

ILLOVO DISTILLERS (TANZANIA) LIMITED
ANNUAL REPORT
AND
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2024

ILOVO DISTILLERS (TANZANIA) LIMITED
ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2024

TABLE OF CONTENTS	PAGE NO.
Corporate information	1
Directors' report	2 – 6
Statement of directors' responsibilities	7
Declaration by the Director of Finance	8
Independent auditor's report	9 – 11
Financial statements:	
Statement of profit or loss and other comprehensive income	12
Statement of financial position	13
Statement of changes in equity	14
Statement of cash flows	15
Notes to the financial statements	16 – 43

ILLOVO DISTILLERS (TANZANIA) LIMITED

THE REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued) FOR THE YEAR ENDED 31 AUGUST 2024

Directors

<u>Name</u>	<u>Nationality</u>	
GB Dalgleish	South African	(Chairman) - Resigned 31 August 2024
GH Williams	South African	(Managing Director)
A Lubbe	South African	

Registered office

Kidatu
P. O. Box 50
Kidatu, Morogoro
Tanzania

Other office

ARIS House
Haile Selassie Road, Oysterbay
Mwai Kibaki Road
Dar es Salaam, Tanzania

Legal Advisor

Association of Tanzania Employers
Plot no. 692, Mikocheni B
Coca Cola Road
P. O. Box 2971; Dar es Salaam - Tanzania
Tel: +255 22 2780022/3 | Email: info@ate.or.tz
| Website: www.ate.or.tz

Lawcare Chambers
Plot No 1/1, Unit 6, 3rd Floor, Maktaba Complex
Bibi Titi Mohamed/Ali Hassan Mwinyi Road
P. O. Box 38591
Dar es Salaam, Tanzania

Auditor

Ernst & Young
P. O. Box 2475
EY House
162/1 – Mzinga Way/14111 Oysterbay Peninsular
Dar es Salaam, Tanzania

Bankers

CRDB Bank Plc
Kilombero Branch
P. O. Box 351
Kidatu, Morogoro
Tanzania

Stanbic Bank (Tanzania) Limited
Ali Hassan Mwinyi/Kimondoni Road
P. O. Box 72647
Dar es Salaam
Tanzania

ILLOVO DISTILLERS (TANZANIA) LIMITED

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 AUGUST 2024

The directors are pleased to present their report and the audited financial statements of Illovo Distillers (Tanzania) Limited (the “Company”) for year ended 31 August 2024, which disclose the state of financial affairs of the Company.

1. INCORPORATION

The Company is incorporated in Tanzania under the Companies Act, 2002 as a private company limited by shares.

2. PRINCIPAL ACTIVITY

The Company owns one distillery plant located in the Kilosa District of Morogoro Region. The Company’s principal activity is production and sale of extra neutral alcohol. The main by-product of the process is condensed molasses solids, which is mixed with fertilizer to make liquid fertilizer.

3. OWNERSHIP

Illovo Group Holding Limited, a company incorporated in Mauritius holds 17.98% (2023: 22.13%) of the Company’s equity, and 82.02% (2023: 77.87%) is held by ABF Overseas Ltd, a company incorporated in UK.

4. STAKEHOLDERS’ RELATIONS

The Company continues to enjoy positive relations with its key stakeholders including suppliers, customers, shareholders, current and potential employees, Government and regulators, and the society in general. It continues to balance the interests of its stakeholders and exceed their expectations.

5. RELATED PARTY TRANSACTIONS

Details of transactions and balances with related parties are disclosed in note 19 to the financial statements. The transactions with related parties were in the normal course of business.

6. RESULTS FOR YEAR

The results for year under review are set out in the statement of profit or loss and other comprehensive income and are summarised below:

	Year ended 31-Aug-24 TZS 000	Year ended 31-Aug-23 TZS 000	Change TZS 000
Profit before tax	35,190,819	26,675,211	8,515,608
Income tax charge	(10,640,729)	(8,120,317)	(2,520,412)
Profit for the year	<u>24,550,090</u>	<u>18,554,894</u>	<u>5,995,196</u>

ILLOVO DISTILLERS (TANZANIA) LIMITED

THE REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued) FOR THE YEAR ENDED 31 AUGUST 2024

7. BUSINESS PERFORMANCE OVERVIEW

During the year under review production of Extra Neutral Alcohol (ENA) was 10,772 kilolitres (2023: 13,185 kilolitres), lower by 2,413 kilolitres compared to previous year. The decrease is ENA production is attributable to unavailability of raw materials (molasses) due to lower cane crush at Kilombero Sugar Company, the only supplier of molasses to the Company, attributed to El Nino which led to heavy rains towards the end of March 2024 season.

ENA sales for the year totalled 10,293 kilolitres (2023: 12,789 kilolitres), reflecting a decline of 2,496 kilolitres or 20%. This decrease is primarily attributed to reduced production, which limited product availability for sale. Notably, 600 kilolitres (2023: 0 kilolitres) of the ENA sold during the year were sourced from purchased or imported ENA.

Operating profit for the year was TZS 14,012 million (2023: 18,195 million), reflecting a decrease by TZS 4,183 million (equivalent to 23% decrease) explained by the decrease, both in ENA sales and production.

8. CURRENT AND FUTURE DEVELOPMENT

The Company will continue to produce high quality product and meet our customers expectations. This aims to grow in a sustainable manner, while managing both costs and risks. Focus will be placed on meeting the needs of our customers, by improving the efficiency and effectiveness of route-to-market strategy and enhancing the productivity of our people.

9. DIVIDEND

There was no dividend declared or paid during the financial year 2024 (2023: Nil). The directors also do not propose a dividend for the year ended 31 August 2024.

10. SOLVENCY

The state of financial affairs of the Company is set out in the statement of financial position. The directors consider the Company to be solvent within the meaning ascribed by the Companies Act, 2002 of Tanzania.

11. RISK MANAGEMENT

The Company is subjected to different internal and external risks. Risk assessment is made to analyse severity of the risks and impact on the operations. The process of reviewing and updating risk management system frequently has become one of the fundamental components for sustainability of the business. It has given the Company key insights and thoughts based on the inherent risks facing the business with residual actions being put in place to mitigate the primary risks which are reviewed annually by the Board Audit and Risk Committee to ensure all enterprise and financial risks are evaluated, and corrective mitigates are applied. The Board has tasked the management to ensure adequate internal financial and operational control systems are developed, maintained and made fully functional on an ongoing basis in order to provide reasonable assurance on the effectiveness and efficiency of operations. This will ensure that the Company's assets are safeguarded, and that there is maximum possible compliance to the applicable laws and regulations and reliability of the accounting records. The Business will continue to be open-minded, proactive and vigilant in addressing any arising risk movement profile using the available internal resources and the support from other key stakeholders within and outside Tanzania

Detailed financial risks have been explained in Note 4 to the financial statements

ILLOVO DISTILLERS (TANZANIA) LIMITED

THE REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued) FOR THE YEAR ENDED 31 AUGUST 2024

12. ENVIRONMENTAL AND SOCIAL SAFEGUARD

The Company is currently fully compliant with all the relevant environmental permits. The Company manages its environmental impact and promotes continuous improvements through various departments and there is a dedicated unit called Safety, Health, Environment, Risk and Quality (SHERQ) to that effect. SHERQ assists other departments to ensure that environmental policy, standards, procedures, guidance, training and management tools are correctly implemented to ensure effective environmental and social management with minimum negative impact.

13. COMPETITIVE POSITION

The Company operates in a market that is so far Extra Neutral Alcohol (ENA) deficit. The Company will continue to leverage its competitive advantage through Route To Consumer (RTC) strategy and customer focus to meet their demands.

14. CORPORATE GOVERNANCE

The Board of Directors (the ‘Board’) consists of four directors. The Board takes overall responsibility for the Company, including responsibility for identifying key risk areas, considering and monitoring investment decisions, significant financial matters and reviewing the performance of management against business plans and budgets. The Board is responsible for ensuring that a comprehensive system of internal control policies and procedures is operative, and for compliance with sound corporate governance principles.

The directors who served during year and to the date of this report were as follows:

<u>Name</u>	<u>Position</u>	<u>Qualification</u>	<u>Nationality</u>	<u>Age</u>	<u>Gender</u>	<u>Remarks</u>
GH Williams	Managing Director	BCom Finance Chartered Accountant CA (SA).	South African	57	M	Appointed on 1 Dec 2016
GB Dalgeleish	Director	MSc. Eng. Chemical Engineering	South African	59	M	Resigned on 31 August 2024
A Lubbe	Chairperson	BCom Marketing	South African	61	M	Appointed on 10 May 2023

The day-to-day activities of the Company are overseen by the Managing Director who is assisted by the following:

<u>Name</u>	<u>Position</u>
E Rousseau	Manufacturing – Director
F Fadhili	Finance – Director
D Mwakitwange	Human Resources - Director

ILLOVO DISTILLERS (TANZANIA) LIMITED

THE REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued) FOR THE YEAR ENDED 31 AUGUST 2024

15. CORPORATE SOCIAL RESPONSIBILITY (CSR)

CSR focuses on environmental awareness, health and safety, and education and training. The monitoring and control of CSR is through corporate affairs department. During the year no donations were made.

16. POLITICAL AND CHARITABLE DONATIONS.

The Company did not make any political donations during the year ended 31 August 2024. Donations are made as part of corporate social responsibility to acknowledge the Company's responsibility to community social needs. During the year no donations were made.

17. WELFARE OF EMPLOYEES

Staff composition

The total number of staff as at year-end was 66 (2023: 67) comprising of 46 permanent and 20 non-permanent employees (2023: 45 permanent and 22 non-permanent employees). This workforce comprised of 12 female and 54 male employees (2023: 9 female and 58 male employees).

Relationship between management and employees

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

Training programs are done, both in house and externally, and are continually developed to ensure employees are adequately trained at all levels.

Medical treatment

All members of staff with dependants up to a maximum of four beneficiaries are availed with medical treatment from company-owned clinics as well as private and public hospitals on the Company's account.

Health and safety

The Company ensures that employees abide by the established policies and principles of health and safety at all times. A safe working environment is ensured for all employees and contractors by providing adequate and proper personal protective equipment, training and supervision, as necessary.

10. DIRECTORS' INTEREST

No director held any direct interest in the ordinary share capital of the Company at the beginning of, during, or at the end of the year.

11. COMPANY SECRETARY

The Company Secretary during year and to the date of this report was LM Smith.

ILOYO DISTILLERS (TANZANIA) LIMITED

**THE REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued)
FOR THE YEAR ENDED 31 AUGUST 2024**

12. AUDITOR

The Company's external auditor, Ernst & Young, has expressed willingness to continue in office and is eligible for re-appointment. A resolution proposing the re-appointment of Ernst & Young as the external auditor of the Company for the financial year ending 31 August 2025 will be put to the Annual General Meeting.

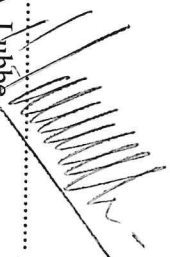
BY ORDER OF THE BOARD



.....

GH Williams
Managing Director

Date: 18/12/2024



.....

A. Lubbe
Board Chairman

ILLOVO DISTILLERS (TANZANIA) LIMITED

**STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 AUGUST 2024**

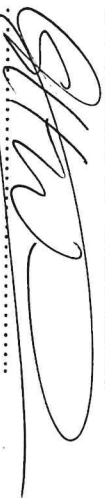
The Companies Act, 2002 of Tanzania requires the directors to prepare financial statements for each financial year which present fairly the state of financial affairs of the Company as at the end of the financial year and of the operating results for that year. It also requires that the directors ensure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

The Company's directors are responsible for the preparation of financial statements that present fairly, the Company's financial results and position in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2002 of Tanzania, and for such internal controls as the directors determine are necessary to enable the preparation of financial statement that are free from material misstatement, whether due to fraud or error and for maintaining adequate accounting records and an effective system of risk management.

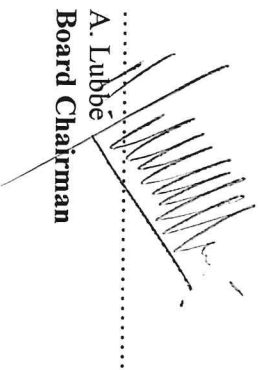
The auditor is responsible for reporting on whether the audited financial statements are fairly presented, in all material respects, in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2002 of Tanzania.

The directors have assessed the ability of the Company to continue as going concern and have no reason to believe that the Company will not be a going concern for the foreseeable future.

BY ORDER OF THE BOARD


.....

GH Williams
Managing Director


.....

A. Lubbe
Board Chairman

ILLOVO DISTILLERS (TANZANIA) LIMITED


**DECLARATION OF THE DIRECTOR OF FINANCE
FOR THE YEAR ENDED 31 AUGUST 2024**

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

It is the duty of a professional accountant to assist the Board of Directors to discharge the responsibility of preparing financial statements of an entity showing a true and fair view position of the entity in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2002 of Tanzania. Full legal responsibility for the financial statements rests with the Board of Directors as stated under the Statement of Directors' Responsibilities on the previous page.

I, Fakihi Fadhili, being the Director of Finance of Illovo Distillers (Tanzania) Limited, acknowledge my responsibility of ensuring that the financial statements for the year ended 31 August 2024 have been prepared in accordance with International Financial Reporting 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 Illovo Distillers (Tanzania) Limited as on that date and that they have been prepared based on properly maintained financial records.


.....

Name: Fakihi Fadhili

Position: Finance Director

NBAA Membership No: GA 2600

Date: 16.11.2024.



Building a better
working world

Ernst & Young
EY House
Plot No. 162/1, Mzingu Way
14/111 Oysterbay
P.O. Box 2475
Dar es Salaam, Tanzania

Tel: +255 22 2924040/41/42
Fax: +255 22 2924043
E-mail: info.tanzania@tz.ey.com
www.ey.com
TIN: 100-149-222
VRN: 10-007372-2

INDEPENDENT AUDITOR'S REPORT To the shareholders of Illovo Distillers (Tanzania) Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

We have audited the financial statements of Illovo Distillers (Tanzania) Limited set out on pages 12 to 43, which comprise the statement of financial position as at 31 August 2024, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of material accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Illovo Distillers (Tanzania) Limited as at 31 August 2024, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Companies Act, 2002 of Tanzania.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Tanzania, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Other information

The directors are responsible for the other information. The other information comprises the Corporate Information, Directors' Report, Statement of Directors' Responsibilities and the Declaration by the Director of Finance. The other information does not include the financial statements and our auditor's report thereon.

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

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

Responsibility of the directors for the financial statements

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

INDEPENDENT AUDITOR'S REPORT (Continued)
To the shareholders of Illovo Distillers (Tanzania) Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (Continued)

Responsibility of the directors for financial statements (Continued)

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibility for the audit of the financial statements

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

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

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



Building a better
working world

Ernst & Young
EY House
Plot No. 162/1, Mzingwa Way
14111 Oysterbay
P.O. Box 2475
Dar es Salaam, Tanzania

Tel: +255 22 2924040/41/42
Fax: +255 22 2924043
E-mail: info.tanzania@tz.ey.com
www.ey.com
TIN: 100-149-222
VRN: 10-007372-Z

INDEPENDENT AUDITOR'S REPORT (Continued)
To the shareholders of Illovo Distillers (Tanzania) Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (Continued)

Auditor's responsibility for the audit of the financial statements (Continued)


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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

This report, including the opinion, has been prepared for, and only for, the Company's members as a body in accordance with the Companies Act, 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 were necessary for the purpose of our audit;
- In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books;
- The Directors' Report is consistent with the financial statements;
- Information specified by law regarding directors' remuneration and transactions with the Company is disclosed; and,
- The Company's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account.


Joseph Sheffu (Partner)
FCPA 867
For and behalf of Ernst & Young
Certified Public Accountants
Dar es Salaam, Tanzania

Date: 3rd February 2025

ILOVO DISTILLERS (TANZANIA) LIMITED


**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 AUGUST 2024**


	Note	2024 TZS 000	2023 TZS 000
Revenue from Contracts with customers	5	42,098,269	30,609,845
Cost of sales	6	(25,331,394)	(10,732,280)
Gross profit		16,766,875	19,877,565
Other income	7	5,087	1,201,092
Selling and distribution expenses	8	(1,102,120)	(1,635,510)
Administration expenses	9	(1,657,117)	(1,247,759)
Operating profit		14,012,725	18,195,388
Finance income	10	21,189,429	8,480,633
Finance costs	10	(11,335)	(810)
Profit before tax		35,190,819	26,675,211
Income tax expense	11	(10,640,729)	(8,120,317)
Profit for the year		24,550,090	18,554,894
Total comprehensive income for the year, net of tax		24,550,090	18,554,894

ILOVO DISTILLERS (TANZANIA) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 AUGUST 2024

	2024	2023
	TZS 000	TZS 000
ASSETS		
Non-current assets		
Property plant and equipment	41,144,213	42,404,287
Related Party loan receivable – non-current portion	200,839,954	153,074,086
	<u>241,984,167</u>	<u>195,478,373</u>
Current assets		
Inventories	2,529,215	2,166,007
Related Party loan receivable - Current portion	20,000,000	-
Trade and other receivables	13,405,380	4,572,051
Cash and bank balances	3,057,565	14,279,107
	<u>38,992,160</u>	<u>21,017,165</u>
TOTAL ASSETS	<u>280,976,327</u>	<u>216,495,538</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	144,600,000	117,500,000
Share premium	3,662,575	3,662,575
Retained earnings	105,769,900	81,219,810
	<u>254,032,475</u>	<u>202,382,385</u>
Non-current liabilities		
Deferred tax liability	7,924,056	8,503,079
Current liabilities		
Trade and other payables	13,446,708	1,872,197
Contract liabilities	1,057,515	694,231
Due to related parties	2,470,073	2,230,853
Current tax liabilities	2,045,500	812,793
	<u>19,019,796</u>	<u>5,610,074</u>
TOTAL EQUITY AND LIABILITIES	<u>280,976,327</u>	<u>216,495,538</u>

The financial statements were approved by the Board of Directors on 18/2/2024 and were signed on its behalf by:


 GH Williams
 Director


 A. Lubbe
 Chairman

ILLOVO DISTILLERS (TANZANIA) LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 AUGUST 2024**

	Ordinary Share Capital	Share Premium	Retained Earnings	Total
	TZS 000	TZS 000	TZS 000	TZS 000
Balance as at 1 September 2023	117,500,000	3,662,575	81,219,810	202,382,385
Premium shares issued in the year	27,100,000	-	-	27,100,000
Total comprehensive income for the year, net of tax	-	-	24,550,090	24,550,090
Balance as at 31 August 2024	144,600,000	3,662,575	105,769,900	254,032,475
Balance as at 1 September 2022	32,500,000	3,662,575	62,664,916	98,827,491
Additions	85,000,000	-	-	85,000,000
Total comprehensive income for the year, net of tax	-	-	18,554,894	18,554,894
Balance as at 31 August 2023	117,500,000	3,662,575	81,219,810	202,382,385

ILOVO DISTILLERS (TANZANIA) LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 AUGUST 2024**

	Notes	2024 TZS 000	2023 TZS 000
Operating activities		TZS 000	TZS 000
Profit before interest and income tax		14,012,725	18,195,388
Adjustments for:			
Effect of unrealised exchange loss	9	170,102	69,428
Depreciation	13	2,316,933	2,364,078
Cash from operations before working capital changes		16,499,760	20,628,894
Changes in working capital items			
(Increase)/Decrease in inventories	14	(363,208)	147,362
(Increase)/Decrease in trade and other receivables	15	(8,833,329)	1,739,039
Increase in trade and other payables	17	11,574,513	391,459
Increase in contract liabilities	18	363,284	269,414
Increase in amounts due to related parties	19	239,220	685,366
Cash flows generated from operations		19,480,240	23,861,534
Income tax paid	11	(9,987,045)	(8,456,556)
Net cash flows from operating activities		9,493,195	15,404,978
Investing activities			
Purchase of property plant and equipment	13	(1,056,859)	(8,485)
Proceeds from disposals	19	-	129,733
Loan issued to a related party	10	(47,100,000)	(135,000,000)
Interest paid -related party	10	(11,335)	(810)
Interest receipts -banks	10	523,562	422,081
Net cash flows (used in)/from investing activities		(47,644,632)	(134,457,481)
Financing activities			
Proceeds from issue of shares	20	27,100,000	85,000,000
Net cash flows used in financing activities		27,100,000	85,000,000
Net increase in cash and cash equivalents		(11,051,437)	(34,052,503)
Effect of forex gains movement	9	(170,105)	(69,428)
Cash and cash equivalents at the beginning of the year		14,279,107	48,401,038
Cash and cash equivalents at the end of the year	16	3,057,565	14,279,107

ILLOVO DISTILLERS (TANZANIA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2024

1. GENERAL INFORMATION

The financial statements of Illovo Distillers (Tanzania) Limited (the “Company”) for the year ended 31 August 2023 were authorised for issue in accordance with a resolution of the Board of Directors. The Company is a limited liability company incorporated and domiciled in Tanzania. Further information on the Company is disclosed under Corporate Information and the Directors’ Report.

2. MATERIAL ACCOUNTING POLICIES

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

(a) Basis of preparation

These financial statements have been prepared in accordance with and comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and the requirements of the Companies Act, 2002 of Tanzania. The financial statements have been prepared under the historical cost convention, except where otherwise stated.

The financial statements are presented in Tanzania Shillings (TZS) rounded to the nearest thousand (TZS’000) except where indicated otherwise.

For the purpose of the Companies Act, 2002 of Tanzania, in these financial statements the balance sheet is represented by the statement of financial position and the profit and loss account is represented by the statement of profit or loss and other comprehensive income.

The Company has prepared the financial statements on the basis that it will continue to operate as a going concern.

(b) New and amended standards and interpretations

(i) New and amended standards and interpretations effective during the year

- **IFRS 17 Insurance Contracts - Effective for annual reporting periods beginning on or after 1 January 2023**

The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which were largely

based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

This standard is not applicable to the Company.

ILLOVO DISTILLERS (TANZANIA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 AUGUST 2024

2. MATERIAL ACCOUNTING POLICIES (Continued)

(a) New and amended standards and interpretations (Continued)

(i) New and amended standards and interpretations effective during the year (Continued)

- **Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2 - Effective for annual reporting periods beginning on or after 1 January 2023**

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 may impact the accounting policy disclosures of entities. Determining whether accounting policies are material or not requires use of judgement. Therefore, entities are encouraged to revisit their accounting policy information disclosures to ensure consistency with the amended standard. The amendments have been implemented in the current year accounting policy disclosures of the entity.

- **Definition of Accounting Estimates - Amendments to IAS 8 - Effective for annual reporting periods beginning on or after 1 January 2023**

The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The previous definition of a change in accounting estimate specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors. This aspect of the definition was retained by the Board. This amendment had no impact on the financial statements of the Company.

- **Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12 - Effective for annual reporting periods beginning on or after 1 January 2023**

The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability. This amendment had no impact on the financial statements of the Company.

- **Amendments to IAS 12 International Tax Reform—Pillar Two Model Rules - The amendments are effective immediately upon issuance**

In May 2023, the Board issued amendments to IAS 12, which introduce a mandatory exception in IAS 12 from recognising and disclosing deferred tax assets and liabilities related to Pillar Two income taxes.

The amendments clarify that IAS 12 applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organization for Economic Cooperation and Development (OECD), including tax law that implements qualified domestic minimum top-up taxes. Such tax legislation, and the income taxes arising from it, are referred to as 'Pillar Two legislation' and 'Pillar Two income taxes', respectively.

ILLOVO DISTILLERS (TANZANIA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 AUGUST 2024

2. MATERIAL ACCOUNTING POLICIES (Continued)

(a) New and amended standards and interpretations (Continued)

(ii) New and amended standards and interpretations issued but not yet effective

- **Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants - Amendments to IAS 1– Effective for annual reporting periods beginning on or after 1 January 2024.**

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 must be applied retrospectively. The Company is currently assessing the impact the amendments.

- **Lease Liability in a Sale and Leaseback - Amendments to IFRS 16 - Effective for annual reporting periods beginning on or after 1 January 2024.**

The amendment to IFRS 16 specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendment does not prescribe specific measurement requirements for lease liabilities arising from a leaseback.

The amendments are not expected to have a material impact on the Company.

- **Disclosures: Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7 - Effective for annual reporting periods beginning on or after 1 January 2024.**

In May 2023, the Board issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures. The amendments specify disclosure requirements to enhance the current requirements, which are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The Company is currently assessing the impact the amendments.

- **Lack of exchangeability - Amendments to IAS 21 - Effective for reporting periods beginning on or after 1 January 2025.**

The amendment to IAS 21 specifies how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. A currency is considered to be exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations. The Company is currently assessing the impact the amendments.

ILLOVO DISTILLERS (TANZANIA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 AUGUST 2024

2. MATERIAL ACCOUNTING POLICIES (Continued)

(a) New and amended standards and interpretations (Continued)

(ii) New and amended standards and interpretations issued but not yet effective

- **Classification and Measurement of Financial Instruments - Amendments to IFRS 9 and IFRS 7 - Effective for reporting periods beginning on or after 1 January 2026.**

In May 2024, the Board issued Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7), which:

- Clarifies that a financial liability is derecognised on the 'settlement date', i.e., when the related obligation is discharged, cancelled, expires or the liability otherwise qualifies for derecognition. It also introduces an accounting policy option to derecognise financial liabilities that are settled through an electronic payment system before settlement date if certain conditions are met
- Clarified how to assess the contractual cash flow characteristics of financial assets that include environmental, social and governance (ESG)-linked features and other similar contingent features
- Clarifies the treatment of non-recourse assets and contractually linked instruments
- Requires additional disclosures in IFRS 7 for financial assets and liabilities with contractual terms that reference a contingent event (including those that are ESG-linked), and equity instruments classified at fair value through other comprehensive income.

The Company is currently assessing the impact the amendments.

- **Annual Improvements to IFRS Accounting Standards - Volume 11 - Effective for reporting periods beginning on or after 1 January 2026.**

- IFRS 1 First-time Adoption of International Financial Reporting Standards - Hedge Accounting by a First-time Adopter
- IFRS 7 Financial Instruments: Disclosures - Gain or Loss on Derecognition
- Guidance on implementing IFRS 7 Financial Instruments: - Disclosures - Introduction
- Guidance on implementing IFRS 7 Financial Instruments: Disclosures - Disclosure of Deferred Difference between Fair Value and Transaction Price
- Guidance on implementing IFRS 7 Financial Instruments: Disclosures - Credit Risk Disclosures
- IFRS 9 Financial Instruments Lessee - Derecognition of Lease Liabilities
- IFRS 9 Financial Instruments - Transaction Price
- IFRS 10 Consolidated Financial Statements - Determination of a 'De Facto Agent'
- IAS 7 Statement of Cash Flows Cost Method

The Company is currently assessing the impact the amendments.

- **IFRS 18 - Presentation and Disclosure in Financial Statements - Effective for reporting periods beginning on or after 1 January 2027.**

In April 2024, the Board issued IFRS 18 Presentation and Disclosure in Financial Statements which replaces IAS 1. IFRS 18 introduces new categories and subtotals in the statement of profit or loss. It also requires disclosure of management-defined performance measures (as defined) and includes new requirements for the location, aggregation and disaggregation of financial information. The Company is currently assessing the impact the amendments.

ILLOVO DISTILLERS (TANZANIA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 AUGUST 2024

2. MATERIAL ACCOUNTING POLICIES (Continued)

- (a) New and amended standards and interpretations (Continued)**
- (ii) New and amended standards and interpretations issued but not yet effective**
 - **IFRS 19 - Subsidiaries without Public Accountability: Disclosures - Effective for reporting periods beginning on or after 1 January 2027.**

In May 2024, the Board issued IFRS 19 Subsidiaries without Public Accountability: Disclosures (IFRS 19), which allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS accounting standards. Unless otherwise specified, eligible entities that elect to apply IFRS 19 will not need to apply the disclosure requirements in other IFRS accounting standards. An entity applying IFRS 19 is required to disclose that fact as part of its general IFRS accounting standards compliance statement. IFRS 19 requires an entity whose financial statements comply with IFRS accounting standards including IFRS 19 to make an explicit and unreserved statement of such compliance. The Company is currently assessing the impact the amendments.

- **Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 - effective date of this amendment indefinitely.**

The amendments address the conflict between IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in IFRS 3 Business combinations. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture.

ILLOVO DISTILLERS (TANZANIA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 AUGUST 2024

2. MATERIAL ACCOUNTING POLICIES (Continued)

(iii) Summary of accounting policies

Revenue recognition

Revenue represents income arising in the course of an entity'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) discounts, rebates and other similar allowances.

Revenue from the sale of goods, as part of the ordinary activities, is recognized as recurring revenue. Revenue from sale of goods is recognized at the point in time when control of the goods is transferred to the customer, generally on delivery of the goods.

The five-step model stipulated in IFRS 15 *Revenue from contracts with customers* is applied when accounting for revenue from contracts with customers. The Company accounts for a revenue contract with a customer only when all the following criteria are met:

- The parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations;
- The Company can identify each party's rights regarding the goods or services to be transferred;
- The Company can identify the payment terms for the goods or services to be transferred;
- The contract has commercial substance (i.e., the risk, timing or amount of future cash flows is expected to change as a result of the contract); and
- It is probable that the Company will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g, warranties, customer loyalty points).

Contract balances

Contract assets: A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized 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.

ILOVO DISTILLERS (TANZANIA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 AUGUST 2024

2. MATERIAL ACCOUNTING POLICIES (Continued)

(iii) Summary of accounting policies (Continued)

Revenue recognition (Continued)

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 entity transfers goods or services to the customer, a contract liability is recognized when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the entity performs under the contract.

Property, plant and equipment

All categories of property, plant and equipment are initially recorded at historical cost. Subsequently, the assets are stated at historical costs excluding day to day servicing, less accumulated depreciation and accumulated impairment in value. Historical costs include expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial year in which they occur.

Depreciation is calculated on a straight-line basis at annual rates estimated to write-off the assets over their expected useful lives. Depreciation commences when the assets are ready for their intended use. Costs incurred on land are not depreciated as the land rights appreciate over time.

The estimated useful economic lives of property, plant and equipment fall within the following ranges:

Buildings and other permanent works	20-60 years
Plant and machinery	5-40 years
Vehicles	5-8 years
Furniture and office equipment	5-10 years

The assets' residual values, useful lives are reviewed and adjusted if appropriate, at each financial year end considering market conditions and projected disposal values. In assessing useful lives, maintenance programmes and technological innovations are considered. An asset's carrying value is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between proceeds received and the carrying amount of the asset, and is recognised in profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take an extended year of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

ILLOVO DISTILLERS (TANZANIA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 AUGUST 2024

2. MATERIAL ACCOUNTING POLICIES (Continued)

(iii) Summary of accounting policies (Continued)

Borrowing costs (Continued)

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss for year in which they are incurred.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of spares is determined on the average cost method. Cost of finished goods comprises of all costs of purchase, costs of conversion and other costs incurred in bringing such inventories to their present condition and location. Redundant and slow-moving inventories are identified and written down to their net realisable values. Net realisable value represents the estimated selling prices less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and reliable estimate of the amount of the obligation can be made. Provisions are measured at the directors best estimate of the expenditure required to settle the obligation at the end of each reporting year, and are discounted to present value where the effect is material.

Foreign currencies

In preparing the financial statements of the Company, transactions in currencies other than its functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting year, monetary items denominated in foreign currencies are retranslated to Tanzanian shillings at the rates prevailing at that date. Non-monetary items carried at fair value that is denominated in foreign currency are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. The resulting differences arising

from conversion and translation of foreign currencies are dealt with in profit or loss in year in which they arise.

Employee benefits

The Company pays fixed contributions at the rate of 10% of the employee's salary to publicly administered pension funds. The Company has no legal or constructive obligations to pay further contributions if the funds do not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior years. The contributions are recognised as employee benefit expenses when they are due.

ILLOVO DISTILLERS (TANZANIA) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 AUGUST 2024**

2. MATERIAL ACCOUNTING POLICIES (Continued)

(iii) Summary of accounting policies (Continued)

Taxation

Current income tax

Current income tax assets and liabilities for the current year are measured 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.

Current income tax relating to items recognised outside profit or loss is recognised outside profit or loss in correlation to the underlying transaction either in other comprehensive income or directly in equity. 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.

Deferred tax

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

Deferred tax liabilities are recognised for all taxable temporary differences, except where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised, except Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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 taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside of profit or loss is recognised outside of profit or loss in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

ILOVO DISTILLERS (TANZANIA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 AUGUST 2024

2. MATERIAL ACCOUNTING POLICIES (Continued)

(iii) Summary of accounting policies (Continued)

Taxation (continued)

Value Added Tax

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

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

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

Impairment of non-financial assets

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separable identifiable cash flows (cash-generating units).

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuing of new shares are shown in equity as a deduction, net of tax, from proceeds.

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in year in which the dividends are approved by the Company's shareholders.

Equity

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

ILLOVO DISTILLERS (TANZANIA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 AUGUST 2024

2. MATERIAL ACCOUNTING POLICIES (Continued)

(iii) Summary of accounting policies (Continued)

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. 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.

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.

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.

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

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 de-recognition (equity instruments)
- Financial assets at fair value through profit or loss

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 bank balances and trade and other receivables.

ILOVO DISTILLERS (TANZANIA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 AUGUST 2024

2. MATERIAL ACCOUNTING POLICIES (Continued)

(iii) Summary of accounting policies (Continued)

Financial assets (Continued)

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily 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 'pass-through' 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. 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.

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).

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the expected credit loss (12mECL). The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the after the reporting date. Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

ILLOVO DISTILLERS (TANZANIA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 AUGUST 2024

2. MATERIAL ACCOUNTING POLICIES (Continued)

(iii) Summary of accounting policies (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- Probability of Default (PD): The PD is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.
- Exposure at Default (EAD): The EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- Loss Given Default (LGD): The LGD is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

The Company considers a financial asset in default when contractual payments are 30 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.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss or financial liabilities at amortised cost. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of financial liabilities at amortised cost, plus directly attributable transaction costs.

The Company's financial liabilities include b trade and other payables, all of which are categorised as financial liabilities at amortised cost.

Subsequent measurement

After initial recognition, trade and other payables and bank overdrafts are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest method (EIR) amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance cost 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 a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

ILLOVO DISTILLERS (TANZANIA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 AUGUST 2024

2. MATERIAL ACCOUNTING POLICIES (Continued)

(iii) Summary of accounting policies (Continued)

Financial liabilities (Continued)

Offsetting of financial instruments

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

Cash and cash equivalents

Cash and cash equivalents include cash in hand, demand and time deposits with banks whose original maturities do not exceed three months less bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

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:

- 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 twelve months after the reporting year, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting year

All other assets are classified as non-current.

A liability is current when:

- 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 twelve months after the reporting year, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting year

The Company classifies all other liabilities as non-current.

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

3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Judgments

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 disclosure of contingent liabilities, at the end of the reporting year. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future years. 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:

ILLOVO DISTILLERS (TANZANIA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 AUGUST 2024

3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Judgments (Continued)

Operating lease commitments – Company as lessee

The Company has entered into lease agreements for space for use in the Company's operations. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the leased assets and the present value of the minimum lease payments not amounting to substantially all of the fair value of the leased assets, that it does not take on all the significant risks and rewards of ownership of the leased assets and accounts for the arrangements as operating leases.

Property, plant and equipment

Judgements are made by the directors in determining the useful lives and residual values of property, plant and equipment based on the intended use of the assets and the economic lives of those assets. Subsequent changes in circumstances such as technological advances or prospective utilisation of the assets concerned could result in the actual useful lives or residual values differing from initial estimates. The depreciation rates are based on the estimated useful lives of the assets.

More information on property, plant and equipment is included in note 13.

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 discussed below.

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the tax authority. Such differences in interpretation may arise for a wide variety of issues depending on the conditions prevailing in the country.

More information on taxes including the carrying amounts of the balances affected is presented in notes 11 and 12.

4. FINANCIAL RISK MANAGEMENT

Capital management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern and to maintain an optimal capital structure to reduce the cost of capital. The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net external borrowings divided by total capital. The total capital structure of the Company consists of debt, which includes borrowings less cash and cash equivalents, and equity attributable to equity holders of the Company, comprising issued capital, share premium and retained earnings.

The Company's strategy is to maintain a gearing ratio of less than 100%.

ILLOVO DISTILLERS (TANZANIA) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 AUGUST 2024**

4. FINANCIAL RISK MANAGEMENT (Continued)

Capital Management (Continued)

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern and to maintain an optimal capital structure to reduce the cost of capital. The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net external borrowings divided by total capital. The total capital structure of the Company consists of debt, which includes borrowings less cash and cash equivalents, and equity attributable to equity holders of the Company, comprising issued capital, share premium and retained earnings.

The Company's strategy is to maintain a gearing ratio of less than 100%.

The Company had no borrowings as at year-end (2023: Nil) and its capital was made up as follows:

	2024	2023
	TZS '000	TZS '000
Share capital	144,600,000	117,500,000
Share premium	3,662,575	3,662,575
Retained earnings	105,769,900	81,219,810
Total equity	<u>254,032,475</u>	<u>202,382,385</u>
Less: Cash and cash equivalents	(3,057,565)	(14,279,107)
Net debt*	<u>250,974,910</u>	<u>188,103,278</u>
Total capital	<u>250,974,910</u>	<u>188,103,278</u>

*Calculation of net debt does consider the fact that the company does not have any loan liabilities.

Financial instruments by category

The Company's financial instruments by category are disclosed in the below table.

Debt instruments at amortised cost:

Loan to related party	220,839,954	153,074,086
Trade and other receivables ¹	12,016,570	3,914,176
Cash and bank balances	3,057,565	14,279,107
	<u>235,914,089</u>	<u>171,267,369</u>

Financial liabilities at amortized cost:

Amounts due to related parties	(2,470,073)	(2,230,853)
Trade and other payables ²	(1,097,157)	(1,017,140)
	<u>(3,567,230)</u>	<u>(3,247,993)</u>

¹Prepayments and tax related deposits are excluded from the trade and other receivables balances.

²Statutory liabilities and deferred income are excluded from the trade and other payables balances.

The above financial assets and financial liabilities are carried at amortised cost and their carrying values are a reasonable approximation of their fair values.

ILOVO DISTILLERS (TANZANIA) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 AUGUST 2024**

4. FINANCIAL RISK MANAGEMENT (Continued)

Financial risks

The main risks arising from the Company's financial instruments are liquidity risk, market risk and credit risk. Market risk comprises interest rate risk, foreign exchange risk and price risk. The Company does not have significant exposure to price risk since no price sensitive financial instruments are held.

The Company's overall risk management programmes focus on the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance. Risk management is carried out by the finance department under policies approved by the Board of Directors. Risk management policies and systems are reviewed regularly to reflect changes in the market conditions, and services offered. The Company, through its training, management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees and stakeholders understand their roles and obligations.

Credit risk management

Credit risk consists of deposits held with banks, loans with related parties and trade and other receivables. Trade receivables comprise a widespread customer base and the Company performs ongoing credit evaluations on the financial condition of its customers. The amounts presented in the statement of financial position are net of allowances for expected credit losses, estimated by the management based on past loss experience and cognizant of the current and future macroeconomic conditions. The probability of default by /the counter parties as at year-end was minimal.

The Company's maximum exposure to credit risk as at year-end was as follows:

	Trade and other receivables	Loans to related parties	Bank balances	Total Exposure
t 31 August 2024				
Not past due	12,016,139	220,839,954	3,057,565	235,913,658
Past due but not impaired	91,421	-	-	91,421
Net carrying amount	12,107,560	220,839,954	3,057,565	236,005,079
At 31 August 2023				
Not past due	3,316,706	153,074,086	14,279,107	170,669,899
Past due but not impaired	597,470	-	-	597,470
Net carrying amount	3,914,176	153,074,086	14,279,107	171,267,369

In determining the recoverability of the credit exposures, the Company considers any change in the credit quality of the exposure from the date credit was initially granted up to the reporting date. The concentration of the credit risk is limited due to the customer base being widespread and unrelated

The ageing analysis of the gross trade and other receivables as at year-end was as follows:

	2024	2023
Current	TZS'000	TZS'000
30 days	11,305,436	1,587,103
60 days	619,282	1,729,603
Above 60 days	328	597,470
	91,093	-
	12,016,139	3,914,176

ILLOVO DISTILLERS (TANZANIA) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 AUGUST 2024**

4. FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk management (Continued)

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises because of the possibility that the entity could be required to pay its liabilities earlier than expected.

The Company manages liquidity risk by monitoring forecast cash flows and ensuring that adequate financing facilities are maintained. The directors may from time to time, at their discretion, raise or borrow funds for the Company as they deem fit. There are no borrowing limits in the Articles of Association of the Company.

The table below presents the cash flows payable by the Company for non-derivative financial liabilities by the remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual cash flows, as the Company manages the inherent liquidity risk based on expected cash outflows.

	<3 Months	3-12 Months	Total
As at 31 August 2024			
Amounts due to related parties	1,482,044	988,029	2,470,073
Trade and other payables	1,097,157	-	1,097,157
Total financial liabilities	2,579,201	988,029	3,567,230
As at 31 August 2023			
Amounts due to related parties	2,230,853	-	2,230,853
Trade and other payables	1,872,195	-	1,872,195
Total financial liabilities	4,103,048	-	4,103,048

Market risk management

i. Interest rate risk

The Company is exposed to interest rate risk as it invests and borrows funds both at fixed and floating rates. The risk is closely monitored by management. The table below indicates the exposure to interest rate risk. Included are the Company's financial assets and liabilities at carrying amounts, categorized by the earlier of contractual reprising or maturity dates.

	<12 Months	>12 months	Non-interest bearing	Total
At 31 August 2024				
Financial assets				
Trade and other receivables	-	-	13,405,380	13,405,380
Long term loan -related parties	20,000,000	200,839,954	-	220,839,954
Cash and bank balances	<u>20,000,000</u>	<u>200,839,954</u>	<u>3,057,565</u>	<u>237,302,899</u>
Financial liabilities				
Trade and other payables	-	-	13,446,708	13,446,708
Amounts due to related parties	<u>2,470,073</u>	<u>-</u>	<u>-</u>	<u>2,470,073</u>
Interest sensitivity gap	<u>17,529,927</u>	<u>200,839,954</u>	<u>3,016,237</u>	<u>221,386,118</u>

ILLOVO DISTILLERS (TANZANIA) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 AUGUST 2024**

4. FINANCIAL RISK MANAGEMENT (Continued)

(i) Interest rate risk (Continued)	<12 Months		>12 months		Non-interest bearing	Total
At 31 August 2023						
Financial assets						
Trade and other receivables	-	-	3,914,176	3,914,176		
Long term loan -related parties	-	145,000,000	8,074,086	153,074,086		
Cash and bank balances	-	-	14,279,107	14,279,107		
	-	<u>145,000,000</u>	<u>26,267,369</u>	<u>171,267,369</u>		
Financial liabilities						
Trade and other payables	-	-	1,872,197	1,872,197		
Amounts due to related parties	-	-	2,230,853	2,230,853		
	-	-	<u>4,103,050</u>	<u>4,103,050</u>		
Interest sensitivity gap	-	<u>145,000,000</u>	<u>23,421,421</u>	<u>168,421,692</u>		
			2024	2023		
			TZS 000	TZS 000		

Sensitivity Analysis on Interest Rate

The 100-basis point (+/-1%) sensitivity reflects typical borrowing rate fluctuations in Tanzania's stable economic environment, aligning with local market conditions for a realistic measure of interest rate impact.

If interest rates had been 100 basis points higher/lower and all other variables held constant, the Company's profit before tax for the year would increase/ decrease by: 20,872,527 8,139,138

If interest rates had been 100 basis points higher/lower and all other variables held constant, the Company's equity for the year would increase/decrease by: 14,610,769 5,697,397

ii. Foreign currency risk

The Company enters contracts denominated in foreign currencies including South Africa Rand (ZAR) and United States Dollars (USD). In addition, the Company has assets and liabilities denominated in foreign currencies. As a result, the Company is subject to transaction and translation exposure from fluctuations in foreign currency exchange rates.

The Company's foreign exchange rate risk exposure relates mainly to the US Dollar and the SA Rand. The following table details the Company's sensitivity to a 5% increase or decrease in the exchange rates of the Tanzania Shilling against the relevant currencies.
The use of a 5% change in the ZAR and USD against the TZS is a common practice in sensitivity analysis to assess the potential impact of currency fluctuations on financial performance. This percentage is based on historical data and market trends on key macroeconomic variables such as inflation rates which suggest that such movements are not uncommon.

(All amounts are in TZS'000)	2024		2023	
	EURO	ZAR	USD	ZAR
Profit before tax	325	78,715	270,056	61,987
Equity	<u>228</u>	<u>55,101</u>	<u>189,039</u>	<u>43,391</u>

The Company mitigates foreign currency risk by invoicing some customers in foreign currencies, offsetting potential losses or gains on foreign currency-denominated liabilities. Additionally, the Company prioritizes negotiating liabilities in local currency and prompt payment of outstanding debts. Management also actively seeks favourable exchange rates with the Company's bankers.

ILLOVO DISTILLERS (TANZANIA) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 AUGUST 2024**

4. FINANCIAL RISK MANAGEMENT (Continued)

(ii) Foreign currency risk (Continued)

The Company's exposure to foreign currency risk is mainly to the currencies indicated in the table below which are the foreign currencies in which the Company transacts most

	(All amounts are in TZS'000)		
	USD	ZAR	Total
At 31 August 2024			
Financial assets			
Cash and bank balances	1,075,000	-	1,075,000
Trade and receivables	-	-	-
	1,075,000	-	1,075,000
Financial liabilities			
Trade and other payables	-	-	-
Amount due to related parties	-	807,152	807,152
	-	807,152	807,152
Net foreign currency exposure	1,075,000	(807,152)	267,848
At 31 August 2023			
Financial assets			
Cash and bank balances	2,238,677	-	2,238,677
Trade and receivables	539,067	-	539,067
	2,777,744	-	2,777,744
Financial liabilities			
Trade and other payables	(77,181)	(145,788)	(222,969)
Amount due from related parties	-	(474,077)	(474,077)
	(77,181)	(619,865)	(697,046)
Net foreign currency exposure	2,854,925	619,865	3,474,790

ILLOVO DISTILLERS (TANZANIA) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 AUGUST 2024**

	2024	2023
	TZS '000	TZS '000
5 REVENUE FROM CONTRACT WITH CUSTOMERS		
Sales - local market	41,768,410	29,301,272
Sales - export market	73,541	1,020,274
Sales to related party	256,318	288,299
Total revenue from contracts with customers	42,098,269	30,609,845

Reported sales for the year was 10,293 kilolitres (2023: 12,789 kilolitres); 600 Kilolitres purchased Ethanol was sold during the year

	2024	2023
6 COST OF SALES		
Material and chemicals	3,915,721	4,968,574
Steam and electricity	907,813	907,813
Depreciation	2,316,934	2,364,078
Plant and equipment maintenance	393,929	441,067
Off crop maintenance	1,011,801	967,174
Excise Duty*	13,732,049	-
Staff costs - direct	1,130,244	1,082,873
Total production costs	23,408,491	10,731,579

* Excise duty is driven by the Finance Act 2024 which introduced new excise duty on undenatured ethyl alcohol with an alcohol strength of 80% by volume or higher. The new excise duty on locally produced undenatured ethyl alcohol is levied at TZS 5,000 per litre.

Stock Movement - Produced ENA	(132,588)	701
Stock Movement - Purchased ENA	2,055,491	-
	25,331,394	10,732,280
Production volume of Extra Neutral Alcohol for the year amounted to 10,772 kilolitres (2023 13,185 kilolitres)		

	2024	2023
7 OTHER INCOME		
Foreign exchange gains	5,087	1,201,092
	5,087	1,201,092
Decrease in foreign exchange gains in the period relates to lesser receipt of forex loans compared to last year.		

	2024	2023
8 SELLING AND DISTRIBUTION EXPENSES		
Marketing commission	400,758	765,511
Freight charges on exports	701,362	869,999
	1,102,120	1,635,510

ILLOVO DISTILLERS (TANZANIA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 AUGUST 2024

	2024	2023
	TZS '000	TZS '000
9 ADMINISTRATION EXPENSES		
Auditor's remuneration - audit fees	62,728	68,083
Management fees	72,065	68,487
Professional and consultancy fees	174,638	70,054
Insurance	194,346	159,151
Security costs	34,320	34,320
Computer costs	83,785	121,591
Travel and accommodation	39,963	16,597
Service levy	126,295	61,711
SBT levies on ENA and TA	111,838	-
Foreign exchange loss	170,102	69,428
Other administration costs	537,887	530,379
Staff costs	49,150	47,958
	<u>1,657,117</u>	<u>1,247,759</u>

* Relates to New Sugar Board of Tanzania (SBT) levies on Ethanol (ENA) and technical alcohol (TA) sales each month at a rate of Tsh 40 and Tsh 15 per Litre respectively effective from 01 July 2024

The following are employment costs which are included in Note 6 and Note 9 above.

Staff Costs		
Salaries and wages	972,292	895,840
Staff performance bonus	5,030	34,322
Staff benefits and allowances	37,939	45,720
Pension – employer contribution	97,953	96,235
Statutory payroll costs	39,448	42,873
Medical costs	26,732	15,841
	<u>1,179,394</u>	<u>1,130,831</u>

The costs are presented in the following statement of profit or loss and other comprehensive lines:

Cost of sales (Note 6)	1,130,244	1,082,873
Administration expenses (Note 9)	49,150	47,958
	<u>1,179,394</u>	<u>1,130,831</u>
10 FINANCE INCOME		
Interest income – bank deposits	523,562	422,081
Interest income – loan to related party (Note 19)	20,665,867	8,058,552
	<u>21,189,429</u>	<u>8,480,633</u>
Interest expense -related parties	(11,335)	(810)

Total interest income recognised using the effective interest method

	<u>21,178,094</u>	<u>8,479,823</u>
--	--------------------------	-------------------------

ILLOVO DISTILLERS (TANZANIA) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 AUGUST 2024**

11 TAXATION

	2024	2023
	TZS '000	TZS '000
a. Income tax expense		
Income tax charge – current year	11,250,171	8,002,162
Income tax charge – prior year	(30,419)	-
Deferred tax charge – current year	(579,023)	116,571
Deferred tax credit – prior year	-	1,584
Total charge to profit or loss	10,640,729	8,120,317

b. Income tax expense

reconciliation

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

Profit before tax	35,190,819	26,675,211
Tax effect at a statutory rate of 30%	10,557,246	8,002,563
Reconciling items:		
Tax effect of disallowable expenditure	113,902	116,170
Other income	-	-
Current tax – prior year	(30,419)	-
Deferred tax – prior year	10,640,729	8,120,317

b. Current income tax (payable) recoverable

Opening balance	812,793	1,267,187
Charge for year	11,219,752	8,002,162
Current income tax paid during year	(9,987,045)	(8,456,556)
Closing balance	2,045,500	812,793

12 DEFERRED TAX LIABILITY

Opening balance	8,503,079	8,384,924
Charge to profit or loss - current year	(579,023)	116,571
Credit to profit or loss - prior years	-	1,584
Closing balance	7,924,056	8,503,079

	Opening balance	Charge/ (credit)	Closing balance
At 31 August 2024			
Accelerated depreciation of property, plant and equipment	8,156,105	(221,843)	7,934,262
Leave pay	(12,161)	1,106	(11,055)
Bonus provision	(874)	-	(874)
Unrealised foreign exchange losses	360,009	(358,286)	1,723
Closing balance	8,503,079	(579,023)	7,924,056
At 31 August 2023			
Accelerated depreciation of property, plant and equipment	8,396,155	(240,050)	8,156,105
Leave pay	(12,368)	207	(12,161)
Bonus provision	(874)	-	(874)
Unrealised foreign exchange losses	2,011	357,998	360,009
Closing balance	8,384,924	118,155	8,503,079

ILLOVO DISTILLERS (TANZANIA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 AUGUST 2024

13 PROPERTY, PLANT AND EQUIPMENT	Land development	Plant & machinery	Vehicles & equipment	Maintenance Spares	Capital work in progress	Total
Cost	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
At 31 August 2022	4,626,003	56,706,356	1,058,592	292,439	361,720	63,045,110
Additions	-	-	-	-	8,485	8,485
Total Additions	4,626,003	56,706,356	1,058,592	292,439	370,205	63,053,595
Disposals	-	-	-	(129,733)	-	(129,733)
At 31 August 2023	4,626,003	56,706,356	1,058,592	162,706	370,205	62,923,862
Additions	-	-	-	32,319	1,024,540	1,056,859
Transfer from WIP	-	388,306	-	-	(388,306)	-
Total Additions	-	388,306	-	32,319	636,234	1,056,859
Disposals	-	-	-	-	-	-
At 31 August 2024	4,626,003	57,094,662	1,058,592	195,025	1,006,439	63,980,721
Depreciation						
At 31 August 2022	(468,610)	(16,983,508)	(703,379)	-	-	(18,155,497)
Charge for the year	(84,503)	(2,253,154)	(26,421)	-	-	(2,364,078)
At 31 August 2023	(553,113)	(19,236,662)	(729,800)	-	-	(20,519,575)
Charge for the year	(84,503)	(2,232,430)	-	-	-	(2,316,933)
At 31 August 2024	(637,616)	(21,469,092)	(729,800)	-	-	(22,836,508)
Net carrying amount						
At 31 August 2024	3,988,387	35,625,570	328,792	195,025	1,006,439	41,144,213
At 31 August 2023	4,072,890	37,469,694	328,792	162,706	370,205	42,404,287

The maintenance spares relate to significant inventory items that are not held for sale or consumed in the production process; are necessary to benefit from an asset during more than one operating cycle and cannot be recouped through sale.

ILOVO DISTILLERS (TANZANIA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 AUGUST 2024

	2024	2023
14 INVENTORIES	TZS '000	TZS '000
Raw materials and consumable stores	1,537,844	1,445,698
Plant overhaul costs	824,903	686,423
Extra Neutral Alcohol stock	2,362,747	2,132,127
	166,468	33,880
	2,529,215	2,166,007

The plant overhaul costs are attributable to production of inventories and absorbed as inventories costs recognised as an expense and included in cost of sales amounted to TZS 1,011 million (2023: TZS 967 million); as outline below:

There was no inventory write down during the year (2023: Nil).

The production season runs from June each year to March while plant overhaul costs are incurred during the off-production season between April and June in preparation for the new production season. The off-crop costs are attributable to the production of inventories and amortised in proportion of the actual ENA produced against the budget for the season, which runs from June to March

Plant overhaul costs movement		
Opening balance	686,429	730,115
Capitalised during the year	1,150,275	923,482
Charge to profit or loss for the year	(1,011,801)	(967,174)
Closing balance	824,903	686,423

15 TRADE AND OTHER RECEIVABLES

Trade debtors	12,016,139	3,911,401
Advances and prepayments	1,388,810	657,875
Staff debtors	431	2,775
	13,405,380	4,572,051

Trade receivables are non-interest bearing and are generally on 30 days terms. As at year-end, there were no significant trade receivables that were impaired or for which the probability of default was more than insignificant.

16 CASH AND BANK BALANCES

Balances with banks	3,057,565	14,279,107
	3,057,565	14,279,107

17 TRADE AND OTHER PAYABLES

Trade creditors	(349,418)	(448,134)
Accrued tax liabilities	(12,349,551)	(855,057)
Other accrued expenses	(62,728)	(60,901)
Provisions and other liabilities	(685,011)	(508,105)
	(13,446,708)	(1,872,197)

ILLOVO DISTILLERS (TANZANIA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 AUGUST 2024

	2024	2023
	TZS '000	TZS '000
18 CONTRACT LIABILITIES		
Opening balance	694,231	424,817
Increase during the year	(41,734,985)	(30,340,431)
Amount recognised as revenue during the year	42,098,269	30,609,845
	<u>1,057,515</u>	<u>694,231</u>

19 RELATED PARTY DISCLOSURES

(i) Balances with related Parties:

Due to related parties		
Kilombero Sugar Company Limited	1,662,921	1,756,776
Illovo Sugar Africa (Pty) Limited - Procurement	258,791	131,784
Illovo Sugar Africa (Pty) Limited - Corporate	548,361	342,293
	<u>2,470,073</u>	<u>2,230,853</u>

(ii) Loan to Kilombero Sugar Company Limited

Opening balance	153,074,086	10,015,534
Disbursement during the year	47,100,000	135,000,000
Interest accrued thereon	20,665,868	8,058,552
Payments received during the year	-	-
Closing balance	<u>220,839,954</u>	<u>153,074,086</u>
Current portion	20,000,000	-
Noncurrent portion	200,839,954	153,074,086
	<u>220,839,954</u>	<u>153,074,086</u>

For the statement of cash flows, the loan issued to a related party, Kilombero Sugar Co Limited, has been classified under investing activities in accordance with IAS 7 'Statement of Cash Flows', as its issuance result in a recognition of an asset in the statement of financial position, being the loan receivable.

(iii) Transactions with related parties

Kilombero Sugar Company Limited		
CMS Sales	256,318	288,299
Interest income	20,665,868	8,058,552
Molasses Purchases	(2,338,889)	(2,757,991)
Management fees	(72,065)	(68,487)
Steam and Electricity charges	(907,813)	(907,813)
Illovo Sugar Africa (Pty) Limited - Procurement		
Interest on overdue outstanding balances	(11,335)	(810)
Purchases of goods and services	(1,013,814)	(1,577,470)
Illovo Sugar Africa (Pty) Limited - Corporate		
Cost recoveries and chargebacks	(105,325)	(1,006,495)
Marketing fees paid	(646,864)	(342,293)

ILOVO DISTILLERS (TANZANIA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 AUGUST 2024

19 RELATED PARTY DISCLOSURES (Continued)

	2024	2023
(iv) Compensation for key management	TZS '000	TZS '000
Short-term employee benefits	397,037	413,022
Pension - employer contributions	39,704	41,302
Other benefits	48,426	47,707
Closing balance	485,167	502,031

Key management personnel are those with responsibility for planning, directing and controlling the activities of the Company, specifically the key management personnel (KMPs) of the Company including the Directors of Department and the extended management team.

There have been no guarantees provided for any related party payables.

20 SHARE CAPITAL

	2024	2023
Authorized Share Capital	TZS '000	TZS '000
Authorized Share Capital	18,210,000	11,750,000
Par Value	10,000	10,000
Authorized Capital (TZS 000)	182,100,000	117,500,000

Issued Share Capital

	2024	2023
Number of shares		
Opening Number of Ordinary shares	11,750,000	11,750,000
Ordinary shares issued during the year	2,710,000	-
Closing number of ordinary shares	14,460,000	11,750,000
Par Value	10,000	10,000
Issued Capital (TZS 000)	144,600,000	117,500,000

Share Premium

Issued Shares	3,250,000	3,250,000
Share premium per share	1,127	1,127
Share Premium Proceeds (TZS 000)	3,662,588	3,662,588

21 COMMITMENTS

The Company had capital commitments as at year-end amounting to TZS 703.85 million (2023: TZS 23 million). The commitment is part of the work in progress for core capital projects.

ILLOVO DISTILLERS (TANZANIA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 AUGUST 2024

22 CONTINGENT LIABILITIES

The normal procedure for agreeing final tax liabilities in Tanzania involves the Company filing its final tax self-assessment return with the Tanzania Revenue Authority (TRA) followed by TRA performing its review and/or audit of the Company's submissions and issuing notice of final income tax assessment to the Company. The TRA final income tax assessment as may be determined after the TRA review and/or audit may differ from the Company's self-assessment. The Tanzania tax laws stipulate the tax assessment objection and appeal procedures that the Company may follow in case of disagreement with the TRA assessments. It is possible that the timeframe between the Company's self-assessment and TRA issuing its notice of final tax assessment may be several months or years.

The Company duly submitted the final income tax self-assessment returns for all the prior years to 2023. TRA has done tax audits up to 2023. The Company objected to a number of open tax assessments including assessments amounting to TZS 2.7 billion (2023: TZS 2.5 billion) for which the directors have assessed that it is possible, but not probable, that the Company may be required to pay the amounts. The directors have assessed, based on advice by the Company's tax consultants and lawyers, the status of the other open tax assessments and do not anticipate liabilities that may have a material impact on the Company's financial statements.

Litigation

The Company is inherently liable to litigation that arises in the normal course of business. The total amount of claims from litigations against the Company was TZS 0 million as at year-end (2023: TZS 35). The directors have assessed, based on advice by the Company's legal counsel that no liabilities that may have a material impact on the financial statements will arise from the open litigations.

23 IMMEDIATE AND ULTIMATE HOLDING COMPANY

The immediate parent company is Illovo Group Holding Limited, a private limited liability company incorporated in Mauritius. The Company's ultimate parent entity is Associated British Foods Plc (ABF), a company incorporated in the United Kingdom.

24 EVENTS AFTER THE REPORTING PERIOD

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