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SIMBA PIPE INDUSTRIES LIMITED  
(Registration number 41028)  
Financial statements  
for the year ended 31 December 2019



# SIMBA PIPE INDUSTRIES LIMITED

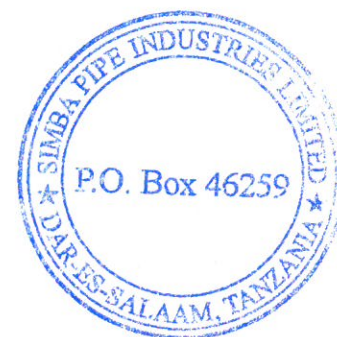
(Registration number 41028)

Financial Statements for the year ended 31 December 2019

## Contents

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	Page
General information	2
Directors' Report	3 - 5
Statement of Directors' Responsibilities	6
Declaration of the Head of Finance	7
Report of the Independent Auditors	8 - 10
Statement of Financial Position	11
Statement of Profit or Loss and Other Comprehensive Income	12
Statement of Changes in Equity	13
Statement of Cash Flows	14
Accounting Policies	15 - 24
Notes to the Financial Statements	25 - 35



# SIMBA PIPE INDUSTRIES LIMITED

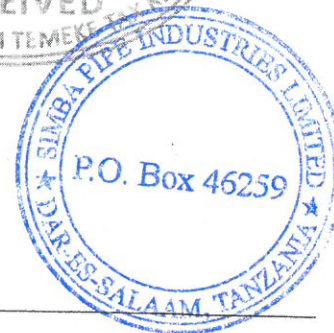
(Registration number 41028)

Financial Statements for the year ended 31 December 2019

## General Information

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Country of incorporation and domicile	United Republic of Tanzania
Nature of business and principal activities	Manufacturing and trading of PVC and HDPE pipes and fittings
Directors	Jayesh G Shah Ankush K Shah
Registered office	Plot No. 68, 69 and 70 Chang'ombe Industrial Area Migeyo Road Ilala, Dar es Salaam, Tanzania
Postal address	Plot No. 68, 69 and 70, Chang'ombe Industrial Area, Migeyo Road P.O Box 46259 Dar es Salaam
Bankers	National Bank of Commerce P.O Box 9062 Dar es Salaam Tanzania  Standard Chartered Bank Limited P.O Box 9011 Dar es Salaam Tanzania  Azania Bank Limited Mawasiliano Tower P.O. Box 32089 Dar Es Salaam
Auditors	PricewaterhouseCoopers Pemba House, 369 Toure Drive P.O Box 45 Dar es Salaam, Tanzania Certified Public Accountants
Company registration number	41028



# SIMBA PIPE INDUSTRIES LIMITED

(Registration number 41028)

Financial Statements for the year ended 31 December 2019

## Directors' Report

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The directors have pleasure in submitting their annual report and the audited financial statements for the year ended 31 December, 2019 which disclose the state of affairs of Simba Pipe Industries Limited (the "Company")

### 1. Incorporation

The Company is incorporated in the United Republic of Tanzania under the Companies Act, No. 12 of 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 loss of the Company is TZS 1,057,731,000 (2018: TZS 292,538,000 profit), after a tax charge of TZS 372,307,000 (2018: tax charge of TZS 197,192,000).

### 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 28 to these financial statements.

### 5. Director's 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, No.12 of 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

Dividends of TZS 251,835,000 were paid to shareholders during the year.



# SIMBA PIPE INDUSTRIES LIMITED

(Registration number 41028)

Financial Statements for the year ended 31 December 2019

## Directors' Report

### 9. Corporate governance

The board of Simba Pipe Industries Limited consists of two directors. The board takes overall responsibility for identifying key risk areas, considering and monitoring investments decisions, considering significant financial matters and reviewing the performance of management business plans and budgets. The board is also responsible for ensuring that the comprehensive systems of internal control policies and procedures is operative, and for compliance 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. Senior management is invited to attend board meetings and facilitates the effective control of all Company's operational activities, acting as a medium of communication and coordination between all the various business units.

The Company is committed to the principles of effective corporate governance. The directors also recognise the importance of integrity, transparency and accountability.

### 10. Directors

The directors of the Company during the year and to the date of this report are as follows:

Name	Nationality
Jayesh G Shah	British
Ankush K Shah	British

### 11. Shareholders

	2019 Number of shares	2018 Number of shares
Gulabchand Punamchand Shah	280,000	280,000
DSL International Limited	280,000	280,000
	<u>560,000</u>	<u>560,000</u>

The total number of shareholders during the year is two shareholders (previous year: two shareholders).

The shares of the Company as at the year end were held as shown above.

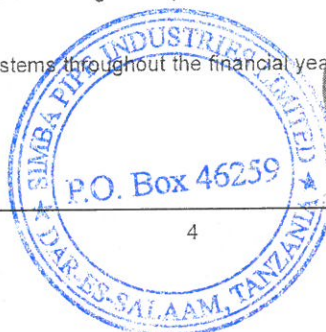
### 12. Risk management and internal control

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 31 December 2019 and is of the opinion that they met accepted criteria.



# SIMBA PIPE INDUSTRIES LIMITED

(Registration number 41028)

Financial Statements for the year ended 31 December 2019

## Directors' Report

### 13. Employees welfare

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

	31 December 2019	31 December 2018
Total number of employees at the beginning of the year	86	96
Number of employees engaged	18	07
Number of employees who left	(22)	(17)
Total number of employee at the year end	82	86

### 14. Employees 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.

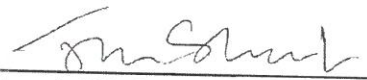
### 15. Related party transactions

All related party transactions and balances are disclosed in note 21 to these financial statements.

### 16. Auditors

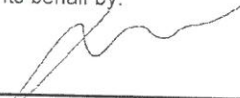
The auditors, PricewaterhouseCoopers have been appointed in office and will be recommended for reappointment in accordance with the Companies Act, No. 12 of 2002.

The financial statements set out on pages 11 to 35 which have been prepared on the going concern basis, were approved by the board of directors on the date of this report, and were signed on its behalf by:



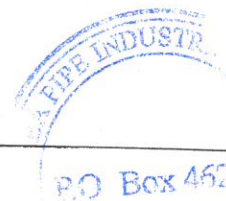
Jayesh G Shah  
Director

Date... 25/06/2020



Ankush K Shah  
Director

Date... 25/06/2020



# SIMBA PIP INDUSTRIES LIMITED

(Registration number 41028)

Financial Statements for the year ended 31 December 2019

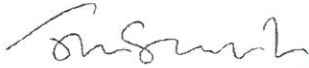
## Statement of Directors' Responsibilities

The Companies Act, No.12 of 2002 requires 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 for the year. 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. They are also responsible for safeguarding the assets of the Company and hence taking reasonable steps for the prevention and detection of fraud, error and other irregularities.

The directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act, No.12 of 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 loss in accordance with International Financial Reporting Standards (IFRS). 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 designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Subject to the comments and the conclusions made in Note 26 of the financial statements, the Directors believe that the Company will remain a going concern for at least twelve months from the date of this statement.

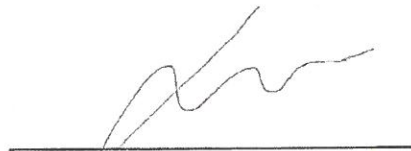
Signed on behalf of the Board of Directors By:



Jayesh G Shah  
Director

Date

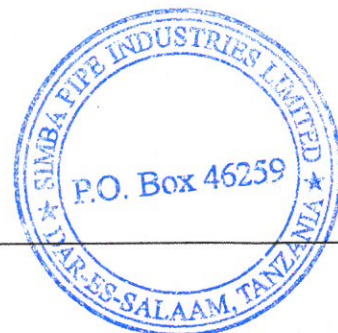
25/06/2020



Ankush K Shah  
Director

Date

25/06/2020



# SIMBA PIPE INDUSTRIES LIMITED

(Registration number 10113)

Financial Statements for the year ended 31 December 2019

## Declaration of the Head of Finance

The National Board of Accountants and Auditors (NBAA) according to the power conferred under the Auditors and Accountants (Registration) Act No. 30 of 1972 as amended by Act No. 2 of 1985, requires financial statements to be accompanied with a declaration issued by the Head of Finance responsible for the preparation of financial statements of the entity concerned.

It is the duty of a Professional Accountant to assist the Board of Directors to discharge the responsibility of ensuring 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. His legal responsibility for the preparation of financial statements rests with the Board of Directors as disclosed under Statement of Directors' Responsibilities.

Mzee H. Mushi being the Head of Finance/Accounting of Simba Pipe Industries Limited hereby acknowledge my responsibility of ensuring that financial statements of the year ended 31 December 2019 have been prepared in compliance with International Financial Reporting Standards (IFRS) and requirements of Companies Act No. 17 of 2012.

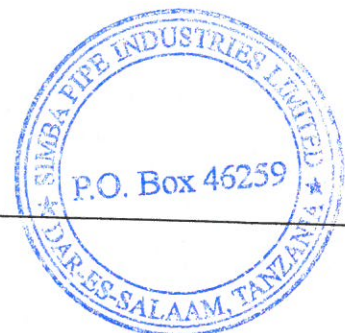
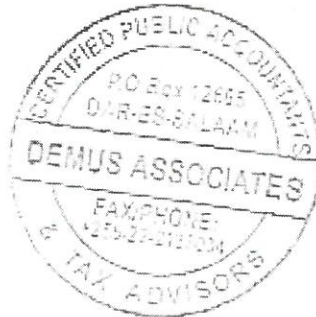
I thus confirm that the financial statements give a true and fair view position of Simba Pipe Industries Limited as on that date and that they have been prepared based on properly maintained financial records.

Signed by Mzee H. Mushi

Position ACCOUNTANT

NBAA Membership No. 562

Date 25/6/2020



# REPORT OF THE INDEPENDENT AUDITOR

## TO THE SHAREHOLDERS OF SIMBA PIPE INDUSTRIES LIMITED

### *Report on the audit of the financial statements*

In our opinion, the financial statements give a true and fair view of the financial position of Simba Pipe Industries Limited (the Company) as at 31 December 2019, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act, No. 12 of 2002.

#### What we have audited

The financial statements of Simba Pipe Industries Limited as set out on pages 11 to 35 comprise:

- the statement of financial position as at 31 December 2019;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended;
- accounting policies; and
- the notes to the financial statements.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements section of our report*.

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

#### Independence

We are independent of the Company in accordance with the IESBA International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) and the ethical requirements of the National Board of Accountants and Auditors (NBAA) that are relevant to our audit of the financial statements in Tanzania. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the NBAA.

The directors are responsible for the other information. The other information comprises of general information, directors' report, statement of directors' responsibilities and declaration of the head of finance but does not include the financial statements and our auditor's report thereon.

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

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

If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



## REPORT OF THE INDEPENDENT AUDITOR (CONTINUED)

### TO THE SHAREHOLDERS OF SIMBA PIPE INDUSTRIES LIMITED

#### *Report on the audit of the financial statements (continued)*

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Companies Act, No. 12 of 2002, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The directors are responsible for overseeing the financial reporting process.

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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



# REPORT OF THE INDEPENDENT AUDITOR (CONTINUED)

## TO THE SHAREHOLDERS OF SIMBA PIPE INDUSTRIES LIMITED

### *Report on other legal and regulatory requirements*

This report, including the opinion, has been prepared for, and only for, the Company's members as a body in accordance with the Companies Act, No. 12 of 2002 and for no other purposes.

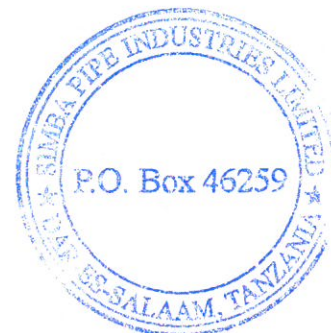
As required by the Companies Act, No. 12 of 2002, we are also required to report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if the financial statements are not in agreement with the accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company is not disclosed. In respect of the foregoing requirements, we have no matter to report.



Patrick Kiambi, TACPA-PP

For and on behalf of PricewaterhouseCoopers  
Certified Public Accountants  
Dar es Salaam

Date 26 June 2020





# SIMBA PIPE INDUSTRIES LIMITED

(Registration number 41028)

Financial Statements for the year ended 31 December 2019

## Statement of Financial Position as at 31 December 2019

	Note(s)	2019 TZS '000	2018 TZS '000
<b>Assets</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	2	5,095,157	3,577,783
Other financial assets	5	100	100
		<u>5,095,257</u>	<u>3,577,883</u>
<b>Current Assets</b>			
Inventories	7	5,919,198	3,358,779
Loans and advances	4	-	1,826,540
Trade and other receivables	8	8,692,581	9,119,824
Current tax receivable		146,058	150,225
Cash and cash equivalents	9	62,524	104,878
		<u>14,820,361</u>	<u>14,560,246</u>
<b>Total Assets</b>		<u>19,915,618</u>	<u>18,138,129</u>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Share capital	10	560,000	560,000
Retained income		3,824,251	5,833,817
		<u>4,384,251</u>	<u>6,393,817</u>
<b>Liabilities</b>			
<b>Non-Current Liabilities</b>			
Deferred tax	6	539,483	392,888
<b>Current Liabilities</b>			
Trade and other payables	12	3,869,103	2,558,567
Other financial liabilities	11	5,542,787	3,185,990
Contract Liabilities	12	1,322,054	1,360,283
Bank overdraft	9	4,257,942	4,246,584
		<u>14,991,886</u>	<u>11,351,424</u>
<b>Total Liabilities</b>		<u>15,531,369</u>	<u>11,744,312</u>
<b>Total Equity and Liabilities</b>		<u>19,915,618</u>	<u>18,138,129</u>

The financial statements on pages 11 to 35, 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..... 25/06/2020

Ankush K Shah  
Director

Date..... 25/06/2020



The accounting policies on pages 15 to 24 and the notes on pages 25 to 35 form an integral part of the financial statements

# SIMBA PIPE INDUSTRIES LIMITED

(Registration number 41028)

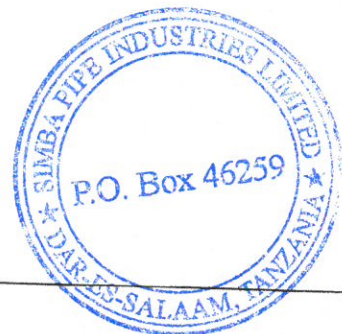
Financial Statements for the year ended 31 December 2019



## Statement of Profit or Loss and Other Comprehensive Income

	Note(s)	2019 TZS '000	2018 TZS '000
Revenue	13	17,894,314	13,949,196
Cost of sales	14	(13,142,510)	(10,334,921)
<b>Gross profit</b>		<b>4,751,804</b>	<b>3,614,275</b>
Other income	15	33,462	23,274
Other gains (losses) - net	16	(114,175)	(154,921)
Operating expenses	17	(4,783,337)	(2,429,271)
<b>Operating (loss)/profit</b>		<b>(112,246)</b>	<b>1,053,357</b>
Finance costs	18	(573,178)	(563,627)
<b>(Loss)/profit before taxation</b>		<b>(685,424)</b>	<b>489,730</b>
Income tax charge	19	(372,307)	(197,192)
<b>(Loss)/profit for the year</b>		<b>(1,057,731)</b>	<b>292,538</b>
Other comprehensive income		-	-
<b>Total comprehensive (loss)/income for the year</b>		<b>(1,057,731)</b>	<b>292,538</b>

The accounting policies on pages 15 to 24 and the notes on pages 25 to 35 form an integral part of the financial statements.



## SIMBA PIPE INDUSTRIES LIMITED

(Registration number 41028)

Financial Statements for the year ended 31 December 2019

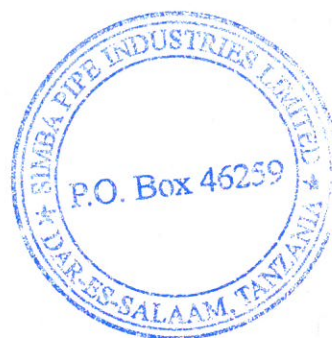


### Statement of Changes in Equity

	Share capital	Retained income	Total equity
Balance at 01 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 01 January 2019	560,000	5,833,817	6,393,817
Loss for the year	-	(1,057,731)	(1,057,731)
Other comprehensive income	-	-	-
Total comprehensive Loss for the year	-	(1,057,731)	(1,057,731)
Dividends*	-	(951,835)	(951,835)
	-	(951,835)	(951,835)
Balance at 31 December 2019	560,000	3,824,251	4,384,251

\*The amount includes dividends payable of TZS 700,000,000 (Note 12) and dividends paid of TZS 251,835,000.

The accounting policies on pages 15 to 24 and the notes on pages 25 to 35 form an integral part of the financial statements.



# SIMBA PIPE INDUSTRIES LIMITED

(Registration number 41028)

Financial Statements for the year ended 31 December 2019

## Statement of Cash Flows



		2019	2018
		TZS '000	TZS '000
<b>Cash flows from operating activities</b>			
Cash generated /(used in) from operations	20	(796,930)	1,032,729
Finance costs		(573,178)	(563,627)
Tax paid	22	(221,545)	(466,811)
<b>Net cash from operating activities</b>		<b>(1,591,653)</b>	<b>2,291</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	2	(570,411)	(298,275)
Sale of property, plant and equipment	2	3,390	5,161
Sale of financial assets		-	(100)
<b>Net cash from investing activities</b>		<b>(567,021)</b>	<b>(293,214)</b>
<b>Cash flows from financing activities</b>			
Net movement in other financial liabilities		2,356,797	2,172,718
Dividend paid		(251,835)	-
<b>Net cash from financing activities</b>		<b>2,104,962</b>	<b>2,172,718</b>
<b>Total cash movement for the year</b>		<b>(53,712)</b>	<b>1,881,795</b>
Cash at the beginning of the year		(4,141,706)	(6,023,501)
<b>Total cash at end of the year</b>	9	<b>(4,195,418)</b>	<b>(4,141,706)</b>

The accounting policies on pages 15 to 24 and the notes on pages 25 to 35 form an integral part of the financial statements.



# SIMBA PIPE INDUSTRIES LIMITED

(Registration number 41028)

Financial Statements for the year ended 31 December 2019

## Accounting Policies



### Corporate information

Simba Pipe Industries 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, No. 12 of 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.

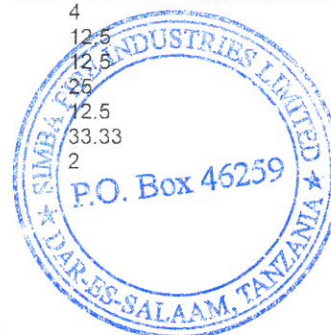
Property, plant and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets and adjustments in respect of hedge accounting, where 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	4
Plant and machinery	Straight line	12.5
Furniture and fixtures	Straight line	12.5
Motor vehicles	Straight line	25
Office equipment	Straight line	12.5
IT equipment	Straight line	33.33
Leasehold improvements	Straight line	2



# SIMBA PIPE INDUSTRIES LIMITED

(Registration number 41028)

Financial Statements for the year ended 31 December 2019



## Accounting Policies

### 1.2 Property, plant and equipment (continued)

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

### 1.3 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

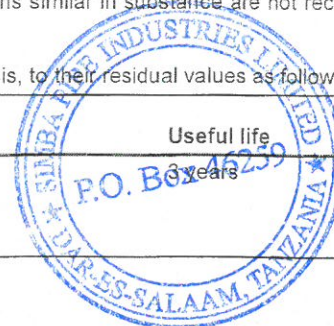
The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

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



# SIMBA PIPE INDUSTRIES LIMITED

(Registration number 41028)

Financial Statements for the year ended 31 December 2019



## Accounting Policies

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### 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 recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. The Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of receivables. In determining the expected credit losses for these assets, the Company takes into account the historical loss experience which is then adjusted to incorporate forward looking information.

#### 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.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

#### Bank overdraft and borrowings

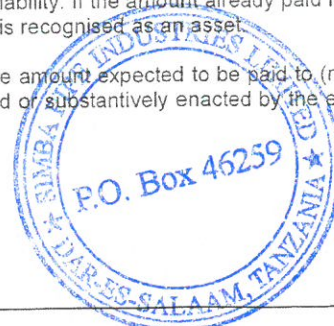
Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Company's accounting policy for borrowing costs.

### 1.5 Tax

#### Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.



# SIMBA PIPE INDUSTRIES LIMITED

(Registration number 41028)

Financial Statements for the year ended 31 December 2019

## Accounting Policies



### 1.5 Tax (continued)

#### Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused STC credits can be utilised.

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

#### 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

The Company assesses whether a contract is, or contains a lease, at the inception of the contract.

A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

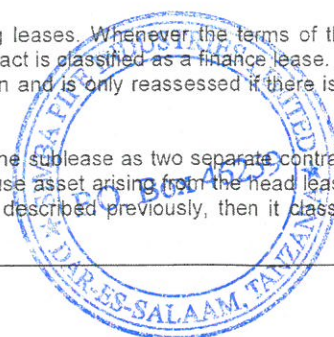
In order to assess whether a contract is, or contains a lease, management determine whether the asset under consideration is "identified", which means that the asset is either explicitly or implicitly specified in the contract and that the supplier does not have a substantial right of substitution throughout the period of use. Once management has concluded that the contract deals with an identified asset, the right to control the use thereof is considered. To this end, control over the use of an identified asset only exists when the Company has the right to substantially all of the economic benefits from the use of the asset as well as the right to direct the use of the asset.

In circumstances where the determination of whether the contract is or contains a lease requires significant judgement, the relevant disclosures are provided in the significant judgments and sources of estimation uncertainty section of these accounting policies.

#### Company as lessor

Leases for which the Company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. Lease classification is made at inception and is only reassessed if there is a lease modification.

When the Company is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Company applies the exemption described previously, then it classifies the sublease as an operating lease.



# SIMBA PIPE INDUSTRIES LIMITED

(Registration number 41028)

Financial Statements for the year ended 31 December 2019

## Accounting Policies



### 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.

Irrespective of whether there is any indication of impairment, the Company also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.
- tests goodwill acquired in a business combination for impairment annually.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

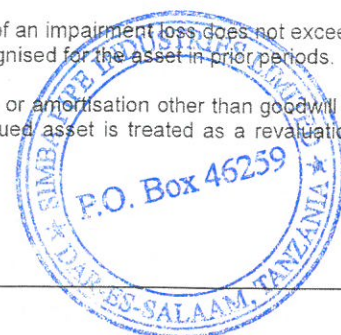
If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.



# SIMBA PIPE INDUSTRIES LIMITED

(Registration number 41028)

Financial Statements for the year ended 31 December 2019

## Accounting Policies



### 1.9 Share capital and equity

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

### 1.10 Employee benefits

#### Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

#### Post employment obligations

For defined contribution plans, the Company pays contributions to publicly administered pension insurance plans (NSSF or PSSSF) on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

### 1.11 Provisions and contingencies

Provisions are recognised when:

- the Company has a present obligation 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 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.

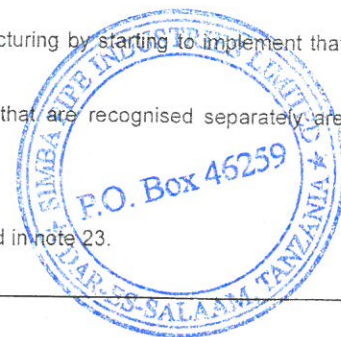
A constructive obligation to restructure arises only when an entity:

- 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 23.

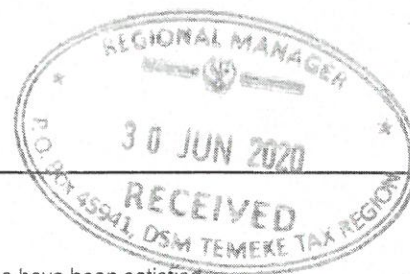


# SIMBA PIPE INDUSTRIES LIMITED

(Registration number 41028)

Financial Statements for the year ended 31 December 2019

## Accounting Policies



### 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.

Service revenue is recognised by reference to the stage of completion of the transaction at the end of the reporting period. Stage of completion is determined by services performed to date as a percentage of total services to be performed. Contract revenue comprises:

- the initial amount of revenue agreed in the contract; and
- variations in contract work, claims and incentive payments:
  - to the extent that it is probable that they will result in revenue; and
  - they are capable of being reliably measured.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

Interest is recognised, in profit or loss, using the effective interest rate method.

Royalties are recognised on the accrual basis in accordance with the substance of the relevant agreements.

Dividends are recognised, in profit or loss, when the Company's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

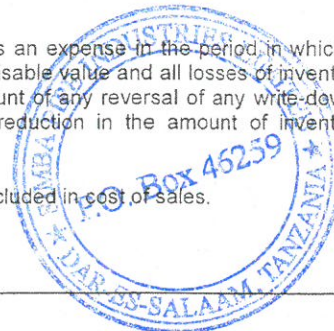
### 1.13 Cost of sales

When inventories are sold, the carrying amount of those inventories is 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, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The related cost of providing services recognised as revenue in the current period is included in cost of sales.

Contract costs comprise:

- costs that relate directly to the specific contract;



# SIMBA PIPE INDUSTRIES LIMITED

(Registration number 41028)

Financial Statements for the year ended 31 December 2019

## Accounting Policies

### 1.13 Cost of sales (continued)

- costs that are attributable to contract activity in general and can be allocated to the contract; and
- such other costs as are specifically chargeable to the customer under the terms of the contract.

Cost of sales is reduced by the amount recognised in inventory as a "right to returned goods asset" which represents the Company right to recover products from customers where customers exercise their right of return under the Company returns policy.

### 1.14 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when:

- expenditures for the asset have occurred;
- borrowing costs have been incurred, and
- activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation is suspended during extended periods in which active development is interrupted.

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.



# SIMBA PIPE INDUSTRIES LIMITED

(Registration number 41028)

Financial Statements for the year ended 31 December 2019

## Accounting Policies

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### 1.16 New standards and interpretations

(i) *International Financial Reporting Standards and amendments effective for the first time for 31 December 2019*

#### IFRS 16 – Leases

This standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular.

Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees.

For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard.

At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

IFRS 16 supersedes IAS 17, 'Leases', IFRIC 4, 'Determining whether an Arrangement contains a Lease', SIC 15, 'Operating Leases – Incentives' and SIC 27, 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'.

The Company does not have material lease agreements hence there are no consequential impact in the financial statements.

(ii) *International Financial Reporting Standards, interpretations and amendments issued but not effective for December 2019 year-end*

**Amendment to IAS 1, 'Presentation of financial statements' and IAS 8, 'Accounting policies, changes in accounting estimates and errors'** on the definition of material.

These amendments to IAS 1 and IAS 8 and consequential amendments to other IFRSs:

- use a consistent definition of materiality through IFRSs and the Conceptual Framework for Financial Reporting;
- clarify the explanation of the definition of material; and
- incorporate some of the guidance in IAS 1 about immaterial information.

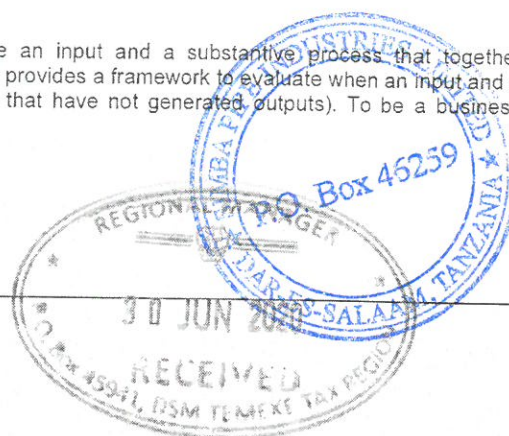
The amended definition is:

"Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

#### **Amendment to IFRS 3, 'Business combinations'**

This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations. More acquisitions are likely to be accounted for as asset acquisitions.

To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present (including for early stage companies that have not generated outputs). To be a business without outputs, there will now need to be an organised workforce.



# SIMBA PIPE INDUSTRIES LIMITED

(Registration number 41028)

Financial Statements for the year ended 31 December 2019

## Accounting Policies

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### 1.16 New standards and interpretations (continued)

#### IFRS 17, 'Insurance contracts'

Early application is permitted for entities that apply IFRS 9, 'Financial Instruments', and IFRS 15, 'Revenue from Contracts with Customers', at or before the date of initial application of IFRS 17.

The IASB issued IFRS 17, 'Insurance contracts', and thereby started a new epoch of accounting for insurers. Whereas the current standard, IFRS 4, allows insurers to use their local GAAP, IFRS 17 defines clear and consistent rules that will significantly increase the comparability of financial statements. For insurers, the transition to IFRS 17 will have an impact on financial statements and on key performance indicators.

Under IFRS 17, the general model requires entities to measure an insurance contract at initial recognition at the total of the fulfilment cash flows (comprising the estimated future cash flows, an adjustment to reflect the time value of money and an explicit risk adjustment for non-financial risk) and the contractual service margin. The fulfilment cash flows are remeasured on a current basis each reporting period. The unearned profit (contractual service margin) is recognised over the coverage period.

Aside from this general model, the standard provides, as a simplification, the premium allocation approach. This simplified approach is applicable for certain types of contract, including those with a coverage period of one year or less.

For insurance contracts with direct participation features, the variable fee approach applies. The variable fee approach is a variation on the general model. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the contractual service margin. As a consequence, the fair value changes are not recognised in profit or loss in the period in which they occur but over the remaining life of the contract.

Amendments to IFRS 9, Financial Instruments, IAS 39, Financial Instruments: Recognition and Measurement and IFRS 7, Financial Instruments: Disclosure – Interest rate benchmark reform

These amendments provide certain reliefs in connection with interest rate benchmark reform (IBOR). The reliefs relate to hedge accounting and have the effect that IBOR should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement.



## SIMBA PIPE INDUSTRIES LIMITED

(Registration number 41028)

Financial Statements for the year ended 31 December 2019

### Notes to the Financial Statements

#### 2. Property, plant and equipment

	2019		2018	
	Cost	Accumulated Carrying value depreciation	Cost	Accumulated Carrying value depreciation
Buildings	945,553	(585,605)	931,753	(548,306)
Plant and machinery	10,067,400	(7,190,422)	9,525,904	(6,545,369)
Furniture and fixtures	46,822	(45,664)	45,563	(45,356)
Motor vehicles	262,182	(253,872)	291,913	(287,852)
Office equipment	76,466	(66,452)	76,466	(61,969)
IT equipment	221,534	(208,322)	214,504	(208,206)
Leasehold improvements	2,126,440	(300,403)	299,900	(111,162)
<b>Total</b>	<b>13,746,397</b>	<b>(8,651,240)</b>	<b>11,386,003</b>	<b>(7,808,220)</b>

#### Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Transfers	Depreciation	Closing balance
Buildings	383,447	13,800	-	(37,299)	359,948
Plant and machinery	2,980,535	541,496	-	(645,053)	2,876,978
Furniture and fixtures	207	1,259	-	(308)	1,158
Motor vehicles	4,061	6,826	-	(2,577)	8,310
Office equipment	14,498	-	-	(4,484)	10,014
IT equipment	6,298	7,030	-	(616)	12,712
Leasehold improvements*	188,738	-	1,826,540	(189,241)	1,826,037
	<b>3,577,784</b>	<b>570,411</b>	<b>1,826,540</b>	<b>(879,578)</b>	<b>5,095,157</b>

\*Transfer from loan and advances to Property, Plant and Equipment.



# SIMBA PIPE INDUSTRIES LIMITED

(Registration number 41028)

Financial Statements for the year ended 31 December 2019

## Notes to the Financial Statements

### 2. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Depreciation	Closing balance
Buildings	420,718	-	(37,271)	383,447
Plant and machinery	3,288,412	298,275	(606,152)	2,980,535
Furniture and fixtures	553	-	(346)	207
Motor vehicles	8,267	-	(4,206)	4,061
Office equipment	19,209	-	(4,711)	14,498
IT equipment	6,298	-	-	6,298
Leasehold improvements	195,325	-	(6,587)	188,738
	<b>3,938,782</b>	<b>298,275</b>	<b>(659,273)</b>	<b>3,577,784</b>



# SIMBA PIPE INDUSTRIES LIMITED

(Registration number 41028)

Financial Statements for the year ended 31 December 2019

## Notes to the Financial Statements

	2019			2018		
	TZS '000			TZS '000		
<b>3. Intangible assets</b>						
	2019			2018		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	176,417	(176,417)	-	176,417	(176,417)	-
<b>4. Loans and advances</b>						
Simba Plastic Company Limited				-	1,826,540	
<p>The total amount paid comprises an advance towards the purchase of property from Simba Plastics Company Limited. The process of transferring the legal ownership of the property is still under process. The Company expects to finalize the transfer and obtain legal ownership of the property during the year 2020 as the required changes to the shareholding structure of the Company is scheduled to be concluded in 2020.</p> <p>The amount has been transferred to property, plant and equipment in the financial year 2019. This is due to the fact that Simba Pipe Industries Limited is using the land and the Company enjoys economic benefits and has total controls of all operations activities on the land thus qualify to be part of Property, plant and equipment.</p>						
<b>5. Other financial assets</b>						
Shares in Synergy				100	100	
<b>6. Deferred tax</b>						
Deferred tax asset/(liability)				(539,483)	(392,888)	
<b>Reconciliation of deferred tax liability</b>						
At beginning of year				(392,888)	(480,482)	
Taxable / (deductible) temporary difference movement on tangible fixed assets				(462,695)	37,705	
Taxable / (deductible) temporary difference movement on foreign exchange differences				(42,027)	(17,628)	
Taxable / (deductible) temporary difference on movement in provisions				358,127	67,517	
				(539,483)	(392,888)	
<b>7. Inventories</b>						
Raw materials				3,227,404	1,906,728	
Work in progress				41,835	79,526	
Finished goods				1,910,971	703,974	
Trading goods				582,421	500,745	
Production supplies				3,565	2,879	
Spare parts				125,472	128,225	
Operating supplies				27,530	36,702	
				5,919,198	3,358,779	



# SIMBA PIPE INDUSTRIES LIMITED

(Registration number 41028)

Financial Statements for the year ended 31 December 2019

## Notes to the Financial Statements

	2019 TZS '000	2018 TZS '000
<b>8. Trade and other receivables</b>		
<b>Financial instruments:</b>		
Trade receivables	8,690,678	7,994,651
Loss allowance	(1,224,961)	(106,805)
Trade receivables at amortised cost	7,465,717	7,887,846
<b>Non-financial instruments:</b>		
VAT	806,435	-
Employee costs in advance	236,634	1,098,141
Prepayments and deposits	99,833	92,337
Other receivable	83,962	41,500
<b>Total trade and other receivables</b>	<b>8,692,581</b>	<b>9,119,824</b>
<b>Aging of trade receivables</b>		
<b>Trade receivables</b>		
0-30 days	2,254,623	1,669,065
31-60 days	266,900	860,286
61-90 days	462,360	501,267
91-180 days	1,768,285	777,570
181-360 days	1,626,530	2,447,168
361 days and above	2,311,980	1,739,295
Provision for doubtful debts	(1,224,961)	(106,805)
	7,465,717	7,887,846
<b>9. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	23,081	21,378
Bank balances	39,443	83,500
Bank overdraft	(4,257,942)	(4,246,584)
	(4,195,418)	(4,141,706)
Current assets	62,524	104,878
Current liabilities	(4,257,942)	(4,246,584)

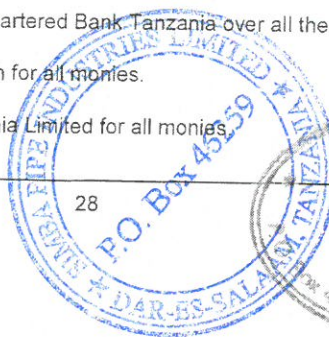
### Standard Chartered Bank Tanzania Limited Overdraft facilities terms and conditions:

During the year under review the Company switched its facilities from NBC to Standard Chartered Bank (SCB) Tanzania Limited. NBC facilities attracted an interest of 7% per annum for the USD overdraft facility and 12.5% per annum for the TZS overdraft facility. The new facilities with SCB attract interest at the rate of 9.72% per annum for the TZS facility and 7.2% per annum for the USD facility.

The overdraft facilities have been obtained for the purpose of working capital. Interest is payable monthly in arrears. The availability period is from the date of acceptance until 31 March 2020.

The overdraft facilities are secured by:

- A first ranking debenture in favour of Standard Chartered Bank Tanzania over all the Company's fixed and floating assets.
- Directors personal guarantee from Jayesh G Shah for all monies.
- Corporate guarantee from Sumaria Group Tanzania Limited for all monies.



# SIMBA PIPE INDUSTRIES LIMITED

(Registration number 41028)

Financial Statements for the year ended 31 December 2019

## Notes to the Financial Statements

	2019 TZS '000	2018 TZS '000
<b>9. Cash and cash equivalents (continued)</b>		
• First ranking legal charge over Plot No. 68, 69 & 70 situated at Mbozi road in Dar es Salaam city INO DPI Simba Limited.		
<b>10. Share capital</b>		
<b>Authorised</b>		
5,000,000 Ordinary shares of TZS 1,000 each	5,000,000	5,000,000
<b>Issued</b>		
560,000 Ordinary Shares of TZS 1,000 each	560,000	560,000
<b>11. Other financial liabilities</b>		
<b>Held at amortised cost</b>		
Standard Chartered Bank Limited-TZS-Short term loan	650,000	977,646
Standard Chartered Bank Limited-USD-Short term loan	4,892,787	2,208,344
<b>At amortised cost</b>	<b>5,542,787</b>	<b>3,185,990</b>

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

**1. Short term loans facility: Amount USD 4,400,000 and TZS 2,500,000,000**

Purpose: For working capital requirements

Pricing: For the USD 4,400,000 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.
- 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.
- A first ranking debenture charge over the Company's fixed and floating assets to be registered to secure the sum of USD 4,545,088.
- All monies corporate guarantee by Sumaria Group Tanzania Limited.
- All monies personal guarantee by Jayesh Gulabchand Shah.



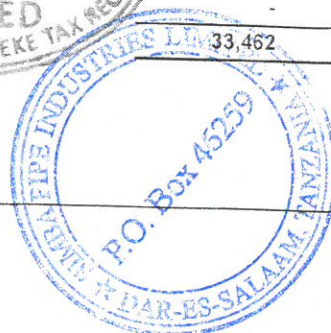
# SIMBA PIPE INDUSTRIES LIMITED

(Registration number 41028)

Financial Statements for the year ended 31 December 2019

## Notes to the Financial Statements

	2019 TZS '000	2018 TZS '000
<b>12. Trade and other payables</b>		
Trade payables	2,439,657	2,055,524
Dividends payable	700,000	-
Accrued expenses	355,877	57,391
Other payables	324,140	371,444
Amount due to related parties	49,429	48,096
VAT	-	26,112
	<b>3,869,103</b>	<b>2,558,567</b>
<b>Contract liabilities</b>		
Contract liabilities comprise advances received from customers.		
Customer advances	1,322,054	1,360,283
<b>Movement in contract liabilities</b>		
At 1 January	1,360,283	1,360,283
Customer advances amortised to revenue	(1,360,283)	-
Customer advances	1,322,054	-
<b>At 31 December</b>	<b>1,322,054</b>	<b>1,360,283</b>
<b>13. Revenue</b>		
Manufactured goods	8,634,524	9,445,556
Traded goods	9,561,559	6,206,226
Traded goods - exp returns	-	(24,603)
Returns from sales	(301,769)	(1,677,983)
	<b>17,894,314</b>	<b>13,949,196</b>
<b>14. Cost of sales</b>		
Sale of goods	2,556,793	1,211,121
Raw material consumed	9,244,037	7,879,805
Employee costs	596,562	600,573
Other Direct Cost	62,766	-
Depreciation and impairment	682,352	643,421
	<b>13,142,510</b>	<b>10,334,921</b>
<b>15. Other operating income</b>		
Freight income	33,462	4,678
Other income	-	18,596
	<b>33,462</b>	<b>23,274</b>



# SIMBA PIPE INDUSTRIES LIMITED

(Registration number 41028)

Financial Statements for the year ended 31 December 2019

## Notes to the Financial Statements

	2019 TZS '000	2018 TZS '000
<b>16. Other operating gains (losses)</b>		
Profit on disposal of property, plant and equipment	3,390	5,161
Net foreign exchange loss	(117,565)	(160,082)
<b>Total operating gains (losses)</b>	<b>(114,175)</b>	<b>(154,921)</b>
<b>17. Operating expenses</b>		
Technical advisory and management fees	148,916	94,708
Auditor's remuneration	31,344	35,726
Bank charges	161,236	134,669
Cleaning expenses	1,206	1,540
Consulting, legal and professional fees	120,133	38,356
System audit	3,441	-
Debt collection	-	2,172
Delivery expenses	-	4,475
Depreciation	197,226	15,852
Donations	3,668	450
Employee costs	1,253,214	1,292,053
Board meeting expenses	-	13,249
Other expenses	11,994	14,969
Medical expenses	11,792	6,677
Bad debts written off	451,651	-
Provision for bad debts	1,118,156	-
Domestic exp mkt expenses	-	14,669
Provision for TRA audit	260,862	-
Property tax	250	4,403
SAP Support expenses	17,451	68,019
Fumigation expenses	1,130	390
Canteen expenses	70,372	80,870
Permit expenses	19,221	40,639
Loading expenses	4,445	4,715
Uniform expenses	-	350
Licences & renewals	4,240	25,177
Insurance expenses	77,927	58,310
IT expenses	9,580	39,480
Lease rentals on operating lease - warehouse	83,817	33,524
City service levy	50,777	44,729
Magazines, books and periodicals	2,294	1,181
Motor vehicle expenses	33,971	35,672
Local conveyance	2,051	1,381
Gemba kaizen expenses	582	151
Postage	2,432	2,311
Printing and stationary	6,656	7,752
Promotions	25,713	18,302
Bureau of standard fees	-	569
Repairs and maintenance	3,587	76,294
Tender fees	2,102	3,701
Security	42,726	42,932
Subscriptions and membership fees	6,303	8,021
Telephone and fax	24,184	297
Training & seminar expenses	3,069	400
Freight outward local	484,174	124,406
Domestic travel expenses	33,531	2,672
Foreign travel expenses	62,729	33,058
Advertising	183	-
	<b>83,337</b>	<b>2,429,271</b>



# SIMBA PIPE INDUSTRIES LIMITED

(Registration number 41028)

Financial Statements for the year ended 31 December 2019

## Notes to the Financial Statements

	2019 TZS '000	2018 TZS '000
<b>18. Finance costs</b>		
Interest on bank overdraft	376,131	302,813
Interest on bank loan	197,047	260,814
<b>Total finance costs</b>	<b>573,178</b>	<b>563,627</b>
<b>19. Taxation</b>		
<b>Major components of the tax expense</b>		
<b>Current</b>		
Local income tax - current period	225,712	284,786
<b>Deferred</b>		
Originating and reversing temporary differences	146,595	(87,594)
	<b>372,307</b>	<b>197,192</b>
<b>Reconciliation of the tax expense</b>		
(Loss)/Profit before tax	(685,424)	489,730
Tax at the applicable tax rate of 30% (2018: 30%)	(205,627)	146,919
<b>Tax effect of adjustments on taxable income</b>		
Permanent differences	577,934	50,273
	<b>372,307</b>	<b>197,192</b>
<b>20. Cash generated from operations</b>		
(Loss)/profit before taxation	(685,424)	489,730
<b>Adjustments for:</b>		
Depreciation and amortisation	879,578	659,273
Other operating gain	(3,393)	(5,161)
Finance costs	573,178	563,627
<b>Changes in working capital:</b>		
Inventories	(2,560,419)	(238,831)
Trade and other receivables	427,243	(2,155,264)
Trade and other payables*	610,536	359,072
Contract Liabilities	(38,229)	1,360,283
	<b>(796,930)</b>	<b>1,032,729</b>

\*The change excludes dividend payable TZS 700 million.



# SIMBA PIPE INDUSTRIES LIMITED

(Registration number 41028)

Financial Statements for the year ended 31 December 2019

## Notes to the Financial Statements

	2019 TZS '000	2018 TZS '000
<b>21. Related parties</b>		
<b>Related party balances</b>		
<b>Amount included in trade and other receivables (trade and other payables) regarding related parties</b>		
Simba Plastics Company Limited	-	1,826,540
Sumaria Group Tanzania Limited	(49,429)	(27,004)
Silafrica Tanzania Limited	-	(21,093)
<b>Related party transactions</b>		
<b>Purchases from related parties</b>		
Distribution and Warehousing Network Africa (Pty) Ltd	-	269,538
Silafrica Tanzania Limited	2,473	63,926
<b>Sales to related parties</b>		
Silafrica Tanzania Limited	63,430	-
<b>Technical fees paid to (received from) related parties</b>		
Sumaria Group Tanzania Limited	6,104	28,742
<b>Compensation to directors and other key management</b>		
Key staff remuneration	1,174,714	1,232,389
<b>Technical advisory and management fees</b>		
Sumaria Group Tanzania Limited	148,916	94,708
<b>22. Tax paid</b>		
Balance at beginning of the year		
Current tax for the year recognised in profit or loss	150,225	(31,800)
Balance at end of the year	(225,712)	(284,786)
	(146,058)	(150,225)
	<u>(221,545)</u>	<u>(466,811)</u>

### 23. Contingencies

The directors are of the opinion that there are no contingent liabilities as at the year end.

### 24. Comparative figures

Where necessary, comparatives figures have been reclassified to conform to changes in the presentation in the current year.



# SIMBA PIPE INDUSTRIES LIMITED

(Registration number 41028)

Financial Statements for the year ended 31 December 2019

## Notes to the Financial Statements

### 25. Risk management

#### Financial risk management

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

#### 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	2019 TZS'000	2018 TZS'000
Trade and other receivables	7,465,717	7,887,846
Cash and cash equivalents	62,524	104,878

#### 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.

#### 2019

		Less than 1 year	Total contractual cash flow	Carrying amount
<b>Current liabilities</b>				
Trade and other payables		2,854,470	2,854,470	2,854,470
Other financial liabilities	11	5,542,787	5,542,787	5,542,787
Bank overdraft	9	4,257,942	4,257,942	4,257,942



# SIMBA PIPE INDUSTRIES LIMITED

(Registration number 41028)

Financial Statements for the year ended 31 December 2019

## Notes to the Financial Statements

### 25. Risk management (continued)

2018

		Less than 1 year	Total contractual cash flow	Carrying amount
<b>Current liabilities</b>				
Other financial liabilities	11	3,185,990	3,185,990	3,185,990
Trade and other payables	12	2,475,275	2,475,275	2,475,275
Bank overdraft	9	4,246,584	4,246,584	4,246,584

### 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.

### 26. Going concern

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.

### 27. Impact of COVID - 19

The extent of COVID-19's effect on the Company's operational and financial performance will depend on future developments, including the duration, spread and intensity of the pandemic, all of which are uncertain and difficult to predict. Management is currently evaluating the impact of the COVID-19 pandemic on the business and it is reasonably possible that the virus could have a negative impact on the Company's revenue especially on export, this is due to a fact that export logistic processes have become difficult especially on borders hence foreign customers opt to use local suppliers in their countries. The specific impact is not readily determinable as of the date of these financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

### 28. Events after the reporting period

Tanzania Revenue Authority conducted a tax audit covering year of income 2014 to 2017 which commence on 13 December 2018 and was concluded on 29 April 2020 whereby the Company has agreed to pay tax liability amounting to TZS 261 million. The Company has provided for the same amount as at year end 31 December 2019.

There are no transactions and/or events subsequent to the year end other than the one mentioned above and on note 27 requiring adjustments and/or disclosure.

