



**THE UNITED REPUBLIC OF TANZANIA  
NATIONAL AUDIT OFFICE**



**KILIMANJARO INTERNATIONAL LEATHER INDUSTRIES COMPANY LIMITED**

**REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON  
THE FINANCIAL STATEMENTS AND COMPLIANCE AUDIT  
FOR THE FINANCIAL YEAR ENDED  
30 JUNE 2022**

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March 2023

AR/PA/KLICL/2021/22

**REPORT OF THE CONTROLLER AND AUDITOR GENERAL**

## 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.

### **Vision**

A credible and modern Supreme Audit Institution with high-quality audit services for enhancing public confidence.

### **Mission**

To provide high-quality audit services through modernization of functions that enhances accountability and transparency in the management of public resources.

**Motto:** "Modernizing External Audit for Stronger Public Confidence"

### **Core values**

In providing quality services, NAO is guided by the following Core Values:

- i. Independence and objectivity
- ii. Professional competence
- iii. Integrity
- iv. Creativity and Innovation
- v. Results-Oriented
- vi. Teamwork Spirit

### **We do this by:**

- ✓ Contributing to better stewardship of public funds by ensuring that our clients are accountable for the resources entrusted to them;
- ✓ Helping to improve the quality of public services by supporting innovation on the use of public resources;
- ✓ Providing technical advice to our clients on operational gaps in their operating systems;
- ✓ Systematically involve our clients in the audit process and audit cycles; and
- ✓ Providing audit staff with adequate working tools and facilities that promote independence.

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## TABLE OF CONTENTS

Abbreviations.....	iii
1.0 REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2022 ....	6
3 STATEMENT OF RESPONSIBILITIES BY THOSE CHARGED WITH GOVERNANCE .....	21
4 DECLARATION BY THE HEAD OF FINANCE FOR THE YEAR ENDED 30 JUNE 2022.....	22
5 FINANCIAL STATEMENTS.....	23
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022.....	23
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME .....	24
FOR THE YEAR ENDED 30 JUNE 2022.....	24
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2022.....	23
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022.....	24
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 .....	25

## Abbreviations

AR	Audit Report
CAG	Controller and Auditor General
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
RFR	Risk Free Rate
Sect	Section
TZS	Tanzania Shillings

## **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.

### **1.1 REPORT ON THE AUDIT OF FINANCIAL STATEMENTS**

#### **Unqualified Opinion**

I have audited the financial statements of Kilimanjaro Leather International Company Limited (KLICL), which comprise the statement of financial position as at 30 June 2022, 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 Leather International Company Limited (KLICL) as at 30 June 2022, 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 Leather International Company Limited (KLICL) 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.

#### **Emphasis of matter**

I draw attention to the matters below. My opinion is not modified in respect of these matters.

Note 33 of the financial statements disclosed TZS 1.919 Billion as the provision for impairment of tannery chemicals expired as at 30 June 2022. These were part of chemicals worth TZS 4.919 Billion delivered between August and December 2021 for the tannery, for testing and commissioning of the machinery. However, they expired before completion of the construction of the tannery. As at the period of audit (November, 2022)

the inspection report done by TIRDO and BICO Consultants revealed that the expired chemicals as at 30 September 2022 have increased to TZS 2.27 billion.

### **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 Directors' Report, statement of Directors' responsibility, and 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 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 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 2021/22 as per the Public Procurement laws.

#### **Conclusion**

Based on the audit work performed, I state that, 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.

### **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 2021/22 as per the Budget Act and other Budget Guidelines.

**Conclusion**

Based on the audit work performed, I state that, 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.



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



March, 2023

## **1.0 REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2022**

### **2.1 INTRODUCTION**

The Directors are pleased to submit their report together with the audited Financial Statements for the year ended 30 June 2022.

### **2.2 INCORPORATION AND REGISTRATION**

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 2022/23

The Annual Report for the year 2021/22 is the fifth report since the Company was incorporated. The report covers a period of twelve months from 1 July 2021 to 30 June 2022.

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 2022 the Company had a total net asset of TZS 58.70 billion (2020/21: TZS 63.72 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, the ongoing impact of covid-19 continued to disrupt the global supply chains and affected some operations of the business

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 1<sup>st</sup> July 2022 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.

## 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**

Name	Position	Age	Qualifications/Discipline	Appointment date	Nationality
CPA. Hosea Kashimba	Chairperson	52	MBA Degree in Corporate Management, Mzumbe University, ACPA -T NBAA	12 March 2019	Tanzanian
SACP Justin Kaziulaya	Vice-Chairperson	52	Master's Degree in Security and Strategic Studies, National Defence College	3 July 2020	Tanzanian
ACP Josephine Semwenda	Member	57	MBA -Finance and Banking, Mzumbe University	3 July 2020	Tanzanian
CPA Uphoo Swai	Member	51	MBA - Finance, FCPA-T NBAA	15 April 2019	Tanzanian

Ms Vupe Ligate	Member	54	Masters in Gender and Development-Sussex University (UK)	30 May 2017	Tanzanian
Mr Herman Goodluck	Member	42	MBA-Finance University of Dar es Salaam	3 <sup>rd</sup> September 2021	Tanzanian
Mr. Julius Mwambeso	Member	45	Advanced Diploma in Business Education	30 May 2017	Tanzanian

Source: MEMARTS

## 2.14 THE BOARD OF DIRECTORS

The Board of Directors of KLICL consists of seven members (2020/21:7). 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 2021/22 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 <sup>rd</sup> Oct 21	21 <sup>st</sup> Jan 22	21 <sup>st</sup> Apr 22	22 <sup>nd</sup> Aug 22	
1	Mr. Hosea Kashimba	Chairman	P	P	P	P	4
2	SACP Justin Kaziulaya	Vice Chairman	P	P	P	p	4
3	ACP Josephine Semwenda	Member	P	P	P	P	4
4	CPA Uphoo Swai	Member	P	AP	P	P	3
5	Ms. Vupe Ligate	Member	P	P	p	P	4
6	Mr. Julius Mwambeso	Member	p	AP	P	P	3
7	Mr. Herman Goodluck	Member	P	P	P	P	4

Source: Attendance Register

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 2021/22, the Finance and Audit Committee met four times (2020/21:4).

The members of the committee are as per table 3:

S/No	Name	Position	Nationality	Age
1	Mr. Julius Mwambeso	Chairperson	Tanzanian	45
2	Josephine Semwenda	Member	Tanzanian	57
3	Mr. Herman Goodluck	Member	Tanzanian	42
4	CPA. Uphoo Swai	Member	Tanzanian	51

Source: MEMARTS

Table 4: Risk and Governance Committee

S/No	Name	Position	Nationality	Age
1	SACP Justin Kaziulaya	Chairperson	Tanzanian	52
2	Vupe Ligate	Member	Tanzanian	54
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**

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

Source: Attendance Register

**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: Attendance Register

**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: Attendance Register

**Table 8: Register of attendance of members of the Finance and Audit Committee in the Company Meetings for the year 2021/22 (Source; Attendance Register)**

S/N	Member's Name	Position	Attendance of Members in meetings				Total Number of Meetings attended
			22 <sup>nd</sup> Oct 21	13 <sup>th</sup> Jan 22	13 <sup>th</sup> Apr 22	9 <sup>th</sup> Aug 22	
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 2021/22**

S/N	Member's Name	Position	Attendance of Members in meetings				Total Number of Meetings attended
			21 <sup>st</sup> Oct 21	14 <sup>th</sup> Jan 22	12 <sup>th</sup> Apr 22	25 <sup>th</sup> Jul 22	
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: Attendance Register*

## 2.16 SUMMARY OF MATTERS FOR 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; -

- 17<sup>th</sup> Ordinary Board Meeting held on 23 October 2021

The Board discussed on Annual performance of the Company for the period ended 30 September 2021, Internal Audit Report for the quarter ended 30 September 2021, project implementation report, KLICL Commission Policy and Business Plan, Risk Management report and MEMART

- 18<sup>th</sup> Ordinary Board Meeting held on 21 January 2022

The Board discussed on performance review for the 2nd quarter ended 31st December 2021, Internal Audit report for the period ended December 2021, Midyear performance Reports from Legal, ICT, Human Resources and Risk Management

- 19<sup>th</sup> Ordinary Board Meeting held on 21 April 2022

The Board discussed on performance report for the 3<sup>rd</sup> quarter ended 31 March 2022, Internal Audit report for the period ended 31<sup>st</sup> March 2022, ICT, Legal, Risk Management, Human Resources Performance for the Period ended 31 March 2022, The Transport Policy, Review of the Incentive and Retention Policy, Conviction of Shoe Designer Deogratus Mwinuka, revised validated Feasibility Study, Project progress reports, review of Midyear Annual Plan, Budget and Procurement Plan, proposal of Production wet blue at Phis Tannery

▪ 20<sup>th</sup> Ordinary Board Meeting held on 18 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.

## **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 Department;
- Finance Department;
- Sales and Marketing Department;
- Procurement Management Department;
- Legal Department,
- Human and Capital Management Department, and
- Internal Audit and Risk Management

### **2.17 DIRECTORS' REMUNERATION**

During the year end 30 June 2022, the Directors were paid a total fee amounting to TZS 32.94 Million (2020/21; TZS 32.94 Million ).

### **2.18 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 Prisons 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	30-Jun-22		
	Shareholding	No. of Shares	Value
	%	Unit	TZS
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	30-Jun-21		
	Shareholding	No. of shares	Value
	%	Unit	TZS
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

## 2.19 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 share Capital and long-term loan which mainly caters for capital expenditure and operating expenses.

The approved capital structure is TZS 136.24 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 66.24 Billion is long term to the Company of which TZS 58.28 Billion has been disbursed by Financier as reported in the statement of financial position for the period under review.

## 2.20 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.

## 2.21 SOLVENCY

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 2022 is presented in the statement of financial position where it had Net Assets of TZS 58.70 billion (2020/21: TZS 63.72 billion).

## 2.22 OPERATING AND FINANCIAL REVIEW

According to the Company's financing plan, 2021/22 budget was financed by way of sales revenue TZS 8.02 billion and long-term loan amounting to TZS 16.16 billion (2020/21: TZS 52.0

billion) out of which TZS 1 billion a bank overdraft was to finance operating expenditure (excluding depreciation) while TZS 15.16 billion (2020/21: TZS 41.67 billion) was to finance capital expenditure. Also, a working capital of TZS 5.29 billion as per validated feasibility study.

#### BUDGET PERFORMANCE REVIEW FOR THE YEAR ENDED 30 JUNE 2022 (TZS)

Description	Budget 2020/21)	Budget 2021/22	Actual 2021/22	Variance	Var (%)
Marketing expenses	631,997,200	471,755,000	213,499,636	(258,255,363)	55%
Personnel expenses	6,400,939,004	5,291,808,987	4,040,612,085	(1,251,196,901)	24%
Administrative expenses	1,864,444,361	1,041,603,948	705,830,757	(335,773,190)	32%
Amortization		8,333,333.00	-	(8,333,333)	100%
Depreciation		-	1,316,796,780	1,316,796,780	0%
<b>Total</b>	<b>8,897,380,565</b>	<b>6,813,501,268</b>	<b>6,276,739,261</b>	<b>(536,762,007)</b>	<b>8%</b>

The Annual target was to attain sales of TZS 6.79Billion VAT exclusive. During the period under review, the Company recorded Sales Revenue of TZS 2.08Billion VAT exclusive 36% of sales target, Cost of Sales amounted to TZS 5.28Billion as a result of Gross loss of TZS 3.18M . Total operating expenses amounted to TZS 4.96Billion resulting to net loss of TZS 4.93 Billion.

The Company planned not to spend more than 41% of total revenue for various expenses. However, actual expenses ratio during the period reached 128% excluding depreciation as a result of low sale revenue generated compared to actual OPEX.

As of the reporting date, total paid up capital by shareholders amounted to TZS 70.0 (2020/21: TZS 70.0 billion) and the total loan from the shareholders amounted to TZS 58.28 Billion (2020/21: TZS 42.82 Billion.)

#### 2.23 KEY PERFORMANCE INDICATORS (KPIs)

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

Key Performance Indicator	Definition and Formula	2021/22
Loan to total assets	(Net loan /Total assets) *100	45
Growth of Assets	(Current Assets-Previous Total assets/Previous Year Net Assets) *100	60
Current Assets Ratio	CA/CL	62
Quick Ratios	Cash + Receivables/CL	2.8

## **2.24 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 5.08 billion (2020 /21: TZS 10.32 billion).

## **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 Tanzania 5 years' development plan aims at improving Tanzanians standard of living through increasing employment in sectors which have impact to many Tanzanians. The Company has developed a medium-term plan covering a period of five years running between 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 main objectives as listed below:

- i. To process wet blue 13,000,000 Sq. ft. per annum for sale and internal use;
- ii. To process finished cow/ goat/sheep leather 8,000,000 Sq. ft, per annum
- iii. To manufacturer 1,200,000 pairs of different types of footwear and 800,000 pairs of slippers per annum
- iv. To manufacturer and sell 2,100,000 pairs of soles for different types per annum

- v. To manufacturer and sell 184,000 leather articles per annum.
- vi. To develop strategy for trade & marketing of all KLICL products sales at local by 75% and export markets 25% at the end of this corporate strategic plan
- vii. To increase revenue sources by adding new revenue channels by expanding local market distribution coverage and exporting to new markets to increasing operating profit margins by 15% by 2024 - 2026.
- viii. To develop Production Strategic plan for each Factory units i.e., Tannery, Footwear, Leather articles and Sole
- ix. To ensure customers satisfactions at a level of at least 90%;
- x. To supply affordable quality Leather, Leather products & shoe soles
- xi. To ensure reliable local sources of leather, leather products & soles suppliers
- xii. To support Corporate Social Responsibility CSR
- xiii. To recruit qualified & talented personnel and source/hire expatriates in leather industry.
- xiv. To improve managerial/ leadership capabilities
- xv. To modernize technology infrastructure administratively.
- xvi. To attract top talent through timely identification of all talented and hard workers for reward
- xvii. To maximize staff productivity through short term and long-term trainings; and
- xviii. To support social and economic growth of communities surrounding company's projects.

## **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 2021 to June 2022. 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**

Trainings on leadership skills, records management, and laboratory equipment management were given to 5 staff. Other training on shoe, slipper, leather article, sole and sandals production facilitated by experts from Italy were given on company site to production staff. 12 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**

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

## **2.32 GENDER PARITY**

The Company is an equal opportunity employer. For the financial year 2021/22, the Company had a total number of 265 staff out of which 162 were males and 103 females (2020/21: 270 staff, 163 males and 107 females). 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 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 30.

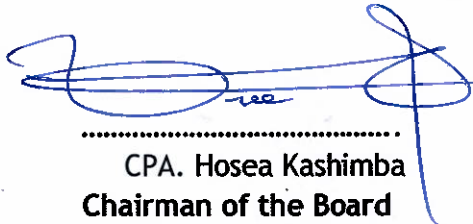
## 2.36 AUDITORS

The Controller and Auditor General (CAG) is the statutory Auditor of KLIICL 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).

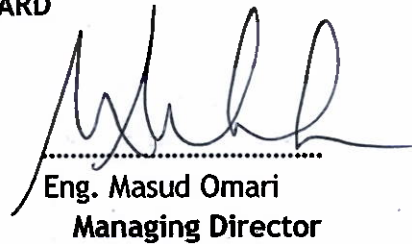
### 1.37 RESPONSIBILITY OF THE AUDITOR

The Controller and Auditor General is an independent Auditor of KLIICL with responsibility 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 his opinion.

BY ORDER OF THE BOARD



.....  
CPA. Hosea Kashimba  
Chairman of the Board



.....  
Eng. Masud Omari  
Managing Director

Date.....07/03/2023.....

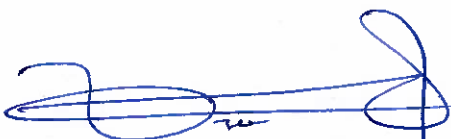
### 3 STATEMENT OF RESPONSIBILITIES BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUE 2022

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. Hosea Kashimba  
Chairperson of the Board of Directors

Date:

07/03/2023

4 **DECLARATION BY THE HEAD OF FINANCE FOR THE YEAR ENDED 30 JUNE 2022**

The National Board of Accountants and Auditors (NBAA) according to the power conferred under the Auditors and Accountants (Registration) Act. No. 33 of 1972, as amended by Act No. 2 of 1995, requires financial statements to be accompanied with a 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 statement's 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 2022 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 Limited as on that date and that they have been prepared based on properly maintained financial records.

**Signed by:**

Name: CPA Harieth A. Ntiina

Position: Acting Finance Manager

NBAA Membership No: GA 9962

Signature: *Harieth A. Ntiina*.....

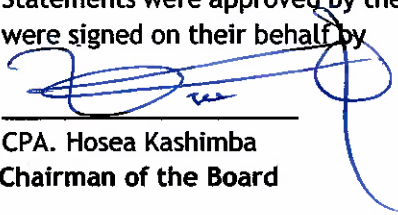
Date: *04/03/2022*.....

## 5 FINANCIAL STATEMENTS

## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

ASSETS	Notes	2021/22	2020/21
		TZS	TZS
<b>Non-current assets</b>			
Property, Plant and Equipment	15	33,716,227,197	26,866,922,528
Capital work in progress	16	13,657,734,954	16,643,972,775
		<b>47,373,962,151</b>	<b>43,510,895,303</b>
<b>Current assets</b>			
Cash in hand and at bank	28	41,967,106	96,025,241
Inventory	8	9,582,749,159	5,658,390,218
VAT (payable)/recoverable	17	9,872,787,136	9,603,615,393
Tax recoverable	18	27,769,726	20,220,951
Deferred tax asset	19b	7,420,199,937	4,194,171,719
Trade Receivables	20a	1,809,448,078	1,836,436,983
Prepayment	31	42,797,178,142	42,473,734,879
Non- Current Asset held for sale	34	0	95,193,753
		<b>71,552,099,283</b>	<b>63,977,789,137</b>
<b>TOTAL ASSETS</b>		<b>118,926,061,435</b>	<b>107,488,684,439</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	14	70,000,000,000	70,000,000,000
Revaluation Surplus	14b	(57,152,983)	36,783,770
Accumulated losses		(11,243,738,551)	(6,312,595,237)
		<b>58,699,108,467</b>	<b>63,724,188,533</b>
<b>Non-current Liabilities</b>			
Long term loan	35	58,282,588,238	42,819,581,731
		<b>58,282,588,238</b>	<b>42,819,581,731</b>
<b>Current liabilities</b>			
Payables	21	1,944,364,731	944,914,175
		<b>1,944,364,731</b>	<b>944,914,175</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>118,926,061,435</b>	<b>107,488,684,439</b>

The accompanying notes form an integral part of these financial statements. The Financial Statements were approved by the Board of Directors and authorized for issue on ..... and were signed on their behalf by


  
 CPA. Hosea Kashimba  
 Chairman of the Board

  
 Eng. Masud Omari  
 Managing Director

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

		2021/22	2020/21
	Notes	TZS	TZS
Revenue	5	2,081,408,347	926,462,970
Other Income	6	15,140,127	33,418,718
Cost of sales	7	(5,281,373,476)	(917,278,017)
<b>Gross profit/Loss</b>		<b>(3,184,825,002)</b>	<b>42,603,671</b>
<b>Operating Expenses</b>			
Marketing expenses	9	(224,769,610)	(313,487,152)
Staff cost	10	(1,551,654,090)	(3,102,296,746)
Travel and Transport	11	(83,452,315)	(73,170,066)
Board expenses	12	(66,465,830)	(150,368,605)
Administrative expenses	13	(644,406,142)	(772,768,492)
Depreciation on other assets	15(a)	(471,836,110)	(528,742,191)
Impairment loss	33	(1,919,355,391)	(24,615,770)
<b>Total expenses</b>		<b>(4,961,939,489)</b>	<b>(4,965,449,022)</b>
<b>Loss before tax</b>		<b>(8,146,764,491)</b>	<b>(4,922,845,351)</b>
Income tax paid		(10,407,042)	(4,632,315)
Loss after tax		(8,157,171,532)	(4,927,477,666)
Tax asset	19(a)	3,226,028,218	2,694,318,652
<b>Net Loss for the year</b>		<b>(4,931,143,314)</b>	<b>(2,233,159,014)</b>
<b>Other Comprehensive Income</b>		<b>-</b>	<b>-</b>
<b>Net Loss after adjustment</b>		<b>(4,931,143,314)</b>	<b>(2,233,159,014)</b>

The accompanying notes form an integral part of these financial statements. The Financial Statements were approved by the Board of Directors and authorized for issue on ..... and were signed on their behalf by:

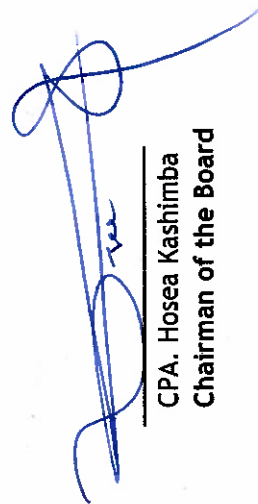
  
 \_\_\_\_\_  
 CPA. Hosea Kashimba  
 Chairman of the Board

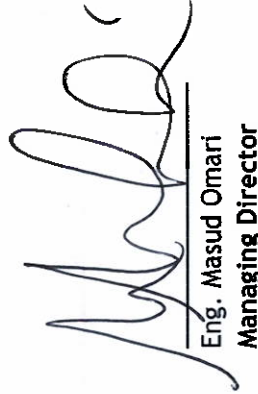
  
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 Eng. Masud Omari  
 Managing Director

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

Particulars	Share capital	Revaluation Surplus	Accumulated losses	Total equity
At 1 July 2020	68,119,250,155	36,783,770	(4,079,436,223)	64,076,597,702
Paid up capital	1,880,749,845	-	-	1,880,749,845
Revaluation surplus/loss	-	-	-	-
Profit/(Loss) for the year	-	-	(2,233,159,014)	(2,233,159,014)
At 30 June 2021	70,000,000,000	36,783,770	(6,312,595,237)	63,724,188,533
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	-	-	(4,996,899,041)	(4,996,899,041)
At 30 June 2022	70,000,000,000	(57,152,983)	(11,309,494,278)	58,699,108,466

The accompanying notes form an integral part of these financial statements. The Financial Statements were approved by the Board of Directors and authorized for issue ..... and were signed on their behalf by:

  
 CPA. Hosea Kashimba  
 Chairman of the Board

  
 Eng. Masud Omari  
 Managing Director

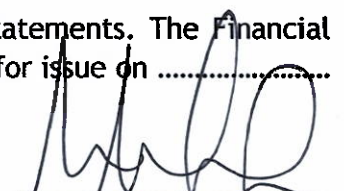
**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022**

	Notes	30-Jun-22	30-Jun-21 TZS
<b>Operating activities</b>			
Cash collected from Sales	22	1,730,460,068	518,397,150
Decrease in accounts receivables (Settled by customers)		1,075,436,246	547,111,507
<b>Total Receipts</b>		<b>2,805,896,314</b>	<b>1,065,508,657</b>
Production expenses paid	23	(2,229,873,571)	(1,200,811,996)
Operating expenses paid	24	(5,546,519,928)	(5,354,172,501)
Payment for pre-Joint venture debts		-	-
Tax paid		-	-
<b>Net cash flows used in operating activities</b>		<b>(4,970,497,185)</b>	<b>(5,489,475,840)</b>
<b>Investing activities</b>			
Interest received	25	14,397,127	33,418,718
Acquisition of assets and other capital expenditure	26	(1,636,208,100)	(3,892,769,697)
<b>Net cash flows used in investing activities</b>		<b>(1,621,810,973)</b>	<b>(3,859,350,979)</b>
<b>Financing activities</b>			
Proceeds from Shareholders' contribution/ Loan	27	-	1,479,119,015
Long term loan	27	6,538,250,023	7,916,498,018
<b>Net cash flows from financing activities</b>		<b>6,538,250,023</b>	<b>9,395,617,033</b>
Increase in cash and cash equivalents		(54,058,135)	46,790,215
Cash and cash equivalents at beginning of the year		96,025,241	49,235,026
<b>Cash and cash equivalents at end of the year</b>	<b>28</b>	<b>41,967,106</b>	<b>96,025,241</b>

The accompanying notes form an integral part of these financial statements. The Financial Statements were approved by the Board of Directors and authorized for issue on ..... and were signed on their behalf by:



CPA. Hosea Kashimba  
Chairman of the Board



Eng. Masud Omari  
Managing Director

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

### 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:

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 soles per annum

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.

The financial statements do provide comparative information in respect of the previous period. The Company is reporting for the fifth 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 Revaluation model.

### **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.

#### **Impairment of financial assets**

The Company assesses at each reporting date whether there is objective evidence which warrantee 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 First-in-First out (FIFO) 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 10% annually

The Company contributions to retirement benefit schemes are charged to the income statement in the year they are incurred.

**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 2,081,408,347 (2020/21: TZS 926,462,970)

	2021/22	2020/21
	TZS	TZS
Sale of shoes	2,081,408,347	926,462,970

**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 15,140,127 (2020/21: TZS 33,418,718) includes interest from call account of TZS 11,747,127.

	2021/22	2020/21
Details	TZS	TZS
Interest Received	11,747,127	33,418,718
Gain from Disposal of Non-Current Assets Held for Sale	3,393,000	0
	15,140,127	33,418,718

## 7. COST OF SALES

COST OF SALES	2021/22	2020/21
Details	TZS	TZS
Cost of sale		
Opening stock	517,891,614	279,745,606
Production cost (7a)	5,993,475,028	1,150,449,024
Return inward	-	4,975,000
Closing stock	(1,229,993,166)	(517,891,614)
<b>Cost of sales</b>	<b>5,281,373,476</b>	<b>917,278,016</b>

<b>Production cost (7a)</b>			
Opening stock-materials	5,140,498,604	184,897,076	
Cost of materials purchased	7,413,878,195	5,690,300,380	
Closing stock-materials	- 9,811,806,490	- 4,940,881,271	
Closing stock WIP	- 460,304,894	- 199,617,334	
Staff Cost (Manufacturing)	2,495,650,119		
Depreciation (Machinery)	844,960,670		
Production overhead	370,598,824	415,750,173	
<b>Production cost</b>	<b>5,993,475,028</b>	<b>1,150,449,024</b>	

The increase in production cost was mainly driven by inclusion of staff cost of manufacturing department and depreciation cost. As at the reporting date, the Company utilised a total amount of TZS 5,993,475,028 (2020/21: TZS 1,150,449,024)

## 8. Inventory

Raw materials	9,811,806,490	4,940,881,271
Work in Progress	460,304,894	199,617,334
Finished products	1,229,993,166	517,891,614

Impairment of chemicals	(1,919,355,391)	
	<u>9,582,749,159</u>	<u>5,658,390,218</u>

The increase in inventory was mainly driven by receipt of chemicals amounting to TZS 3.27 Million. As at the reporting date, the Company utilised a total amount of TZS 9,582,749,159 (2020/21: TZS 5,658,390,218)

## 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 224.77 Million (2020/21: TZS 313.49 Million)

## 10. STAFF COSTS (ADMIN)

Basic salary	1,075,594,785	2,249,945,458
House maintenance allowance	84,568,653	113,416,667
Social Security Contribution	160,019,218	326,050,293
Skills Development Levy expenses	50,603,822	102,616,884
Workman Compensation expenses	6,325,478	12,354,108
3% Medicare Employer	32,264,094	66,742,205
Leave Allowance/Passage expenses	23,481,894	43,916,000
Water & Electricity (Utility)	26,400,000	36,900,631
Transport assistance	36,817,742	91,280,000
Staff Welfare Expense	6,012,600	23,968,500
Subsistence allowance	26,895,541	20,696,000
Overtime Expenses	6,347,685	14,410,000
Acting Allowance	16,322,581	
<b>Total</b>	<u><b>1,551,654,090</b></u>	<u><b>3,102,296,746</b></u>

## 11. TRAVEL AND TRANSPORT

Details	2021/22	2020/21
Travelling on Duty Local	78,070,665	73,170,066
Travelling on Duty Abroad	5,381,650	-
<b>Total</b>	<u><b>83,452,315</b></u>	<u><b>73,170,066</b></u>

**12. BOARD EXPENSES**

Details	2021/22	2020/21
Travel on duty-Local Board	22,155,682	112,214,026
Board of Directors fee	32,941,176	32,941,179
Board members' Meeting Exp.	11,368,972	5,213,400
<b>Total</b>	<b>66,465,830</b>	<b>150,368,605</b>

**13. ADMINISTRATIVE EXPENSES**

Details	30-Jun-22 TZS	30-Jun-21 TZS
Office Tea Expense	17,843,249	16,062,738
Recruitment Expense	6,651,400	31,519,470
Office Partition & Building Repair	7,664,042	67,331,885
Motor Vehicle-Running & Maintenance	25,561,938	44,204,003
Repair/Renewal Office Equipment	59,000	3,556,200
Repair/Renewal Machineries	-	605,632
Printing & Stationery expenses	23,591,861	39,576,358
Internal Audit Expenses	2,346,100	19,410,820
Professional Fees & Subscription	1,417,500	1,617,500
Books, Periodicals & News Paper	816,636	545,000
Purchase of Loose Tools	28,177,372	16,839,537
Audit fee Expenses	30,000,000	35,000,000
Staff gratuity expenses	35,290,323	49,309,677
Rent Expenses	9,102,600	12,033,861
Land rent	-	356,200
Communication Expenses	45,712,534	34,539,380
Donation	-	-
Legal expenses	20,580,375	6,371,700
Rates and Taxes (Administration)	9,358,018	8,845,628
Consultancy fees	12,400,000	38,112,107
Computer running & maintenance	-	5,089,000
Insurance	126,245,574	62,929,323
Seminar, Conferences& Study Tour- local	21,722,520	14,254,000
Staff Training Expenses-Local	24,886,389	76,995,070

Staff Training Expenses-abroad	-	10,126,908
Board Training Expenses- Local	-	11,182,815
Computerization expenses	19,080,933	14,748,000
Bank charges	12,980,016	9,849,585
Tender Board expenses	20,500,000	30,216,000
Housekeeping expenses	32,929,701	12,929,643
Inauguration expenses	-	66,499,286
May Day Expenses	3,698,000	7,233,200
Security expenses	70,459,661	24,877,966
Fuel Expenses	19,118,400	
Special Duty Allowance	16,212,000	
<b>Total</b>	<b>644,406,142</b>	<b>772,768,492</b>

#### 14. SHARE 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.

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.

Details	2021/22	
	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
<b>Total</b>	<b>7,000,000</b>	<b>70,000,000,000</b>

#### Capital contributions from PCS

Details	2021/22	2020/21
	TZS	TZS
Opening balance (Land & machines)	10,039,900,000	9,638,269,170
Adjustment during the year		401,630,830
<b>Total</b>	<b>10,039,900,000</b>	<b>10,039,900,000</b>

Shareholding of each shareholder

Name	2021/22		
	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
	<b>100</b>	<b>7,000,000</b>	<b>70,000,000,000</b>

Name	2020/21		
	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
	<b>100</b>	<b>7,000,000</b>	<b>70,000,000,000</b>

14b. REVALUATION SURPLUS/LOSS

	2021/22 TZS	2020/21 TZS
Revaluation Surplus	36,783,770	36,783,770
Revaluation loss on non- Current asset held for Sale	(93,936,753)	
<b>Revaluation Loss</b>	<b>(57,152,983)</b>	<b>36,783,770</b>

KILIMANJARO INTERNATIONAL LEATHER INDUSTRY COMPANY LTD (KLICL)

15. PROPERTY, PLANT AND EQUIPMENT

Cost	Land	Building	Machineries	Office equipment	ICT equipment	Office Furniture	Motor Vehicle	Total
	TZS		TZS	TZS	TZS	TZS	TZS	TZS
At 30 June 2021	8,096,000,000		16,625,608,206	1,887,780,354	145,749,194	508,849,966	119,777,778	27,383,765,498
Addition	8,064,267,248				9,487,288		92,346,913	8,8166,101,449
Cost As At 30 June 2022	8,096,000,000	8,064,267,248	16,625,608,206	1,887,780,354	155,236,482	508,849,966	212,124,691	35,549,866,947
<b>Depreciation</b>								
Acc depreciation as at 1 July 2021	-		(350,401,553)	(83,647,230)	(20,004,361)	(40,331,495)	(22,458,333)	(516,842,972)
Depreciation 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)
Acc Depreciation as at 30 June 2022	(107,523,563)	(107,523,563)	(1,195,362,223)	(283,431,544)	(49,661,654)	(144,086,579)	(53,574,189)	(1833,639,752)
NBV As At 30 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

KILIMANJARO INTERNATIONAL LEATHER INDUSTRY COMPANY LTD (KLICL)

PROPERTY, PLANT AND EQUIPMENT 2020/21	Land		Machineries		Office equipment		ICT equipment		Office Furniture		Motor Vehicle		Total
	TZS		TZS		TZS		TZS		TZS		TZS		TZS
Cost													
At 1 July 2020	8,096,000,000		3,802,405,551		374,369,208		49,636,670		75,264,613		134,750,000		12,532,426,042
Addition	-		12,954,225,148		1,542,660,467		101,990,000		443,620,634		-		15,042,496,249
At 30 June 2021	8,096,000,000		16,756,630,699		1,917,029,675		151,626,670		518,885,247		134,750,000		27,574,922,291
Accumulated depreciation													
Charge during the year			131,022,492.00		29,249,321.00		5,877,476.00		10,035,282.00		14,972,222.00		191,156,793.00
At 30 June 2021			0		83,647,230		20,004,361		40,331,495		22,458,333		516,842,972
Carrying amount as at 30 June 2021	8,096,000,000		16,275,206,654		1,804,133,124		125,744,833		468,518,470		97,319,445		26,866,922,526
<b>15 (a) Depreciation</b>													
Depreciation for Machineries (Cost of Sale)			844,960,670.00										
Depreciation (Operating Expenses)			471,836,110.00		528,742,191.00								
<b>Total</b>			<b>1,316,796,780.00</b>		<b>528,742,191.00</b>								

2021/22  
TZS

2020/21  
TZS

16. CAPITAL WORK IN PROGRESS, TZS 13,657,734,954

Details	2021/22	2020/21
	TZS	TZS
Opening Balance	16,643,972,775	6,325,534,282
Factory Construction cost	5,078,029,427	10,318,438,493
Building	(8,064,267,248)	
<b>Total</b>	<b>13,657,734,954</b>	<b>16,643,972,775</b>

17. VAT RECOVERABLE

Details	2021/22	20120/21
Opening balance	9,603,615,393	233,504,197
VAT purchases during the year	695,075,668	836,018,302
VAT Sales during the year	(425,903,926)	(165,373,688)
VAT Recoverable from Imports duties paid for financial year 2019-2020 & 2020-2021	-	8,699,466,582
<b>Total</b>	<b>9,872,787,136</b>	<b>9,603,615,393</b>

18. WITHHOLDING TAX RECOVERABLE: TZS 27,769,726

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	30-Jun-22	30-Jun-21
Opening balance	20,220,951	15,180,457
Withholding tax - interest 10%	835,748	3,339,372
withholding tax - goods 2%	6,713,028	1,701,122
<b>Total</b>	<b>27,769,726</b>	<b>20,220,951</b>

19. (a). Tax Asset

During the period under review, the Company incurred a loss of TZS 8.16 Billion. Taxable amount is TZS 10.75 Billion after adjustments of none and allowable deductions on tax computation. As a result, tax asset is TZS 3.23 Billion (2021: TZS 2.69 Billion) as depicted hereunder;

Tax Asset	2021/22	2020/21
Reported Profit	(8,157,171,532)	(4,927,477,666)
Add: Disallowable Deduction		
Depreciation on other assets	471,836,110	528,742,191
Depreciation on machines	844,960,670	-
Adjusted Profit	(6,840,374,752)	(4,398,735,475)
Less: Allowable Depreciation		
Wear and Tear Deduction- Class 3	(3,913,052,642)	(4,582,326,699)
Taxable Profit/Loss	(10,753,427,394)	(8,981,062,174)
Tax Asset (30% of Taxable amount)	(3,226,028,218)	(2,694,318,652)

(b). Deferred Tax Asset

Deferred tax	2021/22	2020/21
Deferred tax asset at the beginning of year	4,194,171,719	1,499,853,067
Tax Asset during the year	3,226,028,218	2,694,318,652
Deferred Tax Asset (30 June 2022)	7,420,199,937	4,194,171,719

The increase of deferred tax asset was due to increase in net loss as a result of impairment of expired chemicals worth TZS 1.91 billion during the financial year 2021/22.

20. (a) Trade Receivables

Details	2021/22	2020/21
	TZS	TZS
Sales VAT inclusive	90,451,090	134,084,520
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	10,188,600	31,493,733
Advance to Contractor	1,120,883,765	1,083,000,369
Sundry Debtor (Machinery Clearance recoverable)	-	24,549,506
Sundry Debtor- PCS	401,630,830	401,630,830
Bad Debtors-write off (Impairment loss)		(24,615,770)
<b>Total</b>	<b>1,809,448,078</b>	<b>1,836,436,983</b>

**(b) Credit Sales Movement**

	2021/22	2020/21
Opening Balance as at July 2021	109,468,750	112,731,520
Impairment loss (Bad debt)		(24,615,770)
Credit sales Issued	1,061,575,780.351	574,829,154
Account receivable collection	(1,080,594,440.88)	(547,111,507)
Goods Returned Inwards	0	(6,364,647)
<b>Closing Balance as at 30 June 2022</b>	<b>90,451,090</b>	<b>109,468,750</b>

**21. PAYABLES**

Details	2021/22	2020/21
	TZS	TZS
Sundry creditors	8,002,308	8,002,308
Computerization expenses payable	1,249,620	-
Staff gratuity provision	146,099,400	132,409,077
Tender Board Expenses Payable	3,750,000	500,000
Marketing expenses payable	27,508,130	36,341,994
Directors Fee payable	28,000,000	7,000,000
Communication Expenses payable	2,761,000	375,000
Raw materials payable	1,057,894,342	579,373,774
Audit fee payable	30,000,000	30,000,000
Office Partition & Building Repair Payable	2,245,000	3,554,000
Employee medical clearing	6,692,124	6,935,724
Consultancy fee payable	24,012,000	42,432,034
Overhead payable	14,972,000	23,444,916
Withholding tax - rent 10%	1,136,068	937,962
Withholding tax - service 5%	2,821,341	3,852,052
Withholding tax - director fee 15%	4,941,176	1,235,297
House Keeping Payable	18,505,803	1,340,684
Security expenses Payable	24,995,600	13,100,339
Deposit payable	0	36,617,024
PAYE clearing	49,424,868	2,779,290
Staff Loan		
Workman Compensation Payable	1,246,905	1,284,954
Net salary clearing	1,391,950	913,500
Rates & Taxes (Administration) Clearing	3,118,783	916,208
3% Medical care Employer Payable	6,692,124	6,935,724
Corporate tax on unrelieved loss 0.5%	10,407,042	4,632,315
5% employee Contributions Clearing a/c	33,203,360	
TUICO Clearing	1,013,000	

Board meeting expenses payable	10,436,472	
Motor Vehicle-Running & Maintenance payable	7,895,970	
ICT Equipment Payable	9,425,000	
Subsistence allowance payable	15,907,941	
15% Pension Contribution expenses payable	99,610,080	
Skills Development Levy expenses Payable	9,975,242	
Sales payable	279,030,083	
<b>Total</b>	<b>1,944,364,731</b>	<b>944,914,175</b>

All payables are non-interest bearing and are normally settled within respective prescribed time depending on

**22. CASH COLLECTED FROM SALES**

During the period under review the Company managed to collect a total amount of TZS 2.81 Billion (2021: TZS 1.07 Billion) from various customers for sale of pairs of shoes including military boots to military institutions.

Cash collected from Sales	30-Jun-22	30-Jun-21
Cash Collected from cash sales	1,730,460,068	518,397,150
Cash Collected from Credit sales	1,075,436,246	547,111,507
<b>Total</b>	<b>2,805,896,314</b>	<b>1,065,508,657</b>

**23. PRODUCTION EXPENSES PAID**

Details	30-Jun-22	30-Jun-21
	TZS	TZS
Raw materials	1,934,577,599	887,205,357
Overhead expenses	295,295,972	313,606,639
<b>Total</b>	<b>2,229,873,571</b>	<b>1,200,811,996</b>

**24. OPERATING EXPENSES PAID**

Details	30-Jun-22	30-Jun-21
	TZS	TZS
Marketing Expenses	98,430,944	114,728,680
Basic Salary expense	123,616,584	6,016,542
Marketing expenses payable	36,341,994	3,050,000
15% Pension Contribution expense	36,342,731	326,050,293

5% employee Contributions	12,114,244	111,470,791
Net salary Clearing	2,330,351,955	1,795,298,889
Withholding tax on goods 2%	12,407,519	1,701,122
Withholding tax - rent 10%	677,832	(937,962)
withholding tax - service 5%	3,575,552	(1,237,712)
withholding tax on call account	835,748	3,339,372
HESLB	52,287,479	42,534,826
PAYE Clearing	499,946,284	449,158,468
Skills Development Levy expense	117,507,886	102,616,884
Workman Compensation expenses	14,747,920	11,069,154
3% Medical care Employee payable	6,935,724	-
3% Medical Expenses	78,291,018	59,806,482
3% Medical care Employee	85,214,972	59,118,127
Leave Allowance/Passage expense	41,890,698	24,526,000
Leave allowance payable	-	37,449,800
Office Tea Expense	4,461,049	70,759
Water & Electricity Expenses	-	2,100,631
Recruitment Expense	4,149,400	14,092,490
Recruitment expenses payable	-	6,508,480
Staff Welfare Expense	4,711,000	19,148,000
Staff loan	22,800,000	35,839,091
Subsistence allowance	10,357,600	20,696,000
Overtime Expenses	250,000	900,000
Salary Advance	1,100,000	9,480,000
TUICO	7,992,000	2,906,000
Directors Fee	-	24,705,882
Directors fee payable	7,000,000	5,000,000
Housekeeping expenses	15,307,084	10,176,897
Travel and Transport	4,855,268	10,994,586
Board Expenses	17,270,412	93,769,796
Inauguration expenses	-	30,629,436
Motor Vehicle-Running & Maintenance & Fuel	35,422,438	37,474,003
Printing & Stationery expense	19,801,861	33,664,988
Legal Expenses	13,335,275	2,003,000
Rates & Taxes (Administration)	6,659,263	7,929,421

Corporate Tax	4,632,315	-
Rates & Taxes Clearing	496,179	-
Consultancy Fees	-	12,140,678
Consultancy fee payable	32,432,034	1,771,429
Internal Audit Expenses	656,100	12,722,900
Professional Fees & Subscription	1,417,500	1,272,500
Books, Periodicals & News Paper	816,636	545,000
Books, periodicals & Newspapers payable	-	169,000
Board members' Meeting Exp.	(95,500)	465,500
Purchase of Loose Tools	23,155,772	7,367,820
Audit fee	-	5,000,000
Audit fee payable	30,000,000	25,000,000
Overhead Payable	23,444,917	7,240,000
Rent Expenses	9,102,600	12,033,861
May day expenses	2,803,000	4,250,000
Communication Expenses	29,204,403	10,772,055
Communication expenses payable	375,000	150,000
Insurance Expenses	23,091,424	133,913,521
Computer Running & Maintenance	-	3,315,000
Repair/Renewal Office Equipment	-	700,000
Seminar, Conferences& Study Tour-local	10,281,600	4,756,000
Staff Training Expenses-Local	8,586,589	49,255,210
Repair/Renewal Buildings	1,415,000	58,236,521
Staff gratuity expenses	21,600,000	-
Land rent	-	356,200
Security expenses	48,339,661	13,284,746
Staff training expenses Abroad	-	(654,270)
Board members training expenses	-	11,182,815
Tender Board Expenses	16,750,000	22,851,000
Tender Board expenses - payable	500,000	1,422,000
Computerization expenses	18,021,933	14,748,000
Bank Service Charges	13,208,016	9,849,585
Prepayment	6,813,928	92,436,163
Imprest (Office & Safari)	348,374,506	583,949,579
VAT Purchases	591,317,148	737,230,122

Purchases payable	506,650,042	16,249,237
Deposit clearing	34,317,024	(36,617,024)
Trade receivable		
deposit for clearance	(24,549,506)	24,549,506
Repair & Renewal machinery	-	(1,591,368)
House Maint. Allowance expenses	4,455,750	-
Withholding tax on Directors Fee 15%	1,235,297	
Transport assistance	1,318,000	
House Keeping Payable	1,340,684	
Special Duty Allowance	7,479,000	
Traveling on Duty- Abroad Staff	1,928,850	
Workman Compensation expenses payable	1,284,954	
Life Insurance Clearing	675,000	
Security Expenses Payable	13,100,339	
Repair/Renewal Buildings Payable	3,554,000	
<b>Total</b>	<b>5,546,519,928</b>	<b>5,354,172,501</b>

**25. INTEREST INCOME: TZS 14,397,127**

This is an income received on call account opened at CRDB Bank, TZS 14,397,127 (2021: TZS 33,418,718)

	30-Jun-22	30-Jun-21
Details	TZS	TZS
Interest received	14,397,127	33,418,718

**26. ACQUISITION OF CAPITAL ASSETS**

The cost related to advance paid to contractor for the purchase of construction materials for factory buildings and purchase of office equipment, furniture and fitting. The total cost paid during the year is TZS 1.64Billion (2020/21: TZS 3.89 Billion)

Details	2021/22	2020/21
	TZS	TZS
Advance to Contractor	1,129,521,111	2,959,115,414
Advance to clearance of machines.	502,382,797	
Computer hardware	1,500,000	93,290,000
Equipment	-	18,690,678
Furniture	-	79,985,153

WIP factory	2,804,192	(322,000)
Prepayment		742,010,452
Computer Software	-	-
<b>TOTAL</b>	<b>1,636,208,100</b>	<b>3,892,769,697</b>

**27. CASH PROCEEDS FROM SHAREHOLDERS**

During the period under review the Company received cash of TZS 6.54Billion (2020/21: 9.39Billion) from PSSSF in the form of equity and loan to cater for operating expenses and construction of new factories. The amount increased PSSSF shareholding to TZS 28.06 Billion. (2020/21: TZS 21.53Billion).

**Equity and loan made during the year**

Details	2021/22	2020/21
	TZS	TZS
Opening balance	21,526,905,534	12,131,288,501
Equity from PSSSF	0	1,479,119,015
Long term loan from PSSSF	6,538,250,023	7,916,498,018
<b>Total</b>	<b>28,065,155,557</b>	<b>21,526,905,534</b>

**28. 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 41,967,106 (2020/21: TZS 96,025,241)

Cash and Cash Equivalent	2021/22	2020/21
Description	TZS	TZS
CRDB Bank Account	(34,363,374)	13,772,814
Azania Bank Account	13	10,429,699
NMB Bank Account	75,830,928	71,427,035
Petty Cash HQ	499,538	395,693
Petty Cash Military Factory	-	-
<b>Total</b>	<b>41,967,106</b>	<b>96,025,241</b>

**29. STAFF IMPREST**

As of 30 June, 2022, the Company reported a balance of TZS 10,188,600 (2020/21: TZS 31,493,733) being imprest paid to staff for various expenses.

Staff Imprest	2021/22	2020/21
Description	TZS	TZS
Staff imprest	10,188,600	31,493,733

**30. 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

**30-Jun-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
	<b>100</b>	<b>7,000,000</b>	<b>70,000,000,000</b>

**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	
	2021/22	2020/21
	TZS	TZS
Directors fees	32,941,176	32,941,179
Board allowance/per diems	22,155,682	112,214,026
<b>Total</b>	<b>55,096,858</b>	<b>145,155,205</b>

**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	2021/22	2020/21
	TZS	TZS
Short term employee benefit	572,512,052	597,284,020
<b>Post-Employment benefits:</b>		
Defined benefit plan		
Defined contribution plan	40,500,000	41,209,677
Other long term benefits		
<b>Total</b>	<b>613,012,052</b>	<b>638,493,697</b>

**31. PREPAYMENT**

During the year, the Company incurred various costs amounting to TZS 323,443,262 (2020/21: TZS 634,384,238). Total accumulated cost incurred is TZS 42,797,178,142 as depicted hereunder;

Details	30-Jun-22	30-Jun-21
	TZS	TZS
Opening Balance	42,473,734,879	41,839,350,640
Clearance charges, LC for chemicals & General taxes-	518,944,326	863,293,646
Clearance charges, LC for new Machines & General taxes-P aid direct by PSSSF		27,646,029,416
Insurance Expenses		103,154,150
Supply, installation and commissioning of server		
<b>Adjustments- During the year</b>		
Insurance Expenses	(103,154,150)	(32,169,953)
MV Fuel Prepayment		(6,440,000)
Acquisition of new Machines		(14,946,732,390)
Acquisition of Motor Vehicle	(92,346,913)	
Raw Materials cost		(4,293,284,049)
VAT recovered from Import duties paid		(8,699,466,582)
Charges during the year	323,443,262	634,384,239
<b>Total</b>	<b>42,797,178,142</b>	<b>42,473,734,879</b>

**32. 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.

**33. PROVISION FOR IMPAIRMENT**

During the period under review the Company assessed an impairment of tannery chemicals to TZS 1.92 Billion (2020/21: TZS 24.62 Million)

<b>Provision for impairment</b>		
Details	2021/22	2020/21
Trade Receivables	0	24,615,770
Tannery chemical Inventory	1,919,355,391	0
	1,919,355,391	24,615,770

**34. NON-CURRENT ASSETS HELD FOR SALE**

Currently there is no asset held for sale (2020/21: TZS 95,193,753)

**ADJUSTMENT OF NON-CURRENT ASSETS HELD FOR SALE**

Details	2021/22	2020/21
Assets at book value	95,193,753	95,193,753
Revaluation loss	(93,936,753)	
Disposal of Non-Current asset held for sale	(1,257,000)	
<b>Cost of Asset</b>	<b>-</b>	<b>95,193,753</b>

**35. LONG TERM LOAN**

During the year under review, PSSSF disbursed loan in terms of employees' contribution and cash amounting to a total of TZS 6.91 Billion (2020/21: 42.82 billion) for the on-going project construction and operation activities at Kilimanjaro International Leather Industries Co. Ltd-Moshi as analysed below;

Details	30-Jun-22	30-Jun-21
Advance/ prepayment	42,819,581,731	27,646,029,416
WIP Factory	3,983,587,522	7,216,578,935
Inauguration Expenses		27,190,610
Tender Board Expenses		3,365,000
Internal Audit Expenses		3,119,000
Raw material	4,568,658,560	11,800,751
PSSSF Employees contribution	372,510,401	
Cash Loan disbursed 1	6,538,250,023	2,504,419,976
Cash Loan disbursed 2		5,407,078,042
	<b>58,282,588,238</b>	<b>42,819,581,731</b>

**36. 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.

**37. REPORTING CURRENCY**

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

**38. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)****(i) New and revised IFRSs effective for the period ended 30<sup>th</sup> June 2022*****Amendments to IFRS 16: Covid-19-Related Rent Concessions and Covid-19-Related Rent Concessions beyond 30<sup>th</sup> 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 <sup>1</sup>
Amendments to IAS 37	Onerous Contracts - Costs of Fulfilling a Contract <sup>1</sup>
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use <sup>1</sup>
IFRS 1 First-time Adoption IFRS	Subsidiary as a first-time adopter <sup>1</sup>
IFRS 9 Financial Instruments	Fees in the '10 per cent' test for de-recognition of financial liabilities <sup>1</sup>
IFRS 17	Insurance Contracts <sup>2</sup>
Amendments to IAS 1	Classification of Liabilities as Current or Non-current <sup>2</sup>
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies <sup>2</sup>
Amendments to IAS 8	Definition of Accounting Estimates <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2022.

<sup>2</sup> 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.

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.