
JITEGEMEE HOLDINGS COMPANY LIMITED
ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

JITEGEMEE HOLDINGS COMPANY LIMITED

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JITEGEMEE HOLDINGS COMPANY LIMITED

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

COMPANY INFORMATION

REGISTERED ADDRESS

Lumumba/Somali/Kiungani
Gerezani
Ilala Municipal Council
Dar es Salaam
Tanzania

**PRINCIPAL PLACE OF
BUSINESS**

Lumumba/Kiungani
Ilala Municipal Council
Dar es Salaam
Tanzania

AUDITORS

Shepherd Consulting
25 Mkadini Road, Oyster Bay
P.O. Box 20751
Dar es Salaam, Tanzania
info@shepherd.co.tz

TAX CONSULTANTS

Claritas International
4th Floor, 395 Ursino Building
Morocco Junction, along Mwai Kibaki Road
P.O. Box 76062
Dar es Salaam, Tanzania

BANKERS

CRDB Bank Plc.
Dodoma Branch
P. O. Box 401
Dodoma, Tanzania

JITEGEMEE HOLDINGS COMPANY LIMITED

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

THE REPORT BY THOSE CHARGED WITH GOVERNANCE

1. The directors have pleasure to submit their report together with the audited financial statements for the year ended 30 June 2022, which disclose the state of affairs of Jitegemee Holdings Company Limited (the "Company").

2. INCORPORATION AND REGISTRATION

The Company is domiciled in Tanzania where it is incorporated as a private company limited by shares under the Companies Act, 2002 of Tanzania on 17th March 2020. The address of the registered office is set out on page 1.

3. COMPANY'S VISION

To be a respected, trusted Mining Corporation that operates responsibly and contributes to sustainable development.

4. COMPANY'S MISSION

To build and maintain long-term, stakeholders-focused mining company that provides excellent returns and growth potential, delivered with the highest level of integrity, communication and service.

5. PRINCIPAL ACTIVITIES

The principal activities of the Company are Mining Activities.

6. DIRECTORS

The directors who served the Company during the year, and to the date of this report, are as follows

Name	Designation	Nationality	Profession	Appointment/ (Resignation)
Christopher M Gachuma	Chairman	Tanzanian	Business Man	(December 2021)
Brig. Aloyce Mwanjile	Member	Tanzanian	Civil Servant	(December 2021)
Fadhili Kindamba	Member	Tanzanian	Civil Servant	(December 2021)
Dr. George Nangale	Member	Tanzanian	Business man	(December 2021)
Dr. Anorid Kihale	Member	Tanzanian	Economist	(December 2021)
Rahma Ali Khamis	Member	Tanzanian	Business	(December 2021)
Salim Faraj Abri	Chairman	Tanzanian	Business Man	December 2021
Elijah Mwandumba	Member	Tanzanian	Finance	December 2021
Boscow Mbena	Member	Tanzanian	Quality	December 2021
Godwin Msigwa	Member	Tanzanian	Business Man	December 2021

7. DIRECTORS' INTEREST IN THE COMPANY

None of the directors has any interest in the shares of the Company at any time during the year. None of the directors has a material interest in any contract of significance with the Company during the year.

JITEGEMEE HOLDINGS COMPANY LIMITED

**ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS
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THE REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

8. CAPITAL STRUCTURE

The Company's capital structure for the year under review was as shown below:

Authorized	100,000 Ordinary Shares of TZS 10,000 each
Issued up and fully paid	100,000 Ordinary Shares of TZS 10,000 each

Detail of the capital structure are disclosed under Note 17 to the financial statements.

9. SHAREHOLDING

The shareholding of the Company is as below:

Name	Shareholding (%)	2021/2022 Value in TZS'000	2020/2021 Value in TZS'000
The Registered Trustees of Chama Cha Mapinduzi	99.99%	999,900	999,900
Jitegemee Trading Company Limited	0.01%	100	100
		1,000,000	1,000,000

10. ULTIMATE HOLDING COMPANY

The Ultimate holding company is The Registered Trustees of Chama Cha Mapinduzi domiciled in Tanzania.

11. STAKEHOLDERS RELATIONSHIP

Jitegemee holdings Company Limited is fast growing company in Tanzania economy. It is among of the three major producer of coal in Tanzania and a second contributor of high return and tax in Ruvuma Region. Recently the Company is running two main projects which are coal mining project and raw salt production project since its registration in a year 2020.

During its operation, the Company has got various stakeholders involving in business particularly in coal project business which is a major project right now. Here under below have been explains a status of currently major stakeholders:

Customers and communities

For the sake of customers, the Company has been providing with good quality product and services as per prior mutual commitments. However, the Company is providing fairly and affordable competitive price to our customers. To the other side of community, particularly to villages surrounding the Company's working sites, the Company has already committed to implement corporate social responsibility (CSR) compliance as per villagers' requirements. Apart from that, the Company has been providing various non-mandatory social related contributions such as road maintenance, recruiting non-skilled and skilled labours.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

11. STAKEHOLDERS RELATIONSHIP (Continued)

The Company's employees

The Company has employed more than 75 employees including skilled and non-skilled labours. To safeguard a good relationship with employees, the Company has been paying market related salaries and wages. Also, the Company has been paying all mandatory payments and other benefits for employees including health insurance, skills development levy, and yearly bonus where necessary. Nevertheless, the Company is providing an equal opportunity regardless of gender, race, religion and tribe in recruiting employees in line with recognizing a contribution of each employee.

Local and central government

A Company has a close relationship with government including local and central government authorities such as ministries, agencies and departments. Government authorities is only a body which provide with rules, regulations, policies and laws to govern the Company business in our country. Thus, to maintain a good relationship with a government as among of our stakeholder, a Company has been obeying those institutions by paying returns such as value added tax, corporate tax, fees, city levies and other charges to both local and central government through its authorities.

12. PRINCIPAL RISKS, UNCERTAINTIES AND OPPORTUNITIES

The future is full of uncertainty; thus, many things tend to happen and change hence for healthier implementation of Company's objectives. The principal risks and uncertainty perceived by the Company and the measures taken by the Company to mitigate them are as follows:

Political Risk

The risk a company could suffer as a result of political changes or policy changes in a country. Currently the Country has political stability hence the operations of the Company for the given reporting period has not been affected by any political matters in all areas of production and transportation, also policy changes has been in favor of the business.

Economic risk

The economic environment is important because of the rapid integration of international economic markets. Increasingly in demand of coal in the world marked realize that the Company affected by what is happening around the world, there is opportunity for the Company to prosper during high demand of Coal recently. However, there is a high risk for decline of world coal market in future due environmental and political factors, the Company has put its strategies to ensure it diversify its capital to other business projects such as Salt, Gypsum, Graphite, Nickel and Copper for the sustainability of the Company.

Environmental Risk

Environmental risks include pollution, radiation, noise, land use patterns, work environment, and climate change. These risks are driven by activities of the Company that may affect the human health around the area of operations and business. To avoid the occurrence of any risk associated with the environment the Company usually perform regular safety audits and risk assessment to evaluate how likely it is that the environment may be impacted as a result of Company operations to ensure it comply with regulators such as National Environment Management Council (NEMC) and Occupational Safety and Health Administration (OSHA) and prioritize mental health in professional settings.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

12. PRINCIPAL RISKS, UNCERTAINTIES AND OPPORTUNITIES (Continued)

Operational Risk

This is the risk of losses caused by flawed or failed processes, policies, systems or events that disrupt business operations. Poor internal control in the Company lead to errors, frauds and theft for unfaithful employees. Also, poor system may disrupt daily operation and result to loss of revenue. To overcome this risk the Company has invested in human resource to ensure the Company conducting staff engagement meetings, and training for staff who have knowledge gaps to ensure they become competent. The Company has invested in technology to ensure all operations are done and monitored by the system to avoid human errors. High investment has been made on Machinery and Equipment to ensure daily operation target is achieved to meet customers' demand.

13. EMPLOYEE WELFARE

Management and employees' relationship

Management/employee relationship continued to be good during the period. Any complaints are resolved through discussions and work morale continues to be good. There were no unresolved complaints by the employees at the end of the period.

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

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

Medical assistance

Members of staff were availed medical allowance whenever they fell sick for the year ended 30 June 2022.

Health and safety

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

Financial assistance to staff

Financial assistance is available to all employees depending on the assessment of management as to the need and ability of the Company to help.

14. CORPORATE GOVERNANCE

Code of Corporate Practice and Conduct

The Company is committed to the principles of effective corporate governance and the Board of Directors is of the opinion that the Company currently complies with the principles.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

14. CORPORATE GOVERNANCE (Continued)

The Board of Directors

The Board of Directors (the "Board") consists of four directors. The Board of directors takes overall responsibility for the Company, including responsibility for identifying key risk areas, considering and monitoring investment decisions, considering significant financial matters, reviewing the performance of management business plans and budgets. The Board is able responsible for ensuring that comprehensive system of internal control is effectively maintained for compliance with Good Corporate Governance principles.

The Board is chaired by the non-executive director, who has no operational functions in the Company. The roles of Chairman and Managing Director are separate, with each having set responsibilities.

The Board is confident that its members have the knowledge, talent and experience to lead the Company. Some of the non-executive directors are independent from management and the Company. With their depth of experience in Business, Tax and Accounting, and Mining activities, they add value to Board deliberations.

The Board is required to meet at least four times per year. The Board delegates the day-to-day management of the business to the Managing Director, assisted by the senior management team. Senior management is invited to attend Board meetings and facilitates effective communication and control over all of the Company's operational activities, acting as a medium of co-ordination between the Board and the various business units.

All directors have access to the Company Secretary and his services and may seek independent professional advice if necessary. It is the Company's philosophy to manage and control its business on a decentralized basis. Senior management meets on a monthly basis to review the results, operations, key financial indicators and business strategies of the Company. Board meetings are held quarterly to deliberate on the results of the Company.

The Company is committed to the principles of effective corporate governance. The Directors also recognize the importance of integrity, transparency and accountability. During the year, two board meetings were held and the matters discussed include the appointment of Managing Director, Approval of various company policies, approval of budgets for 2022/2023 financial year, update on the business performance, and business growth.

Performance evaluation and reward

The Company utilizes the results of market surveys to ensure market related salaries are paid and that market related trends are followed in terms of changes in benefits, while at the same time considering the intrinsic value of individual contributions to the Company.

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:

- Business sustainability under normal as well as adverse conditions; and
- Responsible behaviors towards all stakeholders.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

14. CORPORATE GOVERNANCE (Continued)

Risk Management and Internal Control (Continued)

- The effectiveness and efficiency of operations;
- The safeguarding of the Company's assets (including information);
- Compliance with applicable laws and regulations;
- The reliability of accounting records;

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. Consequently, even a strict and efficient internal control system can provide no more than a reasonable measure of assurance in respect of the above-mentioned objective.

The Board assessed the internal control systems throughout the financial year ended 30 June 2022 and is of the opinion that they met accepted criteria. The Board carries out risk and internal control assessment through external consultant.

Ethical behavior

The Company's Code of Conduct governs all its activities, internal relations and interactions with stakeholders in accordance with its ethical values. It is expected of all staff to maintain a high level of integrity and honesty in dealing with customers, suppliers, service providers and colleagues.

Compliance with the Code of Conduct is the ultimate responsibility of the Managing Director and the Human Resources and legal Manager, with day-to-day monitoring delegated to line management with the support of personnel officers. The code is supplemented by the Company's values philosophy as well as its employment practices, occupational health and safety controls.

Business ethics and organizational integrity

The Company's Code of Conduct commits it to the highest standards of integrity, conduct and ethics in its dealings with all parties concerned, including its directors, managers, employees, customers, suppliers, competitors, investors, shareholders and the public in general. The directors and staff are expected to fulfill their ethical obligations in such a way that the business is run strictly according to fair commercial competitive practices.

Internal audit

The Company has outsourced internal audit function. The independent internal auditor is responsible with planning, assessing and reporting the internal audit plan. The independent internal auditor reports to the Chairman of the Audit Committee. The board approves the internal audit charter, annual audit plan, monitors execution of audits, and evaluates audit findings, recommendations and implementation of recommendations by Management.

Principal risks and uncertainties

The principal risks that may significantly affect the Company's strategies and development are mainly operational, fraud and financial risks as described below:

Fraud risk

The Company could incur losses resulting from fraudulent transactions, but controls designed to mitigate this risk are in place.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

14. CORPORATE GOVERNANCE (Continued)

Operational risk

This is a risk resulting from the Company's activities not being conducted in accordance with formally recognised procedures. Management ensures that the Company complies with internal policies and procedures.

Financial risk

The Company's activities expose it to a variety of financial risks and the activities involve the analysis, evaluation, acceptance and management of some degree of risk or combinations of risks. More detail on the financial risks facing the Company is presented in Note 24 to the financial statements.

Financial reporting and auditing

The directors accept final responsibility for the preparation of the financial statements which fairly present:

- The financial position of the Company as at the end of the year under review;
- The financial results for the year, as well as;
- The cash flows for that year.

The responsibility for compiling the annual financial statements was delegated to management. The external auditor has examined and reported on whether the financial statements are fairly presented.

The directors are satisfied that during the year under review:

- Adequate accounting records were maintained;
- An effective system of internal control and risk management, monitored by management, was maintained;
- Appropriate accounting policies, supported by reasonable and prudent judgments and estimates, were used consistently; and
- The financial statements were compiled in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2002 of Tanzania.

The directors are also satisfied that no event has occurred subsequent to year-end up to the date of this report which could have a material effect on the results of the Company.

The directors are of the opinion that the Company has sufficient resources and commitments at its disposal to operate the business for the foreseeable future and the financial statements have been prepared on a going concern basis.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

14. CORPORATE GOVERNANCE (Continued)

Directors' evaluation and training

The Board itself regularly plans to undergo self-assessment and evaluation in order to improve the internal Governance of the Board.

Training is provided in order to ensure the Board keeps abreast with current developments in the market. In 2021/2022, the Board attended to the induction training held in December 2021. Also, in 2022/2023 the Board is planning to attend other training programs to ensure it keep up with current issues in the mining sector and business as well.

15. REMUNERATION POLICIES

The Company has formal processes and procedures in place for determining remuneration paid to its directors. Management periodically prepares a proposal for fees and other emoluments to be paid to directors after having conducted market surveys forwarding the same to the Annual General Meeting (AGM) for final approval.

16. FUTURE PLAN

It is the goal of the directors to maximise production whilst minimising production costs. This will be achieved through various productively initiatives such as conducting a thoroughly research before launching new product line; Increase Machinery and Equipment's, use of advanced technology and system, preparing monthly cost analysis; setting and reviewing sales price with respect to cost of production and prevailing market price; Motivating staffs and building strong institutions through company operational procedures and investment policy to bring operational effectiveness, among others.

17. MANAGEMENT

The management of the Company is led by the Managing Director and is organized in the following functions:

- Finance and Administration
- Human Resources and Legal
- Production
- Workshop and Maintenance
- Sales and Marketing
- Research and Planning

18. GENDER PARITY

The Company is an equal opportunity employer. It provides 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 Company had 57 (2021: Nil) employees, of which 10 were female and 47 were male. Also, the Company had 18 number of casual labours and 1 Trainee (2021: Nil).

THE REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

19. ADMINISTRATIVE EFFICIENCY

The Company's management has requisite skills and competence is therefore capable of handling all administrative matters efficiently.

20. FINANCIAL PERFORMANCE FOR THE YEAR

During the year, the Company recorded a net profit after tax of TZS 3,916 million (2021: a loss of TZS 50 million), an increase of more than 100% as compared to previous year. This increase in profit was mainly attributed to growth of sales from TZS 2.6 million to TZS 15,929 million and the reduction in cost such as leases charges by purchasing our own new equipment's.

Yearly Growth

Jitegemee Holdings Company Limited has achieved a turnover of TZS 15,929 million an increase over 100% compared to previous financial year 2021 which recorded turnover of TZS 2.6 million. The Company has also achieved profit before tax of TZS 5,596 million against loss before tax of TZS 50 million achieved in previous year. The Company achieved all these as a new registered company in one of the complex and competitive sectors in the world market.

Key Performance Indicators

In order to succeed the Company has set out standards of performance to achieve the Company goals, below are key performance indicator the Company set to evaluate its performance year on year.

KPI	2021/2022	2020/2021
Coal production (MT)	209,085.60	118.80
Salt production (MT)	149.10	-
Coal sold (MT)	177,381.24	20.00
Salt sold (MT)	149.10	-
Coal turnover (TZS)	15,914,301,080	2,555,000
Salt turnover (TZS)	14,612,000	-
Gross profit/(loss) (TZS)	7,130,757,000	(29,494,000)
Gross profit/(loss) margin (%)	44.76%	(11.54%)
Profit/(Loss) before tax (TZS)	5,596,015,000	(50,053,000)
Net profit/(Loss) margin (%)	24.27%	(19.59%)
Inventory turnover (Ratio)	4.40	0.16
Trade receivable turnover (Ratio)	5.32	0.04
Current ratio	1.13	1.34
Quick/Acid test ratio	0.94	0.40

THE REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

20. FINANCIAL PERFORMANCE FOR THE YEAR (CONTINUED)

The entity's performance has been influenced by the strong relationship with the key customers, creditors, employees, government agencies etc.

21. COMPANY OBJECTIVES

In order to maximize shareholder value, the Company has set goals and strategies to deliver sustainable profitable growth. The main objective of the Company is to be one of the biggest mining industries globally. During the year, the board has been able to achieve the below strategic objectives set out in the 3-5-year plan:

- To have blocks that have been studied geologically and contain high-quality of coal minerals that are available in abundance and at low cost.
- To employ quality and best machinery and Equipments to be used in mining and processing activities with great efficiency in the right time.
- To provide better service in the Company project sites and to all stakeholders.
- To recruit human resources with the right skills and great professionalism according to their roles in the work area.

Also, the Company's objectives that are in good progress are:

- To build an effective IT system for monitoring the activities of the Project, financial systems and strengthening the protection and security of the project.
- To provide with good infrastructure including buildings for storing chemicals and explosives; roads, electricity, water, offices, garages, oil stations for operating machinery and servants' houses.
- To build strong coordinated management team in line with good governance of the Company.

22. RESOURCES

Apart from those items that are reflected in the statement of financial position, the Company has key strengths and resources, both tangible and intangible, which support the pursuit of the Company's objectives. These resources are high quality proven coal reserves of more than 60 million tons, competent management, prominent professionals from diverse fields of mining professionals such as geologists, mining engineers, workshop superintendent, mine superintendent, Health, Safety and environmental officers, surveyors, heavy duty machine operators, weigh bridge operators and other administrative staffs.

23. RESULTS AND DIVIDENDS

The Company made a profit before taxation of TZS 5,596 million during the financial year ended 30 June 2022 (2021: a loss before tax of TZS 50 million). The directors do not recommend payment of dividend (2021: Nil)

24. RESERVES

At 30 June 2022, the Company has retained earnings of TZS 3,879 million (2021: loss of TZS 35 million) as set out in the statement of financial position. The total reserves are TZS 4,878 million.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

25. LIQUIDITY

The Company is financed solely from its shareholder's fund.

26. CASH FLOW PROJECTIONS

The Company's cash flow projections indicate that sufficient positive cash flows will be generated from the Company's operating activities and the Company has access to working capital overdraft facilities or letter of credit with banks. The cash flow projection takes cognisance of capital expenditure commitments and other obligations. The Company's liquidity position is discussed further in Note 24 to the financial statements.

27. SOLVENCY

The directors consider the Company as going concern, that is, the Company will continue in operational existence for the foreseeable future and will be able to realise its assets and discharge its liabilities in the normal course of operation. The director confirms that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis. The Company's financial affairs at 30 June 2022 is set out on page 20 of these financial statements.

28. RELATED PARTY TRANSACTIONS

Details of transactions with related parties are disclosed in Note 21 to these financial statements.

29. INTERCOMPANY BALANCE

As 30 June 2022, the Company had a net outstanding balance due to related party amounting to TZS 3,862 million (2021: TZS 214 million)

30. ACCOUNTING POLICIES

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. The basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The Company's accounting policies, which are laid out in Note 2 to the financial statements are subject to an annual review to ensure continuing compliance with International Financial Reporting Standards.

31. ACQUISITIONS AND DISPOSALS

There were no material acquisitions or disposals of investments during the current year. (2021: NIL)

Information on the acquisition and disposal of property, plant and equipment is presented in Note 12 to the financial statements.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

32. POLITICAL DONATIONS

The Company did not make donations to any political parties or causes during the year.

33. SUSTAINABILITY MATTERS

The Company maintains high safety standards and complies with standards of Industrial Safety and Environmental Regulations established by the relevant authorities to the best of the directors' knowledge. The Company remains committed to continuing the focus on raising safety standards.

34. COMPLIANCE TO LAWS AND REGULATIONS

During the year, there were no serious judicial matters to report as required by the Tanzania Financial Reporting Standard No. 1 (The Report by those charged with Governance)

35. SERIOUS PREJUDICIAL MATTERS

In the opinion of the directors, there are no serious unfavourable legal matters that can affect the Company.

36. STATEMENT OF COMPLIANCE

The Report by those charged with Governance is prepared in compliance with the new Tanzania Financial Reporting Standard No. 1 (TFRS No. 1) as issued by the National Board of Accountants and Auditors (NBAA) and which became effective from 1 January 2021. The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and comply with the Companies Act, 2002 of Tanzania.

37. INDEPENDENT AUDITORS

The auditors, Shepherd Consulting, have expressed their willingness to continue in office and are eligible for re-appointment. A resolution proposing their re-appointment as the Company's auditors for the subsequent year will be put to the next Annual General Meeting for approval.

Company's External Auditors:

Shepherd Consulting
Certified Public Accountants
25 Mkadini Road, Oysterbay
P.O. Box 20751
Dar es Salaam, Tanzania

JITEGEMEE HOLDINGS COMPANY LIMITED

**ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS
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THE REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

38. RESPONSIBILITY BY THOSE CHARGED WITH GOVERNANCE

It is the responsibility of those charged with governance to prepare financial statements of the entity which show a true and fair view in accordance with applicable standards, rules, regulations and legal provisions.

This responsibility covers the period from the beginning of the financial year to the date those charged with governance approve the audited financial statements and it covers all those charged with governance who acted in this capacity during any part of the period covered by financial statements.

Approved by the Board of Directors on 24/02/2023 and signed on its behalf by:

Name: Salim Faraj Abri

Title: Board Chairman

Signature:  _____

JITEGEMEE HOLDINGS COMPANY LIMITED

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FOR THE YEAR ENDED 30 JUNE 2022**

STATEMENT OF DIRECTORS' RESPONSIBILITIES AND APPROVAL

The Companies Act, 2002 of Tanzania requires the directors to prepare financial statements for each financial year that present fairly state of affairs of the Company as at the end of the financial year and of its operating results for that period. It also requires the directors to ensure that the Company keeps proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company. The directors are also responsible for safeguarding the assets of the Company.

The directors are responsible for the preparation and fair presentation of financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2002 of Tanzania, and for such internal controls as directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors accept responsibility for the preparation of financial statements during the year, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and the requirements of the Companies Act, 2002 of Tanzania. The directors are of the opinion that the financial statements present fairly, in all material respects of the financial affairs of the Company and its operating results. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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

Approved by the Board of Directors on 24/02/2023 and signed on its behalf by:

Name: Salim Faraj Abri

Title: Board Chairman

Signature:  _____



DECLARATION OF THE HEAD OF FINANCE

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

It is the duty of a Professional Accountant to assist the Board of Directors to discharge the responsibility of preparing financial statements of an entity showing true and fair view of the entity position and performance in accordance with applicable International Accounting Standards and the requirements of the Companies Act, 2002 of Tanzania. Full legal responsibility for the preparation of financial statements rests with the Board of Directors as under Directors Responsibility statement on page 15.

I, CPA DEOGRASIA LIWENGA being the Finance and Administration Manager of Jitegemee Holdings Company Limited hereby acknowledge my responsibility of ensuring that financial statements for the year ended 30 June 2022 have been prepared in accordance with applicable International Accounting Standards and the requirements of the Companies Act, 2002 of Tanzania.

I thus confirm that the financial statements give a true and fair view position of Jitegemee Holdings Company Limited as on that date and that they have been prepared based on properly maintained financial records.

Signed by: 

Position: Finance and Administration Manager

NBAA Membership No.: GA7983

Date: 24/02/2023





Shepherd Consulting
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Web: www.shepherd.co.tz

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Jitegemee Holdings Company Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Jitegemee Holdings Company Limited ("the Company"), set out on pages 20 to 59 which comprise the statement of financial position as at 30 June 2022, the statements 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, comprising significant accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Jitegemee Holdings Company Limited as at 30 June 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act, 2002 of Tanzania.

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), and we have fulfilled our other ethical responsibilities in accordance with 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 Report for those charged with Governance, Statements of Directors' Responsibilities and the Declaration by the Head of Finance. The other information does not include the financial statements and our auditors' 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 (CONTINUED)

To the shareholders of Jitegemee Holdings Company Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2002 of Tanzania, 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the shareholders of Jitegemee Holdings Company Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

- 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

- We have obtained all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit;
- In our opinion, proper accounting records have been kept by the Company so far as appears from our examination of the books;
- The Report by those charged with Governance is consistent with the financial statements;
- Information specified by law regarding directors' remuneration and transactions with the Company's disclosed; and
- The Company's statement of financial position and statements of profit or loss and other comprehensive income are in agreement with the books of account.



Signed by: CPA Jerome Cosmas Mroso (ACPA 3308)
For and on behalf of Shepherd Consulting
Certified Public Accountants in Public Practice
Dar es Salaam, Tanzania

24 FEB 2023

Date



JITEGEMEE HOLDINGS COMPANY LIMITED

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022

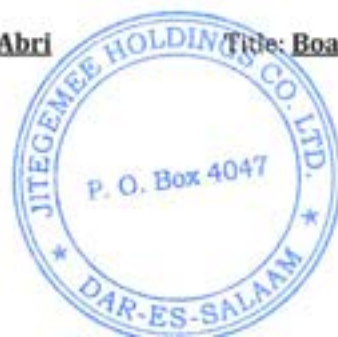
	Note	30 June 2022 TZS'000	30 June 2021 TZS'000
ASSETS			
Non-Current Assets			
Property, plant and equipment	12	2,822,204	736,061
Capital work in progress	12	677,252	141,985
Right-of-use assets	13	59,627	-
Deferred tax assets	11	138,285	15,016
		<u>3,697,368</u>	<u>893,062</u>
Current Assets			
Inventories	14	1,997,773	201,461
Trade and other receivables	15	2,994,225	64,980
Cash and bank balances	16	6,900,879	19,654
		<u>11,892,877</u>	<u>286,095</u>
Total Assets		<u>15,590,245</u>	<u>1,179,157</u>
EQUITY AND LIABILITY			
Equity			
Share capital	17	1,000,000	1,000,000
Retained earnings		3,878,043	(35,037)
		<u>4,878,043</u>	<u>964,963</u>
Non-Current Liabilities			
Lease liabilities	18	27,956	-
		<u>27,956</u>	<u>-</u>
Current Liabilities			
Lease liabilities	18	36,500	-
Trade and other payables	19	2,563,208	-
Contract liabilities	20	2,416,206	-
Corporate tax liability	11	1,806,204	-
Due to related party	21	3,862,128	214,194
		<u>10,684,246</u>	<u>214,194</u>
Total Equity and Liabilities		<u>15,590,245</u>	<u>1,179,157</u>

These financial statements were approved by the Board of Directors for issue on 24/02/2023 and were signed on their behalf by:

Name: Salim Faraj Abri

Title: Board Chairman

Signature: 



JITEGEMEE HOLDINGS COMPANY LIMITED

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

FINANCIAL STATEMENTS

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

	Note	30 June 2022 TZS'000	30 June 2021 TZS'000
Revenue	5	15,928,913	2,555
Cost of sales	6	(8,798,398)	(32,049)
Gross profit/(loss)		7,130,515	(29,494)
Other income		242	-
General and administrative expenses	7	(530,596)	(15,700)
Selling and distribution expenses	8	(32,839)	-
Operating expenses	9	(273,859)	(4,842)
Expected credit losses	15 & 16	(605,771)	-
Depreciation of plant, property and equipment	12	(29,814)	(17)
Depreciation of right-of-use assets	13	(47,060)	-
Operating profit/(loss)		5,610,818	(50,053)
Finance cost	10	(14,803)	-
Profit/ (loss) before tax		5,596,015	(50,053)
Income tax charge/(credit)		(1,682,935)	15,016
Profit/(loss) for the year/period	11	3,913,080	(35,037)
Other comprehensive income		-	-
Total comprehensive income/(loss) during the year/period, net of tax		3,913,080	(35,037)

JITEGEMEE HOLDINGS COMPANY LIMITED

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

FINANCIAL STATEMENTS

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

	Share capital TZS'000	Retained earnings TZS'000	Total TZS'000
For the year ended 30 June 2022			
At 1 July 2021	1,000,000	(35,037)	964,963
Total comprehensive income for the year, net of tax	-	3,913,080	3,913,080
At 30 June 2022	<u>1,000,000</u>	<u>3,878,043</u>	<u>4,878,043</u>
For the year ended 30 June 2021			
At 1 July 2020			
Initial share capital	1,000,000	-	1,000,000
Total comprehensive loss for the period, net of tax	-	(35,037)	(35,037)
At 30 June 2021	<u>1,000,000</u>	<u>(35,037)</u>	<u>964,963</u>

JITEGEMEE HOLDINGS COMPANY LIMITED

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

FINANCIAL STATEMENTS

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2022

	30 June 2022 TZS'000	30 June 2021 TZS'000
Cash flow from operating activities		
Profit/(Loss) before tax	5,596,015	(50,053)
Less: Depreciation on plant, property and equipment	646,141	31,994
Depreciation on right of use assets	29,814	-
ECL on trade and other receivables	437,313	-
Lease liability interest paid	8,715	-
	<u>6,717,998</u>	<u>(18,059)</u>
Working Capital Changes		
Changes in inventories	(1,796,312)	(201,461)
Changes in trade and other receivables	(3,366,558)	(64,980)
Changes in trade and other payables	2,563,208	-
Changes in contract liabilities	2,416,206	-
Changes in amount due to related party	3,647,934	214,194
	<u>10,182,476</u>	<u>(70,306)</u>
Less: Lease liability interest paid	(8,715)	-
Net cash flows generated from operating activities	<u>10,173,761</u>	<u>(70,306)</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,732,284)	(768,055)
Increase in capital work in progress	(535,267)	(141,985)
Net cash flows used investing activities	<u>(3,267,551)</u>	<u>(910,040)</u>
Cash flows from financing activities		
Initial share capital paid	-	1,000,000
Principal repayments - lease liabilities	(24,985)	-
Net cash flows used in financing activities	<u>(24,985)</u>	<u>1,000,000</u>
Changes in cash and cash equivalents	6,881,225	19,654
Cash and cash equivalents at 1 July	19,654	-
Cash and cash equivalents at 30 June	<u>6,900,879</u>	<u>19,654</u>

JITEGEMEE HOLDINGS COMPANY LIMITED

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

NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

JITEGEMEE HOLDINGS COMPANY LIMITED (the "Company") is a company domiciled in Tanzania. The financial statements of the Company are for the year ended 30 June 2022. The Company's registered office is as stated on page 1. The principal activities of the company are disclosed in the Report by those charged with Governance.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation and Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 2002 of Tanzania. The measurement basis applied is the historical cost basis, except where otherwise stated. The financial statements are presented in Tanzanian Shilling (TZS) which is the Company's functional currency and all values are rounded to the nearest thousand (TZS'000) except otherwise indicated.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise judgement in the process of applying the Firm's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

(b) Going concern

The accompanying financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assume that the Company will continue in operation for at least one year and will be able to realize its assets and discharge its liabilities in the normal course of operations.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Functional currency translation

(i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Tanzanian Shillings (TZS) that is the Company's functional currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency of the Company using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are recognized in profit or loss within 'foreign exchange gains and losses. All other foreign exchange gains and losses are presented in the profit or loss within 'other income'.

(d) Revenue from customers with contracts

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

Revenue is primarily derived from sale of mineral products. Payments from customers for which no goods have been transferred are carried in the statement of financial position as a contract liability until when the control of the related goods passes to the customer.

Revenue is recognised when control of the goods passes to the customer and the performance obligations of transferring control have been met. The amount of revenue recognised reflects the consideration to which the entity is entitled in exchange for the goods transferred.

Revenue from product sales comprises sales of coal and salt.

Revenue from product sales is recognised at a point in time.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Revenue from customers with contracts (Continued)

Contract balances

Contract assets

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

Trade receivables

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

Contract liabilities

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

(e) Taxation

(i) Current and deferred tax

Deferred taxation is provided on all qualifying temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets are only recognised to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future and future taxable profit will be available against which the temporary difference can be utilised.

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

Deferred tax assets and liabilities are measured at future anticipated tax rates, which have been enacted or substantively enacted at the reporting date.

Current and deferred tax is recognised as income or expense and included in profit or loss for the period, except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different period in other comprehensive income or directly in equity, or a business combination that is an acquisition.

Current income tax is measured on taxable income at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Taxation (Continued)

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(ii) Value Added Tax (VAT)

Revenues, expenses and assets are recognised net of the amount of Value Added Tax (VAT), except:

- Where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of Value Added Tax included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

(f) Plant, property and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Depreciation on property, plant and equipment is computed on a straight-line basis over the estimated useful lives of the assets as follows:

	Depreciation rate
Building	2.5%
Plant and machinery	25.0%
Motor vehicles	25.0%
Computers	33.3%
Office equipment	25.0%
Furniture and fittings	25.0%

Major renovations are amortised over the remaining useful life of the related asset or to the date of the next major renovation, whichever is sooner.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

An item of plant, property and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

Any gain or loss arising on de-recognition of the asset, (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the year the asset is derecognised.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Capital work in progress includes accumulated cost of property, plant and equipment which is under construction, or for which cost has been incurred, but which is not yet ready for use by the Company. It also includes cost incurred for assets being constructed by third parties, assets which have not been delivered to, or installed in, the facility and assets which cannot be used until certain other assets are acquired and installed.

Where there is a significant interval between the times at which cost is incurred in connection with the acquisition of an asset and when the asset will be ready for use, the cost is accumulated in capital work in progress. At the time the asset is ready for use, the accumulated cost is to be transferred to the appropriate category and depreciation starts.

Capital work in progress is not depreciated, since by the definition it is not yet ready for use, but it is carried at cost less accumulated impairment

(g) Lease

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

Company as a lessee

The Company applies a single recognition and measurement approach for all the leases, except for short term leases and low value assets. The Company recognized lease liabilities to make payments and the right of use assets representing the right to use the underlying asset.

Right-of-use asset

The Company recognizes the right of use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right of use assets are measured at cost, less any accumulated depreciated and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right of use includes the amount of lease liabilities recognized, initial direct costs incurred and lease payments made at or before the commencement date less any lease incentives received. Right of use assets are depreciated on a straight-line bases over the shorter of the lease and the estimated useful lives of the assets are between 1 to 5 years.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Lease

If ownership of the leased assets transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of asset.

The right of use assets is also subject to impairment. Refer to the accounting policies on impairment of non-financial assets.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable and variable lease payments that depend on an index or a rate. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. Short-term leases and leases of low value asset.

Short-term leases and leases of low value asset

The Company applies the short-term lease recognition exemption to its short-term leases i.e. those leases that have less than 12 months or less from the commencement date and do not contain purchase option. It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short term basis and leases of low value assets are recognised as expenses on a straight-line basis over the lease term.

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(a) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies on Revenue recognition.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial Instruments (Continued)

(a) Financial assets (Continued)

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss
- Only the financial assets at amortised cost (debt instruments) category were relevant to the Company for the current year.

The Company's financial assets comprise financial assets at amortised cost (debt instruments).

Financial assets at amortised cost (debt instruments)

The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost include trade and other receivables and bank balances.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired, Or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'passthrough' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial Instruments (Continued)-

(a) Financial assets (Continued)

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, financial liabilities at amortised cost, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of financial liabilities not at fair value through profit or loss, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, and amount due from related parties.

Subsequent measurement

After initial recognition, trade and other payables, are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in profit or loss.

De-recognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

(c) Offsetting of financial assets and liabilities

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Fair value of measurements

The Company measures assets and liabilities at fair value at each reporting date where relevant. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

For the purpose of fair value disclosures, the Company determines classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

(j) Impairment of financial assets

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. A gross carrying amount will be written off when all reasonable efforts have been taken to recover the amount.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(l) Restoration costs

The provision for restoration represents the cost of restoring site damage after the start of production. Changes in the provision are recorded in the profit or loss as a cost of production.

Restoration costs are estimated at the present value of the expenditures expected to settle the obligation, using estimated cash flows based on current prices and adjusted for risks specific to the liability. The estimates are discounted at a pre-tax rate that reflects current market assessments of the time value of money.

(m) Decommissioning costs

The provision for decommissioning represents the cost that will arise from rectifying damage caused before production commences. Accordingly, a provision and a decommissioning asset is recognised, and included within mine infrastructure. Decommissioning costs are provided for at the present value of the expenditures expected to settle the obligation, using estimated cash flows based on current prices. The unwinding of the decommissioning obligation is included in the income statement. Estimated future costs of decommissioning obligations are reviewed regularly and adjusted as appropriate for new circumstances or changes in law or technology. Changes in estimates are capitalised or reversed against the relevant asset. Estimates are discounted at a pre-tax rate that reflects current market assessments of the time value of money. Gains or losses from the expected disposal of assets are not taken into account when determining the provision.

(n) Environmental expenditure

The Company has long-term remediation obligations comprising decommissioning and restoration liabilities relating to its past operations which are based on the Company's environmental management plans, in compliance with current environmental and regulatory requirements. Provision for non-recurring remediation costs are made when there is a present obligation, it is probable that expenditure on remediation work will be required and the cost can be estimated within a reasonable range of possible outcomes. The costs are based on currently available facts, technology expected to be available at the time of the clean-up, laws and regulations presently or virtually certain to be enacted and prior experience in remediation of contaminated sites.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date to determine whether there is objective evidence that an asset or a group of assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and an impairment loss recognised for the difference between the recoverable amount and the carrying amount.

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of the asset's or cash generating unit's fair value less cost to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimate used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at the re-valued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(p) Current versus non-current classification

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

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within 12 months after the reporting period; and
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Current versus non-current classification (Continued)

All other assets are classified as non-current.

A liability is current when either:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within 12 months after the reporting period; and
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Company classifies all other liabilities as non-current.

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

(q) Employee benefits

(i) Statutory defined contribution pension scheme

The Company also contributes to a statutory defined contribution pension scheme, the National Social Security Fund (NSSF). Contributions are determined by local statute and are currently at 20% of the basic pay per employee per month in Tanzania.

(ii) Other employee entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. Provision is made for the estimated liability in respect of annual leave accrued at the end of the reporting year.

(r) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost incurred in bringing each product to its present location and condition is accounted for as follows"

Raw materials

Purchase cost on a first in, first out basis

Finished goods and work in progress

Cost of direct materials and labour and a proportional of manufacturing overheads based on normal operating capacity but excluding borrowing costs if any.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Provision is made for obsolete, slow moving and defective inventories.

(s) Mineral rights

Mineral rights are amortised annually based on annual licenses paid per year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Cash and cash equivalents

Cash in hand, bank balances on demand and time deposits with banks whose original maturities does not exceed three months, less bank overdraft amounts, are classified as cash and cash equivalent in the statements of cash flows.

Cash and cash equivalents are carried as amortised cost in the statements of financial position.

(u) Royalties

Royalties payable to the representatives of the Ministry of Minerals, the Resident Mines Officer and Zonal Mines Officer and, in some instances, local government, are included under cost of sales. Royalties are calculated based on quantities of coal sold during the month.

(v) Licence fees

Licence fees are charged to the income statement in a systematic manner as the fees are incurred.

The Company currently has a special mining license the details of which are stipulated in the Mining Development Agreement (MDA) with the Government of the United Republic of Tanzania. The license commenced in 2021 and expires after 7 years subject to renewal. The Company currently pays TZS 153 million (2021: TZS 15 million) being the fee for the special mining licence.

(w) Exploration and research expenditure

Pre-licence costs are recognised in profit or loss as incurred. Exploration and research expenditure are expensed in the year in which it is incurred. These expenses include geological and geographical costs, labour, mineral resources and exploratory drilling costs.

(x) Share capital

Ordinary shares are classified as share capital in equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity. Income tax relating to transaction costs of an equity transaction are accounted for in accordance with IAS 12.

3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New and amended standards and interpretations

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2022 (unless otherwise stated). The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The proceeds from selling such items, and the cost of producing those items, in profit or loss. An entity applies the amendments retrospectively to items of property, plant and equipment (PPE) made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The Company has completed its assessment of the accounting impact on adoption of the amendment on 1 January 2022. The adoption is expected to result in no retrospective increase in property, plant and equipment and gross profit and no impact is expected on the 2022 results.

Property, Plant and Equipment: Proceeds before Intended Use – Amendment IAS 16 Leases

The IAS 16 amendment was issued by the IASB in May 2020 with an effective date of 1 January 2022 for annual periods beginning on or after 1 January 2022. The amendment prohibits entities deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

In accordance with the transitional provisions, the Company applies the amendments retrospectively only to items of PP&E made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment (the date of initial application).

These amendments had no impact on the financial statements of the Company as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

IFRS 9 Financial Instruments – Fees in the ‘10 per cent’ test for derecognition of financial liabilities
The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. There is no similar amendment proposed for *IAS 39 Financial Instruments: Recognition and Measurement*.

In accordance with the transitional provisions, the Company applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment (the date of initial application). These amendments had no impact on the financial statements of the Company as there were no modifications of the Company’s financial instruments during the period.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Other disclosures relating to the Company's exposure to risks and uncertainties includes:

- Capital management Note 25
- Financial instruments risk management and policies Note 24

Judgements

Judgements In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

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

The Company has several lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The Company included the renewal period as part of the lease term for leases of plant and machinery with shorter non-cancellable period (i.e., three to five years). The Company typically exercises its option to renew for these leases because there will be a significant negative effect on production if a replacement asset is not readily available. The renewal periods for leases of plant and machinery with longer non-cancellable periods (i.e., 5 to 10 years) are not included as part of the lease term as these are not reasonably certain to be exercised. In addition, the renewal options for leases of motor vehicles are not included as part of the lease term because the Company typically leases motor vehicles for not more than five years and, hence, is not exercising any renewal options. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised. Refer to Note 18 for information on potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS
(CONTINUED)

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Impairment of non-financial assets

Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. The Company performs the annual impairment assessment at year-end. The Company considers the relationship between value in use and carrying amount of the asset, among other factors, when reviewing for indicators of impairment.

Impairment exists when the carrying amount of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less cost of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a Discounted Cash Flows (DCF) model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested.

The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. Refer to Note 13 for further disclosures including the carrying amount of the non-financial asset impaired.

Provision for expected credit losses of trade receivables and contract assets

The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for the customers. The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., inflation) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs involves estimation. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions.

The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Company's trade receivables is disclosed in Notes 15.

**4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS
(CONTINUED)**

Estimates and Assumptions (Continued)

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

Refer to Note 26 for further disclosures on fair value measurement.

Company as a lessee

Determining the lease term of contracts with renewal and termination options

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

The Company has several lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The Company included the renewal period as part of the lease term for leases with short non-cancellable periods (i.e., three to five years). The Company typically exercises its option to renew for these leases because there will be a significant negative effect on the Company's operations if a replacement asset is not readily available. The renewal periods for leases are not included as part of the lease term if they are not reasonably certain to be exercised. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

Leases - Estimating the incremental borrowing rate

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires indicative rates from the Company's banker because no observable rates are available due to the fact that the Company has not entered into similar financing transactions.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS
(CONTINUED)**

Estimates and Assumptions (Continued)

Lease identification

Whether the arrangement is considered a lease, or a service contract depends on the analysis by management of both the legal form and substance of the arrangement between the Company and the counterparty to determine if control of an identified asset has been passed between the parties, if not, the arrangement is a service arrangement. Control exists if the Company obtains substantially all of the economic benefit from the use of the asset, and has the ability to direct its use, for a period of time. An identified asset exists where an agreement explicitly or implicitly identifies an asset or a physically distinct portion of an asset which the lessor has no substantive right to substitute.

The judgment impacts the nature and timing of both costs and reported assets and liabilities. A lease results in depreciation and interest being recognised and an asset and a liability being reported; the interest charge will decrease over the life of the lease. A service contract results in operating expenses being recognised evenly over the life of the contract and no assets or liabilities being recorded, other than trade payables, prepayments and accruals. Refer to Notes 13 and 18 for further disclosures including the carrying amounts of the right-of-use assets and lease liabilities.

Income taxes

Significant judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The Company recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future.

Assessing the recoverability of deferred income tax assets requires the company to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the company to realise the net deferred tax assets recorded at the reporting date could be impacted. Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods. The current income and deferred tax carrying amounts and related disclosures are presented in Notes 11.

Asset useful lives

The Company depreciates its assets over their estimated useful lives, as more fully described in the accounting policy for property and equipment. The estimation of the useful lives of assets is based on historic performance as well as expectations about future use and therefore requires a significant degree of judgement to be applied by management. The actual lives of these assets can vary depending on a variety of factors, including technological innovation, product life cycles and maintenance programmes.

JITEGEMEE HOLDINGS COMPANY LIMITED

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	30 June 2022 TZS'000	30 June 2021 TZS'000
5 REVENUE FROM CUSTOMERS WITH CONTRACTS		
Set out below is the disaggregation of the Company's revenue from contracts with customers:		
Types of good		
Coal sales	15,914,301	2,555
Salt sales	14,612	-
Total revenue from contracts with customers	<u>15,928,913</u>	<u>2,555</u>

The performance obligation relating to selling coal and salt is satisfied upon delivery of coal/salt and payment is generally due within 30 days from delivery. For ex-gate and Contract customers, control of the goods passes to the customer when the delivery truck crosses the Company's weighbridge (Ex- Sales point).

Refer to Notes 15 and 20 for the contract balances, that is, trade receivables and contract liabilities respectively

6 COST OF SALES

Drilling expenses	222,596	-
Blasting expenses	269,663	-
Geological expenses	11,748	-
Fuel consumption expenses	2,744,954	38,619
Equipment hire and lease charges	601,716	32,150
Haulage expenses	2,309,331	33,600
Salaries, wages and labour charges	855,998	32,722
Royalties and Clearance fees	1,920,493	-
Safety and environmental expenses	62,291	1,093
Staff meals and water expenses	86,093	2,443
Civil works expenses	14,225	-
Exportation and permit expenses	49,868	-
Laboratory expenses	4,765	-
Security services expenses	2,257	100
Machinery repairs and maintenance	151,724	-
Lubricants-Oil and Grease Expenses	59,316	1,025
Insurance - Plant All Risks	48,590	1,666
Plant and machinery depreciation (Note 12)	584,624	31,978
Motor vehicle depreciation (Note 12)	14,458	-
Equipment tracking	1,271	-
Service levy	35,113	-
Mining licenses	152,936	14,974
Stock adjustment	(1,405,632)	(158,321)
	<u>8,798,398</u>	<u>32,049</u>

JITEGEMEE HOLDINGS COMPANY LIMITED

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	30 June 2022 TZS'000	30 June 2021 TZS'000
7. GENERAL AND ADMINISTRATIVE EXPENSES		
Salaries and wages	255,408	-
Social security expenses	25,541	-
Staff medical insurance	23,509	-
Skills Development Levy	10,087	-
Workers Compensation Fund	1,532	-
Staff training	18,220	-
Recruitment expenses	2,460	-
Accommodation expenses	7,735	220
Staff transport and travelling expenses	22,840	450
Staff per diem	65,831	15,030
Staff welfare and entertainment	63,755	-
Office meals and water	3,279	-
Board expenses	28,851	-
Corporate Social Responsibility	1,548	-
	530,596	15,700
8. SELLING AND DISTRIBUTION EXPENSES		
Marketing expenses	15,799	-
Truck levies	17,040	-
	32,839	-
9. OPERATING EXPENSES		
Printing and stationery	16,506	-
Audit fee	20,000	-
Consultancy fees	66,457	3,500
Rent and rates expenses	860	-
Electricity and lighting	24,792	-
Office repairs and maintenance	14,570	985
Janitorial and cleaning expenses	1,454	25
Computer consumable expenses	12,381	-
Postage and courier services	6,679	-
Telephone and fax expenses	12,086	-
Internet expenses	9,779	-
Motor vehicle repairs and maintenance	32,216	-
Motor vehicle insurance	7,137	-
Motor vehicle fuel	8,659	-
Business Licences	48	-
Penalties and fines	225	-
Water and Sewerage Expenses	6,885	-
Loose tools	33,125	332
	273,859	4,842

JITEGEMEE HOLDINGS COMPANY LIMITED

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	30 June 2022 TZS'000	30 June 2021 TZS'000
10. FINANCE COSTS		
Finance expense on leases	8,715	-
Bank charges	6,088	-
	<u>14,803</u>	<u>-</u>
11. TAXATION		
a) Income tax expense		
Income tax – current period	1,806,204	-
Deferred tax – current period	<u>(123,269)</u>	<u>(15,016)</u>
	<u>1,682,935</u>	<u>(15,016)</u>
Statement of financial position entries		
Corporate tax payable/(recoverable) - current	1,806,204	-
Deferred tax provision/(asset) – non current	<u>(123,269)</u>	<u>(15,106)</u>
Reconciliation of effective income tax rate		
The tax provision is based on profit/(loss) before tax	5,596,015	(50,053)
Effective tax rate	30%	30%
Expected tax charge based on 30% of PBT/(LBT)	1,678,805	(15,016)
Income tax – previous period		
Permanent disallowed expenses in	11,626	-
Rent paid	<u>(7,496)</u>	<u>-</u>
	<u>1,682,935</u>	<u>(15,016)</u>
Difference requiring reconciliation	<u>-</u>	<u>-</u>

JITEGEMEE HOLDINGS COMPANY LIMITED

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	30 June 2022 TZS'000	30 June 2021 TZS'000
11. TAXATION (CONTINUED)		
b) Deferred tax liabilities/(assets)		
At 1 July	(15,016)	-
Deferred tax charge during the year	<u>(62,584)</u>	<u>15,016</u>
At 30 June	<u>(77,600)</u>	<u>(15,016)</u>
Deferred tax liability/(assets) is attributable to the following:		
Accelerated capital deductions	347,104	160,094
Provision	(605,771)	-
Unrelieved tax losses	-	<u>(210,147)</u>
Total	<u>(258,667)</u>	<u>(50,053)</u>
Deferred tax liability at 30%		
At 30 June	<u>(77,600)</u>	<u>(15,016)</u>
c) Corporate tax payable		
At 1 July	-	-
Income tax expense - current year	-	-
Income tax expense - previous year	1,744,207	-
Instalment tax paid	-	-
At 30 June	<u>1,744,207</u>	<u>-</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12 PROPERTY, PLANT AND EQUIPMENT

	Buildings TZS'000	Plant and Machinery TZS'000	Motor Vehicles TZS'000	Office Equipment TZS'000	Furniture & Fittings TZS'000	Capital work in progress (CWIP) TZS'000	Total TZS'000
For the year ended 30 June 2022							
Net book value							
At 1 July 2021	-	735,483	-	578	-	141,985	910,040
Additions	125,721	91,920	247,232	104,688	21,546	2,676,445	3,267,552
Transfer from CWIP	-	2,141,178	-	-	-	(2,141,178)	-
	<u>125,721</u>	<u>2,968,581</u>	<u>247,232</u>	<u>105,266</u>	<u>21,546</u>	<u>677,252</u>	<u>4,145,598</u>
Depreciation charge during the year	(5,397)	(584,624)	(27,896)	(19,475)	(8,750)	-	(646,142)
At 30 June 2022	<u>120,324</u>	<u>2,383,957</u>	<u>219,336</u>	<u>85,791</u>	<u>12,796</u>	<u>677,252</u>	<u>3,499,456</u>

For the year ended 30 June 2021

Net book value							
At 1 July 2020	-	-	-	-	-	-	-
Additions	-	767,460	-	595	-	141,985	910,040
	-	<u>767,460</u>	-	<u>595</u>	-	<u>141,985</u>	<u>910,040</u>
Depreciation charge during the year	-	(31,977)	-	(17)	-	-	(31,994)
At 30 June 2021	-	<u>735,483</u>	-	<u>578</u>	-	<u>141,985</u>	<u>878,046</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13 RIGHT-OF-USE ASSETS

The Company has lease contracts for the office spaces with lease terms of between 1 and 3 years. These lease arrangements have been accounted for in accordance with IFRS 16. The Company's obligations under the leases are secured by the lessors' title to the leased assets. Generally, the Company is restricted from assigning and subleasing the leased assets. The lease contracts include extension and termination options as discussed further below.

The Company also has certain leases with lease terms of 12 months or less and some with low value. The Company applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of the right-of-use assets recognised and the movements during the year:

	30 June 2022 TZS'000	30 June 2021 TZS'000
Cost		
At 1 July	-	-
Additions	89,441	-
At 30 June	<u>89,441</u>	<u>-</u>
Depreciation		
At 1 July	-	-
Depreciation during the year	(29,814)	-
Derecognition	-	-
At 30 June	<u>(29,814)</u>	<u>-</u>
	<u>59,627</u>	<u>-</u>

The following are the amount recognized in profit or loss:

Depreciation expense of right-of-use assets	29,814	-
Interest expense on lease liabilities	8,715	-
Expense relating to short-term leases	860	-
Total amount recognized in profit or loss	<u>39,389</u>	<u>-</u>

Cash outflows on lease arrangements

Payments relating to the recognized lease liabilities	33,700	-
Non-cash additions to right-of-assets and lease liabilities	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13 RIGHT-OF-USE ASSETS (CONTINUED)

The Company does not have lease contract that contains variable payments or leases that had not yet commenced.

The Company has contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Company's business needs.

Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised (see Note 4).

14 INVENTORIES

	30 June 2022 TZS'000	30 June 2021 TZS'000
Semi-finished and finished products	1,563,953	158,321
Fuels and lubricants (at cost)	57,717	43,140
Parts and consumables (at cost)	376,103	-
	<u>1,997,773</u>	<u>201,461</u>

The obsolete inventory provision is computed on spare parts not used for a period above one year percentage wise. The change in the provision during the year is recognised under cost of sales. No obsolete inventory provision as there are no spare parts that were not used for a period above one year.

During 2022, no expense was recognised for inventory carried at net realisable value (2021: Nil).

The change in inventories recognised in cost of sales as credit for the year was TZS 1,406 million (2021: TZS 158 million)

15 TRADE AND OTHER RECEIVABLES

	30 June 2022 TZS'000	30 June 2021 TZS'000
Trade receivables	3,209,949	3,015
Allowance for expected credit losses (ECL)	(437,313)	-
	<u>2,772,636</u>	<u>3,015</u>
Prepayments	220,522	48,277
Staff receivables	1,067	13,688
Net trade and other receivables	<u>2,994,225</u>	<u>64,980</u>
Movement in ECL		
At 1 July	-	-
Increase in ECLs	437,313	-
At 30 June	<u>437,313</u>	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15 TRADE AND OTHER RECEIVABLES (CONTINUED)

The ECLs are based on the provisioning matrix. The matrix considers the historical default rate by analysing monthly aging analysis for the past two years, and taking into consideration strongly correlated forward looking macroeconomic factors like GDP growth rate and inflation rate. Default is defined as debtors past due by more than 90 days.

Trade receivables are non-interest bearing and are generally on terms of 30-90 days. The increase trade receivables is due to increase in credit sales. The increase in ECL allowances is due to increase in trade receivables and increase in the debtors past due by more than 90 days.

Days sales outstanding were	<u>68.61</u>	<u>-</u>
	30 June 2022	30 June 2021
	TZS'000	TZS'000

The ageing analysis of trade receivables was as follows:

Up to 30 days	3,099,908	3,015
31 - 60 days	2,968	-
61 - 90 days	100,284	-
91 - above days	<u>6,789</u>	<u>-</u>
At 30 June	<u>3,209,949</u>	<u>3,015</u>

For details on the credit risk management processes and the carrying amounts of the trade and other receivables which are denominated in different currencies refer to Note 24.

The carrying amounts of the above receivables approximate to their fair values because they are short term in nature and there is no additional credit risk that has not been considered in the ECL allowance.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables presented above. As at year-end, the Company held bank guarantees, cash deposits and letters of credit as security for some of the trade and other receivables.

16 CASH AND BANK BALANCES

	30 June 2022	30 June 2021
	TZS'000	TZS'000
Bank balances	7,042,637	-
Cash on hand	<u>26,700</u>	<u>19,654</u>
Gross cash and bank balances	7,069,337	19,654
Expected credit losses:		
At 1 July	-	-
Increase for the year	<u>(168,458)</u>	<u>-</u>
At 30 June	<u>(168,458)</u>	<u>-</u>
Net carrying amount	<u>6,900,879</u>	<u>19,654</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16 CASH AND BANK BALANCES (CONTINUED)

The expected credit losses are calculated as the product of the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD). The EAD is the amortized cost value of the respective deposit. Recent ratings for the counterparties and historical S&P recovery rates were used to determine the LGD and loss rates. The bank balances are low credit risk assets (Stage 1) as there is no history of default and the banks are regulated by Bank of Tanzania which monitors the financial performance and standing of the banks.

The carrying amounts disclosed above reasonably approximate fair values at the reporting date.

The cash and cash equivalents position for the purpose of the statements of cash flows was as follows:

	30 June 2022 TZS'000	30 June 2021 TZS'000
Cash and cash equivalents above	<u>6,900,879</u>	<u>19,654</u>

17 ISSUED CAPITAL

a) Authorised

100,000 Ordinary shares of TZS 10,000	1,000,000	1,000,000
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b) Issued and fully paid

100,000 Ordinary shares of TZS 10,000	<u>1,000,000</u>	<u>1,000,000</u>
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There were no movements in the share capital of the Company during the year (2021: Nil). The Company has only one class of ordinary shares which carries no right to fixed income.

The ownership structure is as set out as below:

	%	%
The Registered Trustees of Chama Cha Mapinduzi	99.99%	99.99%
Jitegemee Trading Company Limited	0.01%	0.01%
	<u>100%</u>	<u>100%</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	30 June 2022 TZS'000	30 June 2021 TZS'000
18 LEASE LIABILITIES		
Set out below are the carrying amounts of lease liabilities and the movements during the year:		
1 July	-	-
Additions	89,441	-
Accretion of interest	8,715	-
Payment - interest	(8,715)	-
Payment - principal	(24,985)	-
	<u>64,456</u>	<u>-</u>
Maturity analysis of the lease liabilities:		
Current	36,500	-
Non-current	27,956	-
	<u>64,456</u>	<u>-</u>
19 TRADE AND OTHER PAYABLES		
Trade payable	2,031,980	-
Accrued charges	20,000	-
Statutory payables	52,101	-
VAT payable	459,127	-
	<u>2,563,208</u>	<u>-</u>

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled between 30-90 days after date of invoice.
- Advances from customers are non-interest bearing and have an average term of 30-90 days. (Refer to Note 20).
- Other payables are non-interest bearing and have an average term of three to six months.

The carrying amounts of the above trade and other payables approximate to their fair values due to the short-term nature of the financial liabilities. For explanations on the Company's liquidity risk management processes, refer to Note 24.

20 CONTRACT LIABILITIES

Contract liabilities comprise advance payments received from customers' goods not delivered by year end.

	30 June 2022 TZS'000	30 June 2021 TZS'000
At 1 July		
Advances received during the year	4,926,484	-
Advances amortised to revenue	(2,510,278)	-
At 30 June	<u>2,416,206</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20 CONTRACT LIABILITIES (CONTINUED)

The carrying amount of the advance payments from customers represents the aggregate amount of the transaction price for the performance obligations not satisfied at year-end. These performance obligations are expected to be satisfied during the following year.

21 RELATED PARTIES TRANSACTIONS

Directors Remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company.

	30 June 2022 TZS'000	30 June 2021 TZS'000
<i>Compensation for key management personnel</i>		
Short-term employee benefits (salary)	177,000	-
Post-employee benefits (Defined contribution plans)	-	-
	<u>177,000</u>	<u>-</u>

The amounts disclosed above are the amounts recognised as expenses during the reporting period related to key management personnel. As at 30 June 2022, there was no outstanding amount with key management personnel (2021: Nil).

Directors' emoluments

No directors' emoluments were paid during the year. (2021: Nil)

As at 30 June 2022, there were no outstanding balance with the directors (2021: Nil).

Amount due to/ due from Related Party

Balances due to/from related parties were as follows:

<i>Due from related party</i>		
The Registered Trustees of Chama Cha Mapinduzi	<u>-</u>	<u>-</u>
<i>Due to related party</i>		
The Registered Trustees of Chama Cha Mapinduzi	<u>3,862,128</u>	<u>214,194</u>

The outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. The ECL assessment is undertaken at the end of each financial year through examining the financial position of the related party and the market in which the related party operates.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22 CAPITAL COMMITMENTS

The directors confirm that the Company does not have any capital commitment that was contracted for but not provided for as at 30 June 2022. (2021: Nil)

23 CONTINGENT LIABILITIES

The directors are not aware of any other contingent liabilities against the Company as at date of this report.

24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's financial assets are categorised as debt instruments at amortised cost ("at amortised cost"). All the Company's financial liabilities are classified as financial liabilities measured at amortised cost ("at amortised cost"). The carrying amounts of these financial instruments are presented below:

At 30 June 2022

	Amortised cost TZS'000	FVTPL TZS'000	Total TZS'000
Trade and other receivables	2,773,703	-	2,773,703
Amount due from related party	1,173,869	-	1,173,869
Cash and bank balances	6,874,179	-	6,3874,179
	<u>10,821,751</u>	<u>-</u>	<u>10,821,751</u>
Lease liabilities	64,456	-	64,456
Trade and other payables	2,563,208	-	2,563,208
Amount due to related party	3,862,128	-	5,035,997
	<u>6,489,792</u>	<u>-</u>	<u>6,489,792</u>

At 30 June 2021

	TZS'000	TZS'000	TZS'000
Trade and other receivables	3,015	-	3,015
Cash and bank balances	-	-	-
	<u>3,015</u>	<u>-</u>	<u>3,015</u>
Trade and other payables	-	-	-
Amount due to related party	214,194	-	214,194
	<u>214,194</u>	<u>-</u>	<u>214,194</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Financial risk management policies

The Company does not enter into any derivative transactions for trading purposes. The main purpose of the Company's financial liabilities is to raise finance for the Company's operations, while the Company's financial assets arise directly from operations. The main risks arising from the financial instruments are market risk, credit risk and liquidity risk.

(a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices.

(i) Foreign currency risk

The Company bills of its revenue from local customers in Tanzanian Shillings (TZS) and in United States Dollar (USD) for foreign customers and suppliers. Most of the assets and liabilities are denominated in TZS which is the functional currency. The Company manages foreign currency risk by requiring service providers to quote in TZS and by matching financial assets and financial liabilities in the same currencies.

(ii) Price risk

The Company does not hold any financial instruments subject to price risk.

(iii) Cash flow and fair value interest rate risk

The Company does not hold any interest-bearing instrument hence it is not faced with interest rate risks.

(b) Credit risk

Credit risk is the risk that counterparty will default on its obligations under a financial instrument or customer contract resulting in financial loss to the Company. The Company are exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions. By the nature of the Company's business, there are no contract assets.

Customer credit risk is managed subject to the Company's established policies, procedures and controls relating to customer credit risk management. The Company aim to deal with creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, debtors' balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant. For transactions that do not occur in the country of the relevant operating unit, the Company do not offer credit terms without the approval of the directors. For all export transactions, full upfront payment is demanded. The Company has no significant concentration of credit risk that has not been adequately provided for. The Company do hold collateral in form of bank guarantees for certain customers as security. The Company's bank balances are held in regulated commercial banks and this mitigates credit risk related to these balances.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

The following table represents a worst-case scenario of credit risk exposure to the Company at the financial year ended:

Maximum exposure to credit risk	30 June 2022	30 June 2021
	TZS'000	TZS'000
Trade and other receivables	2,773,703	3,015
Cash and bank balances	6,874,179	-
	<u>9,647,882</u>	<u>3,015</u>

Trade receivables

The Company evaluates the concentration of risk with respect to trade receivables as low, as its customers are located all over the country and in different industries.

Generally, trade receivables are written off of past due and are not subject to enforcement activity. Refer to Note 15 for further disclosures on trade and other receivables

The terms and conditions for the amounts due from related parties are indicated in Note 21.

(c) 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, such as natural disasters.

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

At 30 June 2022

	On demand	Less than 1 year	More than 1 year	Total
	TZS'000	TZS'000	TZS'000	TZS'000
Lease liabilities	-	36,500	27,956	64,456
Trade and other payables	2,563,208	-	-	2,563,208
Amount due to related party	3,862,128	-	-	3,862,128
	<u>6,425,336</u>	<u>36,500</u>	<u>27,956</u>	<u>6,489,792</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

At 30 June 2021

	On demand TZS'000	Less than 1 year TZS'000	More than 1 year TZS'000	Total TZS'000
Trade and other payables	-	-	-	-
Amount due to related party	-	214,194	-	214,194
	<u>-</u>	<u>214,194</u>	<u>-</u>	<u>214,194</u>

25 CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes during the years ended 30 June 2022 and 30 June 2021.

The directors monitor the return on capital, using a gearing ratio, which is net debt divided by total capital plus net debt. The Company includes lease liabilities, trade and other payables, amount due to related party less cash and bank balances. Capital includes issued and fully paid share capital, retained earnings and other reserves.

The Company does not have externally imposed capital requirements.

	30 June 2022 TZS'000	30 June 2021 TZS'000
Lease liabilities	64,456	-
Trade and other payables	2,563,208	-
Amount due to related party	3,862,128	214,194
Less: Cash and bank balances	(6,900,879)	(19,654)
Net debt	(411,087)	194,540
Total capital	4,878,043	949,947
Capital and net debt	4,466,956	1,144,487
Gearing ratio	(9%)	17%

The Company's policy is to maintain a gearing ratio of below 50%

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26 FAIR VALUE MEASUREMENTS

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Company's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. This level includes listed equity securities and debt instruments on exchanges;
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices, interest and yield curves) or indirectly (that is, derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs to valuation techniques).

There are no fair values of the financial instruments measured at fair value in the financial statements. The fair values of the financial assets and liabilities are reasonably approximate the carrying amounts.

- Trade and other receivables and payables, bank balances and amount due to/from related party: Due to the short-term nature of the financial instruments.

27 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27 STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the Company's financial statements.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Company is currently revisiting their accounting policy information disclosures to ensure consistency with the amended requirements.

28 ULTIMATE HOLDING COMPANY

The Company's ultimate holding company is The Registered Trustees of Chama Cha Mapinduzi, registered in Tanzania.

29 COMPARATIVE FIGURES

Previous year financial figures have been adjusted to take into account previous overstatements and understatements and correction of identified errors. They have been adjusted to conform to changes in facts and presentation in the current year.

30 EVENTS AFTER THE REPORTING PERIOD

At the date of signing the financial statements, the directors are not aware of any other matter or circumstance arising since the date of the end of the reporting period, not otherwise dealt in these financial statements, which significantly affected the financial position of the Company and results of its operations.

31 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were authorised for issue by the Board of Directors on the date shown under the statement of financial position. They are subject to approval by the shareholders during the Annual General Meeting.