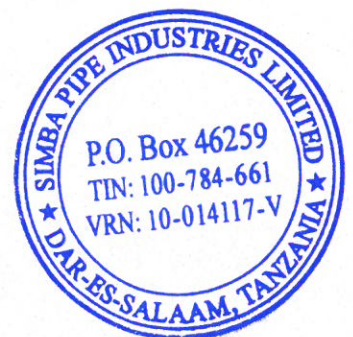




DPI SIMBA LTD
PIPED FOR LIFE

DPI Simba Limited
(Registration number 41028)
Financial statements
for the year ended 31 December, 2018



DPI Simba Limited

(Registration number 41028)

Financial Statements for the year ended 31 December, 2018

Index

The reports and statements set out below comprise the financial statements presented to the shareholders:

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Declaration of the Head of Finance and Accounting

Declaration of the Head of Finance/Accounting of DPI Simba Limited

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/Governing Body/Management to discharge the responsibility of preparing financial statements of an entity showing true and fair view of the entity position and performance in accordance with applicable International Accounting Standards and statutory financial reporting requirements. Full legal responsibility for the preparation of financial statements rests with the Board of Directors/Governing Body as under Directors Responsibility statement on an earlier page.

Shadrach L. Mwachale being the Head of Finance/Accounting of DPI Simba Limited hereby acknowledge my responsibility of ensuring that financial statements for the year ended have been prepared in compliance with applicable accounting standards and statutory requirements.

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

Signed by

Position:

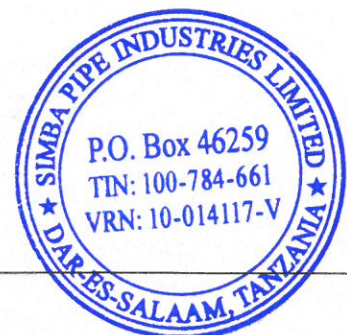
NBAA Membership No.

Date:

D. S. S. S.
CPA Accountant
ACCA 581

21.05.2019

DENUS & ASSOCIATES,
CPAs In Public Practice &
Tax Advisors,
P. O. Box 12665
DAR ES SALAAM





Report of the Independent Auditors

To the shareholders of DPI Simba Limited

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing 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 International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

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



DPI Simba Limited

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Financial Statements for the year ended 31 December, 2018

Directors' Report

The directors have pleasure in submitting their annual report and the audited financial statements for the year ended 31 December, 2018.



1. Incorporation

The company is incorporated in the United Republic of Tanzania under the Companies Act 2002 as a private company limited by share.

2. Review of activities

Main business and operations

The principal activity of the company continued to be that of manufacturing and marketing of plastic piping systems and components. The company has ventured into a new business initiative of trading in imported pipe fittings to provide a solution for total piping requirements to its customers.

The operating results and state of affairs of the company are fully set out in the attached financial statements and do not in our opinion require any further comment.

Net profit of the company was TZS 292,538,000 (2017: TZS 1,455,730,000 profit), after taxation of TZS 197,192,000 (2017: TZS 650,932,000)

3. Development programme

During the year, the company continued with improvements to its manufacturing and marketing strategies in order to improve on its competitive advantage through the adoption of Balanced Scorecard and Gemba Kaizen initiatives. The company's products are certified by Tanzania Bureau of Standards. The company is ISO 9001 - 2000 Certified.

4. Events after the reporting period

All events after the reporting period are disclosed in note 29 to these financial statements

5. Directors' interest

The directors do not hold any direct interest in the issued and paid up share capital of the company.

6. Solvency

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

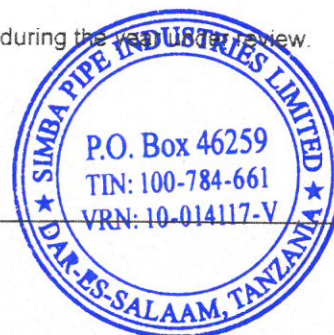
The directors consider the company to be solvent within the meaning ascribed by the Companies Act 2002. No matters have come to the attention of the directors to indicate that the company will not remain a going concern for at least the ensuing financial year.

7. Authorised and issued share capital

There were no changes in the authorised or issued share capital of the company during the year under review.

8. Dividends

No dividends were declared or paid to shareholders during the year.



DPI Simba Limited

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Financial Statements for the year ended 31 December, 2018

Directors' Report



12. Risk management and internal control

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

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

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

The board assessed the internal control systems throughout the financial year ended 2018 and is of the opinion that they met accepted criteria.

13. Employees welfare

The details of employees of the company are set out as below:

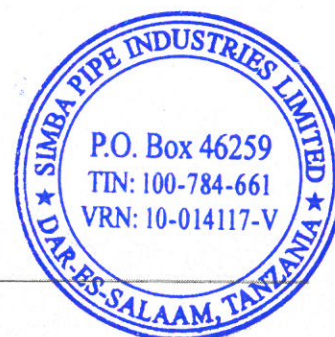
	31 December 2018	31 December 2017
Total number of employees at the beginning of the year	96	106
Number of employees engaged	07	07
Number of employees who left	(17)	(17)

14. Employee relationship

The relation between employees and management continued to be cordial during the year. There were no unresolved complaints received by management from the employees during the year. Staff welfare facilities include medical scheme for all employees and their families, provision of meals while on duty and transport to and from place of work. Training facilities are available to cater for all grades of staff.

15. Related party transactions

All related party transactions and balances are disclosed in note 25 to these financial statements.



DPI Simba Limited

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Financial Statements for the year ended 31 December, 2018

Statement of Financial Position as at 31 December, 2018

	Note(s)	2018 TZS '000	2017 TZS '000
Assets			
Non-Current Assets			
Property, plant and equipment	3	3,577,783	3,938,781
Other financial assets	6	100	-
		<u>3,577,883</u>	<u>3,938,781</u>
Current Assets			
Inventories	8	3,358,779	3,119,948
Loans and advances	5	1,826,540	1,826,540
Trade and other receivables	9	9,119,824	6,964,560
Current tax receivable		150,225	-
Cash and cash equivalents	10	104,878	149,879
		<u>14,560,246</u>	<u>12,060,927</u>
Total Assets		<u>18,138,129</u>	<u>15,999,708</u>
Equity and Liabilities			
Equity			
Share capital	11	560,000	560,000
Retained income		5,833,817	5,541,279
		<u>6,393,817</u>	<u>6,101,279</u>
Liabilities			
Non-Current Liabilities			
Deferred tax	7	392,888	480,482
Current Liabilities			
Trade and other payables	13	3,918,850	2,199,495
Other financial liabilities	12	3,185,990	1,013,272
Current tax payable		-	31,800
Bank overdraft	10	4,246,584	6,173,380
		<u>11,351,424</u>	<u>9,417,947</u>
Total Liabilities		<u>11,744,312</u>	<u>9,898,429</u>
Total Equity and Liabilities		<u>18,138,129</u>	<u>15,999,708</u>



The financial statements and the notes on pages 12 to 39, were approved by the board of directors on the date of this statement and were signed on its behalf by:



Jayesh G. Shah
Director

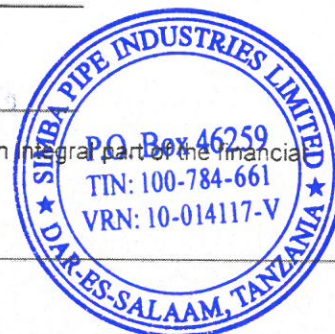
Date: 21/05/2019



Ankush Shah
Director

Date: 21/5/19

The accounting policies on pages 16 to 24 and the notes on pages 25 to 39 form an integral part of the financial statements.



DPI Simba Limited

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Financial Statements for the year ended 31 December, 2018

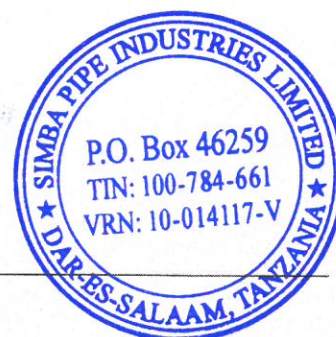
Statement of Changes in Equity

	Share capital	Retained income	Total equity
	TZS '000	TZS '000	TZS '000
Balance at 1 January, 2017	560,000	4,085,549	4,645,549
Profit for the year	-	1,455,730	1,455,730
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	1,455,730	1,455,730
Balance at 1 January, 2018	560,000	5,541,279	6,101,279
Profit for the year	-	292,538	292,538
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	292,538	292,538
Balance at 31 December, 2018	560,000	5,833,817	6,393,817

Note(s)

11

The accounting policies on pages 16 to 24 and the notes on pages 25 to 39 form an integral part of the financial statements.



DPI Simba Limited

(Registration number 41028)

Financial Statements for the year ended 31 December, 2018

Accounting Policies

Corporate information

DPI Simba Limited is a private limited company incorporated and domiciled in United Republic of Tanzania.

1. Significant accounting policies

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

1.1 Basis of preparation

The financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these financial statements and the Companies Act 2002.

The financial statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. They are presented in Tanzanian Shillings (TZS) rounded to the nearest thousand, which is the company's functional currency.

These accounting policies are consistent with the previous period.

1.2 Property, plant and equipment

Property, plant and equipment are tangible assets which the company holds for its own use or for rental to others and which are expected to be used for more than one year.

An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the company, and the cost of the item can be measured reliably.

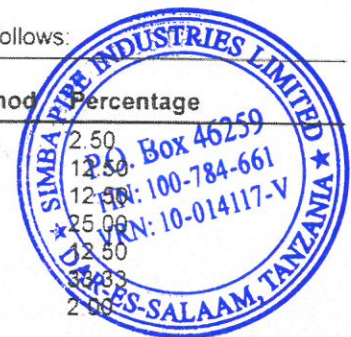
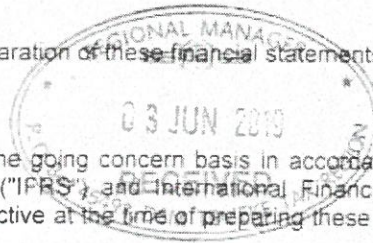
Property, plant and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets and adjustments in respect of hedge accounting, where appropriate.

Expenditure incurred subsequently for major services, additions to or replacements of parts of property, plant and equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the company and the cost can be measured reliably. Day to day servicing costs are included in profit or loss in the year in which they are incurred.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the company. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Percentage
Buildings	Straight line	2.50
Plant and machinery	Straight line	12.50
Furniture and fixtures	Straight line	12.50
Motor vehicles	Straight line	25.00
Office equipment	Straight line	2.50
IT equipment	Straight line	33.33
Leasehold improvements	Straight line	2.00



DPI Simba Limited

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Financial Statements for the year ended 31 December, 2018

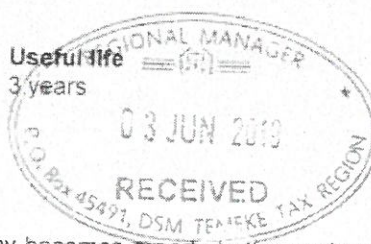
Accounting Policies

1.3 Intangible assets (continued)

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	3 years



1.4 Financial instruments

Initial recognition and measurement

Financial instruments are recognised initially when the company becomes a party to the contractual provisions of the instruments.

The company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

Trade and other receivables

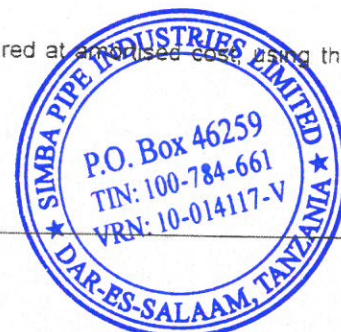
Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost using the effective interest rate method.



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Financial Statements for the year ended 31 December, 2018

Accounting Policies

1.5 Tax (continued)

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

1.7 Inventories

Inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and net realisable value on the first-in-first-out basis.

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

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

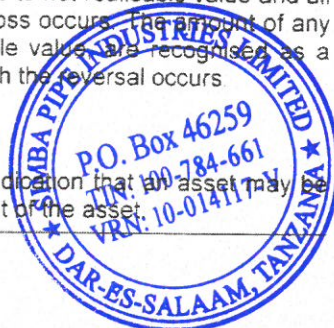
The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

When inventories are sold, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.8 Impairment of assets

The company assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset.



DPI Simba Limited

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Financial Statements for the year ended 31 December, 2018

Accounting Policies

1.11 Provisions and contingencies (continued)

- 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 obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the business or part of a business concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 24.

1.12 Revenue

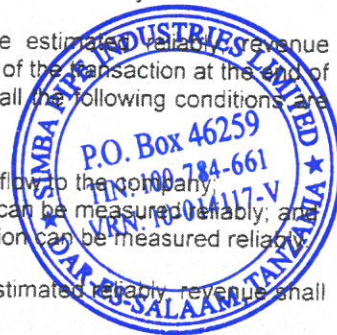
Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company;
- the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable.



DPI Simba Limited

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Financial Statements for the year ended 31 December, 2018

Accounting Policies

1.14 Borrowing costs (continued)

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.15 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition, in Tanzanian Shillings, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

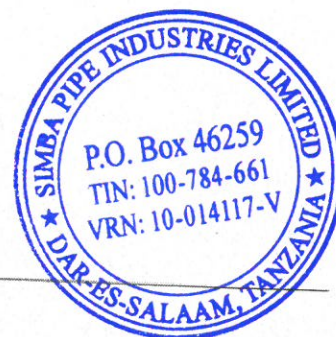
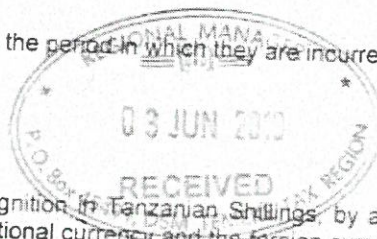
At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised to other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised to other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Cash flows arising from transactions in a foreign currency are recorded in Tanzanian Shillings by applying to the foreign currency amount the exchange rate between the Tanzanian Shilling and the foreign currency at the date of the cash flow.



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Financial Statements for the year ended 31 December, 2018

Notes to the Financial Statements



2. New Standards and Interpretations (continued)

IFRS 9 Financial Instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurements of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" (FVTOCI) measurement category for certain simple debt instruments.

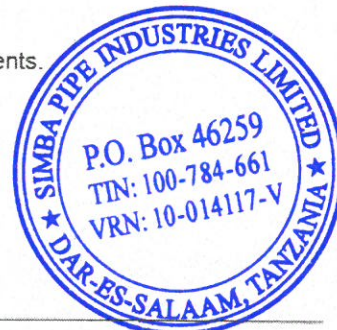
Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the outstanding principal are generally measured at amortised cost at the end of subsequent reporting periods. Debt instruments that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on outstanding principal, are measured at FVTOCI. All other debt and equity investments are measured at fair value at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of the liability is presented in other comprehensive income, unless the recognition of the effect of the changes of the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Under IAS 39, the entire amount of the change in fair value of a financial liability designated as at fair value through profit or loss is presented in profit or loss.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. It is therefore no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principal of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The effective date of the standard is for years beginning on or after 1 January, 2018.

The company has adopted the standard for the first time in the 2018 financial statements.

The impact of the standard is not material.



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Notes to the Financial Statements



2. New Standards and Interpretations (continued)

- The right-of-use asset is subsequently measured on the cost model at cost less accumulated depreciation and impairment and adjusted for any re-measurement of the lease liability. However, right-of-use assets are measured at fair value when they meet the definition of investment property and all other investment property is accounted for on the fair value model. If a right-of-use asset relates to a class of property, plant and equipment which is measured on the revaluation model, then that right-of-use asset may be measured on the revaluation model.
- The lease liability is subsequently increased by interest, reduced by lease payments and re-measured for reassessments or modifications.
- Re-measurements of lease liabilities are affected against right-of-use assets, unless the assets have been reduced to nil, in which case further adjustments are recognised in profit or loss.
- The lease liability is re-measured by discounting revised payments at a revised rate when there is a change in the lease term or a change in the assessment of an option to purchase the underlying asset.
- The lease liability is re-measured by discounting revised lease payments at the original discount rate when there is a change in the amounts expected to be paid in a residual value guarantee or when there is a change in future payments because of a change in index or rate used to determine those payments.
- Certain lease modifications are accounted for as separate leases. When lease modifications which decrease the scope of the lease are not required to be accounted for as separate leases, then the lessee re-measures the lease liability by decreasing the carrying amount of the right of lease asset to reflect the full or partial termination of the lease. Any gain or loss relating to the full or partial termination of the lease is recognised in profit or loss. For all other lease modifications which are not required to be accounted for as separate leases, the lessee re-measures the lease liability by making a corresponding adjustment to the right-of-use asset.
- Right-of-use assets and lease liabilities should be presented separately from other assets and liabilities. If not, then the line item in which they are included must be disclosed. This does not apply to right-of-use assets meeting the definition of investment property which must be presented within investment property. IFRS 16 contains different disclosure requirements compared to IAS 17 leases.

Company as lessor:

- Accounting for leases by lessors remains similar to the provisions of IAS 17 in that leases are classified as either finance leases or operating leases. Lease classification is reassessed only if there has been a modification.
- A modification is required to be accounted for as a separate lease if it both increases the scope of the lease by adding the right to use one or more underlying assets; and the increase in consideration is commensurate to the stand alone price of the increase in scope.
- If a finance lease is modified, and the modification would not qualify as a separate lease, but the lease would have been an operating lease if the modification was in effect from inception, then the modification is accounted for as a separate lease. In addition, the carrying amount of the underlying asset shall be measured as the net investment in the lease immediately before the effective date of the modification. IFRS 9 is applied to all other modifications not required to be treated as a separate lease.
- Modifications to operating leases are required to be accounted for as new leases from the effective date of the modification. Changes have also been made to the disclosure requirements of leases in the lessor's financial statements.

Sale and leaseback transactions:

- In the event of a sale and leaseback transaction, the requirements of IFRS 15 are applied to consider whether a performance obligation is satisfied to determine whether the transfer of the asset is accounted for as the sale of an asset.
- If the transfer meets the requirements to be recognised as a sale, the seller-lessee must measure the new right-of-use asset at the proportion of the previous carrying amount of the asset that relates to the right-of-use retained. The buyer-lessor accounts for the purchase by applying applicable standards and for the lease by applying IFRS 16.

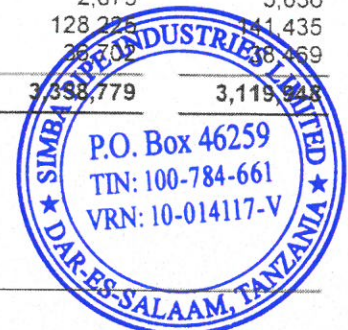
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Financial Statements for the year ended 31 December, 2018

Notes to the Financial Statements

	2018 TZS '000	2017 TZS '000
5. Loans and advances		
Simba Plastics Company Limited	1,826,540	1,826,540
<p>The total amount paid comprises an advance towards the purchase of property from Simba Plastics Company Limited. The amount has not been transferred to property, plant and equipment as the process of transferring the legal ownership of the property is still under process.</p> <p>The company expects to finalize the transfer and obtain legal ownership of the property during the year 2019 as the required changes to the shareholding structure of the company was concluded in February 2019.</p>		
6. Other financial assets		
At fair value through profit or loss - designated		
Shares in Synergy	100	-
Non-current assets		
Designated as at FV through profit (loss) (FV through income)	100	-
7. Deferred tax		
Deferred tax liability	(392,888)	(480,482)
Reconciliation of deferred tax asset / (liability)		
At beginning of year	(480,482)	(586,785)
Taxable / (deductible) temporary difference movement on tangible fixed assets	37,705	106,303
Taxable / (deductible) temporary difference on foreign exchange differences	(17,628)	-
Taxable / (deductible) temporary difference on movement in provisions	67,517	-
	(392,888)	(480,482)
8. Inventories		
Raw materials	1,906,728	698,121
Work in progress	79,526	45,988
Finished goods	703,974	1,258,976
Trading goods	500,745	931,923
Production supplies	2,879	5,036
Spare parts	128,225	141,435
Operating supplies	26,702	38,169
	3,338,779	3,119,648



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Notes to the Financial Statements

	2018 TZS '000	2017 TZS '000
10. Cash and cash equivalents (continued)		
<ul style="list-style-type: none"> Directors personal guarantee from Jayesh G Shah for all monies. Corporate guarantee from Sumaria Group Tanzania Limited for all monies First ranking legal charge over Plot No. 68 & 70 situated at Mbozi road in Dar es Salaam city INO DPI Simba Limited. 		
11. Share capital		
Authorised		
5,000,000 Ordinary shares of TZS 1,000 each	5,000,000	5,000,000
Issued		
560,000 Ordinary Shares of TZS 1,000 each	560,000	560,000
12. Other financial liabilities		
Held at amortised cost		
Standard Chartered Bank Limited - TZS - Short term loan	977,646	1,013,272
Standard Chartered Bank Limited - USD - Short term loan	2,208,344	-
	3,185,990	1,013,272
Current liabilities		
At amortized cost	3,185,990	1,013,272



Standard Chartered Bank Tanzania Limited - Short term loans facility terms and conditions:

1. Short term loans facility: Amount USD 2,900,000 and TZS 2,500,000,000

Purpose: For working capital requirements

Pricing: For the USD 2,900,000 loan facility - 6 Months Libor + 4% p.a

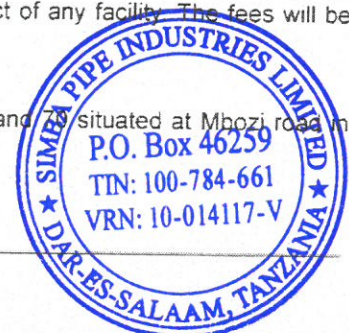
Pricing: For the TZS 2,500,000,000 loan facility - 182 days T-Bill + 4% p.a (to be fixed at 11% p.a and repriced annually)

Terms and conditions

- Funds to be remitted directly to suppliers account. Alternatively, loan proceeds to be disbursed to client's account on a reimbursement basis, against swift advices and invoices for paid amounts to suppliers
- For the takeover loans from NBC, funds would be disbursed directly to NBC against a balance confirmation letter from the Bank.
- No new loan shall be allowed if the preceding loan is overdue
- Overdue loans shall attract penal interest.
- Arrangement fee will be payable upon the borrower's acceptance of the agreement and thereafter on each anniversary of the date of the agreement (so long as any facility remains available to the borrower or the bank has any claim, actual or contingent against the Borrower in respect of any facility. The fees will be debited to the borrower's Account)

The loans are secured by:

- First ranking legal charge over the property located on Plot No. 68, 69 and 70 situated at Mbozi road in Dar es Salaam to be registered to secure the sum of USD 4,545,088.



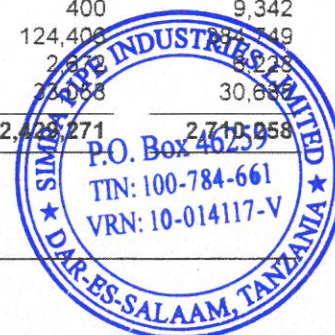
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Notes to the Financial Statements

	2018 TZS '000	2017 TZS '000
17. Other operating gains (losses) (continued)		
Total other operating gains (losses)	(154,921)	(130,922)
18. Operating expense		
Technical advisory and management fees	94,708	180,865
Auditors' remuneration	35,726	36,260
Bank charges	134,669	155,135
Cleaning expenses	1,540	2,380
Consulting, legal and professional fees	38,356	41,193
Debt collection	2,172	1,043
Delivery expenses	4,475	6,853
Depreciation	15,852	21,133
Donations	450	350
Employee costs	1,292,053	1,247,503
Board meeting expenses	13,249	11,827
Other expenses	14,969	10,085
Medical expenses	6,677	4,208
Domestic exp mkt expenses	14,669	19,799
Property tax	4,403	2,483
SAP support expenses	68,019	1,368
Fumigation expenses	390	390
Canteen expenses	80,870	71,092
Permit expenses	40,639	15,501
Loading expenses	4,715	1,815
Uniform expenses	350	400
Licences & renewals	25,177	10,161
Insurance expense	58,310	50,339
IT expenses	39,480	44,717
Lease rentals on operating lease - warehouse	33,524	28,439
City service levy	44,729	55,867
Magazines, books and periodicals	1,181	1,163
Motor vehicle expenses	35,672	37,860
Local conveyance	1,381	1,569
Gemba kaizen expenses	151	238
Postage	2,311	7,274
Printing and stationery	7,752	10,527
Promotions	18,302	11,945
Bureau of standard fees	569	-
Repairs and maintenance	76,294	120,618
Tender fees	3,701	5,069
Security	42,932	52,682
Subscriptions & membership fees	8,021	8,702
Telephone and fax	297	401
Training & seminar expenses	400	9,342
Freight outward local	124,400	884,449
Domestic travel expenses	2,370	6,228
Foreign travel expenses	33,068	30,666
	2,428,271	2,710,958



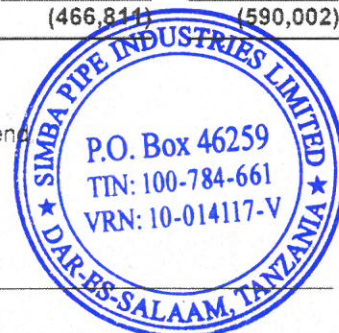
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Financial Statements for the year ended 31 December, 2018

Notes to the Financial Statements

	2018 TZS '000	2017 TZS '000
21. Taxation		
Major components of the tax expense		
Current		
Local income tax - current period	284,786	757,235
Deferred		
Originating and reversing temporary differences	(87,594)	(106,303)
	197,192	650,932
Reconciliation of the tax expense		
Reconciliation between accounting profit and tax expense:		
Accounting profit	489,730	2,106,662
Tax at the applicable tax rate of 30% (2017: 30%)	146,919	631,999
Tax effect of adjustments on taxable income		
Permanent differences	50,269	18,849
	197,188	650,848
22. Cash generated from operations		
Profit before taxation	489,730	2,106,662
Adjustments for:		
Depreciation and amortisation	659,273	676,122
Profit on sale of assets	(5,161)	(1,907)
Finance costs	563,627	745,992
Changes in working capital:		
Inventories	(238,831)	555,072
Trade and other receivables	(2,155,264)	(1,374,208)
Trade and other payables	1,719,355	(235,674)
	1,032,729	2,472,059
23. Tax paid		
Balance at beginning of the year	(31,800)	135,433
Current tax for the year recognised in profit or loss	(284,786)	(757,235)
Balance at end of the year	(150,225)	31,800
	(466,811)	(590,002)
24. Contingencies		
The directors are of the opinion that there are no contingent liabilities as at the year end		



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Financial Statements for the year ended 31 December, 2018

Notes to the Financial Statements

	2018 TZS '000	2017 TZS '000
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27. Risk management (continued)

Liquidity risk

Liquidity risk is the risk that the company will not have sufficient funds to meet liabilities. The company manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the company's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 31 December, 2018

Other financial liabilities
Trade and other payables
Bank overdrafts

Less than 1
year
3,185,990
3,918,850
4,246,584

At 31 December, 2017

Other financial liabilities
Trade and other payables
Bank overdrafts

Less than 1
year
1,013,272
2,199,495
6,173,380



Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The company only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument

Trade and other receivables
Cash and cash equivalents

2018	2017
9,119,824	6,964,560
104,878	149,879

Foreign exchange risk

The company does not hedge foreign exchange fluctuations.

The company reviews its foreign currency exposure, including commitments on an ongoing basis. The company does not hedge foreign exchange fluctuations.

