittings and office equipment	4 years
• Marketing and advertising equipment	4 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

To the extent that the depreciation charge on the re-valued assets exceeds that which would have been charged had the assets not been re-valued, a release is made from the revaluation reserve to retained earnings (net of deferred tax). The relevant amount of the revaluation reserve is also released on the disposal of re-valued assets.

SBC TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. The accounting policies set out below have been applied consistently to all periods presented in these financial statements (Continued)

(f) Bottles and crates

Bottles and crates represents returnable glass bottles and plastic crates. These are stated at cost less accumulated depreciation and accumulated impairment losses. Bottles and crates are depreciated over 3 years and 5 years respectively. Bottles and crates that are still in use at the year end are shown under costs and accumulated depreciation. The assets that have completed their useful lives are written off at the end of each financial year. Sale of broken glass bottles and plastic shells is recognised as other income.

(g) Deposits by customers

Returnable bottles and crates in circulation are recorded within bottles and crates and a corresponding liability is recorded in respect of the obligation to repay the customers' deposits. Deposit liabilities are released to profit or loss to the extent that these liabilities no longer represent the Company's stock in customer custody. Accordingly, deposit liabilities are amortised over a period consistent with the useful life of bottles and crates. Customer deposit liabilities are classified in the financial statements as current and non-current liability. The current liability is computed based on the expected release of these deposits in the next financial year.

(h) Inventories

Inventories comprising of finished goods, raw materials, consumables and spare parts are measured at lower of cost and net realizable value. Cost is determined using the first in first out (FIFO) method except for finished goods which is determined using weighted average method. If the purchase or production cost is higher than the net realisable value, stocks are written down to net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less estimated cost of completion and selling expenses.

(i) Employee benefit

i) Defined contribution plan

The Company makes statutory contributions to the National Social Security Fund (NSSF). The Company's obligations in respect of contributions to such funds are 10% of the employees' gross emoluments.

Contributions to these pension funds are recognised as an expense in the period the employees render the related services.

ii) Termination benefit

Termination benefits are recognised as an expense in the year when it becomes payable. Termination benefits are determined in accordance with the Tanzanian Labour Law.

iii) Short term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

SBC TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. The accounting policies set out below have been applied consistently to all periods presented in these financial statements (Continued)

(j) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(k) Finance income and expenses

Finance income comprises interest income on funds invested and/or bank account. Interest income is recognised as it accrues in profit or loss, using effective interest method.

Finance expenses comprise interest expense on borrowings. All borrowing costs, other than borrowing costs related to qualifying assets (see Note 3 (B) (b)), are recognised in profit or loss using the effective interest method.

(l) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(m) Dividends

Dividends are recognised as a liability in the period in which they are declared.

SBC TANZANIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. The accounting policies set out below have been applied consistently to all periods presented in these financial statements (Continued)

(n) Intangible asset – computer software

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible asset comprises computer software and is carried at cost less any accumulated amortisation and any impairment losses. Amortisation is provided to write down the intangible asset (computer software), on a straight-line basis, to its residual value over a period of four (4) years.

(o) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

(p) Share capital

Ordinary shares are classified as ‘share capital’ in equity.

(q) Comparative figures

Where necessary, the comparative figures have been re-classified to conform to changes in presentation in the current year.

SBC TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Relevant new standards, amendments and interpretations issued but not yet effective and not early adopted (Continued)

A number of new standards, amendments to standards and interpretations, relevant to the Company, are not yet effective for the annual financial statements ending 31 March 2020 and have not been applied in preparing these financial statements. The Company does not plan to adopt them early and they are not expected to have a significant impact on the Company's financial statements. These standards are summarized below:

The following amended standards and interpretations are not expected to have a significant impact on the Company's financial statements:

- Amendments to References to Conceptual Framework in IFRS Standards – effective 1 January 2020.
- Definition of a Business (Amendments to IFRS 3) – effective 1 January 2020.
- Definition of Material (Amendments to IAS 1 and IAS 8) – effective 1 January 2020.
- IFRS 17 Insurance Contracts – effective 1 January 2021.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances.

The preparation of the financial statements in conformity with IFRSs requires management to make judgement, estimates and assumptions that affects the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Significant judgements are made for:

i. Property, plant and equipment:

Critical estimates are made by management in determining the depreciation rates and useful economic lives for property, plant and equipment.

ii. Glass and Crates:

Critical estimates are made by management in determining the depreciation rates and useful economic lives for glass and crates.

iii. Inventories:

Management assesses impairment for inventory at each reporting date. In determining whether the inventory is impaired, management assesses the age at which the items are held in the store in order to make an assessment of the impairment loss.

SBC TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

iv. Income tax:

The income tax charged to the financial statements is subject to agreement with the Tanzania Revenue Authority. When the final tax outcome upon agreement of assessments differs from the amounts originally recorded, such differences are adjusted in subsequent periods.

v. Deferred tax:

The deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

vi. Lease term:

In determining the lease term at the commencement date for leases that include renewal options exercisable by the Company, the Company evaluates the likelihood of exercising the renewal option considering relevant facts and circumstances that create an economic incentive for the Company to exercise the option. The lease term is reassessed when there is a significant event of change in circumstance that is within the Company's control.

SBC TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT

	Buildings TZS'000	Plant & machinery TZS'000	Motor vehicles TZS'000	Furniture, fittings, tools & equipment TZS'000	Marketing & advertising equipment TZS'000	Work in progress TZS'000	Total TZS'000
<u>Cost/revalued amounts</u>							
At 1 April 2019	36,159,839	103,155,755	16,338,484	7,191,221	35,398,413	2,035,103	200,278,815
Additions	12,133	976,931	736,682	68,410	-	5,458,970	7,253,126
Transfers	393,991	1,404,805	1,330,575	573,653	323,528	(4,026,552)	-
Write-off	(33,937)	-	-	-	-	(1,839)	(35,776)
Disposals	-	(2,013,041)	(886,762)	-	(27,010)	-	(2,926,813)
Revaluation	(1,206,290)	(52,792,288)	-	-	-	-	(53,998,578)
At 31 March 2020	35,325,736	50,732,162	17,518,979	7,833,284	35,694,931	3,465,682	150,570,774
<u>Accumulated depreciation</u>							
At 1 April 2019	2,994,929	51,023,163	12,195,153	6,014,824	32,655,412	-	104,883,483
Depreciation charge	737,786	13,222,199	1,336,954	600,030	1,146,747	-	17,043,716
Disposal	-	(1,916,292)	(840,154)	-	(27,010)	-	(2,783,456)
Revaluation	(3,732,717)	(62,328,868)	-	-	-	-	(66,061,585)
At 31 March 2020	-	202	12,691,953	6,614,854	33,775,149	-	53,082,158
Carrying amounts at 31 March 2020	35,325,736	50,731,960	4,827,026	1,218,430	1,919,782	3,465,682	97,488,616
<i>Carrying amounts that would have been recognised if Buildings and Plant & Machinery were stated at cost:</i>							
Cost	35,118,839	121,988,975	17,518,979	7,833,284	35,694,931	3,465,682	221,620,690
Accumulated depreciation	(4,952,409)	(84,127,482)	(12,691,953)	(6,614,854)	(33,775,149)	-	(142,161,847)
Net book value	30,166,430	37,861,493	4,827,026	1,218,430	1,919,782	3,465,682	79,458,843

SBC TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings TZS'000	Plant & machinery TZS'000	Motor vehicles TZS'000	Furniture, fittings, tools & equipment TZS'000	Marketing & advertising equipment TZS'000	Work in progress TZS'000	Total TZS'000
<u>Cost/revalued amounts</u>							
At 1 April 2018	34,794,329	95,178,854	15,931,144	6,685,605	34,851,433	4,641,546	192,082,911
Additions	124,004	252,481	489,651	40,340	323,908	7,950,415	9,180,799
Transfers	1,241,506	7,979,420	569,774	484,037	282,121	(10,556,858)	-
Disposals	-	(255,000)	(652,085)	(18,761)	(59,049)	-	(984,895)
At 31 March 2019	36,159,839	103,155,755	16,338,484	7,191,221	35,398,413	2,035,103	200,278,815
<u>Accumulated depreciation</u>							
At 1 April 2018	2,290,756	38,712,385	11,559,031	5,582,822	30,741,689	-	88,886,683
Depreciation charge	704,175	12,484,688	1,126,078	646,127	1,924,253	-	16,885,321
Disposal	-	(173,910)	(489,956)	(214,125)	(10,530)	-	(888,521)
At 31 March 2019	2,994,931	51,023,163	12,195,153	6,014,824	32,655,412	-	104,883,483
Carrying amounts at 31 March 2019	33,164,908	52,132,592	4,143,331	1,176,397	2,743,001	2,035,103	95,395,332

Carrying amounts that would have been recognised if Buildings and Plant & Machinery were stated at cost:

Cost	34,712,715	121,620,280	16,315,513	6,559,838	35,395,315	2,035,103	216,638,764
Accumulated depreciation	(4,284,910)	(72,799,652)	(12,172,182)	(5,383,441)	(32,652,314)	-	(127,292,499)
Net book value	30,427,805	48,820,628	4,143,331	1,176,397	2,743,001	2,035,103	89,346,265

SBC TANZANIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)**

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

In March 2020, Propertywise (T) Limited, an independent professional valuers firm, valued the buildings and plant & machinery at TZS 35,268,000,000 and TZS 50,732,160,865 respectively. The method of valuation used was the depreciated replacement cost approach as no evidence of market-based value was available.

The resulting surplus on the revaluation of buildings and plant & machinery amounting to TZS 2,526,427,812 and TZS 9,536,579,471 respectively was credited to revaluation reserve after considering deferred tax and is being amortised over the remaining useful life of the buildings and plant & machinery.

H&R Consultants Ltd carried out revaluations previously on 1 April 2005 that resulted into a revaluation surplus of TZS 2,661,183,000 and TZS 1,310,170,000 on buildings and plant & machinery at that time. Again in 2014, Majengo Estates Developers Limited, an independent professional valuers firm, valued the buildings and plant & machinery that resulted into a revaluation surplus of TZS 853,143,000 and TZS 12,575,121,000 respectively.

Valuation technique

The Company has used the Replacement Cost Method for purposes of determining both, asset replacement costs and depreciated replacement cost of plant & machinery and buildings where market evidences are not available or reliable.

Observable inputs

- Cost of construction per square meter
- Depreciation (ranging from 10% to 16%)

Movement in revaluation reserve

	2020	2019
	TZS'000	TZS'000
At 1 April	3,204,775	4,639,534
Annual release of reserve	(1,964,656)	(1,964,656)
Deferred tax on annual release	589,397	589,397
Disposal of revalued assets	-	(85,000)
Deferred tax on disposal	-	25,500
Revaluation of assets	12,063,007	-
Deferred tax on revaluation	(3,618,902)	-
At 31 March	<u>10,273,621</u>	<u>3,204,775</u>

6. BOTTLES AND CRATES

	2020	2019
	TZS'000	TZS'000
Cost		
At 1 April	49,623,160	46,932,444
Additions	13,848,494	13,887,900
Fully depreciated during the year*	(13,778,346)	(11,197,184)
At 31 March	<u>49,693,308</u>	<u>49,623,160</u>
Depreciation		
At 1 April	25,339,431	22,209,740
Charge for the year	14,977,548	14,326,875
Fully depreciated during the year*	(13,778,346)	(11,197,184)
At 31 March	<u>26,538,633</u>	<u>25,339,431</u>
Net book value at 31 March	<u>23,154,675</u>	<u>24,283,729</u>

* This is to recognise the write down in the quantities of glass bottles and plastic crates based on their useful lives of three and five years respectively.

SBC TANZANIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)**

7. INTANGIBLE ASSET – COMPUTER SOFTWARE

	2020	2019
	TZS'000	TZS'000
Cost		
As at 1 April	605,568	605,568
Additions	<u>675,583</u>	<u>-</u>
As at 31 March	<u>1,281,151</u>	<u>605,568</u>
Amortization		
As at 1 April	605,568	605,568
Charge for the year	<u>64,258</u>	<u>-</u>
As at 31 March	<u>669,826</u>	<u>605,568</u>
Net book value		
As at 31 March	<u>611,325</u>	<u>-</u>

8. INVENTORIES

	2020	2019
	TZS'000	TZS'000
Raw materials	13,557,320	12,053,544
Consumables	1,826,086	1,897,414
Finished goods	4,405,614	4,261,537
Engineering spares	17,069,801	15,707,893
Provisions	<u>(1,928,146)</u>	<u>(1,684,825)</u>
	<u>34,930,675</u>	<u>32,235,563</u>

9. TRADE AND OTHER RECEIVABLES

	2020	2019
	TZS'000	TZS'000
Trade receivables – <i>see Note 25</i>	728,564	875,438
Due from related parties – <i>see Note 21</i>	3,554,444	1,926,734
Deposits and prepayments	20,880,659	14,674,761
Staff debtors	71,870	52,321
Other debtors	<u>8,493,763</u>	<u>1,517,556</u>
	<u>33,729,300</u>	<u>19,046,810</u>

SBC TANZANIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)**

10. CASH AND CASH EQUIVALENTS

	2020	2019
	TZS'000	TZS'000
Bank balances	2,070,900	2,028,498
Petty cash	164,715	110,472
Cash and cash equivalents	2,235,615	2,138,970
Bank overdrafts used for cash management purposes	(22,166,128)	(20,022,696)
Cash and cash equivalents in the statement of cash flows	(19,930,513)	(17,883,726)

The Company has the following overdraft facilities with NBC Limited:

- USD 5,950,000 (2019: USD 5,950,000) at an interest rate of 6% per annum and is renewable annually. As at 31 March 2020 the Company had utilized USD 5,930,255 (2019: USD 5,850,094); and

- TZS 6,978,000,000 (2019: TZS 4,678,000,000) at an average interest rate of 8.75% per annum and is renewable annually. As at 31 March 2020 the Company had utilized TZS 6,572,288,000 (2019: TZS 3,862,865,000).

The Company also has an overdraft facility with Standard Chartered Bank Tanzania Limited of TZS 2,250,000,000 at an interest rate of 182 days T-Bills + 3.0% (2019: TZS 2,250,000,000). As at 31 March 2020 the Company had utilized TZS 1,812,526,000 (2019: TZS 2,222,182,000).

All overdraft facilities are secured by the Company's properties which are disclosed in Note 12.

11. SHARE CAPITAL

	2020	2019
	TZS'000	TZS'000
<i>Authorised share capital</i>		
57,028,000 ordinary shares of TZS 1,000 each (2019: 57,028,000 ordinary shares of TZS 1,000 each)	<u>57,028,000</u>	<u>57,028,000</u>
<i>Issued and fully paid share capital</i>		
56,764,002 ordinary shares of TZS 1,000 each (2019: 56,764,000 ordinary shares of TZS 1,000 each)	<u>56,764,002</u>	<u>56,764,000</u>

During the year, the Company issued an additional 2 Ordinary Shares of TZS 1,000 each. (2019: The Company issued additional 27,354,000 ordinary shares of TZS 1,000 each).

12. LOANS AND BORROWINGS

	31 March 2020		31 March 2019	
	Current	Non-Current	Current	Non-Current
	TZS '000	TZS '000	TZS '000	TZS '000
NBC Loan 1	1,427,284	-	2,701,964	1,427,284
NBC Loan 2	2,727,781	1,160,472	2,491,922	3,888,253
NBC Loan 3	2,730,853	5,132,998	2,493,520	7,862,935
NBC Loan 4	371,654	13,524,346	-	-
SCB Loan	2,730,853	7,974,929	2,266,594	10,689,211
	<u>9,988,425</u>	<u>27,792,745</u>	<u>9,954,000</u>	<u>23,867,683</u>

SBC TANZANIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)**

12. LOANS AND BORROWINGS (CONTINUED)

	Opening TZS '000	Movement TZS '000	Closing TZS '000
NBC Loan 1	4,129,248	(2,701,964)	1,427,284
NBC Loan 2	6,380,175	(2,491,922)	3,888,253
NBC Loan 3	10,356,455	(2,492,604)	7,863,851
NBC Loan 4	-	13,896,000	13,896,000
SCB Loan	12,955,805	(2,250,023)	10,705,782
	<u>33,821,683</u>	<u>3,959,487</u>	<u>37,781,170</u>

Loan movement is comprised of the following:

	2020 TZS '000	2019 TZS '000
Acquisition of new loan	13,896,000	-
Repayment of loan (principal and interest)	(9,936,513)	(7,455,112)
	<u>3,959,487</u>	<u>(7,455,112)</u>

The Company has obtained various loans from NBC Limited (NBC) to finance the purchase of glass bottles and plastic crates, construction of the Mwanza factory and upgrade of plastic bottles (PET) line in Dar es Salaam. The interest rate on NBC's loans (TZS and USD) ranges between 8.85% and 9.5% per annum and is charged monthly on the outstanding balance for all the loans.

The Company also has a TZS loan from Standard Chartered Bank Tanzania Limited to finance its capital expenditure requirements relating to the installation and upgrade of the PET line in Mbeya. This loan has an interest rate of 182 days T-bills + 2.95%.

During the year the Company has obtained a new loan of TZS 13.89 Billion from NBC to finance its capital expenditure. This loan has an interest rate of 9.5%.

All loans are repaid on a monthly basis comprising of principal and interest over the term of the loans.

Loans and overdraft facilities (*Note 10*) are secured on pari passu basis by the following securities:

- Legal mortgage over (i) Plots 54/57 situated on Nyerere Road, Dar es Salaam; (ii) Plot no. 63 situated in Kiwalani, Temeke area, Dar es Salaam; (iii) Plot no. 212 situated along Nyerere Road, Kipawa Industrial area, Dar es Salaam; (iv) Plot no. 6 situated in Nyakato Industrial Area, Mwanza; (v) Plot no. 25 situated in Iyunga Industrial Area, Mbeya; (vi) Plot no. 792/11 situated at Little Ruaha, Iringa; and (vii) Plot no. 212 at Themis Hill, Arusha;
- Negative pledge over the current assets of the Company; and
- Debenture over the Company's fixed and floating assets including the plant and machinery registered to cover 130% of the total exposure.

13. TRADE AND OTHER PAYABLES

	2020 TZS'000	2019 TZS'000
Trade creditors	25,746,737	33,236,548
Due to related party – <i>see Note 21</i>	20,605,132	7,661,281
Customer deposits – refundable within a year	1,934,557	1,879,519
VAT and excise duty payable	3,820,874	3,071,576
Provision for leave pay	645,695	564,573
Other payables and accrued expenses	8,320,661	7,499,876
	<u>61,073,656</u>	<u>53,913,373</u>
Customer deposits refundable after a year (classified as non-current)	<u>1,831,298</u>	<u>1,554,746</u>

SBC TANZANIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)**

14. DEFERRED TAX

	1 Apr 2019	Movement	31 Mar 2020
	TZS'000	TZS'000	TZS'000
Property, plant & equipment and bottles & crates	(124,889)	(2,990,539)	(3,115,428)
Provisions and other temporary differences	(392,465)	350,165	(42,300)
Lease amortization – IFRS16	-	(82,403)	(82,403)
Tax losses carried forward	(1,267,158)	1,267,158	-
Revaluation surplus *	1,373,474	3,029,506	4,402,980
	<u>(411,038)</u>	<u>1,573,887</u>	<u>1,162,849</u>

* TZS 3,618,902,000 charged to reserves and TZS 589,397,000 released to profit or loss. (Note 5).

	1 Apr 2018	Movement	31 Mar 2019
	TZS'000	TZS'000	TZS'000
Property, plant & equipment and bottles & crates	1,925,429	(2,050,318)	(124,889)
Provisions and other temporary differences	(480,412)	87,947	(392,465)
Tax losses carried forward	(93,758)	(1,173,400)	(1,267,158)
Revaluation surplus	1,988,372	(614,898)	1,373,474
	<u>3,339,631</u>	<u>(3,750,669)</u>	<u>(411,038)</u>

15. REVENUE

The Company generates revenue primarily from the sale of carbonated soft drinks packaged in glass bottles (RGB) and plastic bottles (PET).

	2020	2019
	TZS'000	TZS'000
Sales by packing:		
RGB	263,823,326	240,016,950
PET	77,461,438	64,857,169
Gross Revenue	<u>341,284,764</u>	<u>304,874,119</u>
<i>Less:</i> Value Added Tax	(51,307,319)	(45,910,472)
Net Revenue	<u>289,977,445</u>	<u>258,963,647</u>

16. COST OF SALES

	2020	2019
	TZS'000	TZS'000
Manufacturing expenses	166,496,120	159,398,894
Freight costs	12,500,899	10,397,503
Excise duty	18,495,103	16,697,892
	<u>197,492,122</u>	<u>186,494,289</u>

17. OTHER OPERATING INCOME

	2020	2019
	TZS'000	TZS'000
Other income	719,480	609,556
Loss on disposal of items of property, plant and equipment	(56,845)	(41,389)
Customer deposits written back	2,253,532	1,974,226
	<u>2,916,167</u>	<u>2,542,393</u>

SBC TANZANIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)**

18. LOSS BEFORE TAXATION

	2020	2019
	TZS'000	TZS'000
<i>Loss before taxation is stated after charging:</i>		
Staff costs	28,973,505	26,133,391
Depreciation of property, plant and equipment	17,043,716	16,885,321
Depreciation of bottles and crates	14,977,548	14,326,875
Directors' remuneration (Note 21)	478,486	386,602
Audit fee	149,184	149,184
Depreciation on right of use assets	3,477,745	-
Interest expenses of leases	495,383	-
Rental costs	-	1,304,705
	<u>28,973,505</u>	<u>26,133,391</u>

19. A. TAX EXPENSE

	2020	2019
	TZS'000	TZS'000
Current tax charge	885,963	453,865
Deferred tax credit	(2,045,015)	(3,750,669)
	<u>(1,159,052)</u>	<u>(3,296,804)</u>

Tax rate reconciliation

Tax at standard rate of current tax	(1,973,347)	(4,470,775)
<i>The standard rate has been affected by:</i>		
- Effect of non-deductible expenses	1,079,556	1,245,588
- Net effect of prior year over provision in deferred tax	(295,312)	(525,482)
- Tax effect on deposit income taxed previously, not taxable this year	-	-
- Tax effect on income not taxed previously, taxed this year	30,051	453,865
Effective current tax	<u>(1,159,052)</u>	<u>(3,296,804)</u>

The Company is required to comply with the tax legislation provisions by self-assessment. The Company's current tax affairs have been cleared with Tanzania Revenue Authority up to the year of income 2019.

B. CURRENT TAX RECEIVABLE

	2020	2019
	TZS'000	TZS'000
Opening balance	1,661,038	1,614,659
Charge for the year	(885,963)	-
Tax paid during the year	495,250	500,244
Tax expense relating to prior years	-	(453,865)
	<u>1,270,325</u>	<u>1,661,038</u>

20. LOSS PER SHARE

Earnings per share is calculated by dividing the profit/(loss) (before other comprehensive income) attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. The earnings per share is calculated as follows:

SBC TANZANIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)**

20. LOSS PER SHARE (CONTINUED)

	2020	2019
	TZS'000	TZS'000
Loss attributable to ordinary shareholders	(5,418,772)	(11,605,779)
Number of ordinary shares outstanding during the year	56,764,002	56,764,000
Loss per share	<u>TZS (95)</u>	<u>TZS (204)</u>

21. RELATED PARTY TRANSACTIONS

SBC Tanzania is a 99.9% subsidiary of Tanzania Bottling Company S.A. (incorporated in Panama). MAK Holdings Ltd (incorporated in Bermuda) owns 100% shares of Tanzania Bottling Company S.A. and the ultimate parent company of MAK Holdings Ltd is Continental Beverages SAL Offshore (incorporated in Lebanon). Through common shareholding the Company is also related to SBC Beverages Ghana Limited, SBC Kenya Limited, Seven-up Bottling Company Ltd and New Age Beverages Limited.

Financing transactions

There were no related party financing transactions during the year. (2019: Tanzania Bottling Company, SA subscribed to TZS 27,354,000,000 ordinary share capital).

Trading transactions

Sale of finished goods (PET) to SBC Kenya Limited worth USD 1.01 Million ~ TZS 2.34 Billion (2019: sale of finished goods amounting to USD 941,085 ~ TZS 2.23 Billion and sale of concentrate worth USD 34,803 ~ TZS 0.08 Billion). The Company also purchased concentrate worth USD 30,540 ~ TZS 71 Million and machinery worth USD 78,330 ~ TZS 182 Million from SBC Kenya Limited (2019: Nil).

Purchase of concentrate from Continental Beverages SAL (Offshore) worth USD 16.52 Million ~ TZS 38.29 Billion purchase of sugar worth USD 863,500 ~ TZS 1.99 Billion and purchase of spare parts worth USD 41,978 ~ TZS 97 Million (2019: USD 15.72 Million ~ TZS 36.49 Billion).

Sale of empty glass bottles to SBC Beverages Ghana Ltd worth USD 84,560 ~ TZS 197 Million (2019: USD 190,260 ~ TZS 450 Million) and equipment worth USD 15,264 ~ TZS 35 Million (2019: Nil).

Sale of finished goods (PET) worth TZS 557 Million to New Age Beverages Limited (2019: Nil). The Company also payments to suppliers on behalf of New Age Beverages Limited amounting to TZS 39 Million (2019: TZS 30 Million).

Tanzania Bottling Company SA made a payment on behalf of the Company to an existing trade creditor amounting to USD 7 Million ~ TZS 16.3 Billion (2019: Nil).

	2020	2019
	TZS'000	TZS'000
Amount due from related parties: (See Note 9)		
Seven-up Bottling Company PLC	3,835	3,835
SBC Beverages Ghana Ltd	673,865	450,536
SBC Kenya Limited	2,250,849	1,442,024
New Age Beverages Limited	625,895	30,339
	<u>3,554,444</u>	<u>1,926,734</u>

SBC TANZANIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)**

21. RELATED PARTY TRANSACTIONS (CONTINUED)

	2020	2019
	TZS'000	TZS'000
Amount due to related parties: <i>(See Note 13)</i>		
Continental Beverages SAL (Offshore)	4,344,132	7,661,281
Tanzania Bottling Company, SA	16,261,000	-
	<u>20,605,132</u>	<u>7,661,281</u>

	2020	2019
	TZS'000	TZS'000
Directors' remuneration		
Mr. Avinash Jha	343,907	262,025
Mr. Ziad El-Khalil	134,579	124,577
	<u>478,486</u>	<u>386,602</u>

Directors' remuneration includes salaries and short-term non-cash benefits.

22. LEASES

i. Right-of-Use Assets

	TZS'000	TZS'000	TZS'000	TZS'000
	Residential	Depot	Vehicles	Total
Cost				
Balance at 1 April 2019	1,029,020	747,335	3,118,081	4,894,436
Additions to right-of-use asset	796,821	35,847	8,935,820	9,768,488
Balance at 31 March 2020	<u>1,825,842</u>	<u>783,182</u>	<u>12,053,900</u>	<u>14,662,924</u>
Depreciation				
Balance at 1 April 2019	-	-	-	-
Charge for the year	648,449	230,881	2,598,415	3,477,745
Balance at 31 March 2020	<u>648,449</u>	<u>230,881</u>	<u>2,598,415</u>	<u>3,477,745</u>
Net Book Value	<u>1,177,392</u>	<u>552,301</u>	<u>9,455,486</u>	<u>11,185,179</u>

ii. Lease Liabilities

	TZS'000	TZS'000	TZS'000	TZS'000
	Warehouse	Depot	Vehicles	Total
At 1 April 2019	893,628	649,895	3,118,081	4,661,604
Additions to during the year	796,821	35,847	8,935,820	9,768,488
Interest expense during the year	68,991	57,575	368,817	495,383
Payment made during the year	(697,709)	(128,533)	(2,407,805)	(3,234,047)
Exchange gain	5,111	-	8,753	13,864
As at 31 March 2020	<u>1,066,842</u>	<u>614,784</u>	<u>10,023,666</u>	<u>11,705,292</u>
Represented by:				
Non-current lease liabilities	119,632	284,548	6,326,549	6,730,729
Current lease liabilities	947,210	330,236	3,697,117	4,974,563
At 31 March 2020	<u>1,066,842</u>	<u>614,784</u>	<u>10,023,666</u>	<u>11,705,292</u>

SBC TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)

23. CAPITAL COMMITMENTS

The Directors confirm that the Company did not have any significant capital commitments as at 31 March 2020 (2019: Nil).

24. CONTINGENT LIABILITIES

As at 31 March 2020, the Company was a defendant in several lawsuits. The Directors and legal counsel are of the view no material liabilities are expected to crystalize from these lawsuits.

25. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks, including credit risk and the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance. This note presents information about the Company's exposure to financial risks, the Company's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from customers. About 98% of the Company's sales are for cash, therefore, the Company's exposure to credit risk is very low.

To manage the level of credit risk, the Company focuses on customer satisfaction as a key performance indicator. It also maintains a short credit period for a select few customers. Due to the nature of the Company's activities, credit risk concentrations are high and as such close monitoring of credit relationships is carried out.

The carrying amount of financial assets represents the maximum exposure to credit risk. The maximum exposure to credit risk at the financial reporting date was:

SBC TANZANIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)**

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

a) Credit risk (continued)

	Carrying amount	
	2020	2019
	TZS'000	TZS'000
Trade receivables	728,564	875,438
Due from related parties	3,554,444	1,926,734
Staff debtors	71,870	52,321
Other debtors	8,493,763	1,517,556
Deposits	80,106	131,237
	<u>12,928,747</u>	<u>4,503,286</u>

The Company holds cash and cash equivalents of TZS 2.071 Billion as at 31 March 2020 (2019: TZS 2.028 billion) with reputable financial institutions in Tanzania.

Impairment losses

The aging of trade receivables at the financial reporting date was:

	2020	2020	2019	2019
	TZS'000	TZS'000	TZS'000	TZS'000
	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
Not past due	266,600	(60,164)	469,999	(47,176)
Past due 0-30 days	-	-	305,714	(30,686)
Past due 30-60 days	103,697	(23,402)	32,243	(3,236)
Past due 60-90 days	67,354	(15,200)	83,430	(8,374)
Past due more than 90 days	503,248	(113,569)	81,727	(8,203)
	<u>940,899</u>	<u>(212,335)</u>	<u>973,113</u>	<u>(97,675)</u>

Movement in allowance for impairment in respect of trade receivables during the year was as follows:

	2020	2019
	TZS'000	TZS'000
Balance at 1 April	97,675	141,945
Impairment charge / (release)	114,660	(44,270)
Balance at 31 March	<u>212,335</u>	<u>97,675</u>

Management believes that the amounts that are neither past due nor impaired will be collectible in full.

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted. All liquidity policies and procedures are subject to review and approval by the Board of Directors.

The following are contractual maturities of financial liabilities at the reporting date:

SBC TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Liquidity risk (continued)

As at 31 March 2020	Carrying amount TZS'000	Total contractual cashflows TZS'000	On demand TZS'000	Due within one year TZS'000	Due between one year and five years TZS'000
Non-derivative financial liabilities:					
Borrowings	37,781,170	37,781,170	-	9,988,425	27,792,745
Trade creditors	25,746,737	25,746,737	-	25,746,737	-
Due to related party	20,605,132	20,605,132	-	20,605,132	-
Other payables	8,320,661	8,320,661	-	8,320,661	-
Customer deposits	3,765,855	3,765,855	-	1,934,557	1,831,298
Bank overdraft	22,166,128	22,166,128	22,166,128	-	-
Lease liabilities	11,705,292	12,808,771	-	5,291,651	7,517,120
	130,090,975	131,194,454	22,166,128	71,887,163	37,141,163

As at 31 March 2019	Carrying amount TZS'000	Total contractual cashflows TZS'000	On demand TZS'000	Due within one year TZS'000	Due between one year and five years TZS'000
Non-derivative financial liabilities:					
Borrowings	33,821,683	33,821,683	-	9,954,000	23,867,683
Trade creditors	33,236,548	33,236,548	-	33,236,548	-
Due to related party	7,661,281	7,661,281	-	7,661,281	-
Other payables	7,499,876	7,499,876	-	7,499,876	-
Customer deposits	3,434,265	3,434,265	-	1,879,519	1,554,746
Bank overdraft	20,022,696	20,022,696	20,022,696	-	-
	105,676,349	105,676,349	20,022,696	60,231,224	25,422,429

The ultimate shareholders have confirmed that they will continue providing financial support to the Company in order to meet its commitments. This financial support will remain in place for a foreseeable future time and until such time a positive net current assets position is restored.

c) Market risk

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's / issuer's credit standing) will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

i. Foreign currency risk

The Company is exposed to currency risk on transactions that are denominated in a currency other than the functional currency of the Company. The foreign currencies in which the Company transacts are: US Dollars (USD), South African Rand (ZAR), British Pound (GBP) and Euro (Euro).

To manage the foreign exchange risk, the Company maintains bank accounts in foreign denominated currencies mainly US dollars to facilitate transactions in foreign currency. The Company also negotiates with its bankers to get favourable exchange rates when converting foreign currencies to the Tanzanian shilling.

SBC TANZANIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)**

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

c) Market risk (Continued)

i. Foreign currency risk (Continued)

Exposure to currency risk for foreign denominated amounts in the following classes of financial instruments; disclosure around market risk also relates to sensitivity analysis of the type of market risk – currency risk, showing how the income profit or loss and equity would have been affected by reasonably possible changes in the relevant risk variable at the year-end date.

2020

Balances denominated in	USD equivalent TZS'000	ZAR equivalent TZS'000	GBP equivalent TZS'000	EURO equivalent TZS'000	Total equivalent TZS'000
Cash and cash equivalents	211,453				211,453
Due from related party	3,554,444				
Trade payables (including related party)	(8,379,304)	(68,737)	(9,880)	(89,878)	(8,547,799)
Bank overdraft	(13,775,982)	-	-	-	(13,775,982)
Lease liabilities	5,630,122	-	-	-	5,630,122
Net exposure	(15,054,570)	(68,737)	(9,880)	(89,878)	(15,223,065)

2019

Balances denominated in	USD equivalent TZS'000	ZAR equivalent TZS'000	GBP equivalent TZS'000	EURO equivalent TZS'000	Total equivalent TZS'000
Cash and cash equivalents	216,117	-	-	-	216,117
Due from related party	1,896,395	-	-	-	1,896,395
Trade payables (including related party)	(25,265,400)	-	(14,476)	(604,819)	(25,884,695)
Bank overdraft	(13,853,023)	-	-	-	(13,853,023)
Net exposure	(37,005,911)	-	(14,476)	(604,819)	(37,625,206)

The following exchange rates applied during the year:

	Closing		Average	
	2020 TZS	2019 TZS	2020 TZS	2019 TZS
USD	2,323	2,368	2,317	2,313
EUR	2,616	2,696	2,627	2,749
GBP	2,920	3,139	2,996	3,106
ZAR	141	176	171	183

SBC TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

c) Market risk (Continued)

i. Foreign currency risk (Continued)

Sensitivity analysis

A 10 percent strengthening/weakening of the Tanzanian shilling against the following currencies would have increased/decreased profit or loss and equity by amounts shown below. This analysis assumes that all other variables, in particular interest and inflation rates, remain constant and ignores any impact of forecast sales and purchases.

	Profit or loss / Equity	
	2020	2019
	TZS'000	TZS'000
USD	1,505,457	3,700,591
EUR	8,988	60,482
GBP	988	1,447
ZAR	6,873	-

ii. Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company's operations.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit.

This responsibility is supported by the development of overall company standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

SBC TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

c) Market risk (Continued)

iii. Interest rate risk

The Company has a minimal exposure to interest rate risk as most of the borrowings are at fixed interest rates. All TZS denominated loans are carried at a 182-day T-bill plus a fixed margin.

d) Capital management

The Company manages its capital to ensure that it is able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Company's overall strategy remains unchanged from 2017.

The capital structure of the Company consists of debt, which includes borrowings and bank overdraft disclosed in Notes 10 and 12 respectively, less bank and cash balances and equity attributable to equity holders, comprising issued paid up capital and retained earnings.

There are no externally imposed capital requirements.

Gearing ratio

The gearing ratio at the end of the year was as follows:

	2020 TZS'000	2019 TZS'000
Borrowings	37,781,170	33,821,683
Bank overdraft	22,166,128	20,022,696
Cash and bank balances	<u>(2,235,615)</u>	<u>(2,138,970)</u>
Net borrowings	<u>57,711,683</u>	<u>51,705,409</u>
Equity (including revaluation reserves)	<u>68,885,317</u>	<u>65,859,982</u>
Net debt to equity ratio	<u>0.84</u>	<u>0.79</u>

26. ACCOUNTING CLASSIFICATION AND FAIR VALUES

The Company measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1:

Inputs that are quoted market prices (unadjusted) in active markets for identical instruments. The Company does not have financial instruments under level 1.

Level 2:

Inputs other than quoted prices included within level 1 that are observable either directly or indirectly or other valuation techniques in which all significant inputs are directly or indirectly observable from market data. This category includes trade and other receivables, bank balances, due from related parties, trade payables, due to related party and borrowings whose carrying values approximate their fair values due to their short-term nature.

SBC TANZANIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)**

26. ACCOUNTING CLASSIFICATION AND FAIR VALUES (CONTINUED)

Level 3:

Inputs that are unobservable. This category includes instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on their valuation. The Company does not have financial instruments under this level.

The following table shows the carrying amounts and fair value of financial assets and financial liabilities, including their levels in the fair value hierarchy as described above.

	Financial assets at amortized cost TZS'000	Financial liabilities at amortized cost TZS'000	Total TZS'000
2020			
Financial assets not measured at fair value			
Trade and other receivables	12,928,745	-	12,928,745
Cash and cash equivalents	2,235,615	-	2,235,615
	<u>15,164,360</u>	<u>-</u>	<u>15,164,360</u>

Financial liabilities not measured at fair value			
Borrowings	-	37,781,170	37,781,170
Trade and other payables	-	58,438,385	58,438,385
Bank overdraft	-	22,166,128	22,166,128
Lease liabilities	-	11,705,292	11,705,292
	<u>-</u>	<u>130,090,975</u>	<u>130,090,975</u>

	Financial assets at amortized cost TZS'000	Financial liabilities at amortized cost TZS'000	Total TZS'000
2019			
Financial assets not measured at fair value			
Trade and other receivables	4,503,284	-	4,503,284
Cash and cash equivalents	2,138,970	-	2,138,970
	<u>6,642,254</u>	<u>-</u>	<u>6,642,254</u>

Financial liabilities not measured at fair value			
Borrowings	-	33,821,683	33,821,683
Trade and other payables	-	51,831,970	51,831,970
Bank overdraft	-	20,022,696	20,022,696
	<u>-</u>	<u>105,676,349</u>	<u>105,676,349</u>

The Company has not disclosed the fair value of financial instruments such as short-term receivables and payables because their carrying amounts are a reasonable approximation of the fair value hence, they are presented under "financial assets not measured at fair value". Borrowings have rates of interest close to market rates.

27. SUBSEQUENT EVENTS

The Directors are not aware of any material events or circumstances have arisen between the accounting date and the date of this report that require additional disclosure in the financial statements.

SBC TANZANIA LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

SBC TANZANIA LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

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SBC TANZANIA LIMITED

CORPORATE INFORMATION

DIRECTORS:

Name:	Nationality:	Appointment date:
Mr. Faysal El Khalil (Chairman)	Lebanese	5 April 2001
Mr. Ziad El Khalil (Executive Director)	British	5 April 2001
Mr. Avinash Jha (CEO)	Indian	8 April 2016
Mr. Georges Kolakez	Lebanese	1 December 2016

REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS:

54/57 Nyerere Road
P.O. Box 4162
Dar es Salaam

SECRETARY:

Dr. Wilbert Kapinga
BOWMANS Tanzania Limited
2nd Floor, The Luminary
Cnr Haile Selassie and Chole Road
P.O. Box 78552, Masaki
Dar es Salaam

AUDITOR:

KPMG
2nd Floor, The Luminary
Plot No. 574
Haile Selassie Road, Msasani Peninsula Area
P.O. Box 1160
Dar es Salaam

BANKERS:

NBC Ltd
Corporate Branch
P.O. Box 9062
Dar es Salaam

Citibank Tanzania Ltd
Plot 1962, Toure Drive
P.O. Box 71625
Dar es Salaam

National Microfinance Bank Plc
NMB House Branch
P.O. Box 162309
Dar es Salaam

Standard Chartered Bank Tanzania
International House
P.O. Box 9011
Dar es Salaam

SBC TANZANIA LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 2021

The Directors have pleasure in submitting their report together with the audited financial statements for the year ended 31 March 2021, which disclose the state of affairs of the Company as at that date.

1. INCORPORATION

The Company was incorporated on 5 April 2001 in Tanzania under the Companies Act, 2002 as a private company limited by shares.

2. COMPANY'S VISION

To become one of Tanzania's most admired companies.

3. COMPANY'S MISSION

The Company's mission is to grow its beverages business ethically manufacturing and distributing world class brands whilst serving its customers and trade partners with uncompromising integrity. The Company strives to create evermore employment opportunities for Tanzanians and add economic whilst generating a fair return to its shareholders that exceeds their cost of capital.

4. PRINCIPAL ACTIVITIES

The Company manufactures, distributes and sells carbonated soft drinks under authority of PepsiCo. Inc, Purchase, New York.

5. COMPOSITION OF THE BOARD OF DIRECTORS

The Directors of the Company during the year and up to the date of this report are indicated on page 1.

6. CAPITAL STRUCTURE AND SHAREHOLDING

Capital structure

	2021 TZS'000	2020 TZS'000
<i>Authorised share capital</i>		
68,573,000 Ordinary shares of TZS 1,000 each (2020: 57,028,000 ordinary shares of TZS 1,000 each)	<u>68,573,000</u>	<u>57,028,000</u>

Issued and fully paid share capital

68,309,005 Ordinary shares of TZS 1,000 each (2020: 56,764,002 ordinary shares of TZS 1,000 each)	<u>68,309,005</u>	<u>56,764,002</u>
--	-------------------	-------------------

Shareholding

The issued and fully paid up share capital is held by:

	Number of shares held	
	2021	2020
Tanzania Bottling Company, S.A.	68,308,998	56,763,998
Mr. Ziad El Khalil	1	1
Mr. Avinash Jha	1	1
Mr. Fadi Anwar El Khalil	1	1
Mr. Sreenivasulu Akumalla	1	1
Mr. Paul James Richard	1	-
Mr. Prabir Kumar Bhowmick	1	-
Mr. Sanam Govind Mahambrey	1	-
	<u>68,309,005</u>	<u>56,764,002</u>

SBC TANZANIA LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 2021 (CONTINUED)

6. CAPITAL STRUCTURE AND SHAREHOLDING (CONTINUED)

Directors' interest in the shares of the Company

The Directors' interests in the issued and fully paid capital of the Company as at 31 March 2021 were:

Name	Shareholding - 2021	Shareholding - 2020
Mr. Ziad El Khalil	1 share	1 share
Mr. Avinash Jha	1 share	1 share

7. MANAGEMENT

The management of the Company is under the Chief Executive Officer and is organised in the following departments:

- Production & Quality Assurance;
- Sales & Marketing;
- Finance, Administration & Information Technology;
- Materials;
- Internal Audit;
- Legal;
- Human Resources; and
- Corporate Affairs.

8. FUTURE DEVELOPMENT PLANS

The Company will continue to focus on market expansion, new product development and expanding sales network to strengthen its market position. The Company, with enhanced production process, risk management, cost reduction and rationalization will continue to improve its profitability.

9. RESULTS AND DIVIDENDS

During the year the Company incurred a net loss of TZS 981 Million (2020: TZS 5.42 Billion). The Directors do not recommend the payment of any dividend for the year (2020: NIL).

10. PERFORMANCE DURING THE YEAR

During the year the Company continued to manufacture, distribute and sell carbonated soft drinks under authority of PepsiCo. Inc, Purchase, New York. The results for the year are set out on page 14 of these financial statements.

11. RISK MANAGEMENT AND INTERNAL CONTROL

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

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

SBC TANZANIA LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 2021 (CONTINUED)

11. RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

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 system is designed to provide the Board with reasonable assurance that the procedures in place are operating effectively.

The Board assessed the internal control systems throughout the financial year ended 31 March 2021 and is of the opinion that they met the set criteria.

The Board is directly responsible for risk and internal control assessment as a separate audit committee is not considered necessary.

12. GOING CONCERN

The Company's state of affairs as at 31 March 2021 is set out on page 13 of these financial statements.

The Company's current liabilities have exceeded the current assets by TZS 22.49 Billion as at 31 March 2021 (2020: TZS 26.04 Billion). During the year ended 31 March 2021 the Company incurred a net loss of TZS 981 Million (2020: TZS 5.42 Billion).

The current liabilities of the Company consist of short-term borrowings of TZS 30.94 Billion (2020: TZS 32.15 Billion) and trade and other payables amounting to TZS 60.16 Billion (2020: TZS 61.07 Billion) which includes related party balance of TZS 16.91 Billion (2020: TZS 20.61 Billion). Net cashflow generated from operating activities after tax is TZS 31.31 Billion (2020: TZS 18.92 Billion).

With increased focus and targeted marketing expenditure for SBC products, management is confident that the Company will continue to grow in terms of its market share and revenue.

The holding company has continually supported the Company in the past and has confirmed that they will continue providing the required financial support to the Company in order to meet its commitments. This financial support will remain in place for the foreseeable future and until such time a positive net current assets position is restored. Accordingly, these financial statements have been prepared on the basis of accounting policies applicable to a going concern.

13. CORPORATE GOVERNANCE

The Board consists of four Directors. The Board takes overall responsibility for the Company, including responsibility for identifying key risk areas, considering and monitoring investment decisions, considering significant financial matters, and reviewing the performance of management business plans and budgets.

The Board is also responsible for ensuring that a comprehensive system of internal control policies and procedures is operative, and for compliance with sound corporate governance principles.

The Board is required to meet at least four times a year. The Board delegates the day to day management of the business to the Executive Director assisted by senior management. Senior management is invited to attend board meetings and facilitates the effective control of all the Company's operational activities, acting 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 recognise the importance of integrity, transparency and accountability. The Board met 7 times during the year.

SBC TANZANIA LIMITED

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MARCH 2021 (CONTINUED)**

14. ADMINISTRATIVE MATTERS

The Company is capable of handling all administrative matters.

15. EMPLOYEE WELFARE

Management and employee relationship

The management and Tanzania Union of Industrial Commercial Organisation (TUICO) strive to implement best practices in human resources management and personnel policies.

Management/employee relationship continued to be good during the year.

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

Training facilities

The Company provides on-the-job training to all its employees in order to improve their technical skills and effectiveness. Employees are also considered for external training courses that upgrade skills and enhance development.

Medical assistance

The Company provides medical cover to its employees and eligible dependents through a medical insurance scheme.

Health and safety

The Company continued to assure safety standards as required by factory ordinance and provided conducive working environment for employees.

Financial assistance to staff

Loans are available to all confirmed employees depending on the assessment of and the discretion of management as to the need and circumstances.

Persons with disabilities

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

Employees benefit plan

The Company pays contributions to National Social Security Fund, which is a publicly administered mandatory pension plan and qualifies to be a defined contribution plan.

The average number of employees during the year was 1,269 employees (2020 – 1,230 employees).

SBC TANZANIA LIMITED

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MARCH 2021 (CONTINUED)**

16. GENDER PARITY

The Company had 1,269 employees (2020: 1,230 employees), out of which 156 were female (2020: 155 female) and 1,113 were male (2020: 1,075 male).

17. RELATED PARTY TRANSACTIONS

The details of related party balances and transactions are included in Note 21 of the financial statements.

18. POLITICAL DONATIONS

The Company did not make any political donations during the year.

19. ENVIRONMENTAL CONTROL PROGRAMME

The Company has invested in biomass boiler, with a view to reduce pollution from fossil fuels, and thereby move towards agro waste-based boiler for steam generation.

Biomass fuel is a clean, green and eco-friendly natural fuel. Emission from biomass fuel is cleaner compared to fossil fuel. Sulphur in the exhaust is practically nil and therefore less harmful to the environment. Carbon emission is also drastically reduced which helps in dropping global warming. Ash generated out of combustion of biomass fuel is non-hazardous and has other benefits of landfilling and gardening.

The Company uses rice husk, coffee husk, and saw dust as boiler fuel to generate steam which is further used in the process. This fuel is otherwise found burnt in open without any benefit.

To reduce carbon footprint, the Company has converted all its diesel operated forklift trucks into battery operated forklift trucks across all the operating locations.

20. CORPORATE SOCIAL RESPONSIBILITY

The Company continued supporting four orphanages, one in each city where it has a production facility, i.e. Arusha, Dar es Salaam, Mbeya and Mwanza. The Company's support is in the form of provision of clothing, food and school fees in order to improve the quality of lives of those orphans.

Additionally, the Company supported other schools with provision of furniture and other education equipment needs. The Company also supported the development of infrastructure at Ruangwa District in Lindi region which was a national initiative.

21. AUDITOR

KPMG has indicated its willingness to continue in office and is eligible for re-appointment. A resolution proposing the re-appointment of KPMG as auditor of the Company will be put to the Annual General Meeting.

By order of the Board



.....
Mr. Ziad El Khalil
Executive Director

Date: 29 September 2021



.....
Mr. Avinash Jha
CEO & Director

Date: 29 September 2021

SBC TANZANIA LIMITED

**STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 MARCH 2021**

The Directors are responsible for the preparation of financial statements that give a true and fair view of SBC Tanzania Limited, comprising the Statement of Financial Position as at 31 March 2021, 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 the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information, in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2002.

The Directors are also responsible 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, and for maintaining adequate accounting records and an effective system of risk management.

The Directors have made an assessment of the ability of the Company to continue as going concern and have no reason to believe that the business will not be a going concern at least for the next twelve months from the date of approval of these financial statements. Accordingly, these financial statements have been prepared on the basis of accounting policies applicable to a going concern.

The auditor is responsible for reporting on whether the financial statements give a true and fair view in accordance with the applicable financial reporting framework.

Approval of financial statements

The financial statements of SBC Tanzania Limited, as identified in the first paragraph, were approved and authorised for issue by the Board of Directors on 29 September 2021.



.....
Mr Ziad El Khalil
Executive Director



.....
Mr Avinash Jha
CEO & Director

SBC TANZANIA LIMITED

**DECLARATION OF THE HEAD OF FINANCE
FOR THE YEAR ENDED 31 MARCH 2021**

The National Board of Accountants and Auditors (NBAA) according to the power conferred under the Auditors and Accountants (Registration) Act. No. 33 of 1972, as amended by Act No. 2 of 1995, requires financial statements to be accompanied with a Statement of Declaration issued by Head of Finance 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 to discharge the responsibility of preparing financial statements of an entity showing true and fair view position of the entity in accordance with international accounting standards and statutory reporting requirements. Full legal responsibility for financial statements rests with the Board of Directors as under Statement of Directors' Responsibilities on an earlier page.

I, Sreenivasulu Akumalla, being the Acting Head of Finance of SBC Tanzania Limited hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31 March 2021 have been prepared in compliance with applicable accounting standards and statutory requirements.

I thus confirm that the financial statements of SBC Tanzania Limited comply with applicable accounting standards and statutory requirements as on that date and that they have been prepared based on properly maintained financial records.


Signed:

Position: Acting Head of Finance

NBAA Membership No.: TACPA 4014

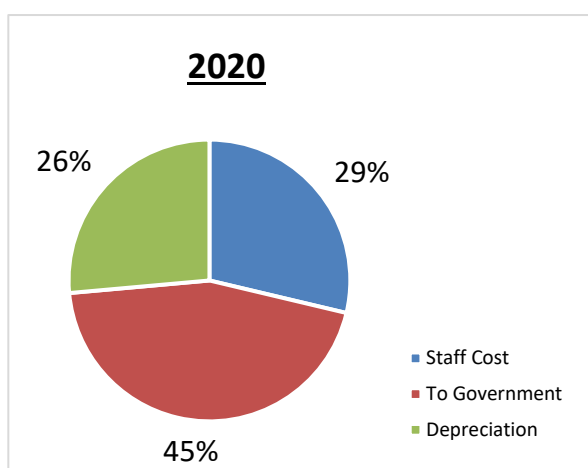
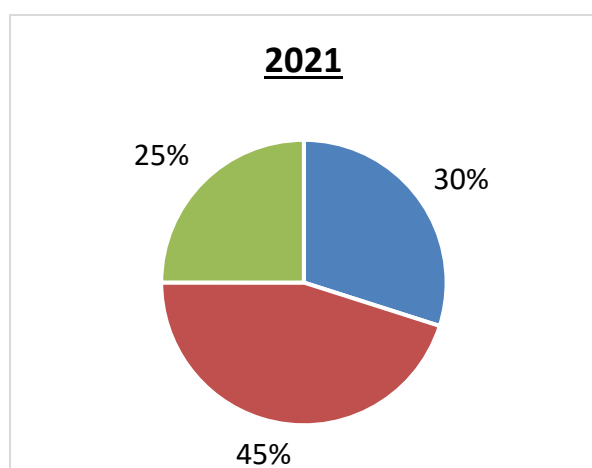
Date: 29 September 2021

SBC TANZANIA LIMITED

**VALUE ADDED STATEMENT
FOR THE YEAR ENDED 31 MARCH 2021**

Value added is defined as the value created by the activities of a business and its employees, and in the case of SBC Tanzania Limited, is determined as gross turnover less the expenses. The value added statement reports on the calculation of value added and its application among the stakeholders in the Company. This statement shows the total wealth created and how it was distributed, taking into account the amounts retained and reinvested in the Company for the replacement of assets and development of operations.

	2021	2020
	TZS'000	TZS'000
VALUE ADDED		
Gross turnover (including VAT)	378,964,194	341,284,764
Other income	3,447,144	2,916,167
Expenses	<u>(265,567,459)</u>	<u>(243,282,087)</u>
Value added	<u>116,843,879</u>	<u>100,918,844</u>
VALUE ALLOCATED		
To employees:		
- Staff cost	35,788,202	28,973,505
To government:		
- Net VAT	<u>18,164,506</u>	<u>14,990,132</u>
- Excise duty	<u>20,764,395</u>	<u>18,495,103</u>
- Direct tax	<u>2,227,192</u>	<u>495,250</u>
- Customs duties	<u>11,000,701</u>	<u>11,298,104</u>
To shareholders:		
- Cash dividends	-	-
To retention for expansion and growth:		
- Depreciation of property, plant & equipment and bottles & crates including impairment, and amortisation of intangible asset	<u>29,880,063</u>	<u>32,085,522</u>
- Retained loss for the year	<u>(981,180)</u>	<u>(5,418,772)</u>
Value allocated	<u>116,843,879</u>	<u>100,918,844</u>





KPMG
Certified Public Accountants
2nd Floor, The Luminary
Haile Selassie Road, Masaki
P O Box 1160
Dar es Salaam, Tanzania

Telephone +255 22 2600330
Fax +255 22 2600490
Email info@kpmg.co.tz
Internet www.kpmg.com/eastafrica

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SBC TANZANIA LIMITED

Report on the audit of the financial statements

Opinion

We have audited the financial statements of SBC Tanzania Limited ("the Company") set out on pages 13 to 46, which comprise the statement of financial position as at 31 March 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 and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by 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 *International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in Tanzania, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the document titled *SBC Tanzania Limited Annual Report and Financial Statements for the year ended 31 March 2021*, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SBC TANZANIA LIMITED (CONTINUED)

Report on the audit of the financial statements (Continued)

Responsibilities of the Directors for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by 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 the Financial Statements

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

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

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

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



**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
SBC TANZANIA LIMITED (CONTINUED)**

Report on Other Legal and Regulatory Requirements

As required by the Companies Act, 2002 we report to you, based on our audit that:

- in our opinion, proper accounting records have been kept by SBC Tanzania Limited;
- the individual accounts are in agreement with the accounting records of the Company;
- we obtained all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit; and
- information specified by the law regarding Directors' emoluments and other transactions with the Company is disclosed.

KPMG
Certified Public Accountants (T)

Signed by CPA Alexander Njombe (ACPA 2714)
Dar es Salaam

Date: 29 - 09 - 2021

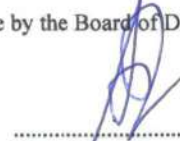
SBC TANZANIA LIMITED

**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2021**

	Notes	2021 TZS'000	2020 TZS'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	93,846,929	97,488,616
Bottles and crates	6	25,238,039	23,154,675
Intangible asset	7	442,401	611,325
Right-of-use assets	22(i)	8,746,600	11,185,179
Deferred tax asset	14	1,215,127	-
		<u>129,489,096</u>	<u>132,439,795</u>
Current assets			
Inventories	8	34,112,284	34,930,675
Trade and other receivables	9	35,966,818	33,729,300
Current tax receivable	19	925,549	1,270,325
Cash and bank balances	10	1,894,109	2,235,615
		<u>72,898,760</u>	<u>72,165,915</u>
TOTAL ASSETS		<u>202,387,856</u>	<u>204,605,710</u>
EQUITY			
Equity attributable to equity holders			
Share capital	11	68,309,005	56,764,002
Revaluation reserve	5	8,796,604	10,273,621
Retained earnings		<u>2,343,531</u>	<u>1,847,694</u>
		<u>79,449,140</u>	<u>68,885,317</u>
LIABILITIES			
Non-current liabilities			
Loans and borrowings	12	18,918,405	27,792,745
Other payables	13	2,408,851	1,831,298
Deferred tax liability	14	-	1,162,849
Lease liabilities	22(ii)	6,217,109	6,730,729
		<u>27,544,365</u>	<u>37,517,621</u>
Current liabilities			
Loans and borrowings	12	9,099,127	9,988,425
Trade and other payables	13	60,157,843	61,073,656
Bank overdrafts	10	21,837,613	22,166,128
Lease liabilities	22(ii)	4,299,768	4,974,563
		<u>95,394,351</u>	<u>98,202,772</u>
TOTAL LIABILITIES		<u>122,938,716</u>	<u>135,720,393</u>
TOTAL EQUITY AND LIABILITIES		<u>202,387,856</u>	<u>204,605,710</u>

The financial statements on pages 13 to 46 were approved and authorised for issue by the Board of Directors on 29 September 2021, and signed by:


.....
Mr Ziad El Khalil
Executive Director


.....
Mr Avilash Jha
CEO & Director

Notes and related statements forming part of these financial statements appear on pages 17 to 46.
Independent Auditor's Report appears on pages 10 to 12.

SBC TANZANIA LIMITED

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2021**

	Notes	2021 TZS'000	2020 TZS'000
Revenue	15	321,764,845	289,977,445
Cost of sales	16	<u>(211,250,031)</u>	<u>(197,492,122)</u>
Gross profit		110,514,814	92,485,323
Other operating income	17	3,447,144	2,916,167
Distribution expenses		(83,601,902)	(74,915,665)
Administration expenses		(25,804,560)	(23,459,660)
Impairment release/(charge)		15,642	(114,660)
Operating profit/(loss) before financing costs		4,571,138	(3,088,495)
Exchange (loss)/gain		(76,997)	970,066
Finance cost		<u>(5,281,330)</u>	<u>(4,459,395)</u>
Loss before taxation	18	(787,189)	(6,577,824)
Tax (expense)/credit	19(A)	<u>(193,991)</u>	<u>1,159,052</u>
Loss for the year		<u>(981,180)</u>	<u>(5,418,772)</u>
Other comprehensive income:			
<i>Items that will not be reclassified to profit or loss</i>			
Revaluation of property, plant and equipment		-	12,063,007
Deferred tax on revaluation of property, plant and equipment		-	<u>(3,618,902)</u>
Other comprehensive income for the year		-	8,444,105
Total comprehensive (loss)/income for the year		<u>(981,180)</u>	<u>3,025,333</u>
Loss per share	20	<u>TZS (14)</u>	<u>TZS (95)</u>

Notes and related statements forming part of these financial statements appear on pages 17 to 46.

Independent Auditor's Report appears on pages 10 to 12.

SBC TANZANIA LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2021**

	Share capital TZS'000	Revaluation reserve TZS'000	Retained earnings TZS'000	Total TZS'000
Balance at 1 April 2019	56,764,000	3,204,775	5,891,207	65,859,982
Total comprehensive income for the year:				
Loss for the year	-	-	(5,418,772)	(5,418,772)
<i>Other comprehensive income:</i>				
Release of revaluation reserve	-	(1,964,656)	1,964,656	-
Deferred tax on release of revaluation reserve	-	589,397	(589,397)	-
Revaluation of property, plant and equipment	-	12,063,007	-	12,063,007
Deferred tax on revaluation of property, plant and equipment	-	(3,618,902)	-	(3,618,902)
Total comprehensive income for the year	-	7,068,846	(4,043,513)	3,025,333
Transactions with owners:				
Issue of ordinary shares (2 ordinary shares at TZS 1,000 per share)	2	-	-	2
Total transactions with owners	2	-	-	2
Balance at 31 March 2020	56,764,002	10,273,621	1,847,694	68,885,317
Balance at 1 April 2020	56,764,002	10,273,621	1,847,694	68,885,317
Total comprehensive income for the year:				
Loss for the year	-	-	(981,180)	(981,180)
<i>Other comprehensive income:</i>				
Disposal of revalued asset	-	(36,192)	36,192	-
Deferred tax on disposed asset	-	10,858	(10,858)	-
Release of revaluation reserve	-	(2,073,834)	2,073,834	-
Deferred tax on release of revaluation reserve	-	622,151	(622,151)	-
Total comprehensive income for the year	-	(1,477,017)	495,837	(981,180)
Transactions with owners:				
Issue of ordinary shares (11,545,003 ordinary shares at TZS 1,000 per share)	11,545,003	-	-	11,545,003
Total transactions with owners	11,545,003	-	-	11,545,003
Balance at 31 March 2021	68,309,005	8,796,604	2,343,531	79,449,140

Note:

The revaluation reserve represents the surplus of valuation over historical cost of the buildings and plant & machinery. This is being amortised to the retained earnings in line with the accounting policy stated in Note 3A(e). The revaluation reserve is not available for distribution.

Notes and related statements forming part of these financial statements appear on pages 17 to 46.

Independent Auditor's Report appears on pages 10 to 12.

SBC TANZANIA LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2021**

		2021	2020
		TZS'000	TZS'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the year		(981,180)	(5,418,772)
Adjustments for:			
- Tax	19(A)	193,991	(1,159,052)
- Depreciation on property, plant and equipment	5	14,981,763	17,043,716
- Depreciation on bottles and crates	6	14,729,376	14,977,548
- Amortization of intangible asset	7	168,924	64,258
- (Gain)/loss on disposal of items of property, plant and equipment		(14,638)	56,845
- Write-off of disposal of items of property, plant and equipment		-	35,776
- Depreciation on right-of-use assets	22(i)	5,279,461	3,477,745
- Interest expense on lease liabilities	22(ii)	895,925	495,383
- Exchange loss on lease liabilities	22(ii)	39,144	13,864
		<u>35,292,766</u>	<u>29,587,311</u>
Changes in:			
- Inventories		818,391	(2,695,112)
- Trade and other receivables		(2,237,518)	(14,915,321)
- Trade and other payables		(338,260)	7,436,835
Cash generated from operating activities		<u>33,535,379</u>	<u>19,413,713</u>
Income tax paid	19(B)	(2,227,192)	(495,250)
Net cash generated from operating activities		<u>31,308,187</u>	<u>18,918,463</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of items of property, plant and equipment	5	(11,392,378)	(7,253,126)
Acquisition of intangible asset	7	-	(675,583)
Proceeds from disposal of items of property, plant and equipment		66,943	86,511
Acquisition of bottles and crates	6	(16,812,740)	(13,848,494)
Net cash used in investing activities		<u>(28,138,175)</u>	<u>(21,690,692)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of ordinary shares	11	11,545,003	2
Loans received	12	-	13,896,000
Loans repayment	12	(9,763,638)	(9,936,513)
Payment of lease liabilities	22	(4,964,368)	(3,234,047)
Net cash (used in)/generated from financing activities		<u>(3,183,003)</u>	<u>725,442</u>
Net decrease in cash and bank balances		(12,991)	(2,046,787)
Cash and bank balances at the beginning of the year		(19,930,513)	(17,883,726)
Cash and bank balances at the end of the year		<u>(19,943,504)</u>	<u>(19,930,513)</u>
<u>CASH AND BANK BALANCE COMPRISES:</u>			
Cash and bank balances		1,894,109	2,235,615
Bank overdrafts		(21,837,613)	(22,166,128)
Cash and bank balance at the end of the year	10	<u>(19,943,504)</u>	<u>(19,930,513)</u>

Notes and related statements forming part of these financial statements appear on pages 17 to 46.

Independent Auditor's Report appears on pages 10 to 12.

SBC TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

1. REPORTING ENTITY

SBC Tanzania Limited (the “Company”) is a company domiciled in Tanzania. The financial statements of the Company are for the year ended 31 March 2021.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies Act, 2002.

(b) Basis of measurement

The financial statements are prepared on the historical cost basis except for the financial instruments at fair value through profit or loss, and buildings, plant & machinery which are measured at fair value.

(c) Functional and presentation currency

These financial statements are presented in Tanzanian Shillings (TZS), which is the Company’s functional currency. All financial information presented in Tanzanian Shillings has been rounded to the nearest thousand (TZS’000), unless otherwise stated.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the financial reporting date and the reported amounts of revenues and expenses during the financial reporting period. Although these estimates are based on the Directors’ best knowledge of current events, actual results may ultimately differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

Information about significant areas of estimations and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in Note 4.

(e) Going concern

The Company’s state of affairs as at 31 March 2021 is set out on page 13 of these financial statements.

The Company's current liabilities have exceeded the current assets by TZS 22.49 Billion as at 31 March 2021 (2020: TZS 26.04 Billion). During the year ended 31 March 2021 the Company incurred a net loss of TZS 981 Million (2020: TZS 5.42 Billion).

The current liabilities of the Company consist of short-term borrowings of TZS 30.94 Billion (2020: TZS 32.15 Billion) and trade and other payables amounting to TZS 60.16 Billion (2020: TZS 61.07 Billion) which includes related party balance of TZS 16.91 Billion (2020: TZS 20.61 Billion). Net cashflow generated from operating activities after tax is TZS 31.31 Billion (2020: TZS 18.92 Billion).

SBC TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

(e) Going concern (Continued)

With increased focus and targeted marketing expenditure for SBC products, management is confident that the Company will continue to grow in terms of its market share and revenue.

The holding company has continually supported the Company in the past and has confirmed that they will continue providing the required financial support to the Company in order to meet its commitments. This financial support will remain in place for the foreseeable future and until such time a positive net current assets position is restored. Accordingly, these financial statements have been prepared on the basis of accounting policies applicable to a going concern.

3. SIGNIFICANT ACCOUNTING POLICIES

A. Accounting policies applied consistently to all periods presented in these financial statements

(a) Revenue recognition

Performance obligations and revenue recognition policies

Revenue represents the transaction price for sales of goods and services and is stated net of value-added tax (VAT), rebates and discounts. Revenue is measured based on the consideration specified in a contract with a customer. The Company recognizes revenue when it transfers control over a good or service to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms and related revenue recognition policies:

Type of product/service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition
Sale of carbonated drinks.	Customers obtain control of the carbonated drinks when the goods are delivered and have been accepted. Payment of the transaction is due immediately, except for credit sales with a credit limit of up to 60 days.	Revenue is recognised when goods are supplied to and accepted by the customer.

(b) Financial instruments

Recognition and derecognition

Financial instruments, comprising financial assets and financial liabilities, are recognised in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or where it neither transfers nor retains substantially all of the risks and rewards of ownership and loses control. When control is retained, the Company continues to recognise the financial asset to the extent of its continuing involvement. Assets are also de-recognised when they are written off. Assets are written off when there is no reasonable expectation of further recoveries even though there may be enforcement actions ongoing.

SBC TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Accounting policies applied consistently to all periods in these financial statements (Continued)

(b) Financial instruments (Continued)

Recognition and derecognition (Continued)

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legally enforceable right to set off the recognised amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

Classification and measurement

All financial assets and liabilities are initially recognised at fair value, which is usually the transaction price including, where appropriate, transaction costs, with the exception of trade receivables without a significant financing component, which are measured at their transaction price, determined in accordance with the Company's accounting policies for revenue. Subsequently, measurement depends on the financial assets/liabilities classification as follows:

Financial assets measured at fair value through profit or loss (FVTPL)

Non-equity financial assets are classified at fair value through profit or loss if they arise from contracts which do not give rise to cash flows which are solely principal and interest, or otherwise where they are held in a business model which mainly realises them through sale. Such assets are re-measured to fair value at the end of each reporting period. Gains and losses arising from re-measurement are taken to profit or loss, as are transaction costs.

Equity investments are classified as FVPL unless they are designated as at FVOCI on initial recognition. Dividends from equity investments, irrespective of whether classified as FVPL or FVOCI, are recognised in profit or loss as finance income.

Financial assets measured at FVOCI

Non-equity financial assets are classified at fair value through other comprehensive income where they arise from contracts which give rise to cash flows which are solely principal and interest and which are held in a business model which realises some through sale and some by holding them to maturity. They are recognised initially at fair value plus any directly attributable transaction costs, or in the case of trade receivables, at the transaction price.

At the end of each reporting period they are re-measured to fair value, with the cumulative gain or loss compared to their amortised cost being recognised in other comprehensive income and in the fair value reserve, except for the recognition in profit and loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gain and losses. When these assets are derecognised, the cumulative gain or loss is reclassified from equity to profit or loss.

Equity investments not held for trading purposes are designated as at FVOCI where they are considered strategic to the Company. Such designation is made on an instrument-by-instrument basis but may only be made if the investment meets the definition of equity from the issuer's perspective. Amounts accumulated in the fair value reserve in respect of these investments are transferred directly to retained earnings on the disposal of the investment. These investments are not subject to impairment.

SBC TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Accounting policies applied consistently to all periods in these financial statements (Continued)

(b) Financial instruments (Continued)

Classification and measurement (Continued)

Financial assets measured at amortised cost (AC)

Financial assets are held at amortised cost when they arise from contracts which give rise to contractual cash flows which are solely principal and interest and are held in a business model which mainly holds the assets to collect contractual cash flows.

These assets are measured at amortised cost using the effective interest method and are also subject to impairment losses. Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated on the amortised cost (i.e., gross carrying amount less loss allowance). Interest income is included in finance income.

Impairment

The Company applied the simplified approach as such it is not mandatory to assess the existence of significant increase in credit risk or to define the term 'default' as this approach does not apply the concept of staging. The entity always measures the lifetime ECL of the trade receivable portfolio. Trade receivables do not contain a significant financing component thus the calculated provision amount is not discounted.

Given the nature of trade receivables and that almost 98% of sales are on cash basis, the entity has a policy to fully provide for all trade receivable balances that are due for over 90 days as credit is on provided to select customers which make up only 2% of the total sales.

Financial liabilities at amortised cost

Financial liabilities, except those designated as at FVPL, are stated at amortised cost using the effective interest method. Interest is included in finance expenses unless capitalized into property, plant and equipment.

Offsetting financial instruments

Financial assets and liabilities are offset, and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realised asset and settle the liability simultaneously.

(c) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Foreign currency differences arising on retranslation are recognised in profit or loss in the period in which they arise.

SBC TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Accounting policies applied consistently to all periods in these financial statements (Continued)

(d) Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets (if any) that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes.

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(e) Property, plant and equipment

i) Recognition and measurement

Items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to the working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Borrowing costs related to the acquisition or construction of qualifying assets are capitalised as incurred.

SBC TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Accounting policies applied consistently to all periods in these financial statements (Continued)

(e) Property, plant and equipment (Continued)

i) Recognition and measurement (Continued)

Buildings and plant and machinery are carried at re-valued amounts, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made periodically (3 – 5 years) to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any surplus arising on the revaluation is recognised in other comprehensive income and presented in the revaluation reserve within equity except to the extent that the surplus reverses a previous revaluation deficit on the same asset in the profit or loss, in which case the credit is recognised in the profit or loss. Any deficit on revaluation is recognised in the income statement except to the extent that it reverses a previous revaluation surplus on the same asset, in which case it is taken directly to the revaluation reserve.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised in the profit or loss under other operating income.

ii) Subsequent cost

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its costs can be measured reliably. The carrying amount of the replaced part is derecognised. The cost of day to day servicing of property, plant and equipment is recognised in profit or loss as incurred.

iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

• Buildings	50 years
• Plant and machinery	6 – 10 years
• Motor vehicles	4 – 8 years
• Furniture, fittings and office equipment	4 years
• Marketing and advertising equipment	4 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

To the extent that the depreciation charge on the re-valued assets exceeds that which would have been charged had the assets not been re-valued, a release is made from the revaluation reserve to retained earnings (net of deferred tax). The relevant amount of the revaluation reserve is also released on the disposal of re-valued assets.

SBC TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Accounting policies applied consistently to all periods in these financial statements (Continued)

(f) Bottles and crates

Bottles and crates represent returnable glass bottles and plastic crates. These are stated at cost less accumulated depreciation and accumulated impairment losses. Bottles and crates are depreciated over 3 years and 5 years respectively. Bottles and crates that are still in use at the year-end are shown under costs and accumulated depreciation. The assets that have completed their useful lives are written off at the end of each financial year. Sale of broken glass bottles and plastic shells is recognised as other income.

(g) Deposits by customers

Returnable bottles and crates in circulation are recorded within bottles and crates and a corresponding liability is recorded in respect of the obligation to repay the customers' deposits. Deposit liabilities are released to profit or loss to the extent that these liabilities no longer represent the Company's stock in customer custody. Accordingly, deposit liabilities are amortised over a period consistent with the useful life of bottles and crates. Customer deposit liabilities are classified in the financial statements as current and non-current liability. The current liability is computed based on the expected release of these deposits in the next financial year.

(h) Inventories

Inventories comprising of finished goods, raw materials, consumables and spare parts are measured at lower of cost and net realizable value. Cost is determined using the first in first out (FIFO) method except for finished goods which is determined using weighted average method. If the purchase or production cost is higher than the net realisable value, stocks are written down to net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less estimated cost of completion and selling expenses.

(i) Employee benefit

i) Defined contribution plan

The Company makes statutory contributions to the National Social Security Fund (NSSF). The Company's obligations in respect of contributions to such funds are 10% of the employees' gross emoluments. Contributions to these pension funds are recognised as an expense in the period the employees render the related services.

ii) Termination benefit

Termination benefits are recognised as an expense in the year when it becomes payable. Termination benefits are determined in accordance with the Tanzanian Labour Law.

iii) Short term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

SBC TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Accounting policies applied consistently to all periods in these financial statements (Continued)

(j) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(k) Finance income and expenses

Finance income comprises interest income on funds invested and/or bank account. Interest income is recognised as it accrues in profit or loss, using effective interest method.

Finance expenses comprise interest expense on borrowings. All borrowing costs, other than borrowing costs related to qualifying assets (see Note 3 (A) (b)), are recognised in profit or loss using the effective interest method.

(l) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(m) Dividends

Dividends are recognised as a liability in the period in which they are declared.

(n) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

SBC TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Accounting policies applied consistently to all periods in these financial statements (Continued)

(n) Leases (Continued)

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

SBC TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Accounting policies applied consistently to all periods in these financial statements (Continued)

(n) Leases (Continued)

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(o) Intangible asset – computer software

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

Intangible asset comprises computer software and is carried at cost less any accumulated amortisation and any impairment losses. Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives and is recognised in profit or loss. Estimated useful life of the computer software is four (4) years.

(p) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

(q) Share capital

Ordinary shares are classified as 'share capital' in equity.

(r) Comparative figures

Where necessary, the comparative figures have been re-classified to conform to changes in presentation in the current year.

SBC TANZANIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021 (CONTINUED)**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Relevant new standards, amendments and interpretations

i. Effective and adopted during the year

The Company has adopted the following new standards and amendments during the year ended 31 March 2021, including consequential amendments to other standards with the date of initial application by the Company being 1 January 2020.

The adoption of the standards and amendments did not have a significant impact on the financial statements of the Company. These are summarized below:

Standard	Effective for periods beginning on or after
Amendments to References to Conceptual Framework in IFRS Standards	1 January 2020
Definition of a Business (Amendments to IFRS 3)	1 January 2020
Definition of Material (Amendments to IAS 1 and IAS 8)	1 January 2020
Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)	1 January 2020
Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)	1 January 2020

ii. Not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 March 2021 and have not been applied in preparing these financial statements.

The Company does not plan to adopt these standards early. The standards and amendments are not expected to have a significant impact on the financial statements of the Company. These are summarised below:

Standard	Effective for periods beginning on or after
Interest Rate Benchmark Reform Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	1 January 2021
COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)	1 April 2021
Onerous Contracts Cost of Fulfilling a Contract (Amendments to IAS 37)	1 January 2022
Annual Improvements to IFRS Standards 2018-2020	1 January 2022
Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	1 January 2022
Reference to the Conceptual Framework (Amendments to IFRS 3)	1 January 2022
IFRS 17 Insurance Contracts	1 January 2023
Classification of liabilities as current or non-current (Amendments to IAS 1)	1 January 2023
Amendments to IFRS 17	1 January 2023
Disclosure of Accounting Policy (Amendments to IAS 1 and IFRS Practice Statement 2)	1 January 2023
Definition of Accounting Estimate (Amendments to IAS 8)	1 January 2023
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	Optional

SBC TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (CONTINUED)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances.

The preparation of the financial statements in conformity with IFRSs requires management to make judgement, estimates and assumptions that affects the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Significant judgements are made for:

i. Property, plant and equipment

Estimates are made by management in determining the depreciation rates and useful economic lives for property, plant and equipment.

ii. Bottles and Crates

Estimates are made by management in determining the depreciation rates and useful economic lives for glass and crates.

iii. Inventories

Management assesses impairment for inventory at each reporting date. In determining whether the inventory is impaired, management assesses the age at which the items are held in the store in order to make an assessment of the impairment loss.

iv. Income tax

The income tax charged to the financial statements is subject to agreement with the Tanzania Revenue Authority. When the final tax outcome upon agreement of assessments differs from the amounts originally recorded, such differences are adjusted in subsequent periods.

v. Deferred tax

The deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

vi. Lease term

In determining the lease term at the commencement date for leases that include renewal options exercisable by the Company, the Company evaluates the likelihood of exercising the renewal option considering relevant facts and circumstances that create an economic incentive for the Company to exercise the option. The lease term is reassessed when there is a significant event of change in circumstance that is within the Company's control.

SBC TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021 (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT

	Buildings TZS'000	Plant & machinery TZS'000	Motor vehicles TZS'000	Furniture, fittings, tools & equipment TZS'000	Marketing & advertising equipment TZS'000	Work in progress TZS'000	Total TZS'000
<u>Cost/revalued amounts</u>							
At 1 April 2020	35,325,736	50,732,162	17,518,979	7,833,284	35,694,931	3,465,682	150,570,774
Additions	415,253	4,650,439	234,306	209,337	228,187	5,654,856	11,392,378
Transfers	313,584	4,377,883	1,962,380	494,586	819,247	(7,967,680)	-
Disposals	-	(39,207)	(991,616)	(2,071)	(22,465)	-	(1,055,359)
At 31 March 2021	36,054,573	59,721,277	18,724,049	8,535,136	36,719,900	1,152,858	160,907,793
<u>Accumulated depreciation</u>							
At 1 April 2020	-	202	12,691,953	6,614,854	33,775,149	-	53,082,158
Depreciation charge	1,420,588	10,486,820	1,396,010	635,112	1,043,233	-	14,981,763
Disposal	-	(2,236)	(976,285)	(2,071)	(22,465)	-	(1,003,057)
At 31 March 2021	1,420,588	10,484,786	13,111,678	7,247,895	34,795,917	-	67,060,864
Carrying amounts at 31 March 2021	34,633,985	49,236,491	5,612,371	1,287,241	1,923,983	1,152,858	93,846,929

Carrying amounts that would have been recognised if Buildings and Plant & Machinery were stated at cost:

Cost	35,847,676	130,978,089	18,724,049	8,535,136	36,719,900	1,152,858	231,957,708
Accumulated depreciation	(6,302,710)	(92,717,697)	(13,111,678)	(7,247,895)	(34,795,917)	-	(154,175,897)
Net book value	29,544,966	38,260,392	5,612,371	1,287,241	1,923,983	1,152,858	77,781,811

SBC TANZANIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021 (CONTINUED)**

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings TZS'000	Plant & machinery TZS'000	Motor vehicles TZS'000	Furniture, fittings, tools & equipment TZS'000	Marketing & advertising equipment TZS'000	Work in progress TZS'000	Total TZS'000
<u>Cost/revalued amounts</u>							
At 1 April 2019	36,159,839	103,155,755	16,338,484	7,191,221	35,398,413	2,035,103	200,278,815
Additions	12,133	976,931	736,682	68,410	-	5,458,970	7,253,126
Transfers	393,991	1,404,805	1,330,575	573,653	323,528	(4,026,552)	-
Write-off	(33,937)	-	-	-	-	(1,839)	(35,776)
Disposals	-	(2,013,041)	(886,762)	-	(27,010)	-	(2,926,813)
Revaluation	(1,206,290)	(52,792,288)	-	-	-	-	(53,998,578)
At 31 March 2020	35,325,736	50,732,162	17,518,979	7,833,284	35,694,931	3,465,682	150,570,774
<u>Accumulated depreciation</u>							
At 1 April 2019	2,994,931	51,023,163	12,195,153	6,014,824	32,655,412	-	104,883,483
Depreciation charge	737,786	13,222,199	1,336,954	600,030	1,146,747	-	17,043,716
Disposal	-	(1,916,292)	(840,154)	-	(27,010)	-	(2,783,456)
Revaluation	(3,732,717)	(62,328,868)	-	-	-	-	(66,061,585)
At 31 March 2020	-	202	12,691,953	6,614,854	33,775,149	-	53,082,158
Carrying amounts at 31 March 2020	35,325,736	50,731,960	4,827,026	1,218,430	1,919,782	3,465,682	97,488,616
<i>Carrying amounts that would have been recognised if Buildings and Plant & Machinery were stated at cost:</i>							
Cost	35,118,839	121,988,975	17,518,979	7,833,284	35,694,931	3,465,682	221,620,690
Accumulated depreciation	(4,952,409)	(84,127,482)	(12,691,953)	(6,614,854)	(33,775,149)	-	(142,161,847)
Net book value	30,166,430	37,861,493	4,827,026	1,218,430	1,919,782	3,465,682	79,458,843

SBC TANZANIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021 (CONTINUED)**

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

In March 2020, Propertywise (T) Limited, an independent professional valuer's firm valued the buildings and plant & machinery at TZS 35,268,000,000 and TZS 50,732,160,865 respectively. The method of valuation used was the depreciated replacement cost approach as no evidence of market-based value was available.

The resulting surplus on the revaluation of buildings and plant & machinery amounting to TZS 2,526,427,812 and TZS 9,536,579,471 respectively was credited to revaluation reserve after considering deferred tax and is being amortised over the remaining useful life of the buildings and plant & machinery.

H&R Consultants Ltd, an independent professional valuer's firm, carried out revaluations previously on 1 April 2005 that resulted into a revaluation surplus of TZS 2,661,183,000 and TZS 1,310,170,000 on buildings and plant & machinery at that time. Again in 2014, Majengo Estates Developers Limited, an independent professional valuer's firm, valued the buildings and plant & machinery that resulted into a revaluation surplus of TZS 853,143,000 and TZS 12,575,121,000 respectively.

Valuation technique

The Company has used the Replacement Cost Method for purposes of determining both, asset replacement costs and depreciated replacement cost of plant & machinery and buildings where market evidences are not available or reliable.

Observable inputs

- Cost of construction per square meter
- Depreciation (ranging from 10% to 16%)

Movement in revaluation reserve

	2021	2020
	TZS'000	TZS'000
At 1 April	10,273,621	3,204,775
Annual release of reserve	(2,073,834)	(1,964,656)
Deferred tax on annual release	622,151	589,397
Disposal of revalued assets	(36,192)	-
Deferred tax on disposal	10,858	-
Revaluation of assets	-	12,063,007
Deferred tax on revaluation	-	(3,618,902)
At 31 March	<u>8,796,604</u>	<u>10,273,621</u>

6. BOTTLES AND CRATES

	2021	2020
	TZS'000	TZS'000
Cost		
At 1 April	49,693,308	49,623,160
Additions	16,812,740	13,848,494
Fully depreciated during the year *	<u>(15,354,816)</u>	<u>(13,778,346)</u>
At 31 March	<u>51,151,232</u>	<u>49,693,308</u>
Depreciation		
At 1 April	26,538,633	25,339,431
Charge for the year	14,729,376	14,977,548
Fully depreciated during the year *	<u>(15,354,816)</u>	<u>(13,778,346)</u>
At 31 March	<u>25,913,193</u>	<u>26,538,633</u>
Net book value at 31 March	<u>25,238,039</u>	<u>23,154,675</u>

* This is to recognise the write down in the quantities of glass bottles and plastic crates based on their useful lives of three and five years respectively.

SBC TANZANIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021 (CONTINUED)**

7. INTANGIBLE ASSET – COMPUTER SOFTWARE

	2021	2020
	TZS'000	TZS'000
Cost		
As at 1 April	1,281,151	605,568
Additions	-	675,583
As at 31 March	<u>1,281,151</u>	<u>1,281,151</u>
Accumulated Amortization		
As at 1 April	669,826	605,568
Charge for the year	168,924	64,258
As at 31 March	<u>838,750</u>	<u>669,826</u>
Net book value		
As at 31 March	<u>442,401</u>	<u>611,325</u>

8. INVENTORIES

	2021	2020
	TZS'000	TZS'000
Raw materials	9,344,027	13,557,320
Consumables	1,773,234	1,826,086
Finished goods	4,066,306	4,405,614
Engineering spares	20,565,156	17,069,801
Provision	(1,636,439)	(1,928,146)
	<u>34,112,284</u>	<u>34,930,675</u>

9. TRADE AND OTHER RECEIVABLES

	2021	2020
	TZS'000	TZS'000
Trade receivables – <i>see Note 25</i>	949,020	728,564
Due from related parties – <i>see Note 21</i>	5,400,357	3,554,444
Deposits and prepayments	16,404,201	20,880,659
Staff debtors	69,083	71,870
Other debtors	13,144,157	8,493,763
	<u>35,966,818</u>	<u>33,729,300</u>

10. CASH AND BANK BALANCES

	2021	2020
	TZS'000	TZS'000
Bank balances	1,659,482	2,070,900
Petty cash	234,627	164,715
Cash and bank balances	<u>1,894,109</u>	<u>2,235,615</u>
Bank overdrafts used for cash management purposes	(21,837,613)	(22,166,128)
Cash and bank balances in the statement of cash flows	<u>(19,943,504)</u>	<u>(19,930,513)</u>

SBC TANZANIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021 (CONTINUED)**

10. CASH AND BANK BALANCES (CONTINUED)

The Company has the following overdraft facilities with NBC Limited:

- USD 5,950,000 (2020: USD 5,950,000) at an interest rate of 6% per annum and is renewable annually. As at 31 March 2021 the Company had utilized USD 5,706,965 (2020: USD 5,930,255);
- TZS 6,978,000,000 (2020: TZS 6,978,000,000) at an average interest rate of 8.75% per annum and is renewable annually. As at 31 March 2021 the Company had utilized TZS 6,527,721,000 (2020: TZS 6,572,288,000).

The Company also has an overdraft facility with Standard Chartered Bank Tanzania Limited (SCB) of TZS 2,250,000,000 at an interest rate of 8.25% (2020: TZS 2,250,000,000). As at 31 March 2021 the Company had utilized TZS 1,972,714,000 (2020: TZS 1,812,526,000).

All overdraft facilities are secured by the Company's properties which are disclosed in Note 12.

11. SHARE CAPITAL

	2021	2020
	TZS'000	TZS'000
<i>Authorised share capital</i>		
68,573,000 Ordinary shares of TZS 1,000 each (2020: 57,028,000 ordinary shares of TZS 1,000 each)	<u>68,573,000</u>	<u>57,028,000</u>
<i>Issued and fully paid share capital</i>		
68,309,005 Ordinary shares of TZS 1,000 each (2020: 56,764,002 ordinary shares of TZS 1,000 each)	<u>68,309,005</u>	<u>56,764,002</u>

During the year, the Company issued an additional 11,545,003 ordinary shares of TZS 1,000 each. (2020: The Company issued additional 2 ordinary shares of TZS 1,000 each).

All shares rank equally with regard to the Company's residual assets. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

12. LOANS AND BORROWINGS

	31 March 2021		31 March 2020	
	Current	Non-Current	Current	Non-Current
	TZS'000	TZS'000	TZS'000	TZS'000
NBC Loan 1	-	-	1,427,284	-
NBC Loan 2	1,160,472	-	2,727,781	1,160,472
NBC Loan 3	2,988,508	2,145,491	2,730,853	5,132,998
NBC Loan 4	2,315,451	11,208,945	371,654	13,524,346
SCB Loan	2,634,696	5,563,969	2,730,853	7,974,929
	<u>9,099,127</u>	<u>18,918,405</u>	<u>9,988,425</u>	<u>27,792,745</u>
		Opening	Movement	Closing
		TZS'000	TZS'000	TZS'000
NBC Loan 1		1,427,284	(1,427,284)	-
NBC Loan 2		3,888,253	(2,727,781)	1,160,472
NBC Loan 3		7,863,851	(2,729,852)	5,133,999
NBC Loan 4		13,896,000	(371,604)	13,524,396
SCB Loan		10,705,782	(2,507,117)	8,198,665
		<u>37,781,170</u>	<u>(9,763,638)</u>	<u>28,017,532</u>

SBC TANZANIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021 (CONTINUED)**

12. LOANS AND BORROWINGS (CONTINUED)

Loan movement is comprised of the following:	2021 TZS'000	2020 TZS'000
Acquisition of new loan	-	13,896,000
Repayment of loan (principal and interest)	<u>(9,763,638)</u>	<u>(9,936,513)</u>
	<u>(9,763,638)</u>	<u>3,959,487</u>

The Company has obtained various loans from NBC Limited (NBC) to finance the purchase of glass bottles and plastic crates, construction of the Mwanza factory and upgrade of plastic bottles (PET) line in Dar es Salaam. The interest rate on NBC's loans (TZS and USD) ranges between 8.85% and 9.5% per annum and is charged monthly on the outstanding balance for all the loans.

The Company also has a TZS loan from Standard Chartered Bank Tanzania Limited (SCB) to finance its capital expenditure requirements relating to the installation and upgrade of the PET line in Mbeya. This loan has an interest rate of 8.20%.

All loans are repaid on a monthly basis comprising of principal and interest over the term of the loans.

Loans and overdraft facilities (*Note 10*) are secured on pari passu basis by the following securities:

- Legal mortgage over (i) Plots 54/57 situated on Nyerere Road, Dar es Salaam; (ii) Plot no. 63 situated in Kiwalani, Temeke area, Dar es Salaam; (iii) Plot no. 212 situated along Nyerere Road, Kipawa Industrial area, Dar es Salaam; (iv) Plot no. 6 situated in Nyakato Industrial Area, Mwanza; (v) Plot no. 25 situated in Iyunga Industrial Area, Mbeya; (vi) Plot no. 792/11 situated at Little Ruaha, Iringa; and (vii) Plot no. 212 at Thembi Hill, Arusha;
- Negative pledge over the current assets of the Company; and
- Debenture over the Company's fixed and floating assets including the plant and machinery registered to cover 130% of the total exposure.

13. TRADE AND OTHER PAYABLES

	2021 TZS'000	2020 TZS'000
Trade creditors	25,387,941	25,746,737
Due to related party – <i>see Note 21</i>	16,905,759	20,605,132
Customer deposits – refundable within a year	2,418,179	1,934,557
VAT and excise duty payable	4,156,561	3,820,874
Provision for leave pay	598,214	645,695
Other payables and accrued expenses	<u>10,691,189</u>	<u>8,320,661</u>
	<u>60,157,843</u>	<u>61,073,656</u>
Customer deposits refundable after a year (non-current)	<u>2,408,851</u>	<u>1,831,298</u>

SBC TANZANIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021 (CONTINUED)**

14. DEFERRED TAX LIABILITY/(ASSET)

	1 Apr 2020	Movement	31 Mar 2021
	TZS'000	TZS'000	TZS'000
Property, plant & equipment and bottles & crates	(3,115,428)	(1,202,824)	(4,318,252)
Provisions and other temporary differences	(42,300)	(311,253)	(353,553)
Lease amortization – IFRS 16	(82,403)	(230,892)	(313,295)
Revaluation surplus *	4,402,980	(633,007)	3,769,973
	<u>1,162,849</u>	<u>(2,377,976)</u>	<u>(1,215,127)</u>
	1 Apr 2019	Movement	31 Mar 2020
	TZS'000	TZS'000	TZS'000
Property, plant & equipment and bottles & crates	(124,889)	(2,990,539)	(3,115,428)
Provisions and other temporary differences	(392,465)	350,165	(42,300)
Lease amortization – IFRS 16	-	(82,403)	(82,403)
Tax losses carried forward	(1,267,158)	1,267,158	-
Revaluation surplus *	1,373,474	3,029,506	4,402,980
	<u>(411,038)</u>	<u>1,573,887</u>	<u>1,162,849</u>

*TZS NIL charged to reserve (2020: TZS 3,618,902,000) and TZS 633,007,000 released to profit or loss (2020: TZS 589,397,000).

15. REVENUE

The Company generates revenue primarily from the sale of carbonated soft drinks packaged in glass bottles (RGB) and plastic bottles (PET).

	2021	2020
	TZS'000	TZS'000
Sales by packing:		
RGB	293,102,003	263,823,326
PET	85,862,191	77,461,438
Gross Revenue	<u>378,964,194</u>	<u>341,284,764</u>
Less: Value Added Tax	(57,199,349)	(51,307,319)
Net Revenue	<u>321,764,845</u>	<u>289,977,445</u>

16. COST OF SALES

	2021	2020
	TZS'000	TZS'000
Manufacturing expenses	176,766,014	166,496,120
Freight costs	13,719,622	12,500,899
Excise duty	20,764,395	18,495,103
	<u>211,250,031</u>	<u>197,492,122</u>

17. OTHER OPERATING INCOME

	2021	2020
	TZS'000	TZS'000
Other income	928,613	719,480
Loss on disposal of items of property, plant and equipment	14,638	(56,845)
Customer deposits written back	2,503,893	2,253,532
	<u>3,447,144</u>	<u>2,916,167</u>

SBC TANZANIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021 (CONTINUED)**

18. LOSS BEFORE TAXATION

	2021	2020
	TZS'000	TZS'000
<i>Loss before taxation is stated after charging:</i>		
Staff costs	35,788,202	28,973,505
Depreciation of property, plant and equipment	14,981,763	17,043,716
Depreciation of bottles and crates	14,729,376	14,977,548
Directors' remuneration (Note 21)	679,776	478,486
Audit fee	147,231	149,184
Depreciation on right of use assets	5,279,461	3,477,745
Interest expenses of leases	895,925	495,383
	<u>895,925</u>	<u>495,383</u>

19. A. TAX EXPENSE/(CREDIT)

	2021	2020
	TZS'000	TZS'000
Current tax charge	2,571,968	885,963
Deferred tax credit	<u>(2,377,977)</u>	<u>(2,045,015)</u>
	<u>193,991</u>	<u>(1,159,052)</u>
<u>Tax rate reconciliation</u>		
Tax at standard rate of current tax	(236,157)	(1,973,347)
<i>The standard rate has been affected by:</i>		
- Effect of non-deductible expenses	856,634	1,079,556
- Net effect of release of deferred tax on revaluation surplus	(633,007)	(589,397)
- Net effect of prior year over provision in deferred tax	-	294,085
- Tax effect on income not taxed previously, taxed this year	<u>206,521</u>	<u>30,051</u>
Effective current tax	<u>193,991</u>	<u>(1,159,052)</u>

The Company is required to comply with the tax legislation provisions by self-assessment. The Company's current tax affairs have been cleared with Tanzania Revenue Authority up to the year of income 2019.

B. CURRENT TAX RECEIVABLE

	2021	2020
	TZS'000	TZS'000
Opening balance	1,270,325	1,661,038
Charge for the year	(2,571,968)	(885,963)
Tax paid during the year	<u>2,227,192</u>	<u>495,250</u>
	<u>925,549</u>	<u>1,270,325</u>

20. LOSS PER SHARE

Earnings per share is calculated by dividing the profit/(loss) (before other comprehensive income) attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. The earnings per share is calculated as follows:

SBC TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (CONTINUED)

20. LOSS PER SHARE (CONTINUED)

	2021	2020
Loss attributable to ordinary shareholders (TZS'000)	(981,180)	(5,418,772)
Number of ordinary shares outstanding during the year	68,309,005	56,764,002
Loss per share	<u>TZS (14)</u>	<u>TZS (95)</u>

21. RELATED PARTY TRANSACTIONS

SBC Tanzania is a 99.9% subsidiary of Tanzania Bottling Company S.A. (incorporated in Panama). MAK Holdings Ltd (incorporated in Bermuda) owns 100% shares of Tanzania Bottling Company S.A. and the ultimate parent company of MAK Holdings Ltd is Continental Beverages SAL Offshore (incorporated in Lebanon). Through common shareholding the Company is also related to SBC Beverages Ghana Limited, SBC Kenya Limited, Seven-up Bottling Company Ltd and New Age Beverages Limited.

Financing transactions

During the year, Tanzania Bottling Company S.A. subscribed to 11,545,003 ordinary shares of TZS 1,000 each (2020: No financing transactions with related parties).

Trading transactions

Sale of finished goods (PET) to SBC Kenya Limited worth USD 0.57 Million ~ TZS 1.32 Billion (2020: Sale of finished goods (PET) to SBC Kenya Limited worth USD 1.01 Million ~ TZS 2.34 Billion). The Company did not purchase concentrate nor machinery during the year (2020: The Company also purchased concentrate worth USD 30,540 ~ TZS 71 Million and machinery worth USD 78,330 ~ TZS 182 Million from SBC Kenya Limited).

Purchase of concentrate from Continental Beverages SAL (Offshore) worth USD 15.58 Million ~ TZS 36.41 Billion (2020: USD 16.52 Million ~ TZS 38.29 Billion); purchase of machinery worth of EUR 1.6 Million ~ TZS 4.47 Billion; (2020: NIL); purchase of coolers worth USD 0.41 Million ~ TZS 1.0 Billion (2020: NIL); purchase of spares worth USD 0.071 Million ~ TZS 166.56 Million (2020: USD 41,978 ~ TZS 97 Million); the Company did not purchase sugar in the current year (2020: USD 863,500 ~ TZS 1.99 Billion).

There was no sale of empty glass bottles to SBC Beverages Ghana during the year (2020: USD 84,560 ~ TZS 197 Million); no sale of equipment during the year (2020: USD 15,264 ~ TZS 35 Million); sale of concentrate worth USD 8,632 ~ TZS 20 Million (2020: NIL).

Sale of finished goods (PET) worth TZS 1.209 Billion to New Age Beverages Limited (2020: TZS 557 Million); the Company made payments amounting to TZS 4 Million on behalf of New Age Beverages Limited (2020: TZS 39 Million); the Company has leased warehouse space with an annual lease rentals of TZS 55 Million (2020: TZS 41 Million).

Tanzania Bottling Company S.A. made a payment on behalf of the Company to an existing trade creditor amounting to USD 2.4 Million ~ TZS 5.764 Billion (2020: USD 7 Million ~ TZS 16.3 Billion).

SBC TANZANIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021 (CONTINUED)**

21. RELATED PARTY TRANSACTIONS (CONTINUED)

	2021 TZS'000	2020 TZS'000
Amount due from related parties: (See Note 9)		
Seven-up Bottling Company PLC	-	3,835
SBC Beverages Ghana Ltd	698,100	673,865
SBC Kenya Limited	3,512,322	2,250,849
New Age Beverages Limited	1,189,935	625,895
	<u>5,400,357</u>	<u>3,554,444</u>
Amount due to related parties: (See Note 13)		
Continental Beverages SAL (Offshore)	8,104,181	4,344,132
Tanzania Bottling Company, S.A.	8,801,578	16,261,000
	<u>16,905,759</u>	<u>20,605,132</u>
Directors' remuneration	2021 TZS'000	2020 TZS'000
Mr. Avinash Jha	542,077	343,907
Mr. Ziad El-Khalil	137,699	134,579
	<u>679,776</u>	<u>478,486</u>

Directors' remuneration includes salaries and short-term non-cash benefits.

22. LEASES

i. Right-of-Use Assets

	Residential TZS'000	Depot TZS'000	Vehicles TZS'000	Total TZS'000
Cost				
Balance as at 1 April 2020	1,825,842	783,182	12,053,900	14,662,924
Additions	222,671	-	2,618,211	2,840,882
Balance as at 31 March 2021	<u>2,048,513</u>	<u>783,182</u>	<u>14,672,111</u>	<u>17,503,806</u>
Accumulated Depreciation				
Balance as at 1 April 2020	648,449	230,881	2,598,415	3,477,745
Charge for the year	754,472	233,867	4,291,122	5,279,461
Balance as at 31 March 2021	<u>1,402,921</u>	<u>464,748</u>	<u>6,889,537</u>	<u>8,757,206</u>
Net Book Value	<u>645,592</u>	<u>318,434</u>	<u>7,782,574</u>	<u>8,746,600</u>
Cost				
Balance as at 1 April 2019	1,029,020	747,335	3,118,081	4,894,436
Additions	796,822	35,847	8,935,819	9,768,488
Balance as at 31 March 2020	<u>1,825,842</u>	<u>783,182</u>	<u>12,053,900</u>	<u>14,662,924</u>
Accumulated Depreciation				
Balance as at 1 April 2019	-	-	-	-
Charge for the year	648,449	230,881	2,598,415	3,477,745
Balance as at 31 March 2020	<u>648,449</u>	<u>230,881</u>	<u>2,598,415</u>	<u>3,477,745</u>
Net Book Value	<u>1,177,393</u>	<u>552,301</u>	<u>9,455,485</u>	<u>11,185,179</u>

SBC TANZANIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021 (CONTINUED)**

22. LEASES (CONTINUED)

ii. Lease Liabilities

	Residential TZS'000	Depot TZS'000	Vehicles TZS'000	Total TZS'000
Balance as at 1 April 2020	1,066,842	614,784	10,023,666	11,705,292
Additions	222,673	-	2,618,211	2,840,884
Interest expense	42,778	48,746	804,401	895,925
Payments	(827,363)	(193,683)	(3,943,322)	(4,964,368)
Exchange gain	7,206	-	31,938	39,144
Balance as at 31 March 2021	<u>512,136</u>	<u>469,847</u>	<u>9,534,894</u>	<u>10,516,877</u>
Represented by:				
Non-current	78,663	381,773	5,756,673	6,217,109
Current	433,473	88,074	3,778,221	4,299,768
Balance as at 31 March 2021	<u>512,136</u>	<u>469,847</u>	<u>9,534,894</u>	<u>10,516,877</u>
Balance as at 1 April 2019	893,628	649,895	3,118,081	4,661,604
Additions	796,821	35,847	8,935,820	9,768,488
Interest expense	68,991	57,575	368,817	495,383
Payments	(697,709)	(128,533)	(2,407,805)	(3,234,047)
Exchange gain	5,111	-	8,753	13,864
Balance as at 31 March 2020	<u>1,066,842</u>	<u>614,784</u>	<u>10,023,666</u>	<u>11,705,292</u>
Represented by:				
Non-current	119,632	284,548	6,326,549	6,730,729
Current	947,210	330,236	3,697,117	4,974,563
At 31 March 2020	<u>1,066,842</u>	<u>614,784</u>	<u>10,023,666</u>	<u>11,705,292</u>

23. CAPITAL COMMITMENTS

The Directors confirm that the Company did not have any significant capital commitments as at 31 March 2021 (2020: NIL).

24. CONTINGENT LIABILITIES

As at 31 March 2021, the Company was a defendant in several lawsuits. The Directors and legal counsel are of the view no material liabilities are expected to crystalize from these lawsuits.

25. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks, including credit risk and the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance. This note presents information about the Company's exposure to financial risks, the Company's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these financial statements.

SBC TANZANIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021 (CONTINUED)**

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from customers. About 98% of the Company's sales are for cash, therefore, the Company's exposure to credit risk is very low.

To manage the level of credit risk, the Company focuses on customer satisfaction as a key performance indicator. It also maintains a short credit period for a select few customers. Due to the nature of the Company's activities, credit risk concentrations are high and as such close monitoring of credit relationships is carried out.

The carrying amount of financial assets represents the maximum exposure to credit risk. The maximum exposure to credit risk at the financial reporting date was:

	Carrying amount	
	2021	2020
	TZS'000	TZS'000
Bank balance	1,659,482	2,070,900
Trade receivables	949,020	728,564
Due from related parties	5,400,357	3,554,444
Staff debtors	69,083	71,870
Other debtors	13,144,157	8,493,763
Deposits	90,966	80,106
	<u>21,313,065</u>	<u>14,999,647</u>

The Company holds cash and bank balances of TZS 1.659 Billion as at 31 March 2021 (2020: TZS 2.071 billion) with reputable financial institutions in Tanzania.

Impairment losses

	2021	2021	2020	2020
	TZS'000	TZS'000	TZS'000	TZS'000
	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
Not past due	399,993	(68,670)	266,600	(60,164)
Past due 0-30 days	-	-	-	-
Past due 30-60 days	90,640	(15,561)	103,697	(23,402)
Past due 60-90 days	47,191	(8,102)	67,354	(15,200)
Past due more than 90 days	607,889	(104,360)	503,248	(113,569)
	<u>1,145,713</u>	<u>(196,693)</u>	<u>940,899</u>	<u>(212,335)</u>

SBC TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021 (CONTINUED)

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

a) Credit risk (Continued)

Movement in allowance for impairment:	2021 TZS'000	2020 TZS'000
Balance at 1 April	212,335	97,675
Impairment (release)/charge	(15,642)	114,660
Balance at 31 March	196,693	212,335

Management believes that the amounts that are neither past due nor impaired will be collectible in full.

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted. All liquidity policies and procedures are subject to review and approval by the Board of Directors. The following are contractual maturities of financial liabilities at the reporting date:

As at 31 March 2021	Carrying amount TZS'000	Total contractual cashflows TZS'000	On demand TZS'000	Due within one year TZS'000	Due between one year and five years TZS'000
Non-derivative financial liabilities:					
Borrowings	28,017,532	28,017,532	-	9,099,127	18,918,405
Trade creditors	25,387,941	25,387,941	-	25,375,604	-
Due to related party	16,905,759	16,905,759	-	16,905,759	-
Other payables	10,691,189	10,691,189	-	10,691,189	-
Customer deposits	4,827,030	4,827,030	-	2,418,179	2,408,851
Bank overdrafts	21,837,613	21,837,613	21,837,613	-	-
Lease liabilities	10,516,877	10,534,030	-	4,316,921	6,217,109
	118,183,941	118,201,094	21,837,613	68,806,779	27,544,365

As at 31 March 2020	Carrying amount TZS'000	Total contractual cashflows TZS'000	On demand TZS'000	Due within one year TZS'000	Due between one year and five years TZS'000
Non-derivative financial liabilities:					
Borrowings	37,781,170	37,781,170	-	9,988,425	27,792,745
Trade creditors	25,746,737	25,746,737	-	25,746,737	-
Due to related party	20,605,132	20,605,132	-	20,605,132	-
Other payables	8,320,661	8,320,661	-	8,320,661	-
Customer deposits	3,765,855	3,765,855	-	1,934,557	1,831,298
Bank overdrafts	22,166,128	22,166,128	22,166,128	-	-
Lease liabilities	11,705,292	12,808,771	-	5,291,651	7,517,120
	130,090,975	131,194,454	22,166,128	71,887,163	37,141,163

SBC TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (CONTINUED)

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Liquidity risk (Continued)

The ultimate shareholders have confirmed that they will continue providing financial support to the Company in order to meet its commitments. This financial support will remain in place for a foreseeable future time and until such time a positive net current assets position is restored.

c) Market risk

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's / issuer's credit standing) will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

i. Foreign currency risk

The Company is exposed to currency risk on transactions that are denominated in a currency other than the functional currency of the Company. The foreign currencies in which the Company transacts are: US Dollars (USD), South African Rand (ZAR), British Pound (GBP) and Euro (Euro).

To manage the foreign exchange risk, the Company maintains bank accounts in foreign denominated currencies mainly US dollars to facilitate transactions in foreign currency. The Company also negotiates with its bankers to get favourable exchange rates when converting foreign currencies to the Tanzanian shilling.

Exposure to currency risk for foreign denominated amounts in the following classes of financial instruments; disclosure around market risk also relates to sensitivity analysis of the type of market risk – currency risk, showing how the income profit or loss and equity would have been affected by reasonably possible changes in the relevant risk variable at the year-end date.

2021

Balances denominated in	USD equivalent TZS'000	ZAR equivalent TZS'000	GBP equivalent TZS'000	EURO equivalent TZS'000	Total equivalent TZS'000
Cash and bank balances	32,356	-	-	-	32,356
Due from related party	4,210,422	-	-	-	4,210,422
Trade payables (including related party)	(17,789,397)	(6,751)	(34,942)	(86,421)	(17,917,511)
Bank overdrafts	(13,337,177)	-	-	-	(13,337,177)
Lease liabilities	(5,103,556)	-	-	-	(5,103,556)
Net exposure	(31,987,352)	(6,751)	(34,942)	(86,421)	(32,115,466)

SBC TANZANIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021 (CONTINUED)**

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

c) Market risk (Continued)

i. Foreign currency risk (Continued)

2020

Balances denominated in	USD equivalent TZS'000	ZAR equivalent TZS'000	GBP equivalent TZS'000	EURO equivalent TZS'000	Total equivalent TZS'000
Cash and cash equivalents	211,453				211,453
Due from related party	2,928,549				2,928,549
Trade payables (including related party)	(8,379,304)	(68,737)	(9,880)	(89,878)	(8,547,799)
Bank overdrafts	(13,775,982)	-	-	-	(13,775,982)
Lease liabilities	(5,630,122)	-	-	-	(5,630,122)
Net exposure	(24,645,406)	(68,737)	(9,880)	(89,878)	(24,813,901)

The following exchange rates applied during the year:

	Closing		Average	
	2021 TZS	2020 TZS	2021 TZS	2020 TZS
USD	2,337	2,323	2,341	2,317
EUR	2,774	2,616	2,772	2,627
GBP	3,275	2,920	3,119	2,996
ZAR	171	141	157	171

Sensitivity analysis

A 10 percent strengthening/weakening of the Tanzanian shilling against the following currencies would have increased/decreased profit or loss and equity by amounts shown below. This analysis assumes that all other variables, in particular interest and inflation rates, remain constant and ignores any impact of forecast sales and purchases.

	Profit or loss / Equity	
	2021 TZS'000	2020 TZS'000
USD	3,198,735	2,464,541
EUR	8,642	8,988
GBP	3,494	988
ZAR	675	6,874

SBC TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (CONTINUED)

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

c) Market risk (Continued)

ii. Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company's operations.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit.

This responsibility is supported by the development of overall company standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

iii. Interest rate risk

The Company has a minimal exposure to interest rate risk as most of the borrowings are at fixed interest rates. All TZS denominated loans are carried at a 182-day T-bill plus a fixed margin.

d) Capital management

The Company manages its capital to ensure that it is able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Company's overall strategy remains unchanged from 2017.

The capital structure of the Company consists of debt, which includes borrowings (Note 12) and bank overdraft (Note 10), less bank and cash balances and equity attributable to equity holders, comprising issued paid up capital and retained earnings.

There are no externally imposed capital requirements.

SBC TANZANIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021 (CONTINUED)**

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

d) Capital management (Continued)

Gearing ratio

The gearing ratio at the end of the year was as follows:

	2021	2020
	TZS'000	TZS'000
Borrowings	28,017,532	37,781,170
Bank overdrafts	21,837,613	22,166,128
Cash and bank balances	<u>(1,894,109)</u>	<u>(2,235,615)</u>
Net borrowings	<u>47,961,036</u>	<u>57,711,683</u>
Equity (including revaluation reserves)	<u>79,449,140</u>	<u>68,885,317</u>
Net debt to equity ratio	<u>0.60</u>	<u>0.84</u>

26. ACCOUNTING CLASSIFICATION AND FAIR VALUES

The Company measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1:

Inputs that are quoted market prices (unadjusted) in active markets for identical instruments. The Company does not have financial instruments under level 1.

Level 2:

Inputs other than quoted prices included within level 1 that are observable either directly or indirectly or other valuation techniques in which all significant inputs are directly or indirectly observable from market data. These are financial assets and liabilities that are not measured at fair value, but their fair value does not differ from their carrying value materially due to their short-term nature.

Level 3:

Inputs that are unobservable. This category includes instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on their valuation. The Company does not have financial instruments under this level.

The following table shows the carrying amounts and fair value of financial assets and financial liabilities, including their levels in the fair value hierarchy as described above.

SBC TANZANIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021 (CONTINUED)**

26. ACCOUNTING CLASSIFICATION AND FAIR VALUES (CONTINUED)

	Financial assets at amortized cost TZS'000	Financial liabilities at amortized cost TZS'000	Total TZS'000
2021			
Financial assets not measured at fair value			
Trade and other receivables *	19,562,617	-	19,562,617
Cash and bank balances	1,894,109	-	1,894,109
	<u>21,456,726</u>	<u>-</u>	<u>21,456,726</u>
Financial liabilities not measured at fair value			
Borrowings	-	28,017,532	28,017,532
Trade and other payables **	-	57,811,919	57,811,919
Bank overdraft	-	21,837,613	21,837,613
Lease liabilities	-	10,516,877	10,516,877
	<u>-</u>	<u>118,183,941</u>	<u>118,183,941</u>
	Financial assets at amortized cost TZS'000	Financial liabilities at amortized cost TZS'000	Total TZS'000
2020			
Financial assets not measured at fair value			
Trade and other receivables *	12,848,641	-	12,848,641
Cash and bank balances	2,235,615	-	2,235,615
	<u>15,084,256</u>	<u>-</u>	<u>15,084,256</u>
Financial liabilities not measured at fair value			
Borrowings	-	37,781,170	37,781,170
Trade and other payables **	-	58,438,385	58,438,385
Bank overdraft	-	22,166,128	22,166,128
Lease liabilities	-	11,705,292	11,705,292
	<u>-</u>	<u>130,090,975</u>	<u>130,090,975</u>

* Trade and other receivables excluding prepayments and deposits.

** Trade and other payables excluding VAT, excise duty and provision for leave pay.

The Company has not disclosed the fair value of financial instruments such as short-term receivables and payables because their carrying amounts are a reasonable approximation of the fair value hence, they are presented under "financial assets not measured at fair value". Borrowings have rates of interest close to market rates hence its fair value does not differ materially from its carrying amount.

27. SUBSEQUENT EVENTS

The Directors are not aware of any material events or circumstances that have arisen between the accounting date and the date of signing of these financial statements that require adjustments or additional disclosure in the financial statements.

SBC TANZANIA LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

SBC TANZANIA LIMITED

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

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SBC TANZANIA LIMITED

CORPORATE INFORMATION

DIRECTORS:

Name	Position	Nationality	Gender	Appointment
Mr. Faysal El Khalil	Chairman	Lebanese	Male	5 th April 2001
Mr. Ziad El Khalil	Executive Director	British	Male	5 th April 2001
Mr. Avinash Jha	CEO	Indian	Male	8 th April 2016
Mr. Georges Kolakez	Director	Lebanese	Male	1 st December 2016

REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS:

54/57 Nyerere Road
P.O. Box 4162
Dar es Salaam

SECRETARY:

Dr. Wilbert Kapinga
BOWMANS Tanzania Limited
2nd Floor, The Luminary
Cnr Haile Selassie and Chole Road
P.O. Box 78552, Masaki
Dar es Salaam

AUDITOR:

KPMG
2nd Floor, The Luminary
Plot No. 574
Haile Selassie Road, Msasani Peninsula Area
P.O. Box 1160
Dar es Salaam

TIN: 100-144-921
Registration Number: 107992
NBAA PF 020

BANKERS:

NBC Limited
Corporate Branch
P.O. Box 9062
Dar es Salaam

Citibank Tanzania Ltd
Plot 1962, Toure Drive
P.O. Box 71625
Dar es Salaam

National Microfinance Bank Plc
NMB House Branch
P.O. Box 162309
Dar es Salaam

Standard Chartered Bank Tanzania
International House
P.O. Box 9011
Dar es Salaam

SBC TANZANIA LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 2022

1. INTRODUCTION

The Directors submit their report together with the audited financial statements for the year ended 31 March 2022, which disclose the state of affairs of SBC Tanzania Limited, herein referred to as the “Company”. The Report of the Directors is equivalent to the Report of Those Charged With Governance as required by TFRS 1.

2. INCORPORATION

The Company was incorporated on 5 April 2001 in Tanzania under the Companies Act, 2002 as a private company limited by shares.

3. BUSINESS OBJECTIVES AND STRATEGIES

a. Vision

To become one of Tanzania's most admired companies.

b. Mission

The Company's mission is to grow its beverages business ethically manufacturing and distributing world class brands whilst serving its customers and trade partners with uncompromising integrity. The Company strives to create evermore employment opportunities for Tanzanians and add economic whilst generating a fair return to its shareholders that exceeds their cost of capital.

c. Principal activities

The Company manufactures, distributes and sells carbonated soft drinks in Tanzania market under the authority of PepsiCo. Inc, Purchase, New York.

The Company's main production facilities are in the regions of Dar es Salaam, Arusha, Mbeya and Mwanza. The Company's finished products are sold in the domestic market (Mainland) and Zanzibar with few exports outside the country boundaries.

d. Accounting period

The Company's accounting cycle is from April to March. The financial information presented in these financial statements is for the year of income ended 31 March 2022, together with the comparative information for the year ended 31 March 2021.

e. Strategies

The Company has strategies for each of its departments/division, formulated to achieve the business objectives and maximize the productivity. These are concerned with developing a distinctive competence to provide a business, unit with a competitive advantage.

Sales & marketing:

The primary focus of the business is to gain competitive edge and grow the volumes ahead of the industry growth by focusing predominantly on market expansion through increasing numeric and weighted distribution. The Company will continue to improve on the currently proven distribution models in couple of regions and have plans to replicate in other regions selectively based on the business dynamics.

The Company's marketing strategy is designed to support the sales strategy, with a focus on volume growth through trade communication, consumer engagement, product innovation, market penetration and customer retention programs.

SBC TANZANIA LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 2022 (CONTINUED)

3. BUSINESS OBJECTIVES AND STRATEGIES (CONTINUED)

e. Strategies (Continued)

Finance:

The manufacturing industry is always competitive, which puts pressure on product pricing and results in thin profit margins. Especially with the current global supply chain crisis, the Company has witnessed abnormal price increases of its key raw materials and thus, it is critical that the Company operates its business as efficiently as possible.

The Company, as part of its short to medium term financial strategy is keen to review its pricing strategy based on its projected cash flows, investment plans and accordingly align its capital structure. Strategic business plans and annual business plans for three and one year respectively are prepared to discuss in detail and determine the cash flows and funds required for both long-term investments and working capital including the gaps, if any. The current financial strategy of the Company is to fund the working capital requirements through overdraft facilities and long-term investments through term loans from the banks.

Production:

In the current global scenario of increasing commodity and raw material prices that directly or indirectly affect cost of production and adversely impact the margins. The Company, as part of its low-cost strategy synced its sales strategy of growing volumes to achieve economies of scale and continue to track its production KPIs.

Human resource:

The Company's human resource strategy emphasizes on employee satisfaction, improving transparency, workplace behavior, training employees, retaining talent, and aligning with the overall vision, mission and objectives of the organization.

As part of the talent retention program and skill development, the Company plans to introduce a new performance management system to appraise performance, train employees, organize benefits and provide development opportunities including rewards & recognition. This is to improve employee and employer relationship, foster a conducive environment to encourage a strong workplace ethics, inspire fair treatment of and cooperation between team members regardless of age, sex or background and dampen the employee turnover rate further down to the current 4%.

4. CURRENT AND FUTURE DEVELOPMENTS, INCLUDING PERFORMANCE

a. Operating and financial review

During the year, the Company experienced a significant adverse impact of global supply chain crisis causing delays in receiving the imported consignments of key raw materials disrupting the production process and hence affecting the sales, and indirectly affecting the cost of operations due to increase in prices of other raw material and consumables. Despite the revenues being higher than 2021, the margins declined due to increase in production and operational costs. To mitigate, the management continued to implement the cost reduction / saving initiatives to protect margins and have sustainable business performance.

During the year the Company continued to manufacture, distribute, and sell carbonated soft drinks under authority of PepsiCo. Inc, Purchase, New York. The results for the year are set out on page 20 of these financial statements.

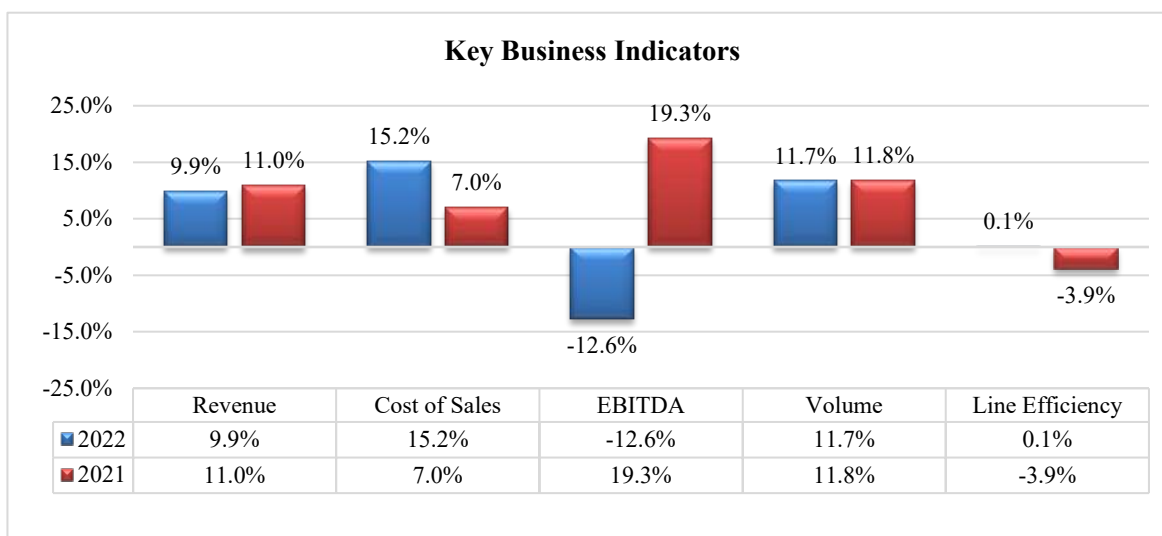
A review of financial statements and other non- financial KPIs are conducted with the management monthly, and all deficiencies and significant matters are discussed with proper mitigation and action plan.

SBC TANZANIA LIMITED

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MARCH 2022 (CONTINUED)**

4. CURRENT AND FUTURE DEVELOPMENTS, INCLUDING PERFORMANCE (CONTINUED)

a. Operating and financial review (Continued)



KBI	Definition (absolute figures compared with prior year)
Revenue	Sales revenue from Income Statement
Cost of Sales	Manufacturing Cost from Income Statement
EBITDA	Tax, finance cost, exchange gain/loss, depreciation and amortization added back to net profit
Volume	Sales volume in physical cases
Line Efficiency	Actual line efficiency compared with installed capacity for the period line is in use

Key financial ratios	2022	2021
Gross profit margin % (<i>Gross profit / Revenue</i>)	28.8%	32.1%
Net profit margin % (<i>EBT / Revenue</i>)	(1.6%)	(0.3%)
Fixed assets turnover (<i>Revenue / Non-current Assets</i>)	2.7	2.5
Current ratio (<i>Current Assets / Current Liabilities</i>)	0.7	0.8
Days payables outstanding (DPO) (<i>Trade payables / (Cost of Sales + Distribution Exp + Admin Exp – Depreciation – Amortization)</i>)	76.0	63.2
Debt to equity (<i>Total Liabilities / Total Equity</i>)	1.9	1.5
Interest coverage (<i>EBIT / Finance Cost</i>)	(0.8)	0.9

b. Results and dividends

During the year the Company incurred a net loss of TZS 5.99 Billion (2021: TZS 0.98 Billion). The Directors do not recommend the payment of any dividend for the year (2021: NIL).

c. Liquidity

The Company's current ratio for the year is 0.7 (current liabilities exceeding current assets by TZS 34.59 Billion) (2021: current ratio of 0.8 (current liabilities exceeding current assets by TZS 22.14 Billion). Financial obligations of the Company are mainly met using internally generated cash flows and supported by the ultimate parent company, as and when required.

SBC TANZANIA LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 2022 (CONTINUED)

4. CURRENT AND FUTURE DEVELOPMENTS, INCLUDING PERFORMANCE (CONTINUED)

d. Uses of the funds available

Cash and cash equivalents held by the Company are used to finance operating activities. As at 31 March 2022, the company had cash and bank balances amounting to TZS 4.16 Billion (2021: TZS 1.89 Billion).

e. Relationship with stakeholders

The Company has good and strong relationship with its shareholders, lenders, customers, suppliers, bankers, lawyers, employees, tax authority and all regulators. The Company's relationship is built upon mutual understanding and in compliance with agreed terms. The Board places considerable importance on effective communication with all stakeholders.

f. Political and charitable donations

The Company did not make any political or charitable donations during the year (2021: NIL).

g. Laws and regulations

The Company focuses to achieve the business objectives but also regularly reviews the compliance check with all laws and regulations through filing of monthly returns, quarterly financial projections including investments and audited financial statements annually.

h. Future development plans

Depending on the future business trends, the Company will continue to focus on market expansion, new product development and expanding sales network to strengthen its market position. The Company, with enhanced production process, risk management, cost reduction and rationalization will continue to invest in new production facilities and improve its profitability.

The Company's 3-year business plan considered investments in new production facilities to support the growth strategy, specifically in strategic locations to release pressure on the existing facilities and gives an opportunity to explore new markets that will help achieving both volume and value objectives.

In view of the increasing production costs due to global supply chain crisis and to improve the margins, improve liquidity and turn around the net current assets to positive, to drive a sustainable business model, after the year ending 31 March 2022, the Company reviewed and revised upwards the selling price of RGB effective May 2022 across all the regions.

5. ENTITY OPERATING MODEL

The Company maintains an organization structure for all departments across the entity for proper governance. The Company operates its business from 4 manufacturing plants and 10 depot locations across Tanzania.

The management of the Company is under the Chief Executive Officer and is organized in the following departments:

- Production & Quality Assurance,
- Sales & Marketing,
- Finance, Administration & Information Technology,
- Materials,
- Internal Audit,
- Legal,
- Human Resources, and
- Corporate Affairs.

SBC TANZANIA LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 2022 (CONTINUED)

5. ENTITY OPERATING MODEL (CONTINUED)

The Company has a defined set of Standard Operating Procedures (SOPs) for each area of its business operations. The transactions are performed, controlled, and authorised within the scope of defined SOP and approved authority matrix.

The Company developed SOPs considering the risk and control mechanism, general controls are exercised using technology by implementing ERP and deployed other policies to support the achievement of its objectives. In the process of pursuing the set objectives, the management team at Head Office conducts periodic reviews with the operations teams to measure the achievement of financial and non-financial KPIs.

6. RESOURCES

The Company believes in investing and utilizing tangible resources very diligently to support achieving the set objectives.

a. Plant & machinery

The Company invests in new machinery from time to time, in view of capacity enhancement, replacement of obsolete equipment and upgradation of machinery with more sophisticated and advanced technology with improved capacity and productivity that follow food safety and product quality.

The Company has a firm plan for preventive and annual maintenance activities, to avoid unforeseen breakdowns, improve equipment efficiencies, be compliant with regulatory requirements, and sustain production that supports to ensure statutory quality requirements including the norms defined by PepsiCo.

b. Input and output

Raw materials, production equipment, workforce and distribution trucks are the most valuable assets and key inputs in the Company's operations along with quality assurance, Standard Operating Procedures (SOPs) and technology, are the tools supporting to achieve objective related to both Customers and Consumers.

All relevant operational KPIs are agreed with various departments / regions that measures the overall performance of the Company's business.

c. Human capital

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

The eligible employees are encouraged to grow with the Company in the relevant functional areas as part of the talent retention program and is evident from the employee turnover rate for the year 2022, which is less than 4% that is far below the average industry rate of 7-8%.

7. PRINCIPAL RISKS AND UNCERTAINTIES

a. Risk management

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

SBC TANZANIA LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 2022 (CONTINUED)

7. PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

a. Risk management (Continued)

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

The efficiency of any internal control system is dependent on the strict observance of prescribed measures. There is always a risk of non-compliance of such measures by staff. Whilst no system of internal control can provide absolute assurance against misstatement or losses, the Company's system is designed to provide the Board with reasonable assurance that the procedures in place are operating effectively.

The Board assessed the internal control systems throughout the financial year ended 31 March 2022 and is of the opinion that they met the set criteria. The Board is directly responsible for risk and internal control assessment as a separate audit committee is not considered necessary.

b. Operational risk

Considering the recommendations from the management on improving the effectiveness of internal control systems that assist minimizing operational risk and to safeguard the Company's assets, the Board decided to bring in on-board a Health Safety & Environment department along with a Risk Control Department. These departments are specialized in assessing human, security, physical and other operational risks and implement various corrective and mitigation plans under the guidance of the management and the Board.

c. Technological risk

Subsequent to the year-end and as part of the business continuity plan together with minimizing risk from increasing cyber-attacks globally, the Board decided to shift its ERP database and all applications to cloud technology, which is more reliable and safer in terms of data security, that assists the entity with disaster recovery and effective backup storage of key business information, and comes with intangible benefits such as data integrity, high productivity, enhanced stability and increased availability.

8. CORPORATE GOVERNANCE MATTERS

Board of Directors

The Board consists of four Directors. The Board takes overall responsibility for the Company, including responsibility for identifying key risk areas, considering, and monitoring investment decisions, considering significant financial matters, 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 delegates the day-to-day management of the business to the Executive Director assisted by senior management. Senior management is invited to attend board meetings and facilitates the effective control of all the Company's operational activities, acting 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 recognise the importance of integrity, transparency, and accountability. The Board met 3 times during the year. Details of Directors of the Company who held office during the year and up to the date of this report is disclosed on page 1.

SBC TANZANIA LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 2022 (CONTINUED)

8. CORPORATE GOVERNANCE MATTERS (CONTINUED)

a. Board of Directors (Continued)

Meetings held

Date	Summary of meeting	Attendees	Mode of Meeting
8 th April 2021	Board resolution approving allotment of 1 share to Jayaraman Balasubramanian	Mr. Faysal El Khalil Mr. Ziad El Khalil Mr. Avinash Jha Mr. Georges Kolakez	Exchange of electronic mail
29 th September 2021	Board resolution approving the 2021 audited accounts and authorising directors to sign the audited accounts	Mr. Faysal El Khalil Mr. Ziad El Khalil Mr. Avinash Jha Mr. Georges Kolakez	Exchange of electronic mail
11 th March 2022	Extra-ordinary general meeting of members approving reduction of issued share capital by re-purchasing of 1 share held by Prabir Bhowmick at a value of TZS 1000.	Mr. Faysal El Khalil Mr. Ziad El Khalil Mr. Avinash Jha Mr. Georges Kolakez	Exchange of electronic mail

Directors' remuneration	2022 TZS '000	2021 TZS '000
Mr. Avinash Jha	609,828	542,077
Mr. Ziad El-Khalil	147,779	137,699
	<u>757,607</u>	<u>679,776</u>

Directors' remuneration includes salaries and short-term non-cash benefits.

9. CORPORATE SOCIAL RESPONSIBILITY

The Company has a corporate social responsibility policy that is directed towards contributing to the country's economic development and environmental sustainability, while improving the welfare of our employees and their families, shareholders as well as of the community and society at large.

The Company continued supporting four orphanages, one in each city where it has a production facility, i.e. Arusha, Dar es Salaam, Mbeya and Mwanza. The Company's support is in the form of provision of clothing, food and school fees in order to improve the quality of lives of those orphans.

Furthermore, the Company supported other schools with provision of furniture, other education equipment needs and also supported the development of infrastructure at Ruangwa District in Lindi region which was a national initiative.

In another endeavor, the Company is partnering with PETCO, a non-profit organization that is driving PET recycling solutions in the region.

SBC TANZANIA LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 2022 (CONTINUED)

10. CAPITAL STRUCTURE

a. Capital structure

	2022 TZS'000	2021 TZS'000
<u>Authorised share capital</u>		
68,573,000 Ordinary shares of TZS 1,000 each (2021: 68,573,000 ordinary shares of TZS 1,000 each)	<u>68,573,000</u>	<u>68,573,000</u>
<u>Issued and fully paid share capital</u>		
68,309,006 Ordinary shares of TZS 1,000 each (2021: 68,309,005 ordinary shares of TZS 1,000 each)	<u>68,309,006</u>	<u>68,309,005</u>

b. Shareholding

The issued and fully paid-up share capital is held by:

	Number of shares held	
	2022	2021
Tanzania Bottling Company, S.A.	68,308,998	68,308,998
Mr. Ziad El Khalil	1	1
Mr. Avinash Jha	1	1
Mr. Fadi Anwar El Khalil	1	1
Mr. Sreenivasulu Akumalla	1	1
Mr. Paul James Richard	1	1
Mr. Prabir Kumar Bhowmick	1	1
Mr. Sanam Govind Mahambrey	1	1
Mr. Jayaraman Balasubramanian	1	-
	<u>68,309,006</u>	<u>68,309,005</u>

After the year end, there has been a change in the shareholding, as the Board resolved to repurchase 1 share held by Mr. Prabir Kumar Bhowmick.

c. Directors' interest in the shares of the Company

Name	Shareholding - 2022	Shareholding - 2021
Mr. Ziad El Khalil	1 share	1 share
Mr. Avinash Jha	1 share	1 share

11. CASH FLOWS AND LIQUIDITY

The Company operates its business with almost 98% of its sales are on cash basis and have credit terms with all big suppliers. The Company maximises the liquidity through releasing and centralizing cash and completely controlled at its head office.

The Company partially funds its working capital requirements through overdraft facilities and capital expenditure requirements through long term loans with a tenor not exceeding 60 months for the repayment. The repayment of loans comprising of principal and interest over the terms and interest on overdraft facilities are paid to the bank on monthly basis.

The Company prepares an annual business plan at the beginning of the financial year and keep updating with the rolling estimates on quarterly basis to determine the gaps, if any, in the cash flows and plans to fund via suitable financing options.

SBC TANZANIA LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 2022 (CONTINUED)

12. SOLVENCY AND GOING CONCERN

The Company's state of affairs as at 31 March 2022 is set out on page 19 of these financial statements.

The Company's current liabilities have exceeded the current assets by TZS 34.59 Billion as at 31 March 2022 (2021: TZS 22.14 Billion). During the year ended 31 March 2022 the Company incurred a net loss of TZS 5.99 Billion (2021: TZS 0.98 Billion).

The current liabilities of the Company consist of short-term borrowings of TZS 29.76 Billion (2021: TZS 31.07 Billion) and trade and other payables amounting to TZS 78.90 Billion (2021: TZS 59.67 Billion) which includes related party balance of TZS 31.73 Billion (2021: TZS 16.91 Billion). Net cash flow generated from operating activities after tax is TZS 46.75 Billion (2021: TZS 33.74 Billion).

With increased focus and targeted marketing expenditure for SBC products, the Directors are confident that the Company will continue to grow in terms of its market share and revenue.

The Directors have made an assessment of the ability of the Company to continue as going concern and have no reason to believe that the business will not be a going concern at least for the next twelve months from the date of approval of these financial statements. Accordingly, these financial statements have been prepared on the basis of accounting policies applicable to a going concern.

13. EMPLOYEE WELFARE

Management and employee relationship

The management and Tanzania Union of Industrial Commercial Organization (TUICO) strive to implement best practices in human resources management and personnel policies. Management/employee relationship continued to be good during the year.

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

Training facilities

The Company provides on-the-job training to all its employees in order to improve their technical skills and effectiveness. Employees are also considered for external training courses that upgrade skills and enhance development.

Medical assistance

The Company provides medical cover to its employees and eligible dependents through a medical insurance scheme.

Health and safety

The Company continued to assure safety standards as required by factory ordinance and provided conducive working environment for employees.

Financial assistance to staff

Loans are available to all confirmed employees depending on the assessment of and the discretion of management as to the need and circumstances.

SBC TANZANIA LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 2022 (CONTINUED)

13. EMPLOYEE WELFARE (CONTINUED)

Persons with disabilities

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

Employees benefit plan

The Company pays contributions to National Social Security Fund, which is a publicly administered mandatory pension plan and qualifies to be a defined contribution plan.

14. GENDER PARITY

The average number of employees during the year was 1,286 employees (2021 – 1,269 employees), out of which 157 were female (2021: 156) and 1,129 were male (2021: 1,113).

15. RELATED PARTY TRANSACTIONS

The details of related party balances and transactions are included in Note 21 of the financial statements.

16. ENVIRONMENTAL CONTROL PROGRAMME

The Company has invested in biomass boiler, with a view to reduce pollution from fossil fuels, and thereby move towards Agro waste-based boiler for steam generation.

Biomass fuel is a clean, green and eco-friendly natural fuel. Emission from biomass fuel is cleaner compared to fossil fuel. Sulphur in the exhaust is practically nil and therefore less harmful to the environment. Carbon emission is also drastically reduced which helps in dropping global warming. Ash generated out of combustion of biomass fuel is non-hazardous and has other benefits of landfilling and gardening.

The Company uses rice husk, coffee husk, and saw dust as boiler fuel to generate steam which is further used in the process. This fuel is otherwise found burnt in open without any benefit.

To reduce carbon footprint, the Company has converted all its diesel operated forklift trucks into battery operated forklift trucks across all the operating locations.

In another endeavor, the Company is partnering with PETCO, a non-profit organization that is driving PET recycling solutions in the region.

17. AUDITOR

KPMG has indicated its willingness to continue in office and is eligible for re-appointment. A resolution proposing the re-appointment of KPMG as auditor of the Company will be put to the Annual General Meeting.

SBC TANZANIA LIMITED

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MARCH 2022 (CONTINUED)**

18. STATEMENT OF COMPLIANCE

The members charged with governance (the Directors) accept responsibility for preparing these financial statements which show a true and fair view of the Company to the date of approval of the audited financial statements, in accordance with the applicable standards, rules, regulations and legal provisions. The members also confirm compliance with the provisions of the requirements of TFRS 1 *Report by Those Charged with Governance*.

By order of the Board



.....
Mr. Ziad El Khalil
Executive Director

Date: 29 September 2022



.....
Mr. Ayinash Jha
CEO & Director

Date: 29 September 2022

SBC TANZANIA LIMITED

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

The Company's Directors are responsible for the preparation of financial statements that give a true and fair view of SBC Tanzania Limited, comprising the statement of financial position as at 31 March 2022, 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 the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information, in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2002.

The Directors are also responsible 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, and for maintaining adequate accounting records and an effective system of risk management.

The Directors have made an assessment of the ability of the Company to continue as going concern and have no reason to believe that the business will not be a going concern at least for the next twelve months from the date of approval of these financial statements. Accordingly, these financial statements have been prepared on the basis of accounting policies applicable to a going concern.

The auditor is responsible for reporting on whether the financial statements give a true and fair view in accordance with the applicable financial reporting framework.

Approval of financial statements

The financial statements of SBC Tanzania Limited, as identified in the first paragraph, were approved and authorised for issue by the Board of Directors on 29 September 2022.



.....
Mr. Ziad El Khalil
Executive Director



.....
Mr. Avinash Jha
CEO & Director

SBC TANZANIA LIMITED

**DECLARATION OF THE HEAD OF FINANCE
FOR THE YEAR ENDED 31 MARCH 2022**

The National Board of Accountants and Auditors (NBAA) according to the power conferred under the Auditors and Accountants (Registration) Act. No. 33 of 1972, as amended by Act No. 2 of 1995, requires financial statements to be accompanied with a Statement of Declaration issued by Head of Finance 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 to discharge the responsibility of preparing financial statements of an entity showing true and fair view position of the entity in accordance with international accounting standards and statutory reporting requirements. Full legal responsibility for financial statements rests with the Board of Directors as under Statement of Directors' Responsibilities on an earlier page.

I, Sreenivasulu Akumalla, being the Acting Head of Finance of SBC Tanzania Limited hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31 March 2022 have been prepared in compliance with applicable accounting standards and statutory requirements.

I thus confirm that the financial statements of SBC Tanzania Limited comply with applicable accounting standards and statutory requirements as on that date and that they have been prepared based on properly maintained financial records.


Signed:

Position: Acting Head of Finance

NBAA Membership No.: TACPA 4014

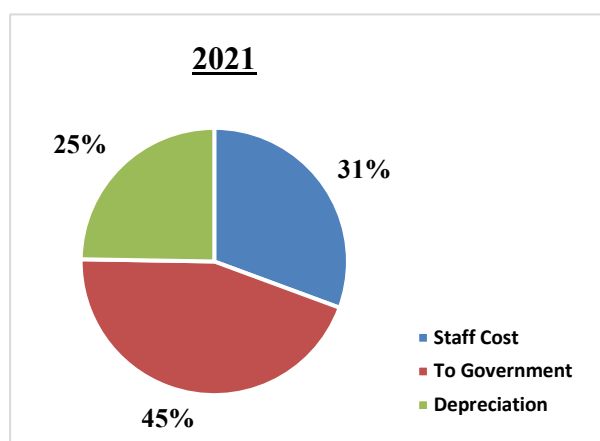
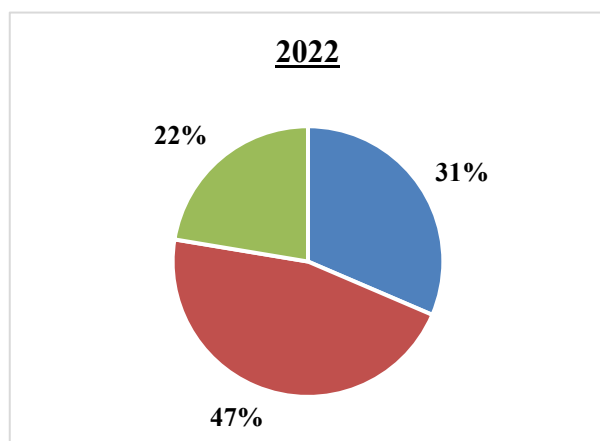
Date: 29 September 2022

SBC TANZANIA LIMITED

**VALUE ADDED STATEMENT
FOR THE YEAR ENDED 31 MARCH 2022**

Value added is defined as the value created by the activities of a business and its employees, and in the case of SBC Tanzania Limited, is determined as gross turnover less the expenses. The value-added statement reports on the calculation of value added and its application among the stakeholders in the Company. This statement shows the total wealth created and how it was distributed, taking into account the amounts retained and reinvested in the Company for the replacement of assets and development of operations.

	2022 TZS'000	2021 TZS'000
VALUE ADDED		
Gross turnover (including VAT)	416,663,220	378,964,194
Other income	4,022,055	3,447,144
Expenses	<u>(301,998,631)</u>	<u>(265,567,459)</u>
Value added	<u>118,686,644</u>	<u>116,843,879</u>
VALUE ALLOCATED		
To employees:		
Staff cost	36,541,742	35,788,202
To government:		
- Net VAT	17,549,317	18,164,506
- Excise duty	23,013,745	20,764,395
- Direct tax	1,479,383	2,227,192
- Customs duties	13,473,949	11,000,701
To shareholders:		
Cash dividends	-	-
To retention for expansion and growth:		
- Depreciation of property, plant & equipment and bottles & crates including impairment, and amortisation of intangible asset	26,628,508	28,898,883
- Retained loss for the year	32,617,738	29,880,063
	<u>(5,989,230)</u>	<u>(981,180)</u>
Value allocated	<u>118,686,644</u>	<u>116,843,879</u>





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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SBC TANZANIA LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of SBC Tanzania Limited ("the Company") set out on pages 19 to 51, which comprise the statement of financial position as at 31 March 2022, 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 and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by 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 International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in Tanzania, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the document titled *SBC Tanzania Limited Annual Report and Financial Statements for the year ended 31 March 2022*, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF SBC TANZANIA LIMITED (CONTINUED)**

Report on the Audit of the Financial Statements (Continued)

Responsibilities of the Directors for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by 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 the Financial Statements

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

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

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

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



**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF SBC TANZANIA LIMITED (CONTINUED)**

Report on Other Legal and Regulatory Requirements

As required by the Companies Act, 2002 we report to you, based on our audit that:

- in our opinion, proper accounting records have been kept by SBC Tanzania Limited;
- the individual accounts are in agreement with the accounting records of the Company;
- we obtained all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit;
- the Director 's report is consistent with financial statements; and
- information specified by the law regarding Directors' emoluments and other transactions with the Company is disclosed.

**KPMG
Certified Public Accountants (T)**

Signed by CPA Alexander Njombe (ACPA 2714)
Dar es Salaam

Date: 29 September 2022

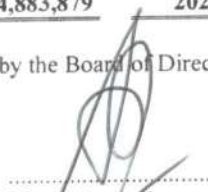
SBC TANZANIA LIMITED

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

	Notes	2022 TZS'000	2021 TZS'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	88,477,057	93,846,929
Bottles and crates	6	27,975,144	25,238,039
Intangible asset	7	313,826	442,401
Right-of-use assets	22(i)	12,404,598	8,746,600
Deferred tax asset	14	4,459,751	1,215,127
		<u>133,630,376</u>	<u>129,489,096</u>
Current assets			
Inventories	8	41,923,945	34,112,284
Trade and other receivables	9	33,577,759	35,966,818
Current tax receivable	19(B)	1,593,917	925,549
Cash and bank balances	10	4,157,882	1,894,109
		<u>81,253,503</u>	<u>72,898,760</u>
TOTAL ASSETS		<u>214,883,879</u>	<u>202,387,856</u>
EQUITY			
Equity attributable to equity holders			
Share capital	11	68,309,006	68,309,005
Revaluation reserve	5	7,347,031	8,796,604
Retained earnings		(2,196,126)	2,343,531
		<u>73,459,911</u>	<u>79,449,140</u>
LIABILITIES			
Non-current liabilities			
Loans and borrowings	12	13,805,244	19,269,843
Other payables	13	3,300,648	2,408,851
Lease liabilities	22(ii)	8,477,628	6,217,109
		<u>25,583,520</u>	<u>27,895,803</u>
Current liabilities			
Loans and borrowings	12	7,411,659	9,233,113
Trade and other payables	13	78,897,979	59,672,419
Bank overdrafts	10	22,350,430	21,837,613
Lease liabilities	22(ii)	7,180,380	4,299,768
		<u>115,840,448</u>	<u>95,042,913</u>
TOTAL LIABILITIES		<u>141,423,968</u>	<u>122,938,716</u>
TOTAL EQUITY AND LIABILITIES		<u>214,883,879</u>	<u>202,387,856</u>

The financial statements on pages 19 to 51 were approved and authorised for issue by the Board of Directors on 29 September 2022, and signed by:


.....
Mr. Ziad El Khalil
Executive Director


.....
Mr. Avinash Jha
CEO & Director

Notes and related statements forming part of these financial statements appear on pages 23 to 51.

Independent Auditor's Report appears on pages 16 to 18.

SBC TANZANIA LIMITED

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

	Notes	2022 TZS'000	2021 TZS'000
Revenue	15	353,518,452	321,764,845
Cost of sales	16	<u>(251,580,592)</u>	<u>(218,596,351)</u>
Gross profit		101,937,860	103,168,494
Other operating income	17	4,022,055	3,447,144
Distribution expenses		(84,450,185)	(76,255,582)
Administration expenses		(25,504,931)	(25,804,560)
Impairment release		53,682	15,642
Operating (loss)/profit before financing costs		<u>(3,941,519)</u>	<u>4,571,138</u>
Exchange gain/(loss)		168,131	(76,997)
Finance cost		<u>(4,649,451)</u>	<u>(5,281,330)</u>
Loss before taxation	18	<u>(8,422,839)</u>	<u>(787,189)</u>
Tax credit/(expense)	19(A)	2,433,609	(193,991)
Loss for the year		<u>(5,989,230)</u>	<u>(981,180)</u>
Other comprehensive income for the year		-	-
Total comprehensive loss for the year		<u><u>(5,989,230)</u></u>	<u><u>(981,180)</u></u>
Loss per share	20	<u><u>TZS (88)</u></u>	<u><u>TZS (14)</u></u>

Notes and related statements forming part of these financial statements appear on pages 23 to 51.

Independent Auditor's Report appears on pages 16 to 18.

SBC TANZANIA LIMITED

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

	Share capital TZS'000	Revaluation reserve TZS'000	Retained earnings TZS'000	Total TZS'000
Balance at 1 April 2020	56,764,002	10,273,621	1,847,694	68,885,317
Total comprehensive income for the year:				
Loss for the year	-	-	(981,180)	(981,180)
<i>Other comprehensive income:</i>				
Disposal of revalued asset	-	(36,192)	36,192	-
Deferred tax on disposed asset	-	10,858	(10,858)	-
Release of revaluation reserve	-	(2,073,834)	2,073,834	-
Deferred tax on release of revaluation reserve	-	622,151	(622,151)	-
Total comprehensive income for the year	-	(1,477,017)	495,837	(981,180)
Transactions with owners:				
Issue of ordinary shares (11,545,003 ordinary shares at TZS 1,000 per share)	11,545,003	-	-	11,545,003
Total transactions with owners	11,545,003	-	-	11,545,003
Balance at 31 March 2021	68,309,005	8,796,604	2,343,531	79,449,140
Balance at 1 April 2021	68,309,005	8,796,604	2,343,531	79,449,140
Total comprehensive income for the year:				
Loss for the year	-	-	(5,989,230)	(5,989,230)
<i>Other comprehensive income:</i>				
Release of revaluation reserve	-	(2,070,818)	2,070,818	-
Deferred tax on release of revaluation reserve	-	621,245	(621,245)	-
Total comprehensive income for the year	-	(1,449,573)	(4,539,657)	(5,989,230)
Transactions with owners:				
Issue of ordinary shares (1 ordinary shares at TZS 1,000 per share)	1	-	-	1
Total transactions with owners	1	-	-	1
Balance at 31 March 2022	68,309,006	7,347,031	(2,196,126)	73,459,911

Note:

The revaluation reserve represents the surplus of valuation over historical cost of the buildings and plant & machinery. This is being amortized to the retained earnings in line with the accounting policy stated in Note 3(e). The revaluation reserve is not available for distribution.

Notes and related statements forming part of these financial statements appear on pages 23 to 51.

Independent Auditor's Report appears on pages 16 to 18.

SBC TANZANIA LIMITED

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

		2022	2021
		TZS'000	TZS'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the year		(5,989,230)	(981,180)
Adjustments for:			
- Tax	19(A)	(2,433,609)	193,991
- Depreciation on property, plant and equipment	5	16,506,790	14,981,763
- Depreciation on bottles and crates	6	15,937,081	14,729,376
- Amortization of intangible asset	7	173,867	168,924
- Gain on disposal of items of property, plant and equipment		(9,908)	(14,638)
- Depreciation on right-of-use assets	22(i)	5,717,694	5,279,461
- Interest expense on loans	12	2,292,793	2,444,124
- Interest expense on lease liabilities	22(ii)	888,567	895,925
- Exchange loss on lease liabilities	22(ii)	145,084	39,144
- Effect of exchange loss/(gain)		302,930	(11,276)
		33,532,059	37,725,614
Changes in:			
- Inventories		(7,811,661)	818,391
- Trade and other receivables		2,389,059	(2,237,518)
- Trade and other payables		20,117,357	(338,260)
Cash generated from operating activities		48,226,814	35,968,227
Income tax paid	19(B)	(1,479,383)	(2,227,192)
Net cash generated from operating activities		46,747,431	33,741,035
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of items of property, plant and equipment	5	(11,147,537)	(11,392,378)
Acquisition of intangible asset	7	(45,292)	-
Proceeds from disposal of items of property, plant and equipment		20,527	66,943
Acquisition of bottles and crates	6	(18,674,186)	(16,812,740)
Net cash used in investing activities		(29,846,488)	(28,138,175)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of ordinary shares	11	1	11,545,003
Loan received	12	1,925,741	-
Loans repayment – Principal	12	(9,211,794)	(9,763,638)
Loans repayment – Interest	12	(2,292,793)	(2,444,124)
Payment of lease liabilities – Principal	22(ii)	(4,379,645)	(4,068,443)
Payment of lease liabilities – Interest	22(ii)	(888,567)	(895,925)
Net cash used in financing activities		(14,847,057)	(5,627,127)
Net increase/(decrease) in cash and bank balances		2,053,886	(24,267)
Effect of foreign exchange		(302,930)	11,276
Cash and bank balances at the beginning of the year		(19,943,504)	(19,930,513)
Cash and bank balances at the end of the year	10	(18,192,548)	(19,943,504)
<u>CASH AND BANK BALANCE COMPRISES:</u>			
Cash and bank balances		4,157,882	1,894,109
Bank overdrafts		(22,350,430)	(21,837,613)
Cash and bank balance at the end of the year	10	(18,192,548)	(19,943,504)

Notes and related statements forming part of these financial statements appear on pages 23 to 51.
Independent Auditor's Report appears on pages 16 to 18.

SBC TANZANIA LIMITED

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

1. REPORTING ENTITY

SBC Tanzania Limited (the “Company”) is a company domiciled in Tanzania. The financial statements of the Company are for the year ended 31 March 2022.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies Act, 2002.

(b) Basis of measurement

The financial statements are prepared on the historical cost basis except for the financial instruments at fair value through profit or loss, and buildings, plant & machinery which are measured at fair value.

(c) Functional and presentation currency

These financial statements are presented in Tanzanian Shillings (TZS), which is the Company’s functional currency. All financial information presented in Tanzanian Shillings has been rounded to the nearest thousand (TZS’000), unless otherwise stated.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the financial reporting date and the reported amounts of revenues and expenses during the financial reporting period. Although these estimates are based on the Directors’ best knowledge of current events, actual results may ultimately differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

Information about significant areas of estimations and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in Note 4.

(e) Going concern

The Company’s state of affairs as at 31 March 2022 is set out on page 19 of these financial statements.

The Company’s current liabilities have exceeded the current assets by TZS 34.59 Billion as at 31 March 2022 (2021: TZS 22.14 Billion). During the year ended 31 March 2022 the Company incurred a net loss of TZS 5.99 Billion (2021: TZS 0.98 Billion).

The current liabilities of the Company consist of short-term borrowings of TZS 29.76 Billion (2021: TZS 31.07 Billion) and trade and other payables amounting to TZS 78.90 Billion (2021: TZS 59.67 Billion) which includes related party balance of TZS 31.73 Billion (2021: TZS 16.91 Billion). Net cashflow generated from operating activities after tax is TZS 46.75 Billion (2021: TZS 33.74 Billion).

SBC TANZANIA LIMITED

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

2. BASIS OF PREPARATION (CONTINUED)

(e) Going concern (Continued)

With increased focus and targeted marketing expenditure for SBC products, management is confident that the Company will continue to grow in terms of its market share and revenue.

The Directors have made an assessment of the ability of the Company to continue as going concern and have no reason to believe that the business will not be a going concern at least for the next twelve months from the date of approval of these financial statements. Accordingly, these financial statements have been prepared on the basis of accounting policies applicable to a going concern.

3. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies applied consistently to all periods presented in these financial statements:

(a) Revenue recognition

Performance obligations and revenue recognition policies

Revenue represents the transaction price for sales of goods and services and is stated net of value-added tax (VAT), rebates and discounts. Revenue is measured based on the consideration the Company expects to receive from the customer. The Company recognizes revenue when it transfers control over a good or service to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms and related revenue recognition policies:

Type of product/service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition
Sale of carbonated drinks.	Customers obtain control of the carbonated drinks when the goods are delivered and have been accepted. Payment of the transaction is due immediately, except for credit sales with a credit limit of up to 60 days.	Revenue is recognised when goods are supplied to and accepted by the customer.

(b) Financial instruments

Recognition and derecognition

Financial instruments, comprising financial assets and financial liabilities, are recognised in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or where it neither transfers nor retains substantially all of the risks and rewards of ownership and loses control. When control is retained, the Company continues to recognise the financial asset to the extent of its continuing involvement. Assets are also de-recognised when they are written off. Assets are written off when there is no reasonable expectation of further recoveries even though there may be enforcement actions ongoing.

SBC TANZANIA LIMITED

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial instruments (Continued)

Recognition and derecognition (Continued)

Financial assets and financial liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Company has a legally enforceable right to set off the recognised amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

Classification and measurement

All financial assets and liabilities are initially recognised at fair value, which is usually the transaction price including, where appropriate, transaction costs, with the exception of trade receivables without a significant financing component, which are measured at their transaction price, determined in accordance with the Company's accounting policies for revenue. Subsequently, measurement depends on the financial assets/liabilities classification as follows:

Financial assets measured at fair value through profit or loss (FVTPL)

Non-equity financial assets are classified at fair value through profit or loss if they arise from contracts which do not give rise to cash flows which are solely principal and interest, or otherwise where they are held in a business model which mainly realises them through sale. Such assets are re-measured to fair value at the end of each reporting period. Gains and losses arising from re-measurement are taken to profit or loss, as are transaction costs.

Equity investments are classified as FVPL unless they are designated as at FVOCI on initial recognition. Dividends from equity investments, irrespective of whether classified as FVPL or FVOCI, are recognised in profit or loss as finance income.

Financial assets measured at FVOCI

Non-equity financial assets are classified at fair value through other comprehensive income where they arise from contracts which give rise to cash flows which are solely principal and interest and which are held in a business model which realises some through sale and some by holding them to maturity. They are recognised initially at fair value plus any directly attributable transaction costs, or in the case of trade receivables, at the transaction price.

At the end of each reporting period, they are re-measured to fair value, with the cumulative gain or loss compared to their amortised cost being recognised in other comprehensive income and in the fair value reserve, except for the recognition in profit and loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gain and losses. When these assets are derecognised, the cumulative gain or loss is reclassified from equity to profit or loss.

Equity investments not held for trading purposes are designated as at FVOCI where they are considered strategic to the Company. Such designation is made on an instrument-by-instrument basis but may only be made if the investment meets the definition of equity from the issuer's perspective. Amounts accumulated in the fair value reserve in respect of these investments are transferred directly to retained earnings on the disposal of the investment. These investments are not subject to impairment.

SBC TANZANIA LIMITED

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial instruments (Continued)

Classification and measurement (Continued)

Financial assets measured at amortised cost (AC)

Financial assets are held at amortised cost when they arise from contracts which give rise to contractual cash flows which are solely principal and interest and are held in a business model which mainly holds the assets to collect contractual cash flows.

These assets are measured at amortised cost using the effective interest method and are also subject to impairment losses. Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated on the amortised cost (i.e., gross carrying amount less loss allowance). Interest income is included in finance income.

Impairment

The Company applied the simplified approach as such it is not mandatory to assess the existence of significant increase in credit risk or to define the term 'default' as this approach does not apply the concept of staging. The entity always measures the lifetime ECL of the trade receivable portfolio. Trade receivables do not contain a significant financing component thus the calculated provision amount is not discounted.

Given the nature of trade receivables and that almost 98% of sales are on cash basis, the entity has a policy to fully provide for all trade receivable balances that are due for over 90 days as credit is on provided to select customers which make up only 2% of the total sales.

Financial liabilities at amortised cost

Financial liabilities, except those designated as at FVPL, are stated at amortised cost using the effective interest method. Interest is included in finance expenses unless capitalized into property, plant and equipment.

Offsetting financial instruments

Financial assets and liabilities are offset, and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realised asset and settle the liability simultaneously.

(c) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Foreign currency differences arising on retranslation are recognised in profit or loss in the period in which they arise.

SBC TANZANIA LIMITED

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets (if any) that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes.

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(e) Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to the working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Borrowing costs related to the acquisition or construction of qualifying assets are capitalised as incurred.

Buildings and plant and machinery are carried at revalued amounts, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

SBC TANZANIA LIMITED

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Property, plant and equipment (Continued)

Recognition and measurement (Continued)

Revaluations are made periodically (3 – 5 years) to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any surplus arising on the revaluation is recognised in other comprehensive income and presented in the revaluation reserve within equity except to the extent that the surplus reverses a previous revaluation deficit on the same asset in the profit or loss, in which case the credit is recognised in the profit or loss. Any deficit on revaluation is recognised in the income statement except to the extent that it reverses a previous revaluation surplus on the same asset, in which case it is taken directly to the revaluation reserve.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised in the profit or loss under other operating income. When revalued assets are sold, the amounts included in the revaluation surplus are transferred to retained earnings.

Subsequent cost

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its costs can be measured reliably. The carrying amount of the replaced part is derecognised. The cost of day-to-day servicing is recognised in profit or loss as incurred.

Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

• Buildings	50 years
• Plant and machinery	6 – 10 years
• Motor vehicles	4 – 8 years
• Furniture, fittings and office equipment	4 years
• Marketing and advertising equipment	4 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

To the extent that the depreciation charge on the re-valued assets exceeds that which would have been charged had the assets not been re-valued, a release is made from the revaluation reserve to retained earnings (net of deferred tax). The relevant amount of the revaluation reserve is also released on the disposal of re-valued assets.

(f) Bottles and crates

Bottles and crates represent returnable glass bottles and plastic crates. These are stated at cost less accumulated depreciation and accumulated impairment losses. Bottles and crates are depreciated over 3 years and 5 years respectively. Bottles and crates that are still in use at the year-end are shown under costs and accumulated depreciation. The assets that have completed their useful lives are written off at the end of each financial year. Sale of broken glass bottles and plastic shells is recognised as other income.

SBC TANZANIA LIMITED

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Deposits by customers

Returnable bottles and crates in circulation are recorded within bottles and crates and a corresponding liability is recorded in respect of the obligation to repay the customers' deposits. Deposit liabilities are released to profit or loss to the extent that these liabilities no longer represent the Company's stock in customer custody. Accordingly, deposit liabilities are amortised over a period consistent with the useful life of bottles and crates. Customer deposit liabilities are classified in the financial statements as current and non-current liability. The current liability is computed based on the expected release of these deposits in the next financial year.

(h) Inventories

Inventories comprising of finished goods, raw materials, consumables and spare parts are measured at lower of cost and net realizable value. Cost is determined using the first in first out (FIFO) method except for finished goods which is determined using weighted average method. If the purchase or production cost is higher than the net realisable value, stocks are written down to net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less estimated cost of completion and selling expenses.

(i) Employee benefit

Defined contribution plan:

The Company makes statutory contributions to the National Social Security Fund (NSSF). The Company's obligations in respect of contributions to such funds are 10% of the employees' gross emoluments. Contributions to these pension funds are recognised as an expense in the period the employees render the related services.

Termination benefit:

Termination benefits are recognised as an expense in the year when it becomes payable. Termination benefits are determined in accordance with the Tanzanian Labour Law.

Short term benefits:

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(j) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(k) Finance income and expenses

Finance income comprises interest income on funds invested and/or bank account. Interest income is recognised as it accrues in profit or loss, using effective interest method. Finance expenses comprise interest expense on borrowings. All borrowing costs, other than borrowing costs related to qualifying assets (see Note 3 (b)), are recognised in profit or loss using the effective interest method.

SBC TANZANIA LIMITED

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(m) Dividends

Dividends are recognised as a liability in the period in which they are declared.

(n) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

SBC TANZANIA LIMITED

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Leases (Continued)

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

From 1 January 2021, where the basis for determining future lease payments changes as required by interest rate benchmark reform (see (P)(iii)), the Group remeasures the lease liability by discounting the revised lease payments using the revised discount rate that reflects the change to an alternative benchmark interest rate.

Short term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(o) Intangible asset – computer software

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

Intangible asset comprises computer software and is carried at cost less any accumulated amortisation and any impairment losses. Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives and is recognised in profit or loss. Estimated useful life of the computer software is four (4) years.

SBC TANZANIA LIMITED

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. The carrying amount are an approximate of their fair values because the financial instruments are short – term in nature.

(q) Share capital

Ordinary shares are classified as ‘share capital’ in equity. Any premium received over and above the par value of the shares is classified as ‘share premium’ in equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(r) Comparative figures

Where necessary, the comparative figures have been reclassified to conform to changes in presentation in the current year.

New and amended Standards, amendments and interpretations not yet effective

A number of new Standards, amendments to Standards and interpretations are not yet effective for the year ended 31 March 2022 and have not been applied in preparing these financial statements.

The Company does not plan to adopt these Standards early. The Standards and amendments are not expected to have a significant impact on the financial statements of the Company. These are summarized below:

Standard	Effective for periods beginning on or after
COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)	Apr 2021
Onerous Contracts Cost of Fulfilling a Contract (Amendments to IAS 37)	Jan 2022
Annual Improvements to IFRS Standards 2018-2021	Jan 2022
Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	Jan 2022
Reference to the Conceptual Framework (Amendments to IFRS 3)	Jan 2022
IFRS 17 Insurance Contracts	Jan 2023
Classification of liabilities as current or non-current (Amendments to IAS 1)	Jan 2023
Amendments to IFRS 17	Jan 2023
Disclosure of Accounting Policy (Amendments to IAS 1 and IFRS Practice Statement 2)	Jan 2023
Definition of Accounting Estimate (Amendments to IAS 8)	Jan 2023
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	Optional
IAS 12 amendment – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	Jan 2023

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances. The preparation of the financial statements in conformity with IFRSs requires management to make judgement, estimates and assumptions that affects the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Significant judgements are made for:

i. Property, plant and equipment and intangible assets

Estimates are made by management in determining the depreciation rates and useful economic lives for property, plant and equipment.

ii. Bottles and crates

Estimates are made by management in determining the depreciation rates and useful economic lives for glass and crates.

iii. Inventories

Management assesses impairment for inventory at each reporting date. In determining whether the inventory is impaired, management assesses the age at which the items are held in the store in order to make an assessment of the impairment loss.

iv. Income tax

The income tax charged to the financial statements is subject to agreement with the Tanzania Revenue Authority. When the final tax outcome upon agreement of assessments differs from the amounts originally recorded, such differences are adjusted in subsequent periods.

v. Deferred tax

The deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

vi. Lease term and discount rate used to determine the carrying amount of right of use assets

In determining the lease term at the commencement date for leases that include renewal options exercisable by the Company, the Company evaluates the likelihood of exercising the renewal option considering relevant facts and circumstances that create an economic incentive for the Company to exercise the option. The lease term is reassessed when there is a significant event of change in circumstance that is within the Company's control.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the incremental borrowing rate which is subject to management estimates and assumptions.

SBC TANZANIA LIMITED

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

5. PROPERTY, PLANT AND EQUIPMENT

31 March 2022	Buildings TZS'000	Plant & machinery TZS'000	Motor vehicles TZS'000	Furniture, fittings, tools & equipment TZS'000	Marketing & advertising equipment TZS'000	Work in progress TZS'000	Total TZS'000
<u>Cost/revalued amounts</u>							
At 1 April 2021	36,054,573	59,721,277	18,724,049	8,535,136	36,719,900	1,152,858	160,907,793
Additions	-	802,120	245,744	631,920	761,763	8,705,990	11,147,537
Transfers	101,450	3,945,180	871,783	502,417	859,392	(6,280,222)	-
Disposals	-	-	(488,164)	-	(85,472)	-	(573,636)
At 31 March 2022	<u>36,156,023</u>	<u>64,468,577</u>	<u>19,353,412</u>	<u>9,669,473</u>	<u>38,255,583</u>	<u>3,578,626</u>	<u>171,481,694</u>
<u>Accumulated depreciation</u>							
At 1 April 2021	1,420,588	10,484,786	13,111,678	7,247,895	34,795,917	-	67,060,864
Depreciation charge	1,430,323	11,674,402	1,513,556	710,853	1,177,656	-	16,506,790
Disposal	-	-	(477,545)	-	(85,472)	-	(563,017)
At 31 March 2022	<u>2,850,911</u>	<u>22,159,188</u>	<u>14,147,689</u>	<u>7,958,748</u>	<u>35,888,101</u>	<u>-</u>	<u>83,004,637</u>
Carrying amounts at 31 March 2022	<u>33,305,112</u>	<u>42,309,389</u>	<u>5,205,723</u>	<u>1,710,725</u>	<u>2,367,482</u>	<u>3,578,626</u>	<u>88,477,057</u>
<i>Carrying amounts that would have been recognised if Buildings and Plant & Machinery were stated at cost:</i>							
Cost	35,847,676	130,978,089	19,353,412	9,669,473	38,255,583	3,578,626	237,682,859
Accumulated depreciation	(6,302,710)	(92,717,697)	(14,147,689)	(7,958,748)	(35,888,101)	-	(157,014,945)
Net book value	<u>29,544,966</u>	<u>38,260,392</u>	<u>5,205,723</u>	<u>1,710,725</u>	<u>2,367,482</u>	<u>3,578,626</u>	<u>80,667,914</u>

SBC TANZANIA LIMITED

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

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

31 March 2021	Buildings TZS'000	Plant & machinery TZS'000	Motor vehicles TZS'000	Furniture, fittings, tools & equipment TZS'000	Marketing & advertising equipment TZS'000	Work in progress TZS'000	Total TZS'000
<u>Cost/revalued amounts</u>							
At 1 April 2020	35,325,736	50,732,162	17,518,979	7,833,284	35,694,931	3,465,682	150,570,774
Additions	415,253	4,650,439	234,306	209,337	228,187	5,654,856	11,392,378
Transfers	313,584	4,377,883	1,962,380	494,586	819,247	(7,967,680)	-
Disposals	-	(39,207)	(991,616)	(2,071)	(22,465)	-	(1,055,359)
At 31 March 2021	<u>36,054,573</u>	<u>59,721,277</u>	<u>18,724,049</u>	<u>8,535,136</u>	<u>36,719,900</u>	<u>1,152,858</u>	<u>160,907,793</u>
<u>Accumulated depreciation</u>							
At 1 April 2020	-	202	12,691,953	6,614,854	33,775,149	-	53,082,158
Depreciation charge	1,420,588	10,486,820	1,396,010	635,112	1,043,233	-	14,981,763
Disposal	-	(2,236)	(976,285)	(2,071)	(22,465)	-	(1,003,057)
At 31 March 2021	<u>1,420,588</u>	<u>10,484,786</u>	<u>13,111,678</u>	<u>7,247,895</u>	<u>34,795,917</u>	<u>-</u>	<u>67,060,864</u>
Carrying amounts at 31 March 2021	<u>34,633,985</u>	<u>49,236,491</u>	<u>5,612,371</u>	<u>1,287,241</u>	<u>1,923,983</u>	<u>1,152,858</u>	<u>93,846,929</u>
<i>Carrying amounts that would have been recognised if Buildings and Plant & Machinery were stated at cost:</i>							
Cost	35,847,676	130,978,089	18,724,049	8,535,136	36,719,900	1,152,858	231,957,708
Accumulated depreciation	(6,302,710)	(92,717,697)	(13,111,678)	(7,247,895)	(34,795,917)	-	(154,175,897)
Net book value	<u>29,544,966</u>	<u>38,260,392</u>	<u>5,612,371</u>	<u>1,287,241</u>	<u>1,923,983</u>	<u>1,152,858</u>	<u>77,781,811</u>

SBC TANZANIA LIMITED

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

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

In March 2020, Property wise (T) Limited, an independent professional valuer's firm valued the buildings and plant & machinery at TZS 35,268,000,000 and TZS 50,732,160,865 respectively. The method of valuation used was the depreciated replacement cost approach as no evidence of market-based value was available.

The resulting surplus on the revaluation of buildings and plant & machinery amounting to TZS 2,526,427,812 and TZS 9,536,579,471 respectively was credited to revaluation reserve after considering deferred tax and is being amortised over the remaining useful life of the buildings and plant & machinery.

In 2014, Majengo Estates Developers Limited, an independent professional valuer's firm, valued the buildings and plant & machinery that resulted into a revaluation surplus of TZS 853,143,000 and TZS 12,575,121,000 respectively.

H&R Consultants Ltd, an independent professional valuer's firm, carried out revaluations previously on 1 April 2005 that resulted into a revaluation surplus of TZS 2,661,183,000 and TZS 1,310,170,000 on buildings and plant & machinery at that time.

Valuation technique

The Company has used the Replacement Cost Method for purposes of determining both, asset replacement costs and depreciated replacement cost of plant & machinery and buildings where market evidence are not available or reliable.

Observable inputs

- Cost of construction per square meter
- Depreciation (ranging from 10% to 16%)

Movement in revaluation reserve

	2022	2021
	TZS'000	TZS'000
At 1 April	8,796,604	10,273,621
Annual release of reserve	(2,070,818)	(2,073,834)
Deferred tax on annual release	621,245	622,151
Disposal of revalued assets	-	(36,192)
Deferred tax on disposal	-	10,858
At 31 March	<u>7,347,031</u>	<u>8,796,604</u>

6. BOTTLES AND CRATES

	2022	2021
	TZS'000	TZS'000
Cost		
At 1 April	51,151,232	49,693,308
Additions	18,674,186	16,812,740
Fully depreciated during the year *	(14,108,401)	(15,354,816)
At 31 March	<u>55,717,017</u>	<u>51,151,232</u>
Depreciation		
At 1 April	25,913,193	26,538,633
Charge for the year	15,937,081	14,729,376
Fully depreciated during the year *	(14,108,401)	(15,354,816)
At 31 March	<u>27,741,873</u>	<u>25,913,193</u>
Net book value at 31 March	<u>27,975,144</u>	<u>25,238,039</u>

* This is to recognise the write down in the quantities of glass bottles and plastic crates based on their useful lives of three and five years respectively.

SBC TANZANIA LIMITED

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

7. INTANGIBLE ASSET

	2022	2021
	TZS'000	TZS'000
Cost – Computer software		
As at 1 April	1,281,151	1,281,151
Additions	45,292	-
As at 31 March	<u>1,326,443</u>	<u>1,281,151</u>
Accumulated amortization		
As at 1 April	838,750	669,826
Charge for the year	173,867	168,924
As at 31 March	<u>1,012,617</u>	<u>838,750</u>
Net book value		
As at 31 March	<u>313,826</u>	<u>442,401</u>

8. INVENTORIES

	2022	2021
	TZS'000	TZS'000
Raw materials	14,938,434	9,344,027
Consumables	2,130,418	1,773,234
Finished goods	4,229,913	4,066,306
Engineering spares	22,165,354	20,565,156
Provision	(1,540,174)	(1,636,439)
	<u>41,923,945</u>	<u>34,112,284</u>

The cost of inventories recognised as an expense and included in 'cost of sales' in the Company's profit or loss amounted to TZS 212,466,205,000 (2021: TZS 184,112,334,000).

Movement of provision:

Opening balance	(1,636,439)	(1,928,146)
Release to income statement	96,265	291,707
Closing balance	<u>(1,540,174)</u>	<u>(1,636,439)</u>

9. TRADE AND OTHER RECEIVABLES

	2022	2021
	TZS'000	TZS'000
Trade receivables – <i>see Note 25</i>	425,878	949,020
Due from related parties – <i>see Note 21</i>	6,402,310	5,400,357
Deposits and prepayments	9,406,060	16,404,201
Staff debtors	59,375	69,083
Other debtors	17,284,136	13,144,157
	<u>33,577,759</u>	<u>35,966,818</u>

10. CASH AND BANK BALANCES

	2021	2020
	TZS'000	TZS'000
Bank balances	3,960,029	1,630,129
Cash in hand	197,853	263,980
Cash and bank balances	<u>4,157,882</u>	<u>1,894,109</u>
Bank overdrafts used for cash management purposes	(22,350,430)	(21,837,613)
Cash and bank balances in the statement of cash flows	<u>(18,192,548)</u>	<u>(19,943,504)</u>

SBC TANZANIA LIMITED

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

10. CASH AND BANK BALANCES (CONTINUED)

At the reporting date, the Company recorded a bank ledger balance of TZS 3,959,987,000 (2021: TZS 1,630,129,000) in its statement of financial position as compared to the bank statement balance of TZS 4,950,293,000 (2021: TZS 1,986,280,000). The difference of TZS 990,306,000 (2021: TZS 356,151,000) is due to unpresented cheques and bank transfers in progress as at 31 March 2022.

The Company has the following overdraft facilities with NBC Limited:

- USD 5,950,000 (2021: USD 5,950,000) at an interest rate of 6% per annum and is automatically renewed annually unless either party proposes a change in the terms of limit or interest rate. As at 31 March 2022 the Company had utilized USD 4,701,317 (2021: USD 5,706,965);
- TZS 9,282,570,000 (2021: TZS 6,978,000,000) at an average interest rate of 8.75% per annum, expiring on 31 December 2022 and is renewable annually. As at 31 March 2021 the Company had utilized TZS 9,108,093,000 (2021: TZS 6,527,721,000).

The Company also has an overdraft facility with Standard Chartered Bank Tanzania Limited (SCB) of TZS 2,250,000,000 at an interest rate of 8.25% (2021: TZS 2,250,000,000). As at 31 March 2022 the Company had utilized TZS 2,237,151,000 (2021: TZS 1,972,714,000).

All overdraft facilities are secured by the Company's properties which are disclosed in Note 12.

11. SHARE CAPITAL

	2022	2021
	TZS'000	TZS'000
<i>Authorised share capital</i>		
68,573,000 Ordinary shares of TZS 1,000 each (2021: 68,573,000 ordinary shares of TZS 1,000 each)	<u>68,573,000</u>	<u>68,573,000</u>
<i>Issued and fully paid share capital</i>		
68,309,006 Ordinary shares of TZS 1,000 each (2021: 68,309,005 ordinary shares of TZS 1,000 each)	<u>68,309,006</u>	<u>68,309,005</u>

During the year, the Company issued an additional 1 ordinary share of TZS 1,000 each to Mr. Jayaraman Balasubramanian. (2021: The Company issued additional 11,545,003 ordinary shares of TZS 1,000 each to Tanzania Bottling Company, S.A.).

All shares rank equally with regard to the Company's residual assets. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

12. LOANS AND BORROWINGS

	31 March 2022		31 March 2021	
	Current	Non-Current	Current	Non-Current
	TZS'000	TZS'000	TZS'000	TZS'000
NBC Loan 1	-	-	1,160,472	-
NBC Loan 2	-	2,146,585	2,988,508	2,145,491
NBC Loan 3	2,545,253	8,663,692	2,315,451	11,208,945
SCB Loan	2,831,861	2,752,333	2,634,696	5,563,969
Alliance Finance Corporation Limited	108,804	242,634	133,986	351,438
Exim Insurance Advisor	1,925,741	-	-	-
	<u>7,411,659</u>	<u>13,805,244</u>	<u>9,233,113</u>	<u>19,269,843</u>

SBC TANZANIA LIMITED

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

12. LOANS AND BORROWINGS (CONTINUED)

	Opening TZS'000	Movement TZS'000	Closing TZS'000
NBC Loan 1	1,160,472	(1,160,472)	-
NBC Loan 2	5,133,999	(2,987,414)	2,146,585
NBC Loan 3	13,524,396	(2,315,451)	11,208,945
SCB Loan	8,198,665	(2,614,470)	5,584,194
Alliance Finance Corporation Limited	485,424	(133,986)	351,438
Exim Insurance Advisor	-	1,925,741	1,925,741
	<u>28,502,956</u>	<u>(7,286,052)</u>	<u>21,216,903</u>

Loan movement is comprised of the following:	2022 TZS'000	2021 TZS'000
Acquisition of new loan	1,925,742	-
Interest on loan	2,292,793	2,444,124
Repayment of loan (principal and interest)	<u>(11,504,587)</u>	<u>(12,207,762)</u>
	<u>(7,286,052)</u>	<u>(9,763,638)</u>

The Company has obtained various loans from NBC Limited (NBC) to finance the purchase of glass bottles and plastic crates, construction of the Mwanza factory and upgrade of plastic bottles (PET) line in Dar es Salaam. The interest rate on NBC's loans (TZS and USD) ranges between 8.85% and 9.5% per annum and is charged monthly on the outstanding balance for all the loans.

The Company also has a TZS loan from Standard Chartered Bank Tanzania Limited (SCB) to finance its capital expenditure requirements relating to the installation and upgrade of the PET line in Mbeya. This loan has an interest rate of 8.20%.

All loans are repaid on a monthly basis comprising of principal and interest over the term of the loans.

Loans and overdraft facilities (*Note 10*) are secured on pari passu basis by the following securities:

- Legal mortgage over (i) Plots 54/57 situated on Nyerere Road, Dar es Salaam; (ii) Plot no. 63 situated in Kiwalani, Temeke area, Dar es Salaam; (iii) Plot no. 212 situated along Nyerere Road, Kipawa Industrial area, Dar es Salaam; (iv) Plot no. 6 situated in Nyakato Industrial Area, Mwanza; (v) Plot no. 25 situated in Iyunga Industrial Area, Mbeya; (vi) Plot no. 792/11 situated at Little Ruaha, Iringa; and (vii) Plot no. 212 at Themis Hill, Arusha;
- Negative pledge over the current assets of the Company; and
- Debenture over the Company's fixed and floating assets including the plant and machinery registered to cover 130% of the total exposure.

13. TRADE AND OTHER PAYABLES

	2022 TZS'000	2021 TZS'000
Trade creditors	28,885,618	24,902,517
Due to related party – <i>see Note 21</i>	31,725,133	16,905,759
Customer deposits – refundable within a year	3,266,077	2,418,179
VAT and excise duty payable	5,008,273	4,156,561
Provision for leave pay	598,020	598,214
Other payables and accrued expenses	9,414,858	10,691,189
	<u>78,897,979</u>	<u>59,672,419</u>
Customer deposits refundable after a year (non-current)	<u>3,300,648</u>	<u>2,408,851</u>

SBC TANZANIA LIMITED

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

14. DEFERRED TAX ASSET

	1 Apr 2021	Movement	31 Mar 2022
	TZS'000	TZS'000	TZS'000
Property, plant & equipment and bottles & crates	(4,318,252)	(2,331,810)	(6,650,062)
Provisions and other temporary differences	(353,553)	109,846	(243,707)
Lease amortization – IFRS 16	(313,295)	(401,415)	(714,710)
Revaluation surplus	3,769,973	(621,245)	3,148,728
	(1,215,127)	(3,244,624)	(4,459,751)

	1 Apr 2020	Movement	31 Mar 2021
	TZS'000	TZS'000	TZS'000
Property, plant & equipment and bottles & crates	(3,115,428)	(1,202,824)	(4,318,252)
Provisions and other temporary differences	(42,300)	(311,253)	(353,553)
Lease amortization – IFRS 16	(82,403)	(230,892)	(313,295)
Revaluation surplus	4,402,980	(633,007)	3,769,973
	1,162,849	(2,377,976)	(1,215,127)

15. REVENUE FROM CONTRACT WITH CUSTOMERS

The Company generates revenue primarily from the sale of carbonated soft drinks packaged in glass bottles (RGB) and plastic bottles (PET).

	2022	2021
	TZS'000	TZS'000
Sales by packing:		
RGB	320,830,679	293,102,003
PET	95,832,541	85,862,191
Gross Revenue	416,663,220	378,964,194
<i>Less: Value Added Tax</i>	(63,144,768)	(57,199,349)
Net Revenue	353,518,452	321,764,845

Contract balances

Gross trade receivables as at the year-end amounted to TZS 568,889,000 (2021: TZS 1,145,713,000).

16. COST OF SALES

	2022	2021
	TZS'000	TZS'000
Manufacturing expenses	212,466,205	184,112,334
Freight costs	16,100,642	13,719,622
Excise duty	23,013,745	20,764,395
	251,580,592	218,596,351

17. OTHER OPERATING INCOME

	2022	2021
	TZS'000	TZS'000
Other income	811,159	928,613
Gain on disposal of items of property, plant and equipment	9,908	14,638
Customer deposits written back	3,200,988	2,503,893
	4,022,055	3,447,144

SBC TANZANIA LIMITED

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

18. LOSS BEFORE TAXATION

	2022	2021
	TZS'000	TZS'000
<i>Loss before taxation is stated after charging:</i>		
Staff costs	36,541,742	35,788,202
Depreciation of property, plant and equipment	16,506,790	14,981,763
Depreciation of bottles and crates	15,937,081	14,729,376
Directors' remuneration (Note 21)	757,607	679,776
Audit fee	151,125	149,184
Amortization - Intangible asset	173,867	168,924
Depreciation on right of use assets	5,717,694	5,279,461
Interest expenses of leases	888,567	895,925

19. A. TAX (CREDIT)/EXPENSE

	2022	2021
	TZS'000	TZS'000
Current tax charge	811,015	2,571,967
Deferred tax credit	(3,244,624)	(2,377,976)
	(2,433,609)	193,991
<u>Tax rate reconciliation</u>		
Tax at standard rate of current tax	(2,526,852)	(236,157)
<i>The standard rate has been affected by:</i>		
- Effect of non-deductible expenses	93,243	223,627
- Tax effect on income not taxed previously, taxed this year	-	206,521
Effective current tax	(2,433,609)	193,991

The Company is required to comply with the tax legislation provisions by self-assessment. The Company's current tax affairs have been cleared with Tanzania Revenue Authority up to the year of income 2021.

B. CURRENT TAX RECEIVABLE

	2022	2021
	TZS'000	TZS'000
Opening balance	925,549	1,270,325
Charge for the year	(811,015)	(2,571,968)
Tax paid during the year	1,479,383	2,227,192
	1,593,917	925,549

20. LOSS PER SHARE

Earnings per share is calculated by dividing the profit/(loss) (before other comprehensive income) attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. The earnings per share is calculated as follows:

	2022	2021
Loss attributable to ordinary shareholders (TZS'000)	(5,989,230)	(981,180)
Number of ordinary shares outstanding during the year	68,309,006	68,309,005
Loss per share	TZS (88)	TZS (14)

SBC TANZANIA LIMITED

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

21. RELATED PARTY TRANSACTIONS

SBC Tanzania is a 99.9% subsidiary of Tanzania Bottling Company S.A. (originally established in Panama and continued into the British Virgin Islands on 15 February 2022). MAK Holdings Ltd (incorporated in Bermuda) owns 100% shares of Tanzania Bottling Company S.A. and the ultimate parent company of MAK Holdings Ltd is Continental Beverages SAL Offshore (incorporated in Lebanon). Through common shareholding the Company is also related to SBC Beverages Ghana Limited, SBC Kenya Limited, Seven-up Bottling Company Ltd, Nigeria and New Age Beverages Limited, Tanzania.

Financing transactions

During the year, Jayaraman Balasubramanian subscribed to 1 ordinary shares of TZS 1,000 each (2021: Tanzania Bottling Company S.A. subscribed to 11,545,003 ordinary shares of TZS 1,000 each).

Trading transactions

Sale of finished goods (PET) to SBC Kenya Limited worth USD 0.55 Million ~ TZS 1.34 Billion (2021: USD 0.57 Million ~ TZS 1.32 Billion). The Company purchased and sold concentrate from and to SBC Kenya Limited worth USD 0.023 Million ~ TZS 0.055 Billion and USD 0.02 Million ~ TZS 0.04 Billion respectively (2021: The Company did not purchase concentrate nor machinery during the year from SBC Kenya Limited).

Purchase of concentrate from Continental Beverages SAL (Offshore) worth USD 17.24 Million ~ TZS 40.31 Billion (2021: USD 15.58 Million ~ TZS 36.41 Billion); sale of machinery and spare parts worth of EUR 7,048 ~ TZS 19.81 Million and USD 1.67 Million ~ TZS 3.90 Billion; (2021: purchase of machinery worth of EUR 1.6 Million ~ TZS 4.47 Billion; purchase of coolers worth USD 0.41 Million ~ TZS 1.0 Billion; purchase of spares worth USD 0.071 Million ~ TZS 166.56 Million and sale of concentrate worth USD 8,632 ~ TZS 20 Million).

Sale of finished goods (PET) worth TZS 814 Million to New Age Beverages Limited (2021: TZS 1.209 Billion); the Company made payments amounting to TZS 37 Million on behalf of New Age Beverages Limited (2021: TZS 4 Million); the Company has leased warehouse space with an annual lease rentals of TZS 28 Million (2021: TZS 55 Million).

Tanzania Bottling Company S.A. did not make payment on behalf of the Company to an existing trade creditor (2021: USD 2.4 Million ~ TZS 5.764 Billion).

SBC TANZANIA LIMITED

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

21. RELATED PARTY TRANSACTIONS (CONTINUED)

	2022	2021
	TZS'000	TZS'000
Amount due from related parties: (See Note 9)		
SBC Beverages Ghana Ltd	699,295	698,100
SBC Kenya Limited	4,687,854	3,512,322
New Age Beverages Limited	1,015,161	1,189,935
	<u>6,402,310</u>	<u>5,400,357</u>
Amount due to related parties: (See Note 13)		
Continental Beverages SAL (Offshore)	27,482,878	8,104,181
Seven-up Bottling Company PLC	49	-
Tanzania Bottling Company, S.A.	4,242,206	8,801,578
	<u>31,725,133</u>	<u>16,905,759</u>
	2022	2021
	TZS'000	TZS'000
Directors' remuneration		
Mr. Avinash Jha	609,828	542,077
Mr. Ziad El-Khalil	147,779	137,699
	<u>757,607</u>	<u>679,776</u>

Directors' remuneration includes salaries and short-term non-cash benefits.

22. LEASES

i. Right-of-Use Assets

	Residential	Depot	Vehicles	Total
	TZS'000	TZS'000	TZS'000	TZS'000
31 March 2022				
Cost				
As at 1 April 2021	2,048,513	783,182	14,672,111	17,503,806
Additions	1,107,866	400,214	8,531,790	10,039,870
Adjustment	(36,621)	46,626	(674,183)	(664,178)
As at 31 March 2022	<u>3,119,758</u>	<u>1,230,022</u>	<u>22,529,718</u>	<u>26,879,498</u>
Accumulated Depreciation				
As at 1 April 2021	1,402,921	464,748	6,889,537	8,757,206
Charge for the year	767,548	239,907	4,710,239	5,717,694
As at 31 March 2022	<u>2,170,469</u>	<u>704,655</u>	<u>11,599,776</u>	<u>14,474,900</u>
Net Book Value	<u>949,289</u>	<u>525,367</u>	<u>10,929,942</u>	<u>12,404,598</u>
31 March 2021				
Cost				
As at 1 April 2020	1,825,842	783,182	12,053,900	14,662,924
Additions	222,671	-	2,618,211	2,840,882
As at 31 March 2021	<u>2,048,513</u>	<u>783,182</u>	<u>14,672,111</u>	<u>17,503,806</u>
Accumulated Depreciation				
As at 1 April 2020	648,449	230,881	2,598,415	3,477,745
Charge for the year	754,472	233,867	4,291,122	5,279,461
As at 31 March 2021	<u>1,402,921</u>	<u>464,748</u>	<u>6,889,537</u>	<u>8,757,206</u>
Net Book Value	<u>645,592</u>	<u>318,434</u>	<u>7,782,574</u>	<u>8,746,600</u>

SBC TANZANIA LIMITED

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

22. LEASES (CONTINUED)

ii. Lease Liabilities

	Residential TZS'000	Depot TZS'000	Vehicles TZS'000	Total TZS'000
As at 1 April 2021	512,136	469,847	9,534,894	10,516,877
Additions	1,107,866	400,214	8,531,790	10,039,870
Interest expense	49,057	42,473	797,037	888,567
Payments	(716,475)	(292,153)	(4,259,584)	(5,268,212)
Adjustment	(36,621)	46,626	(674,183)	(664,178)
Exchange gain	10,526	-	134,558	145,084
As at 31 March 2022	<u>926,489</u>	<u>667,007</u>	<u>14,064,512</u>	<u>15,658,008</u>

Represented by:

Non-current	135,547	207,852	8,134,229	8,477,628
Current	790,942	459,155	5,930,283	7,180,380
As at 31 March 2022	<u>926,489</u>	<u>667,007</u>	<u>14,064,512</u>	<u>15,658,008</u>

1 April 2020	1,066,842	614,784	10,023,666	11,705,292
Additions	222,673	-	2,618,211	2,840,884
Interest expense	42,778	48,746	804,401	895,925
Payments	(827,363)	(193,683)	(3,943,322)	(4,964,368)
Exchange gain	7,206	-	31,938	39,144
31 March 2021	<u>512,136</u>	<u>469,847</u>	<u>9,534,894</u>	<u>10,516,877</u>

Represented by:

Non-current	78,663	381,773	5,756,673	6,217,109
Current	433,473	88,074	3,778,221	4,299,768
At 31 March 2021	<u>512,136</u>	<u>469,847</u>	<u>9,534,894</u>	<u>10,516,877</u>

Amounts recognised in the statement of profit or loss and other comprehensive income:

	2022 TZS'000	2021 TZS'000
Depreciation expense of right-of-use assets	5,717,694	5,279,461
Interest expense on lease liabilities	888,567	895,925
Total	<u>6,606,261</u>	<u>6,175,386</u>

Amounts recognised in the statement of cash flows:

	2022 TZS'000	2021 TZS'000
Payment of lease liability – Principal	4,379,645	4,068,443
Payment of lease liability – Interest	888,567	895,925
	<u>5,268,212</u>	<u>4,964,368</u>

23. CAPITAL COMMITMENTS

The Directors confirm that the Company did not have any significant capital commitments as at 31 March 2022 (2021: NIL).

SBC TANZANIA LIMITED

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

24. CONTINGENT LIABILITIES

As at 31 March 2022, the Company was a defendant in several lawsuits. The Directors and legal counsel are of the view no material liabilities are expected to crystalize from these lawsuits. The value of contingencies as at 31 March 2022 amounted to TZS 353 Million.

25. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks, including credit risk and the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance. This note presents information about the Company's exposure to financial risks, the Company's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

a. Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from customers. About 98% of the Company's sales are for cash, therefore, the Company's exposure to credit risk is very low.

To manage the level of credit risk, the Company focuses on customer satisfaction as a key performance indicator. It also maintains a short credit period for a select few customers. Due to the nature of the Company's activities, credit risk concentrations are high and as such close monitoring of credit relationships is carried out.

The carrying amount of financial assets represents the maximum exposure to credit risk. The maximum exposure to credit risk at the financial reporting date was:

	Carrying amount	
	2022	2021
	TZS'000	TZS'000
Bank balance	3,960,029	1,630,129
Trade receivables	425,878	949,020
Due from related parties	6,402,310	5,400,357
Staff debtors	59,375	69,083
Other debtors	17,284,136	13,144,157
Deposits	98,440	90,966
	<u>28,231,822</u>	<u>21,283,712</u>

SBC TANZANIA LIMITED

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

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

a) Credit risk (continued)

The Company holds cash and bank balances of TZS 3.962 Billion as at 31 March 2022 (2021: TZS 1.659 billion) with reputable financial institutions in Tanzania.

Impairment losses	2022	2022	2021	2021
	TZS'000	TZS'000	TZS'000	TZS'000
	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
Not past due	133,760	(33,625)	399,993	(68,670)
Past due 0-30 days	219,907	(55,282)	-	-
Past due 30-60 days	81,321	(20,443)	90,640	(15,561)
Past due 60-90 days	26,900	(6,762)	47,191	(8,102)
Past due more than 90 days	107,001	(26,899)	607,889	(104,360)
	568,889	(143,011)	1,145,713	(196,693)

Movement in allowance for impairment:	2022	2021
	TZS'000	TZS'000
Balance at 1 April	196,693	212,335
Impairment release	(53,682)	(15,642)
Balance at 31 March	143,011	196,693

Management believes that the amounts that are neither past due nor impaired will be collectible in full.

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted. All liquidity policies and procedures are subject to review and approval by the Board of Directors. The following are contractual maturities of financial liabilities at the reporting date:

As at 31 March 2022	Carrying amount TZS'000	Total contractual cashflows TZS'000	On demand TZS'000	Due within one year TZS'000	Due between one year and five years TZS'000
Non-derivative financial liabilities:					
Borrowings	21,216,903	21,216,903	-	7,411,659	13,805,244
Trade creditors	28,885,618	28,885,618	-	28,885,618	-
Due to related party	31,725,133	31,725,133	-	31,725,133	-
Other payables	9,414,858	9,414,858	-	9,414,858	-
Customer deposits	6,566,725	6,566,725	-	3,266,077	3,300,648
Bank overdrafts	22,350,430	22,350,430	22,350,430	-	-
Lease liabilities	15,658,008	16,679,340	-	7,224,258	9,455,082
	135,817,675	136,839,007	22,350,430	87,927,603	26,560,974

SBC TANZANIA LIMITED

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

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Liquidity risk (continued)

As at 31 March 2021	Carrying amount TZS'000	Total contractual cashflows TZS'000	On demand TZS'000	Due within one year TZS'000	Due between one year and five years TZS'000
Non-derivative financial liabilities:					
Borrowings	28,502,956	28,502,956	-	9,233,113	19,269,843
Trade creditors	24,902,517	24,902,517	-	25,387,941	-
Due to related party	16,905,759	16,905,759	-	16,905,759	-
Other payables	10,691,189	10,691,189	-	10,691,189	-
Customer deposits	4,827,030	4,827,030	-	2,418,179	2,408,851
Bank overdrafts	21,837,613	21,837,613	21,837,613	-	-
Lease liabilities	10,516,877	10,534,030	-	4,316,921	6,217,109
	118,183,941	118,201,094	21,837,613	68,953,102	27,895,803

c) Market risk

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's / issuer's credit standing) will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

i. Foreign currency risk

The Company is exposed to currency risk on transactions that are denominated in a currency other than the functional currency of the Company. The foreign currencies in which the Company transacts are: US Dollars (USD), South African Rand (ZAR), British Pound (GBP) and Euro (Euro).

To manage the foreign exchange risk, the Company maintains bank accounts in foreign denominated currencies mainly US dollars to facilitate transactions in foreign currency. The Company also negotiates with its bankers to get favorable exchange rates when converting foreign currencies to the Tanzanian shilling.

Exposure to currency risk for foreign denominated amounts in the following classes of financial instruments; disclosure around market risk also relates to sensitivity analysis of the type of market risk – currency risk, showing how the income profit or loss and equity would have been affected by reasonably possible changes in the relevant risk variable at the year-end date.

SBC TANZANIA LIMITED

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

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

c) Market risk (Continued)

i. Foreign currency risk (continued)

2022

Balances denominated in	USD equivalent TZS'000	ZAR equivalent TZS'000	GBP equivalent TZS'000	EURO equivalent TZS'000	Total equivalent TZS'000
Cash and bank balances	31,850	-	-	-	31,850
Due from related party	5,387,149	-	-	-	5,387,149
Trade payables (including related party)	(16,142,861)	-	(10,377)	(93,592)	(16,246,830)
Bank overdrafts	(11,567,344)	-	-	-	(11,567,344)
Lease liabilities	(3,071,697)	-	-	-	(3,071,697)
Net exposure	(25,362,903)	-	(10,377)	(93,592)	(25,466,872)

2021

Balances denominated in	USD equivalent TZS'000	ZAR equivalent TZS'000	GBP equivalent TZS'000	EURO equivalent TZS'000	Total equivalent TZS'000
Cash and bank balances	32,356	-	-	-	32,356
Due from related party	4,210,422	-	-	-	4,210,422
Trade payables (including related party)	(17,789,397)	(6,751)	(34,942)	(86,421)	(17,917,511)
Bank overdrafts	(13,337,177)	-	-	-	(13,337,177)
Lease liabilities	(5,103,556)	-	-	-	(5,103,556)
Net exposure	(31,987,352)	(6,751)	(34,942)	(86,421)	(32,115,466)

The following exchange rates applied during the year:

	Closing		Average	
	2022 TZS	2021 TZS	2022 TZS	2021 TZS
USD	2,341	2,337	2,310	2,341
EUR	2,650	2,774	2,673	2,772
GBP	3,120	3,275	3,140	3,119
ZAR	161	171	159	157

SBC TANZANIA LIMITED

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

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

c) Market risk (Continued)

i. Foreign currency risk (Continued)

Sensitivity analysis

A 10 percent strengthening/weakening of the Tanzanian shilling against the following currencies would have increased/decreased profit or loss and equity by amounts shown below. This analysis assumes that all other variables, in particular interest and inflation rates, remain constant and ignores any impact of forecast sales and purchases.

	Profit or loss / Equity	
	2022	2021
	TZS'000	TZS'000
USD	2,536,290	3,198,735
EUR	9,359	8,642
GBP	1,038	3,494
ZAR	-	675

ii. Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Company's operations.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit.

This responsibility is supported by the development of overall company standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

iii. Interest rate risk

The Company has a minimal exposure to interest rate risk as most of the borrowings are at fixed interest rates. All TZS denominated loans are carried at a 182-day T-bill plus a fixed margin.

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

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

d) Capital management

The Company manages its capital to ensure that it is able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Company's overall strategy remains unchanged from 2017.

The capital structure of the Company consists of debt, which includes borrowings (Note 12) and bank overdraft (Note 10), less bank and cash balances and equity attributable to equity holders, comprising issued paid up capital and retained earnings.

There are no externally imposed capital requirements.

Gearing ratio

The gearing ratio at the end of the year was as follows:

	2022 TZS'000	2021 TZS'000
Borrowings	21,216,903	28,502,956
Bank overdrafts	22,350,430	21,837,613
Cash and bank balances	(4,157,882)	(1,894,109)
Net borrowings	<u>39,409,451</u>	<u>48,446,460</u>
Equity (including revaluation reserves)	<u>73,459,911</u>	<u>79,449,140</u>
Net debt to equity ratio	<u>0.54</u>	<u>0.61</u>

26. ACCOUNTING CLASSIFICATION AND FAIR VALUES

The Company measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1:

Inputs that are quoted market prices (unadjusted) in active markets for identical instruments. The Company does not have financial instruments under level 1.

Level 2:

Inputs other than quoted prices included within level 1 that are observable either directly or indirectly or other valuation techniques in which all significant inputs are directly or indirectly observable from market data. These are financial assets and liabilities that are not measured at fair value, but their fair value does not differ from their carrying value materially due to their short-term nature.

Level 3:

Inputs that are unobservable. This category includes instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on their valuation. The Company does not have financial instruments under this level.

The following table shows the carrying amounts and fair value of financial assets and financial liabilities, including their levels in the fair value hierarchy as described above.

SBC TANZANIA LIMITED

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

26. ACCOUNTING CLASSIFICATION AND FAIR VALUES (CONTINUED)

	Financial assets at amortized cost TZS'000	Financial liabilities at amortized cost TZS'000	Total TZS'000
2022			
Financial assets not measured at fair value			
Trade and other receivables *	24,171,699	-	24,171,699
Cash and bank balances	4,157,882	-	4,157,882
	<u>28,329,581</u>	<u>-</u>	<u>28,329,581</u>
Financial liabilities not measured at fair value			
Borrowings	-	21,216,903	21,216,903
Trade and other payables **	-	76,592,334	76,592,334
Bank overdraft	-	22,350,430	22,350,430
Lease liabilities	-	15,658,008	15,658,008
	<u>-</u>	<u>135,817,675</u>	<u>135,817,675</u>
2021			
Financial assets not measured at fair value			
Trade and other receivables *	19,562,617	-	19,562,617
Cash and bank balances	1,894,109	-	1,894,109
	<u>21,456,726</u>	<u>-</u>	<u>21,456,726</u>
Financial liabilities not measured at fair value			
Borrowings	-	28,502,956	28,502,956
Trade and other payables **	-	57,326,495	57,326,495
Bank overdraft	-	21,837,613	21,837,613
Lease liabilities	-	10,516,877	10,516,877
	<u>-</u>	<u>118,183,941</u>	<u>118,183,941</u>

* Trade and other receivables excluding prepayments and deposits.

** Trade and other payables excluding VAT, excise duty and provision for leave pay.

The Company has not disclosed the fair value of financial instruments such as short-term receivables and payables because their carrying amounts are a reasonable approximation of the fair value hence, they are presented under “financial assets not measured at fair value”. Borrowings have rates of interest close to market rates hence its fair value does not differ materially from its carrying amount.

27. SUBSEQUENT EVENTS

The Directors are not aware of any material events or circumstances that have arisen between the accounting date and the date of signing of these financial statements that require adjustments or additional disclosure in the financial statements.