



THE UNITED REPUBLIC OF TANZANIA
NATIONAL AUDIT OFFICE



ISO 9001:2015 Certified

KILIMANJARO INTERNATIONAL LEATHER INDUSTRIES COMPANY LIMITED

**REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE
FINANCIAL AND COMPLIANCE AUDIT FOR THE FINANCIAL YEAR
ENDED 30 JUNE 2023**

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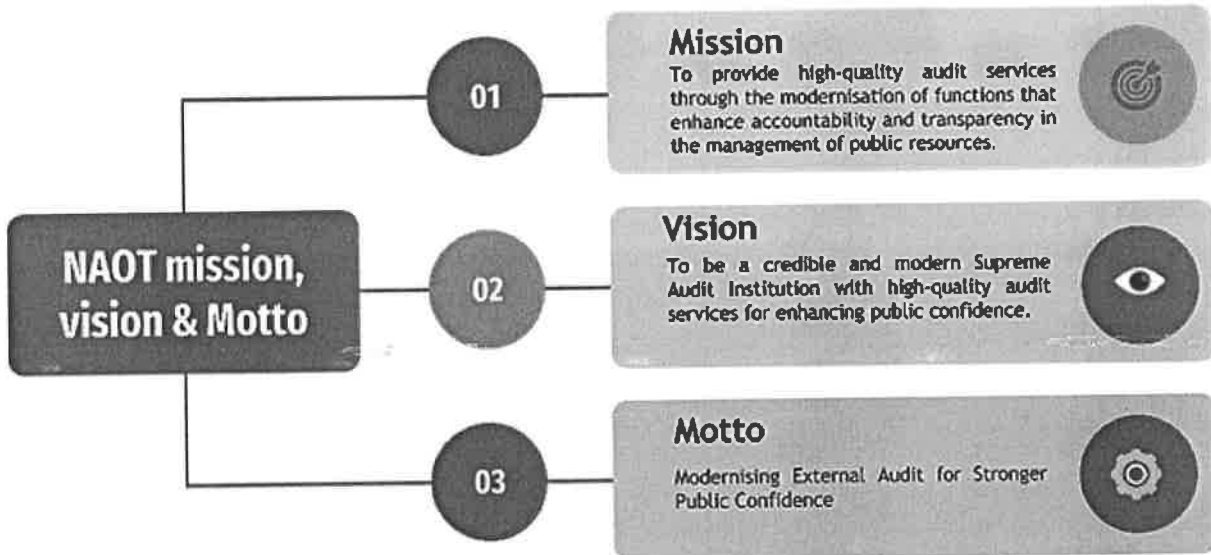
February 2024

AR/PA/KLICL/2022/23

About the National Audit Office

Mandate

The statutory mandate and responsibilities of the Controller and Auditor-General are provided for under Article 143 of the Constitution of the United Republic of Tanzania of 1977 and in Section 10 (1) of the Public Audit Act, CAP 418 [R.E 2021].



Independence and objectivity

We are an impartial public institution, independently offering high-quality audit services to our clients in an unbiased manner.

Teamwork Spirit

We value and work together with internal and external stakeholders.

Results-Oriented

We focus on achievements of reliable, timely, accurate, useful, and clear performance targets.



Professional competence

We deliver high-quality audit services based on appropriate professional knowledge, skills, and best practices

Integrity

We observe and maintain high ethical standards and rules of law in the delivery of audit services.

Creativity and Innovation

We encourage, create, and innovate value-adding ideas for the improvement of audit services.

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ABBREVIATIONS

AR	Audit Report
CAG	Controller and Auditor General
HESLB	Higher Education Student Loans Board
IASB	International Accounting Standards Board
IBOR	Interbank Offered Rate
IFRS	International Financial Reporting Standards
ISSAI	International Standards of Supreme Audit Institutions
JV	Joint Venture
KLICL	Kilimanjaro International Leather Industries Company Limited
PSSSF	Public Social Service Security Fund
RFR	Risk Free Rate
Sect	Section
TIRDO	Tanzania Industrial Research and Development Organisation
TUICO	Tanzania Union of Industrial and Commercial Workers
TRA	Tanzania Revenue Authority
TZS	Tanzania Shillings
WCF	Wokers Compensation Fund



REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

THE REGISTERED OF KLICL:

Kilimanjaro International Leather
Industries Company Limited
P.O. Box 74
Karanga Area,
Moshi, Kilimanjaro, Tanzania

MAIN BANKERS:

National Microfinance Bank (NMB) PLC
P. O. Box 9031,
Dar es Salaam, Tanzania

CRDB Bank PLC
P. O. Box 268,
Dar es Salaam, Tanzania

KLICL SECRETARY:

Mercy Mwamukonda
Kilimanjaro International Leather
Industries Company Limited
P.O. Box 74
Moshi, Kilimanjaro, Tanzania

KLICL AUDITOR:

Controller and Auditor General
National Audit Office
Ukaguzi Road, Tambukareli
P. O. Box 950,
Dodoma, Tanzania

1.0 INDEPENDENT REPORT OF THE CONTROLLER AND AUDITOR GENERAL

Chairperson of the Board,
Kilimanjaro International Leather Industries Company Limited,
P.O. Box 74,
Moshi, Kilimanjaro.
Tanzania.

1.1 REPORT ON THE AUDIT OF FINANCIAL STATEMENTS

Unqualified Opinion

I have audited the financial statements of Kilimanjaro International Leather Industries Company Limited (KLIICL), which comprise the statement of financial position as at 30 June 2023, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly in all material respects, the financial position of Kilimanjaro International Leather Industries Company Limited (KLIICL) as at 30 June 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standard (IFRS).

Basis for Opinion

I conducted my audit in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). My responsibilities under those standards are further described in the section below entitled "Responsibilities of the Controller and Auditor General for the Audit of the Financial Statements." I am independent of Kilimanjaro International Leather Industries Company Limited (KLIICL) in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the National Board of Accountants and Auditors (NBAA) Code of Ethics, and I have fulfilled my other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. I have determined that there are no key audit matters to communicate in my report.

Other Information

Management is responsible for the other information. The other information comprises the Board of Directors Report and the Declaration by the Head of Finance but does not include the financial statements and my audit report thereon which I obtained prior to the date of this auditor's report.

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

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed on the other information that I obtained prior to the date of this audit report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the entity'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 management either intends to liquidate the entity or to cease operations or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the entity's financial reporting process.

Responsibilities of the Controller and Auditor General for the Audit of the Financial Statements

My 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 audit report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs 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 ISSAIs, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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 entity's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the entity to cease to continue as a going concern; and
- 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.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are, therefore, the key audit matters. I describe these matters in my audit report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest of such communication.

In addition, Section 10 (2) of the Public Audit Act, Cap 418 [R.E 2022] requires me to satisfy myself that the accounts have been prepared in accordance with the appropriate accounting standards.

Further, Section 48(3) of the Public Procurement Act, Cap 410 [R.E 2022] requires me to state in my annual audit report whether or not the audited entity has complied with the procedures prescribed in the Procurement Act and its Regulations.

1.2 REPORT ON COMPLIANCE WITH LEGISLATIONS

1.2.1 Compliance with the Public Procurement laws

Subject matter: Compliance audit on procurement of works, goods and services

I performed a compliance audit on procurement of works, goods and services in the Kilimanjaro Leather International Company Limited (KLICL) for the financial year 2022/23 as per the Public Procurement laws.

Conclusion

Based on the audit work performed, I state that, except for the matters described below procurement of works, goods and services of Kilimanjaro Leather International Company Limited (KLICL) is generally in compliance with the requirements of the Public Procurement Public Procurement laws.

Delay in submission of the performance security

The Company signed contracts with supplier under tender no. KLICL/NC/04/2022-2023/08 prior to the submission of the Performance Security by the respective suppliers who subsequently submitted after the delay of 22 days contrary to Para 11.2 of the Guideline for Securities in Public Procurement issued in February 2022 and Regulation 29 (3) of the Public Procurement Regulations, 2013.

Delays in the extension of the Performance Guarantee and absence of Contractor's Insurance Cover for extended contract period

On 16 April, 2020 KLICL entered into a contract with Prison Corporation Sole for Construction of New Karanga Leather Factory Building Phase II vide contract Number PA/158/HQ/2020/W/01 - Lot 2 with a contract amount of TZS 18,181,915,215.50 VAT inclusive with agreed period of eight months ended 14 January 2021. On 10 July 2023 the contract period was extended to 15 January 2024 with agreed revised contract sum of TZS 26,327,195,765.50 .

However, the contractor did not submit the performance guarantee to cover the extended contract period from 15 January 2021 to 15 January 2024. Further, the insurance cover for contract expired since 25 April 2022 but it was not updated to cover the extended completion date of 15 January 2024 and the revised contract value contrary to Clause 16.1 of General Condition of Contract that requires the Contractor to provide in the joint names of the Employer

and the Contractor, insurance cover from the Commencement Date to the end of the Defects Liability Period.

1.2.2 Compliance with the Budget Act and other Budget Guidelines

Subject matter: Budget formulation and execution

I performed a compliance audit on budget formulation and execution in the Kilimanjaro Leather International Company Limited (KLICL) for the financial year 2022/23 as per the Budget Act and other Budget Guidelines.

Conclusion

Based on the audit work performed, I state that, except for the matters described below the Budget formulation and execution of Kilimanjaro Leather International Company Limited (KLICL) is generally in compliance with the requirements of the Budget Act and other Budget Guidelines.

Unrealistic budget estimate

For the financial year 2022/23, the Company had budgeted total sales revenue of TZS 6,777,090,703 and total expenditure of TZS 23,094,494,967. However, during the year, the Company actual total sales revenue was TZS 3,431,145,971, while its actual total expenditure was TZS 7,713,814,286, resulting in a sales revenue shortfall of TZS 3,345,944,732, equivalent to 49.4% of the budget, and total expenditure of TZS 15,380,680,681, or 66.6% of the budgeted expenditure. The Company expected to cover the difference between its budgeted sales revenue and expenditure by a grant from the shareholder (PSSSF) specifically for asset purchases. However, this grant was not received as planned. This situation, coupled with other factors indicating unrealistic budget projections, pose significant challenges to the Company's financial stability and operational efficiency.



Charles E. Kichere
Controller and Auditor General,
Dodoma, United Republic of Tanzania.
February 2024



2.0 REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2023

2.1 INTRODUCTION

The Directors are pleased to submit their report together with the audited Financial Statements for the year ended 30 June 2023.

2.2 ESTABLISHMENT

Kilimanjaro International Leather Industries Company Limited (KLICL) was established jointly by the PPF Pensions Fund (PPF) now Public Service Social Security Fund (PSSSF) and the Prisons Corporation Sole under Tanzania Prisons Services (Jeshi la Magereza) on 30 May 2017 for the purpose of revamping the existing shoe factory at Karanga area in Moshi Municipality and construction of a modern tannery, footwear, shoes sole processing and other Leather goods processing industry. Establishment of the Company is in line with the implementation of the second five-year National development plan (FYDP II) aiming at ensuring that Tanzania becomes industrialized and middle-income economy (Tanzania ya Viwanda) by the year 2025.

As stated above, the Company is responsible for two major projects namely revamping the old shoe factory which was then run by the Tanzania Prisons Service (Jeshi la Magereza) through Prisons Corporation Sole within Karanga Prisons as a rehabilitation centre for Prisoners. The factory was revamped and new machines installed in October 2018. The second project is construction of new modern tannery, footwear, shoe soles and other Leather goods processing factories around Karanga Prison along Arusha-Moshi road where 8.12 hectares have been allocated for the factories. Lot 1 construction which is for footwear, shoe soles and other leather goods processing factories is at 100% completion and new machines have been installed, testing and commissioning done and trial for production commenced in December 2021. Lot II is still under construction stage and is expected to be completed with financial year 2023/24

The Annual Report for the year 2022/23 is the Six report since the Company was incorporated. The report covers a period of twelve months from 1 July 2022 to 30 June 2023.

The Company is incorporated in Tanzania under Tanzanian Companies Act, 2002 as a private company limited by shares. The Company's registration number is 5036.

2.3 VISION

To be a model producer and market leader in leather and related products.

2.4 MISSION

To produce, distribute and sell quality leather, sole and leather products at a reasonable and competitive price using quality raw materials, modern technology, qualified personnel and highest degree of customer service.

2.5 SLOGAN

“Ngozi zetu, Bidhaa zetu “

2.6 CORE VALUES

The Company will achieve its vision through a developed corporate culture that has the following core values:

- Professionalism;
- Teamwork;
- Innovation; and
- Priority to customers’ needs

2.7 COMPANY OBJECTIVES

- To produce finished leather of the highest quality for internal and external markets.
- To produce quality shoes for internal and external markets.
- To produce soles and other leather products for internal and external markets.

2.8 NET ASSET

Details of the movements in the issued share capital and reserves are given in the statement of changes in equity. As at 30 June 2023 the Company had a total net asset of TZS 54.46 billion (2021/22: TZS 58.70 billion)

2.9 EXTERNAL ENVIRONMENT

Basing on the operational performance of the Company and the environment in which it is operating, an analysis of Strengths, Weaknesses, Opportunities and Challenges (SWOC Analysis) has been carried out in order to address the shortcomings that will be facing the Company by capitalizing on strengths and exploiting on the available opportunities. Major challenges experienced are uncompleted construction of tannery and ETP as a result the Company continues to face high price and poor quality of raw hides and skin from existing tanneries in Tanzania, Low awareness and lack of enforcement of existing standards on leather industry value chains.

However, in order for the Company to reposition itself in the increasingly competitive environment in the operationalization in the Industry, the Company has started to gauge its performance with other players in the industry in terms of services delivery, consistency and efficiency. Likewise, the Company shall closely monitor completion of tannery and ETP construction in the next financial year commencing 1st July 2023 so as to minimize production cost by using our own tanned leather instead of buying from our competitors which is costly to the Company.

2.10 PRINCIPAL RISKS FACING THE COMPANY AND MITIGATION APPROACH

The Company implements overall risk management programme through the enterprise risk management policy which focuses on the identification, management and mitigation of risks at all levels of Company operations. Major risks facing the Company are mainly those related to raw materials such as poor quality of finished leather supplied at high price due to limited number of Suppliers in the leather industry. Existing manufacturers of finished leather materials are also competitors in the shoe market, they supply finished leather materials at high purchase price. As a result, production costs become high pushing selling prices of finished products.

The mitigation includes Company initiatives in following up closely with the consultant and contractor to ensure that construction of Tannery Factory and ETP is completed so that the processing of raw hides and goat skin can be done by the Company to produce finished leather at reasonably low costs.

The risk of failure to win tenders/orders associated with high lead time in obtaining raw materials on time especially for specific customer orders where by as a fashion Industry the Company cannot stock all types of special materials required by customers which result in delivery delays caused by long procurement procedures and complexity involved in filling tender documents. Also due to bureaucratic procedures in the procurement system, suppliers (especially foreign suppliers) are reluctant to register on electronic procurement system because they want payment to be made upfront before shipment of the consignment whereas the procurement law and procedures require that the consignment be delivered and inspected before making the payment.

To mitigate risks associated with this procedural practice, PPRA should fast track the review of the procurement system in order to incorporate requirements of all stakeholders including manufacturing industries as directed by the Government.

2.11 STAKEHOLDERS RELATIONSHIP

The Company has been engaging well with the stakeholders' welfare and relationships during its business operations. This has been attained through various platforms which enhances the mutual satisfaction among the parties.

External stakeholders who supply both raw and non-raw materials to the factory for the purpose of processing/manufacturing high-end products have been doing it with high efficiency and hence ensuring great output by satisfying our cordial customers and increase the sales turnover for the Company. Healthy interaction with Government bodies, local communities and other stakeholders has largely impacted positively the Company operations. Provision of the best footwear solutions to the range of customer satisfaction has led to amicable prosperity of the factory by acquiring and enlargement of the market share in footwear industry. Happy and well engaged employees are part and parcel of the Company performance and mutually relate for the betterment of the shareholders.

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2.12 CORPORATE GOVERNANCE MATTERS

The Directors are committed to the principles of good corporate governance and recognize the need to conduct the business in accordance with generally accepted best practice. In so doing the Directors therefore confirm that: -

- The Board of Directors met on quarterly basis as per requirement;
- They retain full and effective control over the Company and monitor executive management;
- The positions of Chairman and Managing Director are held by different people;
- The Board accepts and exercises responsibility for strategic and policy decisions, the approval of budgets and the monitoring of performance; and
- They bring skills and experience from their own spheres of business to complement the professional experience and skills of the management team.

2.13 BOARD OF DIRECTORS

The Board of Directors of the Company as at the date of this report, all of whom have served throughout the period (unless as otherwise stated) is as mentioned in table below

Table 1: Board of Directors (Source: MEMARTS)

Name	Position	Age	Qualifications/Discipline	Appointment date	Nationality
CPA. Hosea Kashimba	Chairperson	53	MBA Degree in Corporate Management, Mzumbe University, ACPA -T NBAA	12 March 2019	Tanzanian
SACP Justin Kaziulaya	Vice-Chairperson	53	Master's Degree in Security and Strategic Studies, National Defence College	3 July 2020	Tanzanian
ACP Josephine Semwenda	Member	58	MBA -Finance and Banking, Mzumbe University	3 July 2020	Tanzanian
CPA Uphoo Swai	Member	52	MBA - Finance, FCPA-T NBAA	15 April 2019	Tanzanian
Ms Vupe Ligate	Member	55	Masters in Gender and Development-Sussex University (UK)	30 May 2017	Tanzanian
Mr Herman Goodluck	Member	43	MBA-Finance University of Dar es Salaam	3 September 2021	Tanzanian
Mr. Julius Mwambeso	Member	45	Advanced Diploma in Business Education	30 May 2017	Tanzanian

2.14 THE BOARD OF DIRECTORS

The Board of Directors of KLICL consists of seven members (2021/22: 7). All Directors are non-executive. The Board takes overall responsibility for the Company, including responsibility for identifying key risk areas, considering and monitoring investment decisions, considering significant financial matters, and reviewing the performance of management business plans and budgets. The Board is also responsible for ensuring that a comprehensive system of internal control policies and procedures are operative that comply with sound corporate governance principles. The Board is required to meet at least four times a year. The Board delegates the day to day management of the business to the Managing Director assisted by senior management team. Senior Management team is invited to attend Board meetings and facilitates the effective control of all the Company's operational activities, acting as a medium of communication and coordination between all the various business units. During the financial year 2022/23 the Board held four ordinary meetings.

The Company is committed to the principles of effective corporate governance. The Directors also recognize the importance of integrity, transparency and accountability. The Board of Directors has the following Board sub-committees to ensure a high standard of corporate governance throughout the Company.

Table 2: Register of attendance of members of the Board of Directors

S/N	Member's Name	Position	Attendance of Members in meetings				Total Number of Meetings attended
			23 Oct 21	4.Nov 22	9 Feb 23	8 May 23	
1	Mr. Hosea Kashimba	Chairman	P	P	P	p	4
2	SACP Justin Kaziulaya	Vice Chairman	P	P	P	AP	3
3	ACP Josephine Semwenda	Member	P	P	P	P	4
4	CPA Uphoo Swai	Member	P	p	P	P	4
5	Ms. Vupe Ligate	Member	P	P	p	P	4
6	Mr. Julius Mwambeso	Member	p	p	P	AP	3
7	Mr. Herman Goodluck	Member	P	P	P	P	4

Source: Minutes

P = Present

AP = Apology

AP-R = Absence with Apology-Represented

N/A* = The post/position was vacant

2.15 COMMITTEES OF THE BOARD

As of the reporting date, the Board had appointed two standing Committees namely Finance and Audit Committee and Risk and Governance Committee. The powers, roles, and functions of the Finance and Audit Committee and Risk and Governance Committee are stipulated in the Audit Committee Charter and Risk and Governance Charter.

2.15.1 COMPOSITION AND MEETING OF THE FINANCE AND AUDIT AND RISK AND GOVERNANCE COMMITTEES

Finance and Audit Committee

The Committee Charter approved by the Board governs activities of the committee. During the year 2022/23, the Finance and Audit Committee met four times (2021/22:4). The members of the committee are as per table 3:

Table 3: Table 4 Finance and Audit Committee

S/No	Name	Position	Nationality	Age
1	Mr. Julius Mwambeso	Chairperson	Tanzanian	45
2	Josephine Semwenda	Member	Tanzanian	58
3	Mr. Herman Goodluck	Member	Tanzanian	43
4	CPA. Uphoo Swai	Member	Tanzanian	52

Source: MEMARTS

Table 4: Risk and Governance Committee

S/No	Name	Position	Nationality	Age
1	SACP Justin Kaziulaya	Chairperson	Tanzanian	53
2	Vupe Ligate	Member	Tanzanian	55
3	Mr. Julius Mwambeso	Member	Tanzanian	45

Source: MEMARTS

The Company has an independent internal audit function that has been designed to add value to the Company and improve operations. The Company employed Internal Audit and Risk Management Manager on 1 August 2021 who is now undertaking the internal audit and risk management functions of the Company. The Internal Audit function provides an independent assurance service to the Board, Finance and Audit Committee and Management. The internal audit function assists the Company to accomplish its objectives and effectiveness in terms of governance, risk management and control processes that management has put in place. The head of the internal audit function will attend the audit committee meetings and will have unrestricted access to the chairperson of the Finance and audit committee.

Below is a summary indicating the number of meetings attended by each Board member

Table 5: Board of Directors Meeting

N	Name of Director	Board Meeting
1.	CPA. Hosea Kashimba	4
2.	SACP. Justin Kaziulaya	3
3.	ACP. Josephine Semwenda	4
4.	CPA. Uphoo Swai	4
5.	Ms. Vupe Ligate	4
6.	Mr Herman Goodluck	4
7.	Mr. Julius Mwambeso	3

Source: Minutes

KILIMANJARO INTERNATIONAL LEATHER INDUSTRIES COMPANY LIMITED

Table 6: Finance and Audit Committee Meeting

S/N	Name of Director	Finance and Audit Committee Meeting
1	ACP. Josephine Semwenda	4
2	CPA. Uphoo Swai	4
3	Mr. Herman Goodluck	4
4	Mr. Julius Mwambeso	4

Source: Minutes

Table 7: Risk and Governance Committee Meeting

S/N	Name of Director	Risk and Governance Committee Meeting
1	SACP Justin Kaziulaya	4
2	Vupe Ligate	4
3	Mr. Julius Mwambeso	4

Source: Minutes

Table 8: Register of attendance of members of the Finance and Audit Committee in the Company Meetings for the year 2021/23 (Source; Minutes)

S/N	Member's Name	Position	Attendance of Members in meetings				Total Number of Meetings attended
			5 th Aug 22	20 th oct 22	25 th Jan 23	25 th April 23	
1	Mr. Julius Mwambeso	Chairman	P	P	P	P	4
2	ACP Josephine Semwenda	Member	P	P	P	P	4
3	CPA. Uphoo Swai	Member	P	p	P	P	4
4	Mr. Herman Goodluck	Member	P	P	P	P	4

Table 9: Register of attendance of members of the Risk and Governance Committee in the Company meetings for the year 2022/23

S/N	Member's Name	Position	Attendance of Members in meetings				Total Number of Meetings attended
			21 st July 22	19 th Oct 22	24 th Jan 23	24 th April 23	
1	SACP Justin Kaziulaya	Chairman	P	P	P	AB	3
2	Vupe Ligate	Member	P	P	P	P	4
3	Mr. Julius Mwambeso	Member	P	P	P	P	4

Source: Minutes

2.15.2 SUMMARY OF MATTERS DISCUSSED ON BOARD MEETINGS DURING THE YEAR UNDER REVIEW

During the period under review, the Company conducted four meetings of the Board of Directors. The following issues were discussed and deliberated as follows; -

■ 20th Ordinary Board Meeting held on 22 August 2022

The Board discussed various issues including Annual Performance Review for the year ended June 2022, Annual Internal Audit for the period ended 30 June 2022. Annual Performance Report of Human Resources, Risk Management, Legal, ICT and Project Progress Report.

■ 21st Ordinary Board Meeting held on 4 November 2022

The Board discussed on performance of the Company for the period ended 30 September 2022, Internal Audit Report for the quarter ended 30 September 2022, project implementation report, ICT, Legal, Risk Management, Human Resources performance, the reviewed Staff and Administration Policy, Request for Recruitment

■ 22nd Ordinary Board Meeting held on 9 February 2023

The Board discussed on performance review for the 2nd quarter ended 31 December 2022, Internal Audit report for the period ended December 2022, Midyear performance Reports from Legal, ICT, Human Resources and Risk Management

■ 23rd Ordinary Board Meeting held on 8 May 2023

The Board discussed on performance report for the 3rd quarter ended 31 March 2023, Internal Audit report for the period ended 31 March 2023, ICT, Legal, Risk Management, Human Resources Performance for the Period ended 31 March 2023,

MANAGEMENT

As of the reporting date, the Management of the Company was under the Managing Director and was organised in the following departments:

- Production Department;
- Engineering and Project Department;
- Finance Department;
- Sales and Marketing Department;
- Human and Capital Management Department;
- Manufacturing Services Department;
- Internal Audit and Risk Management;
- Safety, Health, Environmental and Quality Units
- Procurement Management Unit;
- Legal Unit and
- Information, Communication and Technology Unit

2.16 DIRECTORS' REMUNERATION

During the year end 30 June 2023, the Directors were paid a total fee amounting to TZS 32,941,160 (2021/22; TZS 32,941,179).

2.17 SHAREHOLDING

According to the Joint Venture (JV) Agreement for establishment of KLICL, PSSSF is responsible for provision of 100% of the financing of both projects while Prison Corporation Soles is to provide 8.12 Hectares of land at Plot 581 Block 'LLL' being its equity contribution to the company.

Authorized share capital is 70 million ordinary shares of TZS 10,000 each which is equivalent to TZS 70.00 billion.

Name	2023		Value TZS
	Shareholding	No. of Shares	
	%	Unit	
PSSSF	85.68	5,996,010	59,960,100,000
PCS	14.34	1,003,990	10,039,900,000
	100	7,000,000	70,000,000,000
Name	2022		Value TZS
	Shareholding	No. of shares	
	%	Unit	
PSSSF	85.85	5,996,010	59,960,100,000
PCS	14.15	1,003,990	10,039,900,000
	100	7,000,000	70,000,000,000

2.18 CAPITAL STRUCTURE

The Company's capital structure for the year under review is shown in the statement of financial position. The source of funding has been through long term loan and Sales Revue which mainly caters for capital expenditure and operating expenses.

The approved capital structure is TZS 152.96 Billion of which TZS 70.00 Billion is ordinary share capital of TZS 10,000 each which has been fully paid up and the remaining TZS 82.96 Billion is long term to the Company of which TZS 66.48 Billion has been disbursed by Financier as reported in the statement of financial position for the period under review.

2.19 ACCOUNTING POLICIES

The Annual financial statements have been prepared on the underlying assumption of a going concern. The Company's accounting policies are subject to an annual review to ensure continuing compliance with International Financial Reporting Standards.

2.20 SOLVENCY

KILIMANJARO INTERNATIONAL LEATHER INDUSTRIES COMPANY LIMITED

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

The Company's state of affairs as at 30 June 2023 is presented in the statement of financial position where it had Net Assets of TZS 54.46 billion (2021/22: TZS 58.69 billion).

2.21 OPERATING AND FINANCIAL REVIEW

According to the Company's financing plan, 2022/23 budget was financed by way of sales revenue TZS 6.77 billion and long term loan amounting to TZS 19.55 billion (2021/22: TZS 16.16 billion) out of which TZS 2.28 billion was to finance operating expenditure (excluding depreciation) while TZS 17.18 billion (2021/22: TZS 15.16 billion) was to finance capital expenditure.

As of the reporting date, total paid up capital by shareholders amounted to TZS 70.0 (2021/22: TZS 70.0 billion).

BUDGET PERFORMANCE REVIEW FOR THE YEAR ENDED 30 JUNE 2023

Description	Budget 2022/22 (TZS)	Budget 2022/23 (TZS)	Actual 2022/23 (TZS)	Variance (TZS)	Var (%)
Marketing expenses	471,755,000	582,172,273	217,208,790	(364,963,483)	-63%
Personnel expenses	5,291,808,987	4,197,232,796	3,727,741,666	(469,491,130)	-11%
Administrative expenses	1,041,603,948	1,139,997,122	836,373,865	(297,423,257)	-26%
Amortization	8,333,333	-	-	-	0%
Depreciation		998,775,460	1,376,078,915	377,303,455	38%
Total	6,813,501,268	6,918,177,651	6,157,403,236	(754,574,415)	-11%

2.22 KEY PERFORMANCE INDICATORS (KPIs)

The financial performance of the Company is summarised in key performance indicators outlined below:-

Key Performance Indicator	Definition and Formula	2022/23
Loan to total assets	(Net loan / Total assets)*100	4
Growth of Assets	(Current Assets-Previous Total assets/Previous Year Net Assets)*100	60
Current Assets Ratio	CA/CL	32
Quick Ratios	Cash + Receivables/CL	0.60

2.23 CAPITAL WORK IN PROGRESS

As of the reporting date, the Company incurred various costs that directly related to the construction of new buildings. The total cost utilised during the year under review was TZS 2.92 billion (2021 /22: TZS 3.98 billion).

2.24 INTRA ENTITIES TRANSACTION AND BALANCES

Intra entity transactions include balances for trade receivables and payables related to Government Institutions which are Prime Minister's Office, Pasiansi Wildlife, Prisons Corporation Sole, Tanzania Industrial Research and Development Organisation, Police Tanzania, Tanzania Revenue Authority, Nantional Healthy Insurance Fund, Higher Education Student Loans Board, Public Social Service Security Fund, Tanzania Union of Industrial and Commercial Workers, Tanzania Postal Corporation and Workers Compensation Fund as detailed in disclosure note number 21(a) and 22(a) for trade receivable and trade payables respectively.

Insert the disclose of intra entities transaction and balances for PAYABLE and RECEIVABLE and state note number disclosed the reported intra entities transaction and balance in note of financial statement

2.25 INTERNAL CONTROL

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

The internal control systems designed to safeguard the Company's assets, maintain proper accounting records and ensure the reliability of management and financial information produced by the Company. Control system is based on established Company policies and procedures and is implemented by trained personnel, with an appropriate segregation of duties. The effectiveness of these internal controls and systems is monitored by the Internal Audit department, with the aid of self-assessment audit checklists.

Nothing has come to the attention of the Directors to indicate that any material breakdown in the functioning of the above-mentioned internal controls and systems has occurred during the year under review.

2.26 THE COMPANY'S STRATEGIES AND FUTURE DEVELOPMENTS

The Company has developed its Corporate Strategic Plan (CSP) covering a period of five years from 2021/22 - 2025/26 which has considered a revised feasibility study report for the Company. The plan aims at portraying the Company's vision, mission, core values, and specific objectives to be accomplished during the period. On the basis of the above, the Company will strive to accomplish the following for Financial Year 2023/24:

- i. To complete construction works of tannery and installation of all machines & equipment by the end of January 2024.
- ii. To produce 101,475 pairs of shoes, 7,137 units for leather articles, 716 pairs of slippers and 40,800 pairs of soles by June 2024.
- iii. To implement capacity building to 50 staff through training (learning & growth) of the existing employees.
- iv. To attain annual sales target of 110,116 pairs of shoes, 5,831 units for leather articles and 2,404 pairs of slippers and 528 pairs of sole to generate sales revenue of TZS 7,190,080,508.47 VAT Exclusive.
- v. To develop supply chain management of raw materials by September 2023 to ensure business continuity.

2.27 EVENTS AFTER REPORTING PERIOD

There are no material events, adjusting or non-adjusting, which have occurred between the reporting date and the date when financial statements are authorised for issue.

2.28 EMPLOYEE WELFARE

Management - employee relationship

The relationship between employees and management continued to be good during the period covering July 2022 to June 2023. There were no unresolved complaints received by Management from the employees during the year. During the period, Management convened meetings with all staff as part of improving employer/employee relationship.

2.29 TRAINING AND SEMINAR

On job trainings for 68 employees on leadership and administration skills, disciplinary procedures and chairing hearing, Ethics and work management, Application of TANEPS to tender, Dissemination on procurement act and regulation, National procurement system (NEST), First aid training, Safety and healthy representatives, TBS online system for product certification, Internal audit based on QMS, leather tanning, best practice on tannery management, and setting up the machine and repair were given to 68 staff. 15 employees were facilitated to attend seminars relating to their professions.

2.30 ENVIRONMENTAL MATTERS

The Company complied with standards of Industrial Safety and Environmental Regulations established by various authorities to the best of its knowledge.

2.31 SOCIAL AND POLITICAL DONATIONS

Our community investment efforts are to assist local community in becoming more inclusive, sustainable and resilient. KLICL performed the following activities as Corporate Social Responsibilities (CSR) in the year 2022/23.

KILIMANJARO INTERNATIONAL LEATHER INDUSTRIES COMPANY LIMITED

- i. Contributed TZS 1,000,000 to the Local Government to support National Torch events
- ii. Contribution to support construction of Karanga Police Post 50 bags Cement bags. Equivalent to TZS 800,000
- iii. Provided vehicle to Moshi Municipal Council to facilitate Examination activities.

2.32 GENDER PARITY

The Company is an equal opportunity employer. For the financial year 2022/23, the company had a total number of 225 staff out of which 131 were males and 94 female (2021/22: 265 staff, 162 males and 103 female). 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, tribes, religion and disability which does not impair ability to discharge duties.

2.33 MEDICAL ASSISTANCE

The Company meets medical cost for all members of staff with a maximum number of five beneficiaries (dependants) under its health plan. Currently the medical services are insured by the National Health Insurance Fund.

2.34 PERSON WITH DISABILITIES

KLICL gives equal opportunities to disabled persons for vacancies they are able to fill. During the year under review KLICL recruited 1 disabled on internship programme who is expected to be employed this financial year.


2.35 RELATED PARTY TRANSACTIONS


Related parties comprise the Board Members, senior management team, the participant entities, and entities which are related to these parties through common shareholdings or units-holdings. Related party transaction is disclosed under note 32.

2.36 AUDITORS

The Controller and Auditor General (CAG) is the statutory Auditor of KLICL by the virtue of Article 143 of the Constitution of the United Republic of Tanzania of 1977 (revised 2005) and in Sect. 10 of the Public Audit Act, Cap 418 (R.E 2021).

BY ORDER OF THE BOARD


.....
CPA. Selestine Some
Chairman of the Board


.....
Eng. Saiba Edward
Acting Managing Director

Date: 7/02/2024

3.0 STATEMENT OF RESPONSIBILITIES BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2023

The Tanzanian Companies Act, 2002 requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company as at the end of the financial year and of its profit or loss of the Company for that year and the cash flow statement. It also requires the directors to ensure that the Company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company. The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud, error and other irregularities.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates in conformity with International Financial Reporting Standards (IFRS) and the requirements of the Tanzanian Companies Act, 2002. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of its profit or loss.

The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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



CPA. Selestine Some
Chairman of the Board of Directors

Date: 7/02/2024

4.0 DECLARATION BY THE HEAD OF FINANCE FOR THE YEAR ENDED 30 JUNE 2023

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

It is the duty of a Professional Accountant to assist the Board of Directors and Management to discharge the responsibility of preparing financial statements of the Company showing a true and fair view of the entity position and performance in accordance with applicable International Accounting Standards and statutory financial reporting requirements. Full legal responsibility for the preparation of the financial statements rests with the Board of Directors as under Directors Responsibility statement on item No. 1.0 on Report of the Directors.

I, **Harieth A. Ntiina**, being the Acting Manager responsible for Finance/Accounting of Kilimanjaro International Leather Industries Company Limited hereby acknowledge my responsibility of ensuring that financial statements for the year ended 30 June 2023 have been prepared in compliance with International Financial Reporting Standards (IFRS) and statutory requirements.

I thus confirm that the financial statements give a true and fair view position of Kilimanjaro International Leather Industries Company Ltd as on that date and that they have been prepared based on properly maintained financial records.

Signed by:

Name: CPA Harieth A. Ntiina
Position: Finance Manager
NBAA Membership No: GA 9962

Signature:*H. Ntiina*.....

Date:*05 Feb 2024*.....

KILIMANJARO INTERNATIONAL LEATHER INDUSTRIES COMPANY LIMITED

5.0 FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

	Notes	2023 TZS	Restated 2022 TZS
ASSETS			
Non-current assets			
Property, Plant and Equipment	16	32,350,867,932	33,716,227,197
Capital work in progress	17	16,579,505,270	13,657,734,954
		48,930,373,202	47,373,962,151
Current assets			
Cash in hand and at bank	30	9,752,234	41,967,106
Inventory	18	7,514,678,990	9,582,749,159
VAT (payable)/recoverable	19	9,804,959,268	9,872,787,136
Tax recoverable	20	60,587,401	27,769,726
Deferred tax asset	21b	10,566,387,185	7,420,199,937
Trade Receivables	22	1,376,086,624	688,564,313
Prepayment	33	42,797,178,142	42,797,178,142
Advance to Contractor	23(b)	2,203,835,289	1,120,883,765
		74,333,465,133	71,552,099,284
TOTAL ASSETS		123,263,838,335	118,926,061,435
EQUITY AND LIABILITIES			
Equity			
Share capital	15 (a)	70,000,000,000	70,000,000,000
Revaluation Surplus	15 (b)	(57,152,983)	(57,152,983)
Accumulated losses		(15,479,942,086)	(11,243,738,551)
		54,462,904,931	58,699,108,466
Non-current Liabilities			
Long term loan		66,482,807,153	58,282,588,238
		66,482,807,153	58,282,588,238
Current liabilities			
Payables	23(a)	2,318,126,251	1,944,364,731
		2,318,126,251	1,944,364,731
TOTAL EQUITY AND LIABILITIES		123,263,838,335	118,926,061,435

The Financial Statements were approved by the Board of Directors and authorized for issue onand were signed on their behalf by:



CPA. Selestine Some
Chairman of the Board



Eng. Saiba Edward
Acting Managing Director

KILIMANJARO INTERNATIONAL LEATHER INDUSTRIES COMPANY LIMITED

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2023**

	Notes	2023 TZS	Restated 2022 TZS
Revenue	5	3,431,145,971	2,081,408,347
Other Income	6	12,376,953	15,140,127
Cost of sales	7	(6,664,781,269)	(5,281,373,476)
Gross profit/Loss		(3,221,258,345)	(3,184,825,002)
Operating Expenses			
Marketing expenses	9	(217,208,790)	(224,769,610)
Staff cost	11	(1,449,031,075)	(1,551,654,090)
Travel and Transport	12	(64,224,205)	(83,452,315)
Board expenses	13	(47,352,200)	(66,465,830)
Administrative expenses	14	(724,797,459)	(644,406,142)
Loss on revaluation		-	-
Depreciation	16b	(531,118,246)	(471,836,110)
Impairment loss	35	(1,110,244,734)	(1,919,355,391)
Total expenses		(4,143,976,709)	(4,961,939,488)
Profit/(Loss) before tax		(7,365,235,054)	(8,146,764,490)
Income tax		(17,155,730)	(10,407,042)
Profit/(Loss) after tax		(7,382,390,784)	(8,157,171,532)
Tax asset	21(a)	3,146,187,248	3,226,028,218
Net Profit/(Loss) for the year		(4,236,203,536)	(4,931,143,314)
Other Comprehensive Income		-	-
Net Profit/(Loss) after adjustment		(4,236,203,535)	(4,931,143,314)

The Financial Statements were approved by the Board of Directors and authorized for issue on and were signed on their behalf by:



CPA. Selestine Some
Chairman of the Board



Eng. Saiba Edward
Acting Managing Director

KILIMANJARO INTERNATIONAL LEATHER INDUSTRIES COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2023

Particulars	Share capital	Revaluation Surplus	Accumulated losses	Total equity
At 1 July 2021	70,000,000,000	36,783,770	(6,312,595,237)	63,724,188,533
Paid up capital	-	-	-	-
Revaluation surplus/loss	-	(93,936,753)	-	(93,936,753)
Profit/(Loss) for the year	-	-	(4,931,143,314)	(4,931,143,314)
At 30 June 2022	70,000,000,000	(57,152,983)	(11,243,738,551)	58,699,108,466
At 1 July 2022	70,000,000,000	(57,152,983)	(11,243,738,551)	58,699,108,466
Paid up capital	-	-	-	-
Revaluation surplus/loss	-	-	-	-
Profit/(Loss) for the year	-	-	(4,236,203,535)	(4,236,203,535)
At 30 June 2023	70,000,000,000	(57,152,983)	(15,479,942,086)	54,462,904,931

The Financial Statements were approved by the Board of Directors and authorized for issue and were signed on their behalf by:


 CPA. Selestine Some
 Chairman of the Board


 Eng. Saiba Edward
 Acting Managing Director

KILIMANJARO INTERNATIONAL LEATHER INDUSTRIES COMPANY LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023

	Notes	2023 TZS	2022 TZS
Operating activities			
Cash collected from Sales	24	1,015,094,738	1,730,460,068
Decrease in accounts receivables (Settled by customers)		1,971,108,914	1,075,436,246
Total Receipts		2,986,203,652	2,805,896,314
Production expenses paid	25	(1,683,403,258)	(2,229,873,571)
Operating expenses paid	26	(5,532,672,645)	(5,546,519,928)
Payment for pre-Joint venture debts		-	-
Tax paid		-	-
Net cash flows from operating activities		(4,229,872,251)	(4,970,497,185)
Investing activities			
Interest received	27	12,376,953	14,397,127
Acquisition of assets and other capital expenditure	28	(4,014,938,490)	(1,636,208,100)
Net cash flows used in investing activities		(4,002,561,537)	(1,621,810,973)
Financing activities			
Proceeds from Shareholders' contribution/ Loan	29	-	-
Long term loan	29	8,200,218,915	6,538,250,023
Net cash flows from financing activities		8,200,218,915	6,538,250,023
Decrease in cash and cash equivalents		(32,214,871)	(54,058,135)
Cash and cash equivalents at beginning of the year		41,967,106	96,025,241
Cash and cash equivalents at end of the year	30	9,752,234	41,967,106

The Financial Statements were approved by the Board of Directors and authorized for issue on 25/1/2024 and were signed on their behalf by:



CPA. Selastine Some
Chairman of the Board



Eng. Saiba Edward
Acting Managing Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

1. BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB)

These financial statements have been prepared on historical cost basis. The financial statements are presented in Tanzanian Shillings (TZS) which is also the transaction currency.

Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and applicable interpretations to those standards.

Also, the financial statements have been prepared in accordance with applicable local laws and guidelines including the Tanzania Financial Reporting Standards (TFRS 1) issued by the National Board of Accountants and Auditors (NBAA) and Tanzanian Companies Act, 2002.

Going concern

The accompanying financial statements have been prepared on the basis of accounting principles applicable to a "going concern", which assume that a business entity will continue to operate in the foreseeable future without the need or intention on the part of management to liquidate the entity or to significantly curtail its operational activities. Therefore, it is assumed that the entity will realize its assets and settle its obligations in the normal course of the business.

The financial statements have been prepared on the going concern basis on the assumption that the Company will continue in operational existence in the foreseeable future. The validity of this assumption depends on:

- a) The Company's ability to generate sufficient funds from its future trading to meet its operational needs. The Directors' expect that the Company will achieve its projected production levels for the Military shoe factory following purchase of and installation of new machineries which are expected to reach a production level from 150 to 400 pairs per day and newly purchased and installed machines for the new project with the capacity of processing wet blue 13,000,000 sq.ft per annum, Finished leather 8,000,000 sq.ft per annum, manufacture 1,200,000 pairs of shoes per annum, 184,000 leather articles per annum and 1,200,000 shoes per annum
- b) The continuity of shareholders injecting capital that may be required by the Company in the foreseeable future in the form of funding for capital expenditure and working capital.

KILIMANJARO INTERNATIONAL LEATHER INDUSTRY COMPANY LTD (KLICL)

The financial statements do provide comparative information in respect of the previous period. The Company is reporting for the fourth time since its inception.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

i) Foreign currency translation

The financial statements are presented in Tanzanian shillings, which is the Company's functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange rate ruling at the reporting date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

ii) Property, Plant and Equipment

The Company re-assessed its accounting for property, plant and equipment with respect to measurement of a certain class of property, plant and equipment after initial recognition. The Company had previously measured all property, plant and equipment using the cost model whereby, after initial recognition of the asset classified as property, plant and equipment, the asset was carried at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is calculated using straight line method basis over the useful life of the asset as follows:

Machineries	10-20 years
Motor vehicles	5 years
Furniture	5-8 years
Equipment	5-10 years
Computer hardware	5-10 years
Building	50 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate at each financial year end.

iii) Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is

required, the Company's estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to equity. In this case the impairment is also recognised in equity up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

iv) Investments and other financial assets

Financial assets within the scope of IAS 39 are classified as loans and receivables. When loans and receivables recognised initially, they are measured at fair value. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement loans and receivables are carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process. The Company determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

v) Impairment of financial assets

The Company assesses at each reporting date whether there is objective evidence which warrant impairment of a financial asset or group of financial assets.

- If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's

carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss shall be recognised in profit or loss.

- If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognised in profit or loss.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

vi) Inventories

Inventories are stated at the lower of cost and net realizable value. Damaged and obsolete inventories are provided for in full, as identified by technical personnel.

Costs incurred in bringing each product to its present location and condition are accounted for as follows

Raw materials	:Purchase costs on Weighted Average Cost (WAC) basis
Finished goods and work in progress	:Cost of direct materials and labour, other direct cost and a proportion of manufacturing overheads based on normal operating capacity (but excluding borrowing costs) up to the stage of completion of the product

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

vii) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less.

For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

viii) Financial Instruments

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs and have not been designated 'as at fair value through profit or loss'.

After initial recognition, interest bearing loans and borrowings 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 amortisation process.

De-recognition of financial Instruments

a. Financial assets

A financial asset (or, where applicable a part of a financial asset or part of group of similar financial assets) is derecognised when:

- i) The rights to receive cash flows from the asset have expired;
- ii) The Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- iii) The Company has transferred its rights to receive cash flows from the asset and either;
 - (a) has transferred substantially all the risks and rewards of the asset, or
 - (b) 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 and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset.

b. Financial liabilities

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

ix) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement.

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

x) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other sales taxes or duty.

The following specific recognition criteria must also be met before revenue is recognised

Sale of goods

Revenue from the sale of goods is recognised when the Company transfers promised goods or services to a customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services as per IFRS 15 Revenue from Contracts with Customers.

xi) Interest income

Revenue is recognised as interest accrues (using the effective interest rate, which is the rate that discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

xii) Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities in accordance with the Tanzanian Income Tax Act, 2004. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Revenue, expenses and assets are recognized net of value added tax except;

- Where the VAT incurred on purchase of assets and/or services is not recoverable from the taxation authority, in which case the VAT is recognized 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 VAT included.
The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position

xiii) Post-employment obligations

The Company makes contributions in respect of staff retirement benefits to approved retirement benefits Scheme. The Company's obligations in respect of these contributions are limited to 15% of the employees' basic salary. Senior management team entitled to gratuity provision limited to 25% annually.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS

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 reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future

4. 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;

Property, plant and equipment

Management reviews the useful lives and residual values of the items of property and equipment on a regular basis. During the financial year, the Board of Directors determined no significant changes in the useful lives and residual value.

5. REVENUE FROM SALES OF SHOES

The revenue represents mainly sales of shoes worth TZS 3,431,145,971 (2021/22: TZS 2,081,408,347)

	2023	2022
Details	TZS	TZS
Sale of Shoes	3,431,145,971	2,081,408,347

6. OTHER INCOME

On 23 February, 2021, the Company opened a call account and operated in TZS with deposits of TZS 1,500,000,000. This account is a time deposit account where deposits can be withdrawn at any time after 24 hours' notice. As at the reporting date, the Company received other income of TZS 12,376,953 (2021/22: TZS 15,140,127) includes interest from call account.

	2023	2022
Details	TZS	TZS
Other Income	12,376,953	15,140,127

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7. COST OF SALES	2023	2022
Details	TZS	TZS
Cost of sale		
Opening stock	1,229,993,166	517,891,614
Production cost (7a)	6,683,985,986	5,993,475,028
Return inward	-	-
Closing stock	(1,249,197,883)	(1,229,993,166)
Cost of sales	6,664,781,269	5,281,373,476
Production cost (7a)		
Opening stock-materials	8,352,755,992	5,140,498,604
Cost of materials purchased	2,313,523,733	7,413,878,195
Closing stock-materials	(7,116,268,436)	(9,811,806,490)
Closing stock WIP	(259,457,405)	(460,304,894)
Staff Cost (Manufacturing)	2,278,710,592	2,495,650,119
Depreciation- Accum. (Machinery)	844,960,670	844,960,670
Production overhead	269,760,840	370,598,824
Production cost	6,683,985,986	5,993,475,028
8. CLOSING STOCK		
Raw materials	7,116,268,436	9,811,806,490
Work in Progress	259,457,405	460,304,894
Finished products	1,249,197,883	1,229,993,166
Impairment of Chemicals	(1,110,244,734)	(1,919,355,391)
	7,514,678,990	9,582,749,159

9. MARKETING EXPENSES

The expenses relate to awareness to pastoralists slayers, research, branding and marketing expenses. As at the reporting date, the Company utilised a total amount of TZS 217,208,790 (2021/22: TZS 224,769,610)

10. STAFF COST (MANUFACTURING)

	2023	2022
	TZS	TZS
Basic salary	1,563,256,471	1,880,525,876
House maintenance allowance	14,400,000	26,700,000
Social Security Contribution	222,638,905	255,316,394
Skills Development Levy expenses	66,843,726	76,879,306
Workman Compensation expenses	8,355,466	9,669,348
3% Medicare Employer	43,607,327	52,719,048
Leave Allowance expenses	59,179,140	41,890,698
Water & Electricity (Utility)	8,400,000	8,400,000
Transport assistance	140,813,855	126,685,307
Overtime Expenses	9,373,844	16,864,141
Acting Allowance	41,199,952	-
Responsibility Allowance	100,641,906	1,880,525,876
Total	2,278,710,592	2,495,650,119

KILIMANJARO INTERNATIONAL LEATHER INDUSTRY COMPANY LTD (KLICL)

11. STAFF COST (ADMINISTRATION)

Basic salary	1,024,675,432	1,075,594,785
House maintenance allowance	64,700,000	84,568,653
Social Security Contribution	144,161,315	160,019,218
Skills Development Levy expenses	47,773,749	50,603,822
Workman Compensation expenses	5,971,719	6,325,478
3% Medicare Employer	30,740,263	32,264,094
Leave Allowance expenses	24,000,000	23,481,894
Water & Electricity (Utility)	19,400,000	26,400,000
Transport assistance	27,500,000	36,817,742
Staff Welfare Expense	15,634,400	6,012,600
Subsistence allowance	10,405,900	26,895,541
Overtime Expenses	3,179,487	6,347,685
Acting Allowance	30,888,810	16,322,581
Responsibility Allowance	-	1,075,594,785
Total	1,449,031,075	1,551,654,090

12. TRAVEL AND TRANSPORT

Details

Travelling on Duty Local	60,856,980	78,070,665
Travelling on Duty Abroad	3,367,225	5,381,650
Total	64,224,205	83,452,315

13. BOARD EXPENSES

Details

Travel on duty-Local Board	10,481,040	22,155,682
Board of Directors fee	32,941,160	32,941,176
Board members' Meeting Exp.	3,930,000	11,368,972
Total	47,352,200	66,465,830

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14. ADMINISTRATIVE EXPENSES

Details	2023	2022
	TZS	TZS
Office Tea Expenses	14,934,010	17,843,249
Recruitment Expenses	-	6,651,400
Office Partition & Building Repair	10,962,852	7,664,042
Motor Vehicle-Running & Maintenance	20,850,464	25,561,938
Repair/Renewal Office Equipment	-	59,000
Repair/Renewal Machineries	2,198,273	-
Printing & Stationery expenses	15,426,381	23,591,861
Internal Audit Expenses	11,399,149	2,346,100
Professional Fees & Subscription	2,145,000	1,417,500
Books, Periodicals & News Paper	240,000	816,636
Purchase of Loose Tools	9,002,860	28,177,372
Audit fee Expenses	35,000,000	30,000,000
Staff gratuity expenses	50,100,000	35,290,323
Rent Expenses	35,431,081	9,102,600
Land rent	376,300	-
Communication Expenses	22,980,975	45,712,534
Donation	-	-
Legal expenses	9,039,146	20,580,375
Rates and Taxes (Administration)	4,999,992	9,358,018
Consultancy fees	1,250,000	12,400,000
Computer running & maintenance	-	-
Insurance	155,774,030	126,245,574
Seminar, Conferences& Study Tour-local	14,366,800	21,722,520
Staff Training Expenses-Local	53,893,700	24,886,389
Staff Training Expenses-abroad	1,771,329	-
Board Training Expenses- Local	-	-
Computerisation expenses	35,227,099	19,080,933
Bank charges	15,017,737	12,980,016
Tender Board expenses	18,742,200	20,500,000
Housekeeping expenses	50,759,951	32,929,701
Inauguration expenses	-	-
May Day Expenses	10,953,900	3,698,000
Security expenses	62,076,610	70,459,661
Fuel Expenses	38,167,590	19,118,400
Special Duty Allowance	15,217,400	16,212,000
Postage & courier Adm Expenses	2,018,880	-
Professional Charges - Admin	573,750	-
Interbanking transaction	3,900,000	-
Total	724,797,459	644,406,142

15. a. PAID UP CAPITAL

As of the reporting date, capital structure of the Company comprised of ordinary shares paid up by shareholders. The primary objective of the Company's capital management is to maximize the shareholders' value.

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The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the Company's act.

To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

2022/23		
Details	No of Shares	TZS
Capital injected by PSSSF	5,996,010	59,960,100,000
Capital injected by Prisons Corporation Sole	1,003,990	10,039,900,000
Total	7,000,000	70,000,000,000
2021/22		
Details	No of Shares	TZS
Capital injected by PSSSF	5,996,010	59,960,100,000
Capital injected by Prisons Corporation Sole	1,003,990	10,039,900,000
Total	7,000,000	70,000,000,000

Shareholding of each shareholder

2022/23			
Name	Share holding	No. of shares	Value
	%	Unit	TZS
PSSSF	86	5,996,010	59,960,100,000
Prisons Corporation Sole	14	1,003,990	10,039,900,000
	100	7,000,000	70,000,000,000
2021/22			
Name	Share holding	No. of shares	Value
	%	Unit	TZS
PSSSF	86	5,996,010	59,960,100,000
Prisons Corporation Sole	14	1,003,990	10,039,900,000
	100	7,000,000	70,000,000,000

15b. Revaluation Surplus/Loss	2023	2022
	TZS	TZS
Revaluation Surplus	(57,152,983)	36,783,770
Revaluation loss on non-Current asset held for Sale	-	(93,936,753)
Revaluation Loss	(57,152,983)	(57,152,983)

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**16. PROPERTY, PLANT AND EQUIPMENT (TZS)
2022/23**

	Land	Building	Machineries	Office equipment	ICT equipment	Office Furniture	Motor Vehicle	Total
	TZS		TZS	TZS	TZS	TZS	TZS	TZS
Cost								
At 1 July 2021	8,096,000,000	-	16,756,630,698	1,917,665,268	159,605,907	518,775,418	134,750,000	27,583,427,291
Addition	-	8,064,267,248	-	-	9,487,288	-	92,346,913	8,166,101,450
Total Cost	8,096,000,000	8,064,267,248	16,756,630,698	1,917,665,268	169,093,196	518,775,418	227,096,913	35,749,528,741
Depreciation Charges during the year	-	(107,523,563)	(844,960,670)	(199,784,314)	(29,657,293)	(103,755,084)	(31,115,856)	(1,316,796,780)
Accumulated depreciation	-	-	(481,424,044)	(113,532,144)	(33,861,074)	(50,256,946)	(37,430,555)	(716,504,764)
Total Accumulated depreciation	-	(107,523,563)	(1,326,384,714)	(313,316,458)	(63,518,368)	(154,012,030)	(68,546,411)	(2,033,301,545)
NBV as at 30th June 2022	8,096,000,000	7,956,743,685	15,430,245,984	1,604,348,810	105,574,828	364,763,387	158,550,502	33,716,227,197
Cost								
At 1 July 2022	8,096,000,000	8,064,267,248	16,756,630,698	1,917,665,268	169,093,196	518,775,418	227,096,913	35,749,528,741
Addition	-	-	-	-	10,719,650	-	-	10,719,650
Total Cost	8,096,000,000	8,064,267,248	16,756,630,698	1,917,665,268	179,812,846	518,775,418	227,096,913	35,760,248,391
Depreciation Charges during the year	-	(161,285,345)	(844,960,670)	(199,784,314)	(32,291,806)	(103,755,084)	(34,001,697)	(1,376,078,915)
Accumulated depreciation	-	(107,523,563)	(1,326,384,714)	(313,316,458)	(63,518,368)	(154,012,030)	(68,546,411)	(2,033,301,545)
Total Accumulated depreciation	-	(268,808,908)	(2,171,345,384)	(513,100,772)	(95,810,174)	(257,767,114)	(102,548,108)	(3,409,380,461)
NBV as at 30th June 2023	8,096,000,000	7,795,458,340	14,585,285,314	1,404,564,496	84,002,672	261,008,303	124,548,805	32,350,867,931

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16b. Depreciation

	2023	2022
Details	TZS	TZS
Depreciation for machineries (cost of sales)	844,960,670	844,960,670
Depreciation (Operating expenses)	531,118,246	471,836,110
Total	1,376,078,916	1,316,796,780

17. CAPITAL WORK IN PROGRESS

Details	TZS	TZS
Opening Balance	13,657,734,954	16,643,972,775
Factory Construction cost	2,921,770,316	5,078,029,429
Building	-	8,064,267,248
Total	16,579,505,270	13,657,734,954

18. INVENTORY

Details		
Raw materials	7,116,268,436	9,811,806,490
Work in Progress	259,457,405	460,304,894
Finished products	1,249,197,883	1,229,993,166
Impairment of Chemicals	(1,110,244,734)	(1,919,355,391)
Total	7,514,678,990	9,582,749,159

19. VAT RECOVERABLE

Details		
Opening balance	9,872,787,136	9,603,615,394
VAT purchases during the year	498,527,983	695,075,668
VAT Sales during the year	(566,355,851)	(425,903,926)
Total	9,804,959,268	9,872,787,136

20. WITHHOLDING TAX RECOVERABLE:

As of the reporting date, the amount was deducted at source in respect of sales of shoes made to suppliers and interest received on call account. The rate applicable is 2% and 10% respectively.

Withholding tax Recoverable	2023	2022
Opening balance	27,769,726	20,220,951
Withholding tax - interest 10%	229,676	835,748
withholding tax - goods 2%	32,587,999	6,713,028
Total	60,587,401	27,769,726

21. (a). TAX ASSET

During the period under review, the Company incurred a loss of TZS 7,382,390,783 Taxable amount is TZS 10,487,290,826 after adjustments of none and allowable deductions on tax computation. As a result, tax asset is TZS 3,148,842,623 (2022: TZS 3,226,028,218) as depicted hereunder;

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Tax Asset	2023	2022
Reported Loss	(7,382,390,783)	(8,157,171,532)
Add: Disallowable Deduction		
Depreciation	531,118,246	471,836,110
Depreciation on machines	844,960,670	844,960,670
Loss on Revaluation		
Adjusted Profit	(6,006,311,868)	(6,840,374,752)
Less: Allowable Depreciation		
Wear and Tear Deduction- Class 3	(4,480,978,958)	(3,913,052,642)
Taxable Profit/Loss	(10,487,290,826)	(10,753,427,394)
Tax Asset (30% of Taxable amount)	(3,146,187,248)	(3,226,028,218)

(b). DEFERRED TAX ASSET

Deferred tax	2023	2022
Deferred tax asset at the beginning of year	7,420,199,937	4,194,171,719
Tax Asset during the year	3,146,187,248	3,226,028,218
Deferred Tax Asset (30 June 2023)	10,566,387,185	7,420,199,937

22. (a) TRADE RECEIVABLES

Details	2023	2022
	TZS	TZS
Credit sales		90,451,089
Prime Minister's Office	4,800,000	
Ukarimu Workers Group	7,605,000	
Pasiansi Wildlife	5,310,000	
Prisons Corporation Sole	16,055,000	
Police Tanzania	741,860,000	
Prisons Corporation Sole	178,973,894	178,973,894
TIRDO	350,000	350,000
TPC - Moshi	600,000	600,000
TIRDO	6,369,900	6,369,900
Staff Imprest	12,532,000	10,188,600
Sundry Debtor- PCS	401,630,830	401,630,830
Total	1,376,086,624	688,564,313

(b) CREDIT SALES MOVEMENT

Details	2023	2022
Opening Balance as at July 2022	90,451,090	109,468,750
Credit sales Issued	2,697,682,510	1,061,575,780
Account receivable collection	(2,012,503,600)	(1,080,593,440)
Closing Balance as at 30 June 2023	775,630,000	90,451,089

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23. (a) PAYABLES

Details	2023 TZS	2022 TZS
Sundry creditors	8,002,308	8,002,308
Computerization expenses payable	2,746,000	1,249,620
Staff gratuity provision	170,999,400	146,099,400
Tender Board Expenses Payable	-	3,750,000
Marketing expenses payable	24,800,208	27,508,130
Books, Periodicals & News Paper payable	-	-
Directors Fee payable	27,999,999	28,000,000
Communication Expenses payable	2,132,796	2,761,000
Leave Allowance payable	1,474,39	-
Raw materials payable	1,083,633,678	1,057,894,342
Audit fee payable	35,000,000	30,000,000
Office Partition & Building Repair Payable	-	2,245,000
Employee medical clearing	5,819,667	6,692,124
Consultancy fee payable	4,428,712	24,012,000
Overhead payable	17,020,036	14,972,000
withholding tax - rent 10%	522,654	1,136,068
withholding tax - service 5%	4,884,094	2,821,341
withholding tax - director fee 15%	7,411,748	4,941,176
House Keeping Payable	23,132,254	18,505,803
Security expenses Payable	17,044,100	24,995,600
Deposit payable	-	-
PAYE clearing	164,602,820	49,424,868
Staff Loan	-	-
Workman Compensation Payable	1,142,115	1,246,905
Net salary clearing	21,952	1,391,950
Rates & Taxes (Administration) Clearing	1,996,600	3,118,783
3% Medical care Employer Payable	5,819,667	6,692,124
Corporate tax on unrelieved loss 0.5%	27,562,772	10,407,042
5% employee Contributions Clearing a/c	155,470,100	33,203,360
TUICO Clearing	2,138,000	1,013,000
Board meeting expenses payable	-	10,436,472
Motor Vehicle-Running & Maintenance pay	-	7,895,970
ICT Equipment Payable	-	9,425,000
Subsistence allowance payable	10,451,440	15,907,940
15% Pension Contribution expens payable	466,410,300	99,610,080
Skills Development Levy expens Payable	35,175,340	9,975,242
Sales Prepayment	-	279,030,083
Laptop Recovery	2,283,500	-
HESLB Clearing	2,850,000	-
Rent Lease Building Expenses Payable	3,096,396	-
Postage & courier Adm Expenses Payable	304,200	-
Repair/Renewal Machineris Payable	1,749,000	-
Total	2,318,126,251	1,944,364,731

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All payables are non-interest bearing and are normally settled within respective prescribed time depending on the type of payable.

23 (b) ADVANCE TO CONTRACTOR

During the Financial year 2021/22 amount TZS 1,120,883,765 was reported under trade receivable. But going forward this item would be reported separately as shown below;

Details	2023	2022
Opening balance	1,120,883,765	1,083,000,369
Advance to Contractor during the year	1,082,951,524	37,883,396
Total	2,203,835,289	1,120,883,765

24. CASH COLLECTED FROM SALES

During the period under review the Company managed to collect a total amount of TZS 2,986,203,652 (2022: TZS 2,805,896,314) from various customers for sale of pairs of shoes including military boots to military institutions.

Cash collected from Sales	2023	2022
Cash Collected from cash sales	1,015,094,738	1,730,460,068
Cash Collected from Credit sales	1,971,108,914	1,075,436,246
Total	2,986,203,652	2,805,896,314

25. PRODUCTION EXPENSES PAID

Details	2023	2022
	TZS	TZS
Raw materials	1,394,480,708	1,934,577,599
Overhead expenses	288,922,550	295,295,972
Total	1,683,403,258	2,229,873,571

26. OPERATING EXPENSES PAID

Details	2023	2022
	TZS	TZS
Marketing Expenses	107,623,524	98,430,944
Basic Salary expense	78,997,103	123,616,584
Marketing expenses payable	24,312,793	36,341,994
15% Pension Contribution expense	-	36,342,731
5% employee Contributions	-	12,114,244
Net salary Clearing	2,123,838,433	2,330,351,955
Withholding tax on goods 2%	26,893,508	12,407,519
Withholding tax - rent 10%	900,117	677,832
withholding tax - service 5%	420,425	3,575,552
withholding tax on call account	229,675	835,748
withholding tax on Directors Fee 15%	2,470,588	1,235,297

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Details	2023	2022
	TZS	TZS
HESLB	37,900,018	52,287,479
PAYE Clearing	353,005,345	499,946,284
Skills Development Levy expense	79,442,135	117,507,886
Workman Compensation expenses	13,185,070	14,747,920
3% Medical care Employee payable	6,692,124	6,935,724
3% Medical Expenses	68,527,923	78,291,018
3% Medical care Employee	75,202,047	85,214,972
Leave Allowance/Passage expense	57,648,321	41,890,698
Motor Vehicle-Running & Maintenance Payable	7,895,970	-
Office Tea Expense	9,504,310	4,461,049
Professional Charges - Admin	573,750	-
Recruitment Expense	-	4,149,400
Postage & courier Adm Expenses	1,761,083	-
Staff Welfare Expense	9,487,000	4,711,000
Staff loan	1,000,000	22,800,000
Subsistence allowance	10,405,900	10,357,600
Overtime Expenses	7,140,002	250,000
Salary Advance	-	1,100,000
TUICO	11,765,000	7,992,000
Directors Fee	-	-
Directors fee payable	28,000,000	7,000,000
Housekeeping expenses	28,659,430	15,307,084
Travel and Transport	2,353,860	4,855,268
Board Expenses	10,481,040	17,270,412
Motor Vehicle-Running & Maintenance & Fuel	52,375,305	35,422,438
Printing & Stationery expense	14,634,381	19,801,861
Legal Expenses	4,775,246	13,335,275
Rates & Taxes (Administration)	3,462,753	6,659,263
Corporate Tax	-	4,632,315
Rates & Taxes Clearing	2,356,421	496,179
Consultancy Fees	7,237,288	-
Consultancy fee payable	13,596,000	32,432,034
Internal Audit Expenses	6,324,889	656,100
Professional Fees & Subscription	1,855,000	1,417,500
Books, Periodicals & News Paper	240,000	816,636
Interbanking transaction clearing	3,900,000	-
Board members' Meeting Exp Payable	10,436,472	(95,500)
Purchase of Loose Tools	475,000	23,155,772
Audit fee payable	30,000,000	30,000,000
ICT Equipment payable	9,425,000	-
Overhead Payable	14,972,000	23,444,917
Rent Expenses	32,564,048	9,102,600
May day expenses	4,438,100	2,803,000
Communication Expenses	21,100,521	29,204,403
Communication expenses payable	2,761,000	375,000
Insurance Expenses	155,774,030	23,091,424

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Details	2023	2022
	TZS	TZS
Computerisation expenses Payable	1,249,620	-
Seminar, Conferences& Study Tour-local	3,790,000	10,281,600
Staff Training Expenses-Local	37,124,600	8,586,589
Repair/Renewal Buildings	10,212,352	1,415,000
Staff gratuity expenses	-	21,600,000
Land rent	376,300	-
Security expenses	34,621,610	48,339,661
Tender Board Expenses	17,600,000	16,750,000
Tender Board expenses - payable	3,650,000	500,000
Computerisation expenses	31,682,980	18,021,933
Bank Service Charges	15,017,737	13,208,016
Prepayment	-	6,813,928
Imprest (Office & Safari)	303,700,697	348,374,506
VAT Purchases	323,163,002	591,317,148
Purchases payable	1,057,894,342	506,650,042
Skills Development Levy expenses Payable	9,975,242	-
Staff Reallocation Payable	5,456,500	-
Deposit clearing	-	34,317,024
deposit for clearance	-	(24,549,506)
Staff Gratuity Payable	25,200,000	-
Repair & Renewal machinery	29,450	-
House Maint. Allowance expenses	-	4,455,750.00
Transport assistance	26,763,855	1,318,000
House Keeping Payable	18,505,803	1,340,684
Special Duty Allowance	5,400,000	7,479,000
Traveling on Duty- Abroad Staff	-	1,928,850
Workman Compensation expenses payable	1,246,905	1,284,954
Life Insurance Clearing	-	675,000
Security Expenses Payable	18,746,700	13,100,339
Repair/Renewal Buildings Payable	2,245,000	3,554,000
Total	5,532,672,645	5,546,519,928

27. INTEREST INCOME: TZS 12,376,953

This is an income received on call account opened at CRDB Bank, TZS 12,376,953 (2022: TZS 14,397,127)

Details	2023	2022
	TZS	TZS
Interest received	12,376,953	14,397,127

28. ACQUISITION OF CAPITAL ASSETS

The cost related to advance paid to contractor for the purchase of construction materials for factory buildings and purchase of ICT equipment. The total cost paid during the year is TZS 4,014,938,490 (2021/22: TZS 1,636,208,100)

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Details	2023	2022
	TZS	TZS
Advance to Contractor	1,082,951,524	1,129,521,111
Advance	-	502,382,797
Computer hardware	10,719,650	1,500,000
WIP factory	2,921,267,316	2,804,192
TOTAL	4,014,938,490	1,636,208,100

29. CASH PROCEEDS FROM SHAREHOLDERS

During the period under review the Company received cash of TZS 8,200,218,915 (2021/22: 6,538,250,023) from PSSSF in the form equity and loan to cater for operating expenses and construction of new factories. The amount increased PSSSF shareholding to TZS 36,065,155,557. (2021/22: TZS 28,065,155,557).

Equity and loan made during the year

Details	2023	2022
	TZS	TZS
Opening balance	28,065,155,557	21,526,905,534
Long term loan from PSSSF	8,200,218,915	6,538,250,023
Total	36,265,374,473	28,065,155,557

30. CASH AND CASH EQUIVALENT

Cash and cash equivalents represent solely bank account balances maintained by the Company. As at the reporting date, the bank balance was TZS 9,752,234 (2021/22: TZS 41,967,106)

Cash and Cash Equivalent Description	2023	2022
	TZS	TZS
CRDB Bank Account	4,019,249	(34,363,374)
Azania Bank Account	13	13
NMB Bank Account	5,124,434	75,830,928
Petty Cash HQ	608,538	499,538
Total	9,752,234	41,967,106

31. STAFF IMPREST

As of 30 June, 2023, the Company reported a balance of TZS 12,532,000 (2021/22: TZS 10,188,600) being imprest paid to staff for various expenses.

Staff Imprest Description	2023	2022
	TZS	TZS
Staff imprest	12,532,000	10,188,600

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32. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties comprise the Board Members, senior management team, the participant entities, and entities which are related to these parties through common shareholdings or units-holdings. Related party transaction is disclosed

Name	<u>2023</u>		
	Share holding %	No. of shares Unit	Value TZS
PSSSF	86	5,996,010	59,960,100,000
Prisons Corporation Sole	14	1,003,990	10,039,900,000
	100	7,000,000	70,000,000,000

Remuneration of Board of Directors and Key Management Personnel

The Board of Directors is a body of appointed members who jointly oversee the activities of the Company. Their remuneration is set out below:

BOARD OF DIRECTORS	12 MONTHS	
	2022/23 TZS	2021/22 TZS
Directors fees	32,941,160	32,941,176
Board allowance/per diems	10,481,040	22,155,682
Total	43,422,200	55,096,858

Remuneration of Key Management Personnel

Key management personnel include Managing Director and other members of management having authority and responsibility of planning, directing and controlling the activities of the Company. Their remuneration and allowances are set out below:

Description	2023 TZS	2022 TZS
Short term employee benefit	587,609,020	572,512,052
Post-Employment benefits:		
Defined benefit plan		
Defined contribution plan	50,100,000	40,500,000
Other long term benefits		
Total	637,709,020	613,012,052

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33. PREPAYMENT

During the year, the Company incurred no costs hence the accumulated amount is to TZS 42,797,178,142 (2021/22: TZS 42,797,178,142).

Details	2023	2022
	TZS	TZS
Opening Balance (a)	42,797,178,142	42,473,734,879
Clearance charges, LC for chemicals & General taxes-	-	518,944,326
Adjustments- During the year		
Insurance Expenses	-	(103,154,150)
Acquisition of Motor Vehicle	-	(92,346,913)
Charges during the year (b)	-	323,443,262
Total (a+b)	42,797,178,142	42,797,178,142

34. EVENTS AFTER THE REPORTING PERIOD

There are no material events, adjusting or non-adjusting, which have occurred between the reporting date and the date when financial statements are authorised for issue.

35. PROVISIONS FOR IMPAIRMENT

For the period under review The Company assessed an impairment of Tannery Chemicals to TZS 1,110,244,734 (2021/22: 1,919,355,391)

Provision for impairment of Tannery Chemicals

Details	2023	2022
Tannery chemicals Inventory	1,110,244,734	1,919,355,391
Total	1,110,244,734	1,919,355,391

36. NON CURRENT ASSETS HELD FOR SALE

Currently there is no asset held for sale

37. LONG TERM LOAN

During the year under review, PSSSF disbursed loan total of TZS. 8,200,218,915 (2021/22:15,463,006,506) for the on-going project construction and operation activities at Kilimanjaro International Leather Industries Co. Ltd- Moshi as analysed below;

Details	2023	2022
Advance/ prepayment	58,282,588,238	42,819,581,731
WIP Factory	2,919,779,858	3,983,587,522
Raw material	486,630,506.87	4,568,658,560
PSSSF Employees contribution	-	372,510,401
Cash Loan disbursed 1	4,793,808,550	6,538,250,023
	66,482,807,153	58,282,588,238

38. COMMITMENTS & CONTINGENCIES

Contingent Liabilities

The Directors are not aware of any other major contingent liabilities that are required to be disclosed or recorded in accordance with International Financial Reporting Standards.

Lease Commitments

The Company had not entered into any lease agreement and had no lease commitments at the year-end.

Capital Commitments

At the reporting date, the Company had no capital commitment.

39. REPORTING CURRENCY

The reporting currency, which is also the transaction currency of the Company, is Tanzanian Shillings (TZS).

40. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

(i) New and revised IFRSs effective for the period ended 30th June 2022

Amendments to IFRS 16: Covid-19-Related Rent Concessions and Covid-19-Related Rent Concessions beyond 30 June 2022

Amendments to IFRS 16 to provide relief to lessees from applying the IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the covid-19 pandemic (2020 amendment). The 2020 amendment does not apply to lessors.

As a practical expedient, a lessee may elect not to assess whether a covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
- Any reduction in lease payments affects only payments originally due on or before 30 June 2022 (for example, a rent concession would meet this condition if it results in reduced lease payments before 30 June 2022 and increased lease payments that extend beyond 30 June 2021).
- There is no substantive change to other terms and conditions of the lease

Lessees will apply the practical expedient retrospectively, recognizing the cumulative effect of initially applying the 2020 amendment as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the 2020 amendment is first applied.

The amendment to IFRS 16 will provide relief to lessees for accounting for rent concessions from lessors specifically arising from the covid-19 pandemic. While lessees that elect to apply the practical expedient do not need to assess whether a concession constitutes a modification, lessees still need to evaluate the appropriate accounting for each concession as the terms of the concession granted may vary.

Covid-19-related rent concessions beyond 30 June 2022

In March 2021, the Board amended IFRS 16 to extend the availability of the practical expedient by one year (2021 amendment). The practical expedient in the 2021 amendment applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment applies to annual reporting periods beginning on or after 1 April 2021.

The Company is still assessing the impact of the amendments to the Company's financial statement.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform - Phase 2

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform

The amendments include a practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest. Inherent in allowing the use of this practical expedient is the requirement that the transition from an IBOR benchmark rate to an RFR takes place on an economically equivalent basis with no value transfer having occurred.

Any other changes made at the same time, such as a change in the credit spread or maturity date, are assessed. If they are substantial, the instrument is derecognized. If they are not substantial, the updated effective interest rate (EIR) is used to recalculate the carrying amount of the financial instrument, with any modification gain or loss recognized in profit or loss.

The practical expedient is also required for entities applying IFRS 4 that are using the exemption from IFRS 9 (and, therefore, apply IAS 39 Financial Instruments: Recognition and Measurement) and for IFRS 16 Leases, to lease modifications required by IBOR reform.

Relief from discontinuing hedging relationship

The amendments permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Permitted changes include redefining the hedged risk to reference an RFR and redefining the description of the hedging instruments and/or the hedged items to reflect the RFR. Entities are allowed until the end of the reporting period, during which a modification required by IBOR reform is made, to complete the changes.

Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 and IAS 39 to measure and recognize hedge ineffectiveness.

Amounts accumulated in the cash flow hedge reserve are deemed to be based on the RFR. The cash flow hedge reserve is released to profit or loss in the same period or periods in which the hedged cash flows based on the RFR affect profit or loss.

For the IAS 39 assessment of retrospective hedge effectiveness, on transition to an RFR, entities may elect on a hedge-by-hedge basis, to reset the cumulative fair value changes to zero. This relief applies when the exception to the retrospective assessment ends.

The amendments provide relief for items within a designated group of items (such as those forming part of a macro cash flow hedging strategy) that are amended for modifications directly required by IBOR reform. The reliefs allow the hedging strategy to remain and not be discontinued. As items within the hedged group transition at different times from IBORs to RFRs, they will be transferred to sub-groups of instruments that reference RFRs as the hedged risk.

As instruments transition to RFRs, a hedging relationship may need to be modified more than once. The phase two reliefs apply each time a hedging relationship is modified as a direct result of IBOR reform. The phase two reliefs cease to apply once all changes have been made to financial instruments and hedging relationships, as required by IBOR reform.

Separately identifiable risk components

The amendments provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component. The relief allows entities upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months.

Additional disclosures

IFRS 7 Financial Instruments: Disclosures includes the following:

- How the entity is managing the transition to RFRs, its progress and the risks to which it is exposed arising from financial instruments due to IBOR reform.
- Disaggregated by each significant IBOR benchmark, quantitative information about financial instruments that have yet to transition to RFRs
- If IBOR reform has given rise to changes in the entity's risk management strategy, a description of these changes

The amendments are mandatory, with earlier application permitted. Hedging relationships must be reinstated if the hedging relationship was discontinued solely due to changes required by IBOR reform and it would not have been discontinued if the phase two amendments had been applied at that time. While application is retrospective, an entity is not required to restate prior periods.

The amendment applies to annual reporting periods beginning on or after 1 January 2021.

The Company is still assessing the impact of the amendments to the Company's financial statement.

(ii) New and revised IFRSs in issue but not yet effective for the period ended 30 June 2022

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective. The Company will apply these standards, if applicable, when they become effective.

Amendments to IFRS 3	Business combination ¹
Amendments to IAS 37	Onerous Contracts - Costs of Fulfilling a Contract ¹
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use ¹
IFRS 1 First-time Adoption IFRS	Subsidiary as a first-time adopter ¹
IFRS 9 Financial Instruments	Fees in the '10 per cent' test for de-recognition of financial liabilities ¹
IFRS 17	Insurance Contracts ²
Amendments to IAS 1	Classification of Liabilities as Current or Non-current ²
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies ²
Amendments to IAS 8	Definition of Accounting Estimates ²

1 Effective for annual periods beginning on or after 1 January 2022.

2 Effective for annual periods beginning on or after 1 January 2023.

Reference to the Conceptual Framework - Amendments to IFRS 3

The amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

The amendments must be applied prospectively. Earlier application is permitted if, at the same time or earlier, an entity also applies all of the amendments contained in the Amendments to References to the Conceptual Framework in IFRS Standards (March 2018).

The amendments are intended to update a reference to the Conceptual Framework without significantly changing requirements of IFRS 3. The amendments will promote consistency in financial reporting and avoid potential confusion from having more than one version of the Conceptual Framework in use.

The amendment applies to annual reporting periods beginning on or after 1 January 2022.

The Company is still assessing the impact of the amendments to the Company's financial statement.

Property, Plant and Equipment: Proceeds before Intended Use - Amendments to IAS 16

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment must be applied retrospectively only to items of Property, Plant and Equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

There is no transition relief for first-time adopters.

The amendment applies to annual reporting periods beginning on or after 1 January 2022.

The Company is still assessing the impact of the amendments to the Company's financial statement.

Onerous Contracts - Costs of Fulfilling a Contract - Amendments to IAS 37

The amendments apply a 'directly related cost approach'. The costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments must be applied prospectively to contracts for which an entity has not yet fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Earlier application is permitted and must be disclosed.

The amendments are intended to provide clarity and help ensure consistent application of the standard. Entities that previously applied the incremental cost approach will see provisions increase to reflect the inclusion of costs related directly to contract activities, whilst entities that previously recognized contract loss provisions using the guidance from the former standard, IAS 11 Construction Contracts, will be required to exclude the allocation of indirect overheads from their provisions. Judgment will be required in determining which costs are 'directly related to contract activities', but we believe that guidance in IFRS 15 Revenue from Contracts with Customers will be relevant.

The amendment applies to annual reporting periods beginning on or after 1 January 2022.

The Company is still assessing the impact of the amendments to the Company's financial statement.

IFRS 1 First-time Adoption of International Financial Reporting Standards - Subsidiary as a first-time adopter

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16 (a) of IFRS 1. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Company will apply this standard when has its subsidiaries and is effective.

IFRS 9 Financial Instruments - Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when

assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Company.

IAS 41 Agriculture - Taxation in fair value measurements

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IAS 41 Agriculture. The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41. An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Company.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (JV)

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture (JV).

The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture (JV), is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture (JV).

The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. The Company will apply these amendments when they become effective.

IFRS 17: Insurance Contracts

IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

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 are 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

The main features of the new accounting model for insurance contracts are as follows:

- The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows)
- A Contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts, representing the unearned profit of the insurance contracts to be recognised in profit or loss based on insurance contract services provided over the coverage period
- Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining coverage period
- The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice
- The presentation of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period
- Amounts that are paid to a policyholder in all circumstances, regardless of whether an insured event occurs (non-distinct investment components) are not presented in the income statement, but are recognised directly on the balance sheet.
- Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense
- A loss-recovery component of the asset for remaining coverage of a group of reinsurance contracts held is determined and recorded in profit or loss when an entity recognises a recovery of a loss on initial recognition of an onerous group of underlying issued contracts as well as for subsequent measurement of the recovery of those losses
- Entities should present separately in the statement of financial position, the carrying amounts of portfolios of insurance contracts issued that are assets and those that are liabilities, with the same requirement applying to portfolios of reinsurance contracts held
- Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts

IFRS 17 is effective for reporting periods starting on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 Financial Instruments on or before the date it first applies IFRS 17.

The Board decided on a retrospective approach for estimating the CSM on the transition date. However, if full retrospective application, as defined by IAS 8 for a group of insurance contracts, is impracticable, an entity is required to choose one of the following two alternatives:

- Modified retrospective approach - based on reasonable and supportable information available without undue cost and effort to the entity, certain modifications are applied to the extent full retrospective application is not possible, but still with the objective to achieve the closest possible outcome to retrospective application;
- Fair value approach - the CSM is determined as the positive difference between the fair value determined in accordance with IFRS 13 Fair Value Measurement and the fulfilment cash flows (any negative difference would be recognised in retained earnings at the transition date).

Both the modified retrospective approach and the fair value approach provide transitional reliefs for determining the grouping of contracts. If an entity cannot obtain reasonable and supportable information necessary to apply the modified retrospective approach, it is required to apply the fair value approach.

IFRS 17, together with IFRS 9, will result in profound changes to the accounting in IFRS financial statements for insurance companies. This will have a significant impact on data, systems and processes used to produce information for financial reporting purposes. The new model is likely to have a significant impact on the profit and total equity of some insurance entities, resulting in increased volatility compared to today's models. Key performance indicators will also likely be affected.

The Company is still assessing the impact of the amendments to the Company's financial statement.

Amendments to IAS 1: Classification of Liabilities as Current or Noncurrent.

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.

Right to defer settlement

The Board decided that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date.

Existence at the end of the reporting period

The amendments also clarify that the requirement for the right to exist at the end of the reporting period applies regardless of whether the lender tests for compliance at that date or at a later date.

Management expectations

IAS 1.75A has been added to clarify that the ‘classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least twelve months after the reporting period’. That is, management’s intention to settle in the short run does not impact the classification. This applies even if settlement has occurred when the financial statements are authorised for issuance.

The amendment applies to annual reporting periods beginning on or after 1 January 2023.

The Company is still assessing the impact of the amendments to the Company’s financial statement.

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

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
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

Replacement of the term ‘significant’ with ‘material’

In the absence of a definition of the term ‘significant’ in IFRS, the Board decided to replace it with ‘material’ in the context of disclosing accounting policy information. ‘Material’ is a defined term in IFRS and is widely understood by the users of financial statements, according to the Board. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and the nature of them. Examples of circumstances in which an entity is likely to consider accounting policy information to be material have been added.

Disclosure of standardised information

Although standardised information is less useful to users than entity-specific accounting policy information, the Board agreed that, in some circumstances, standardised accounting policy information may be needed for users to understand other material information in the financial statements. In those situations, standardised accounting policy information is material, and should be disclosed.

The amendments to the PS also provide examples of situations when generic or standardised information summarising or duplicating the requirements of IFRS may be considered material accounting policy information.

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.

Entities should carefully consider whether 'standardised information, or information that only duplicates or summarises the requirements of the IFRSs' is material information and, if not, whether it should be removed from the accounting policy disclosures to enhance the usefulness of the financial statements.

The amendment applies to annual reporting periods beginning on or after 1 January 2023.

The Company is still assessing the impact of the amendments to the Company's financial statement.

Amendments to IAS 8: Definition of Accounting Estimates.

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

Changes in accounting estimates

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.

The amendments include two illustrative examples to help stakeholders understand how to apply the new definition of accounting estimates.

The amendments are intended to provide preparers of financial statements with greater clarity as to the definition of accounting estimates, particularly in terms of the difference between accounting estimates and accounting policies. Although the amendments are not expected to have a material impact on entities' financial statements, they should provide helpful guidance for entities in determining whether changes are to be treated as changes in estimates, changes in policies, or errors.

The amendment applies to annual reporting periods beginning on or after 1 January 2023.

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The Company is still assessing the impact of the amendments to the Company's financial statement.

(iii) Early adoption of standards

The Company did not early-adopt any new or revised standards in year ended 30 June 2022.