

**GRUMETI CONSTRUCTION LIMITED
ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

GRUMETI CONSTRUCTION LIMITED

**ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

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GRUMETI CONSTRUCTION LIMITED

**CORPORATE INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2016**

REGISTERED OFFICE:

Grumeti Construction Limited
P.O. Box 65 Mugumu
Mara, Tanzania

DIRECTORS:

Mr. Graham J. Ledger (British)
Mr. Daniel Mwasandube (Tanzanian)

SECRETARY:

Ms. Jackline Tweve
Mawalla Advocates
P.O. Box 6101
Arusha, Tanzania

AUDITOR

Ernst & Young
4th Floor, Tanhouse Tower
Plot No. 34/1, Ursino South,
New Bagamoyo Road
P.O. Box 2475
Dar es Salaam
Tanzania

ATTORNEY:

Mawalla Advocates
P.O. Box 6101
Arusha, Tanzania

GRUMETI CONSTRUCTION LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

1. INTRODUCTION

Pursuant to the requirements of chapter 5 of the Tanzanian Companies Act, 2002, the Directors present their report together with the audited financial statements for the year ended 31 December 2016, which disclose the state of affairs of Grumeti Construction Limited ('the Company').

2. INCORPORATION AND PRINCIPAL ACTIVITIES

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

The Company's principal activity is construction, improvement and maintenance of properties within the Grumeti group. During the year ended 31 December 2016, the Company carried out construction projects for Grumeti Reserves Limited, Grumeti Air Limited and Grumeti Community and Wildlife Conservation Fund Limited.

3. COMPANY'S VISION AND MISSION

Grumeti Construction Limited is committed to delivering a quality product on time, within budget and in an environmentally sensitive and responsible manner. The Company's mission is:

- To minimise and mitigate any environmental impact as much as possible and manage all projects according to industry-recognised and accepted sustainability principles;
- To perform for our customers the highest level of quality construction services at fair and market competitive prices;
- To keep safety, quality, professionalism, customer satisfaction and attention to detail the central focus of every project;
- To provide skills development, apprentice-style opportunities to members of our neighbouring communities;
- To contribute to the development of the local economy of the Northern Serengeti region by employing locally whenever possible; and
- To maintain the highest levels of integrity and fairness in our relationships with our suppliers, sub-contractors, professional associates, customers and employees.

GRUMETI CONSTRUCTION LIMITED

**DIRECTORS' REPORT (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2016**

4. DIRECTORS

The Directors of the Company at the date of this report and who have served since January 2016, except where otherwise stated are:

Name	Position	Age	Nationality	Discipline/Occupation
Mr. Graham J. Ledger	Director	60	British	Hotelier
Mr. Daniel Mwasandube	Director	61	Tanzanian	Quantity Surveyor

5. CAPITAL STRUCTURE

The Company's capital structure for the period under review is as shown below:

	2016		2015	
	No. of shares	Value TZS '000	No. of shares	Value TZS '000
Authorized share capital:				
Ordinary shares at TZS 10,000 each	500,000	5,000,000	500,000	5,000,000
Issued share capital				
Ordinary shares at TZS 10,000 each	322,473	3,224,730	263,775	2,637,750

6. SHAREHOLDERS OF THE COMPANY

The shareholding of the Company is as stated below:-

	2016	
	No. of shares	% Share-holding
Grumeti Reserves Limited -Fully Paid	322,472	99.999%
Mr. Daniel Mwasandube - Unpaid	1	0.001%
	322,473	100%
	2015	
	No. of shares	% Share-holding
Grumeti Reserves Limited -Fully Paid	263,774	99.999%
Mr. Daniel Mwasandube - Unpaid	1	0.001%
	263,775	100%

7. DIRECTORS' INTERESTS IN SHARES

The Directors' interest in the issued share capital of the Company is as shown in note 6 above.

8. RESULTS FOR THE PERIOD

The Company's results for the period are set out on page 11 of the financial statements.

GRUMETI CONSTRUCTION LIMITED

DIRECTORS' REPORT (Continued) FOR THE YEAR ENDED 31 DECEMBER 2016

9. SOLVENCY OF THE COMPANY

The state of financial affairs of the Company is set out on page 12 of the financial statements. As at 31 December 2016, the Company's current liabilities exceeded its current assets by TZS 7,294,821,000 (2015: TZS 8,879,384,000) and the Company's total liabilities exceeded its total assets by TZS 6,851,548,000 (2015: TZS 8,341,268,000).

The Directors are confident that the Company will continue in operational existence for at least the foreseeable future.

The Directors are pursuing short to long term business plans and strategies including securing funding from the shareholder and getting new business opportunities. In addition, the ultimate parent company is committed to supporting the Company in the foreseeable future and has provided a letter of support to this effect.

For these reasons, the Directors have adopted the going concern basis of accounting in preparing the financial statements.

10. RELATED PARTY TRANSACTIONS

Details of transactions and balances with related parties are set out in Note 21 to the financial statement.

11. EMPLOYEE MATTERS

Relationship between management and employees

During the year, there were continued good relations between employees and management. There were no unresolved complaints received by management from the employees during the period.

The Company is an equal opportunity employer. It gives equal access to employment opportunities and ensures that the best available person is appointed to any given position free from discrimination of any kind and without regard to factors like gender, marital status, tribe, religion and disability which does not impair ability to discharge duties.

Medical facilities

The Company subscribes to a medical clinic which has a qualified trauma paramedic who provides medical care on non-discriminatory basis. Major medical issues are referred to regional hospitals. All employees are also under a formal medical insurance scheme paid for by the Company.

Training facilities

Manpower identification, recruitment and development are under an established comprehensive manpower program. Training programs have been and are continually being developed to ensure employees are adequately trained at all levels, all employees have some form of annual training to upgrade skills and enhance development.

Health and safety

The Company has a strong health and safety procedure which ensures that a strong culture of safety prevails at all times. A safe working environment is ensured for all employees and contractors by providing adequate and proper personal protective equipment, training and supervision as necessary.

GRUMETI CONSTRUCTION LIMITED

**DIRECTORS' REPORT (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2016**

11. EMPLOYEE MATTERS (Continued)

Persons with disabilities

Applications for employment by disabled persons are always considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and appropriate training is arranged. It is the policy of the Company that training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee Benefit Plan

The Company participates in the publicly administered statutory pension fund schemes - the National Social Security Fund (NSSF) and Parastatal Pension Fund (PPF) where it contributes 10% of the employees' monthly gross remuneration. Employees are also obliged to contribute an additional 10% from their gross monthly remuneration. The Company has no further pension obligations to its staff other than its monthly contribution obligation to NSSF or PPF.

Gender parity

The Company is an equal opportunity employer. It gives equal access to employment opportunities and ensures that the best available person is appointed to any given position free from discrimination of any kind and without regard to factors like gender, marital status, tribe, religion and disability which does not impair ability to discharge duties. The number of employees as at 31 December by gender was as follows:

Gender	2016	2015
Male	29	18
Female	0	0
	<u>29</u>	<u>18</u>

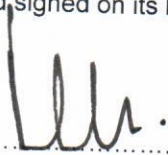
12. POLITICAL AND CHARITABLE DONATIONS

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

13. AUDITOR

Ernst & Young was the Company's auditor for the year ended 31 December 2016 and has expressed willingness to continue in office and is eligible for reappointment. A resolution to appoint Ernst & Young for the year 2017 will be presented to the Annual General Meeting.

The Directors' Report was approved by the Board of Directors on 19TH JUNE 2017 and signed on its behalf by:



.....
Graham Ledger
Director

GRUMETI CONSTRUCTION LIMITED

**STATEMENT OF DIRECTORS' RESPOSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2016**

The Tanzanian Companies Act, 2002 requires the Directors to prepare financial statements for each financial year that present fairly the state of financial affairs of the Company as at the end of the financial year and of its operating results for that 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. The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud, error and other irregularities.

The Directors accept responsibility for the 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 and in compliance with the requirements of the Tanzanian Companies Act, 2002. The Directors accept responsibility for the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement.

To enable the Directors to meet these responsibilities, they set standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Company and all employees are required to maintain the highest ethical standards in ensuring the Company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Company is on identifying, assessing, managing and monitoring all known forms of risks across the Company.

The Directors acknowledge that the continued existence of the Company as a going concern depends on the success of various strategic measures that are being pursued by the Directors to turn around the Company to profitable operations and the continued financial support from the shareholders, to enable the Company to meet its operating and investment needs as and when they fall due. The Directors are of the view that once these measures are fully implemented, the Company's solvency will be improved and it will trade profitably for the foreseeable future. These financial statements are 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 realization of assets and settlement of liabilities will occur in the ordinary course of business. The parent company and its shareholders are committed to providing continued financial support to the Company until such time as the business is in a position to fund all its obligations from cash generated from operations.

.....
Graham Ledger

Director

19TH JUNE2017

GRUMETI CONSTRUCTION LIMITED

**STATEMENT OF HEAD OF FINANCE'S RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2016**

The National Board of Accountants and Auditors (NBAA) according to the powers conferred to it under the Auditors and Accountants (Registration) Act No. 33 of 1972, as amended by Act No. 2 of 1995, requires financial statements to be accompanied with a 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 preparing financial statements of an entity showing a true and fair view of the entity's position and performance in accordance with International Financial Reporting Standards and the requirements of the Tanzanian Companies Act, CAP 212 Act No. 12 of 2002. Full legal responsibility for the preparation of financial statements rests with the Board of Directors as stated under the Statement of Directors' Responsibilities on the previous page.

I Cyprian Samuwi, being the Head of Finance of Grumeti Construction Limited hereby acknowledge my responsibility of ensuring that the financial statements for the year ended 31 December 2016 have been prepared in compliance with International Financial Reporting Standards and the requirements of the Tanzanian Companies Act, 2002.

I thus confirm that the financial statements give a true and fair view of the financial position and results of Grumeti Construction Limited as on that date and for the year then ended, and that the financial statements have been prepared based on properly maintained financial records.

Signature: 

Signed by: Cyprian Samuwi

Position: Finance Director

NBAA Membership No.: TACP 1546

Date: 19TH JUNE 2017

INDEPENDENT AUDITOR'S REPORT

To the members of Grumeti Construction Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Grumeti Construction Limited ('the company') set out on pages 11 to 31, which comprise the statement of financial position as at 31 December 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Grumeti Construction Limited as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2002 of Tanzania.

Basis for Opinion

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

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2.2 in the financial statements, which indicates that as at 31 December 2016, the Company's current liabilities exceeded its current assets by TZS 7,294,821,000 (2015: TZS 8,879,384,000) and the Company's total liabilities exceeded its total assets by TZS 6,851,548,000 (2015: TZS 8,341,268,000). These conditions, along with other matters as set forth in Note 2.2, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information included in the Company's 2016 Annual Report

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

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

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

INDEPENDENT AUDITOR'S REPORT (Continued)

To the shareholders of Grumeti Construction Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (Continued)

Responsibilities of the Directors for the Financial Statements

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

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

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

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

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.



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INDEPENDENT AUDITOR'S REPORT (Continued)


To the shareholders of Grumeti Construction 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, 2002 of Tanzania and for no other purposes.

As required by the Companies Act, 2002 of Tanzania, we report to you, based on our audit, that:

- We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- In our opinion, proper books of account have been kept by the company, so far as appears from our examination of those books;
- The Directors' Report is consistent with the financial statements;
- Information specified by law regarding directors' remuneration and transactions with the Company is disclosed; and,
- The Company's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account.


Ernst & Young
Certified Public Accountants
Dar es Salaam

Signed by : Joseph Sheffu (Partner) 

Date: 22 June 2017



GRUMETI CONSTRUCTION LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

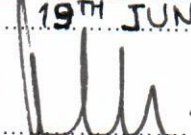
	Notes	Year ended 31-Dec-16 TZS'000	Year ended 31-Dec-15 TZS'000
Contract revenue	7	10,287,596	9,050,944
Contract costs	8	(3,233,948)	(13,881,752)
Gross profit/(loss)		7,053,647	(4,830,808)
Other income	9	54,764	74,738
General and administrative expenses	10	(6,174,644)	(2,412,289)
Profit/(loss) before income tax		933,768	(7,168,360)
Income tax charge	19	(31,027)	-
Profit/(loss) for the year		902,741	(7,168,360)
Other comprehensive income		-	-
Total comprehensive income for the year, net of tax		902,741	(7,168,360)

GRUMETI CONSTRUCTION LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

		As at 31-Dec-16	As at 31-Dec-15
ASSETS	Notes	TZS'000	TZS'000
Property and equipment	18	443,273	538,117
		<u>443,273</u>	<u>538,117</u>
Current assets			
Trade and other receivable	12	1,961,929	2,716
VAT receivable		-	1,335,461
Amount due from related parties	21	8,459,544	1,914,271
Cash and bank balances	13	1,073,964	616,804
		<u>11,495,437</u>	<u>3,869,252</u>
TOTAL ASSETS		<u><u>11,938,710</u></u>	<u><u>4,407,369</u></u>
EQUITY AND LIABILITIES			
Equity			
Share capital	16	3,224,729	2,637,750
Accumulated losses		<u>(10,076,277)</u>	<u>(10,979,018)</u>
		<u>(6,851,548)</u>	<u>(8,341,268)</u>
Current liabilities			
Amount due to related parties	21	15,993,554	12,162,503
Deferred income	15(a)	1,047,840	-
Trade and other payables	15(b)	1,573,304	117,311
Provision for expected contract losses	15(c)	-	468,822
VAT payable		141,385	-
Tax payable	19	34,175	-
		<u>18,790,258</u>	<u>12,748,636</u>
TOTAL EQUITY AND LIABILITIES		<u><u>11,938,710</u></u>	<u><u>4,407,369</u></u>

The financial statements were approved and authorized by the Board of Directors on
19TH JUNE 2017 and signed on it's behalf by:


Graham Ledger
Director

GRUMETI CONSTRUCTION LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Share capital TZS'000	Accumulated losses TZS'000	Total TZS'000
As at 1 January 2016	2,637,750	(10,979,018)	(8,341,268)
Issued share capital	586,979	-	586,979
Total comprehensive income for the year		902,741	902,741
As at 31 December 2016	<u>3,224,729</u>	<u>(10,076,277)</u>	<u>(6,851,548)</u>
As at 1 January 2015	1,000	(3,810,658)	(3,809,658)
Issued share capital	2,636,750	-	2,636,750
Total comprehensive income for the year	-	(7,168,360)	(7,168,360)
As at 31 December 2015	<u>2,637,750</u>	<u>(10,979,018)</u>	<u>(8,341,268)</u>

GRUMETI CONSTRUCTION LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	Year ended 31-Dec-16 TZS'000	Year ended 31-Dec-15 TZS'000
Operating activities			
Profit /(loss) before income tax		933,768	(7,168,360)
(Decrease)/increase in provision for expected contract losses		(468,822)	468,822
Adjustments for:			
Depreciation of property and equipment	18	371,992	337,366
		836,938	(6,362,172)
Working capital adjustments:			
(Increase)/Decrease in trade and other receivables		(1,959,213)	206,769
Increase in trade and other payables		2,503,833	106,422
(Increase)/Decrease in receivables from related parties		(6,545,273)	5,654,327
Decrease in construction work-in-progress		-	906,719
Decrease/ (Increase) in VAT recoverable		1,476,846	(973,431)
Increase /(Decrease) in payables to related companies		3,831,051	(923,630)
Increase in other taxes payable		3,148	-
Net cash flows from/(used in) operating activities		147,329	(1,384,996)
Investing activities			
Purchase of property and equipment	18	(277,148)	(211,921)
Net cash flows used in investing activities		(277,148)	(211,921)
Financing activities			
Proceeds from issued share capital		586,979	2,213,721
Net cash flows from financing activities		586,979	2,213,721
Net increase in cash and cash equivalents		457,160	616,804
Cash and cash equivalents at 1 January		616,804	-
Cash and cash equivalents at 31 December	13	1,073,964	616,804
Represented by:			
Cash in hand	13	67,634	-
Bank balances	13	1,006,330	616,804
		1,073,964	616,804

GRUMETI CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. GENERAL INFORMATION

Grumeti Construction Limited (the Company) is a private limited company incorporated in the United Republic of Tanzania under the Tanzanian Companies Act, 2002. The address of its registered office and principle place of business are disclosed on the Corporate Information page of this report. The principal activities of the Company are described in the Directors' Report.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements are prepared in compliance with International Financial Reporting Standards (IFRS) and the requirements of the Tanzanian Companies Act, 2002. The measurement basis applied is the historical cost, except where otherwise stated in the accounting policies below. The financial statements are presented in Tanzania Shillings, rounded to the nearest thousand (TZS'000).

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

2.2 Going concern

As at 31 December 2016, the Company's current liabilities exceeded its current assets by TZS 7,294,821,000 (2015: TZS 8,879,384,000) and the Company's total liabilities exceeded its total assets by TZS 6,851,548,000 (2015: TZS 8,341,268,000). These conditions indicate the existence of a significant uncertainty which may cast doubt about the Company's ability to continue as a going concern. However, the Company's Directors have made an assessment of the Company's ability to continue as a going concern and are satisfied that the Company will have the resources necessary to continue in business for the foreseeable future. This assessment is based on the following factors:

The Directors have received a letter of support from the ultimate parent company, Grumeti Community and Conservation LLC, in which the ultimate parent company confirms that it will provide the necessary financial support to the Company to enable it meet its obligations as and when they fall due. The Directors are also pursuing short and longterm business plans and strategies including new business opportunities to ensure that the Company's financial position improves.

The financial statements are prepared on the basis of accounting policies applicable to a going concern. This basis presumes that the Company will continue receiving financial support from the shareholder and will have adequate resources to meet obligations as and when they fall due, and that the realisation of assets and settlement of liabilities will occur in the ordinary course of business.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied during the period, unless otherwise stated.

New and amended standards and interpretations

Changes resulting from the new or revised standards and interpretations, amendments to existing standards and interpretations and improvements to IFRSs that were effective for the current reporting period did not have any impact on the accounting policies, financial position or performance of the Company.

GRUMETI CONSTRUCTION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2016**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are described below. This description is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective. The Company is still assessing the possible impact.

- IFRS 15: Revenue from Contracts with Customers (Effective 1 January 2018)
- IFRS 16: Leases (Effective 1 January 2019)
- Amendments to IAS 7 Statement of cash flows (Effective 1 January 2017)
- IFRS 9: Financial instruments (Effective 1 January 2018)

Significant Accounting Policies

Revenue and cost recognition

Construction revenues is recognized using the percentage-of-completion method, measured by the percentage of total costs incurred to estimated total costs for each contract. This method is used because management considers expensed costs to be the best available measure of progress on these contracts.

Contract costs include all direct materials and labor costs and those costs related to contract performance, such as indirect labor, supplies, tools, repairs and depreciation costs. General and administrative expenses are expensed as incurred. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions, and estimated profitability may result in revisions to costs and income and are recognized in the period in which the revisions are determined.

Property and equipment

Items of property and equipment are stated at cost less accumulated depreciation and accumulated impairment, if any. Depreciation is calculated on the straight-line basis to write down the cost of each asset, to its residual value over its estimated useful life. Estimated useful lives of assets at their time of acquisition are:

Furniture, fittings and equipment	8 years
Light Motor vehicles	4 years
Heavy Motor vehicles	3 years

The useful lives and residual values are reviewed every year, with the effect of any changes in their estimates accounted for on prospective basis.

Property and equipment are periodically reviewed for impairment. If the carrying value of an asset is estimated to be greater than its recoverable amount, it is written down to its estimated recoverable amount.

The gain or loss arising on the disposal or retirement of an asset is determined between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

GRUMETI CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

Financial instruments are recognized at the end of each reporting period when the Company becomes a party to the contractual provisions of the instruments.

Financial assets

Investments are recognized and derecognized on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs.

Financial assets are classified into the following specified categories: "available-for-sale" ("AFS") financial assets, held to maturity ("HTM") and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. At the reporting dates included in these annual financial statements, the Company only had loans and receivables on its statement of financial position.

(a) Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortized cost using the effective interest rate method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The effective interest rate method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

(b) Impairment of financial assets

Financial assets are assessed for indicators of impairment annually. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. Objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organization.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

GRUMETI CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Impairment of financial assets (Continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account.

When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

(c) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, it recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

Financial liabilities

(a) Financial liabilities

Financial liabilities are classified as "financial liabilities at amortised cost".

(b) Financial liabilities at amortised cost

These include payables and amount due to related parties. They are initially measured at fair value, net of transaction costs.

The financial liabilities are subsequently measured at amortized cost using the effective interest rate method, with interest expense recognized on an effective yield basis.

GRUMETI CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) De-recognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, its obligations are discharged, cancelled or they expire.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and deposits held on call with banks. These are initially measured at fair value and subsequently at amortised cost using the effective interest rate method.

Translation of foreign currencies

These financial statements are presented in Tanzania shillings, which is also the functional currency of the Company. Transactions in currencies other than the Company's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of the year, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in profit or loss in the period in which they arise except for exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on foreign currency borrowing.

Retirement benefit costs

The Company participates in the publicly administered statutory pension fund schemes - the National Social Security Fund (NSSF) and Parastatal Pension Fund (PPF) where it contributes 10% of its employees' monthly gross remuneration. Employees are also obliged to contribute an additional 10% from their gross monthly remuneration. The Company has no further pension obligations to its staff other than its monthly contribution obligation to NSSF or PPF.

Contributions by the Company in respect of retirement benefit costs are charged to profit or loss in the year to which they relate.

Employee entitlements to annual leave are recognized when they accrue to employees. An accrual is made for the liability for annual leave earned but not taken at the end of the reporting period.

Tax

Income tax expense represents the total of the tax currently payable and deferred tax.

Current income tax

The current income tax charge in profit or loss is based on the statutory income tax rate of 30% applied on taxable profit for the year. The taxable profit is arrived at after taking into consideration relevant provisions of IAS 12 and the Income Tax Act, 2004 as amended.

GRUMETI CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tax (Continued)

Current income tax (Continued):

Taxable profit differs from accounting profit because of items of income or expense that are taxable or deductible in different accounting periods (temporary differences) and items that are never taxable or deductible for tax purposes (permanent differences). The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available in future against which those deductible temporary differences can be utilized.

Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period under review

Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items that are recognized outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognized outside profit or loss.

GRUMETI CONSTRUCTION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2016**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

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

Offset of financial assets and liabilities

Where a legally enforceable right of offset exists for recognised financial assets and financial liabilities, and there is an intention to settle the liability and realise the asset simultaneously, or to settle on a net basis, all related financial effects are offset.

GRUMETI CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2016

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below. These estimates are based on management's best knowledge of current events and actions they may undertake in the future but the actual results may ultimately differ from those estimates. The estimates and underlying assumptions are regularly reviewed and revisions to accounting estimates recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The areas of critical judgments and key sources of estimation uncertainty are as set out below:

Impairment provision

Management carries out a regular review of the status of trade receivables, inventories and other financial assets to determine whether there is any indication that these assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss, which is then dealt with in the income statement. In determining whether an impairment loss should be recognized in the income statement, management checks whether there is objective evidence that the assets are impaired and that the fair values have declined. Management estimates of the required provisions are based on critical evaluation of the economic circumstances involved, historical experience and other factors that are considered to be relevant.

Property and equipment

Critical estimates are made by Directors in determining the useful lives and residual lives to property and equipment based on the intended use of the assets and the economic lives of those assets. Subsequent changes in circumstances such as technological advances or prospective utilization of the assets concerned could result in the actual useful lives or residual values differing from initial estimates.

Taxes

The Company is subjected to a number of taxes and levies by various government and quasi-government regulatory bodies. As a rule of thumb, the Company recognizes liabilities for the anticipated tax/levies payable with utmost care and diligence. However, significant judgment is usually required in the interpretation and applicability of those taxes/levies. Should it come to the attention of management in one way or other, that the initially recorded liability was erroneous, such differences will impact on the income and liabilities in the period in which such differences are determined.

GRUMETI CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2016

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks, including credit risk, liquidity risk and the effects of changes in foreign currency exchange rates and interest rates. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance.

Risk management is carried out by the Finance Department of the Company under policies approved by the Board of Directors. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, and services offered. The Company, through its training, management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees and stakeholders understand their roles and obligations.

The most important types of risks are:

- Credit risk
- Liquidity risk
- Market risk which is mainly due to foreign exchange risk and interest rate risk

A description of the significant risk factors is given below together with the risk management policies applicable.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. Potential concentration of credit risk consist principally of short-term cash and cash equivalent investments, amounts due from related parties and trade and other receivables. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Company's management based on experience and the current economic environment. The carrying amount of financial assets represents the maximum credit exposure.

The amount that best represents the Company's maximum exposure to credit risk at 31 December 2016 without taking account of the value of any collateral obtained was:

	Fully performing TZS'000
31 December 2016	
Trade and other receivables (Note 12)	1,277,204
Amount due from related parties (Note 21)	8,459,544
Bank balances (Note 13)	1,006,330
Total credit exposure	<u>10,743,078</u>
31 December 2015	
Trade and other receivables (Note 12)	2,716
Amount due from related parties (Note 21)	1,914,271
Bank balances (Note 13)	616,804
Total credit exposure	<u>2,533,791</u>

Liquidity risk

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

GRUMETI CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2016

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the Company's short and medium - term funding and liquidity management requirements.

The Company manages liquidity risk by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. The Directors may from time to time at their discretion raise or borrow monies for the Company as they deem fit. There are no borrowing limits in the articles of association of the Company.

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay.

31 December 2016

	<1 year TZS'000	Total TZS'000
Trade and other payables (Note 15)	1,573,304	1,573,304
Due to related parties (Note 21)	15,993,554	15,993,554
Total	<u>17,566,858</u>	<u>17,566,858</u>

31 December 2015

	<1 year TZS'000	Total TZS'000
Trade and other payables (Note 15)	117,312	117,312
Due to related parties (Note 21)	12,162,503	12,162,503
Total	<u>12,279,815</u>	<u>12,279,815</u>

The following table details the Company's expected maturity for its non-derivative financial assets. The table has been drawn up based on the undiscounted contractual maturities of the financial assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Company's liquidity risk management as the liquidity is managed on a net asset and liability basis.

31 December 2016

	<1 year TZS'000	Total TZS'000
Trade and other receivables (Note 12)	1,277,204	1,277,204
Due from related parties (Note 21)	8,459,544	8,459,544
Cash and bank balances (Note 13)	1,073,964	1,073,964
Total	<u>10,810,712</u>	<u>10,810,712</u>

31 December 2015

	<1 year TZS'000	Total TZS'000
Trade and other receivables	2,716	2,716
Due from related parties	1,914,271	1,914,271
Cash and bank balances	616,804	616,804
Total	<u>2,533,791</u>	<u>2,533,791</u>

GRUMETI CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2016

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Market risk

The Company's activities expose it primarily to the financial risks of changes in interest rates and foreign currency exchange rates. The Company is not exposed to interest rate risk as it has no interest bearing financial instruments.

The Company's costs and expenses are principally incurred in Tanzanian Shillings (TZS) and United States Dollars (US\$). The Company does not enter into formal hedging transactions in respect of these transactions. Volatility in the exchange rate of US\$ against TZS would make the Company's costs and results less predictable than when exchange rates are more stable.

Average TZS to US\$ exchange rates at 31 December 2016 and 31 December 2015 were 1 US\$ = TZS 2,179 and 1 USD\$ = TZS 2,159 respectively.

Operational risk

The Company is exposed to operational risk, which is associated with human error, system failures and inadequate procedures and controls. The Company ensures that there is an effective, integrated operational risk management framework that incorporates a clearly defined organizational structure, with defined roles and responsibilities for all aspects of operational risk management that support the identification, assessment, control and reporting of key business risks.

Financial instruments categorization as at 31 December 2016

	Loan and receivables TZS'000	Financial liabilities carried at amortized cost TZS'000	Total TZS'000
Financial assets			
Trade and other receivables (Note 12)	1,277,204	-	1,277,204
Due from related parties (Note 21)	8,459,544	-	8,459,544
Cash and bank balances (Note 13)	1,073,964	-	1,073,964
Total financial assets	10,810,712	-	10,810,712
Financial liabilities			
Trade and other payables (Note 15)	-	1,573,304	1,573,304
Due to related parties (Note 21)	-	15,993,554	15,993,554
Total financial liabilities	-	17,566,858	17,566,858

Financial instruments categorization as at 31 December 2015

	Loan and receivables TZS'000	Financial liabilities carried at amortized cost TZS'000	Total TZS'000
Financial assets			
Trade and other receivables (Note 12)	2,716	-	2,716
Due from related parties (Note 21)	1,914,271	-	1,914,271
Cash and bank balances (Note 13)	616,804	-	616,804
Total financial assets	2,533,791	-	2,533,791
Financial liabilities			
Trade and other payables (Note 15)	-	117,311	117,311
Due to related parties (Note 21)	-	12,162,503	12,162,503
Total financial liabilities	-	12,279,814	12,279,814

GRUMETI CONSTRUCTION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2016**

6. CAPITAL RISK MANAGEMENT

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Company consists of debt, which includes the payables less cash and cash equivalents, and equity attributable to equity holders of the Company, comprising issued capital and accumulated losses/profit.

The Board of Directors reviews the capital structure on a regular basis. As part of this review, the Board considers the cost of capital and the risks associated with each class of capital. Based on the review, the Company analyses and assesses the gearing ratio to determine the level and its optimality.

The constitution of capital managed by the Company is as shown below:

	As at 31-Dec-16 TZS'000	As at 31-Dec-15 TZS'000
Share capital	3,224,729	2,637,750
Accumulated losses	<u>(10,076,277)</u>	<u>(10,979,018)</u>
Equity	<u>(6,851,548)</u>	<u>(8,341,268)</u>
Total payables	17,708,243	12,279,814
Less: Cash and cash equivalents	<u>(1,073,964)</u>	<u>(616,804)</u>
Net debt	<u>16,634,279</u>	<u>11,663,010</u>
Total capital	<u>9,782,731</u>	<u>3,321,742</u>
Gearing (Net debt to total capital)	<u>170%</u>	<u>351%</u>
	Year Ended 31-Dec-16 TZS'000	Year Ended 31-Dec-15 TZS'000
7. CONTRACT REVENUE		
Construction projects for Grumeti Reserves, Fund and Air	3,389,493	1,523,115
Construction of Kilima One Lodge Ltd	<u>6,898,104</u>	<u>7,527,829</u>
	<u>10,287,596</u>	<u>9,050,944</u>

GRUMETI CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2016

	Year ended 31-Dec-16 TZS'000	Year ended 31-Dec-15 TZS'000
8. CONTRACT COSTS		
Construction of Kilima One Lodge Ltd: costs incurred	1,027,901	11,981,540
Construction of Kilima One Lodge Ltd: expected losses	-	468,822
Building supplies and materials	<u>2,206,047</u>	<u>1,431,390</u>
	<u>3,233,948</u>	<u>13,881,752</u>
9. OTHER INCOME		
Income from vehicle hire	53,042	42,549
Sale of blocks	<u>1,722</u>	<u>32,189</u>
	<u>54,764</u>	<u>74,738</u>
10. GENERAL AND ADMINISTRATIVE EXPENSES		
Staff salaries and related expenses (see note 11)	932,182	571,593
Management fee	26,171	511,591
Audit fees	27,725	17,405
Tax consultation fees	20,414	13,943
Repairs and maintenance	118,606	30,086
Professional and legal fees	453,227	79,539
Insurance expenses	7,594	18,809
Telephone and utilities	5,428	4,418
Household expenses	14,798	210
Security and safety	-	980
Travel expenses	35,873	22,132
Taxes and licenses	25,264	29,659
Vehicle expenses	907,657	576,557
Other administrative expenses	540,331	67,966
Small equipment	159,825	3,833
Foreign exchange loss	2,527,556	126,202
Depreciation of property and equipment	<u>371,992</u>	<u>337,366</u>
	<u>6,174,644</u>	<u>2,412,289</u>
11. STAFF SALARIES		
Salaries, wages and other employee costs	718,481	533,612
Social security contributions - NSSF & PPF (Current year)	64,363	24,175
Social security contributions - NSSF & PPF (casual staff - previous year)	134,249	-
Skills and Development Levy - SDL	<u>15,090</u>	<u>13,806</u>
	<u>932,182</u>	<u>571,593</u>
12. TRADE AND OTHER RECEIVABLES		
Trade receivables	1,264,914	-
Other receivables	12,290	2,716
Prepayments	<u>684,725</u>	<u>-</u>
	<u>1,961,929</u>	<u>2,716</u>
13. CASH AND BANK BALANCES		
Bank balances	1,006,330	616,804
Cash balances	<u>67,634</u>	<u>-</u>
	<u>1,073,964</u>	<u>616,804</u>

GRUMETI CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2016

	As at 31-Dec-16 TZS'000	As at 31-Dec-15 TZS'000
14. CONSTRUCTION WORK IN PROGRESS		
Construction work-in-progress	21,906,378	15,042,547
Less: Billings	(21,906,378)	(15,042,547)
Net construction work-in-progress	<u><u>-</u></u>	<u><u>-</u></u>
15. DEFERRED INCOME, TRADE & OTHER PAYABLES & PROVISIONS		
(a) Deferred income		
Deferred income	<u>1,047,840</u>	<u>-</u>
(b) Trade and other payables		
Trade payables	1,517,377	-
Other payables	55,927	117,312
	<u>1,573,304</u>	<u>117,311</u>
(c) Provisions for expected contract losses		
Opening balance	468,822	-
(Decrease)/increase in provision for the year	(468,822)	468,822
Closing balance	<u><u>-</u></u>	<u><u>468,822</u></u>
16. SHARE CAPITAL		
Authorized:		
500,000 Ordinary shares at TZS 10,000 each	<u>5,000,000</u>	<u>5,000,000</u>
Issued share capital		
322,473 (2015: 263,775) Ordinary shares at TZS 10,000 each	<u>3,224,730</u>	<u>2,637,750</u>
17. SHORT TERM BORROWINGS		
At 1 January	-	423,029
Loan received during the period	586,979	2,214,711
Conversion of the loan to equity	(586,979)	(2,637,740)
At 31 December	<u><u>-</u></u>	<u><u>-</u></u>

During the year ended 31 December 2016, the Company received financial assistance from its parent company, Grumeti Reserves Limited, in the form of short term borrowings. The value of the borrowings at the end of the current reporting year amounted to TZS 586,979,000 (2015: TZS 2,637,740,000). The amount outstanding was converted to share capital on the same date by way of issuance of additional shares to Grumeti Reserves limited.

GRUMETI CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2016

18. PROPERTY AND EQUIPMENT

At 31 December 2016

Cost	Motor Vehicles TZS'000	Furniture, fittings and equipment TZS'000	Total TZS'000
At 1 January 2016	1,051,671	26,270	1,077,941
Additions	240,460	36,688	277,148
At 31 December 2016	<u>1,292,131</u>	<u>62,958</u>	<u>1,355,089</u>
Depreciation			
At 1 January 2016	534,050	5,774	539,825
Charge for the year	365,947	6,044	371,992
At 31 December 2016	<u>899,998</u>	<u>11,819</u>	<u>911,816</u>
Net carrying value at 31 December 2016	<u>392,133</u>	<u>51,139</u>	<u>443,273</u>

At 31 December 2015

Cost	Motor Vehicles TZS'000	Furniture, fittings and equipment TZS'000	Total TZS'000
At January 2015	843,829	22,190	866,020
Additions	207,841	4,080	211,921
At 31 December 2015	<u>1,051,671</u>	<u>26,270</u>	<u>1,077,941</u>
Depreciation			
At January 2015	199,685	2,774	202,459
Charge for the year	334,365	3,000	337,366
At 31 December 2015	<u>534,050</u>	<u>5,774</u>	<u>539,825</u>
Net carrying value at 31 December 2015	<u>517,620</u>	<u>20,496</u>	<u>538,117</u>

GRUMETI CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2016

19. TAX

	2016 TZS '000	2015 TZS '000
Charge for the year		
Alternative Minimum Tax (AMT)	31,027	-
Penalties incurred during the year	3,148	-
Total payable as at 31 December	<u>34,175</u>	<u>-</u>
Tax payable		
Opening balance	-	-
Charge for the year	34,175	-
Closing balance	<u>34,175</u>	<u>-</u>

The Company has accumulated tax losses of TZS 9,927,083,707 (2015: TZS 10,340,075,240). However, Alternative Minimum Tax (AMT) at the rate of 0.3% of revenue for the year has been accrued as required by the Tanzanian Income Tax Act which requires entities that have had no taxable income for three consecutive income tax periods to pay AMT.

20. DEFERRED TAX

The deferred tax asset of TZS 2,995,313,803 (2015: TZS 3,202,708,494) has not been recognized in the statement of financial position because the Directors do not expect the Company to generate sufficient taxable profits in the foreseeable future against which the deferred tax asset can be utilized. The deferred tax asset is made up as follows:

	2016 TZS'000	2015 TZS'000
Deferred tax liabilities/(assets)		
Accelerated depreciation of property and equipment	(46,962)	2,100
Unrealised foreign exchange gains/(losses)	29,774	37,861
Provision for expected contract losses	-	(140,647)
Tax losses carried forward	(2,978,125)	(3,102,023)
Net deferred tax asset	<u>(2,995,314)</u>	<u>(3,202,708)</u>

21. RELATED PARTY TRANSACTIONS AND BALANCES

Related party relationships exist between the Company, its shareholders, other companies under common ownership or control and the Directors of the Company.

	Year ended 31-Dec-16 TZS'000	Year Ended 31-Dec-15 TZS'000
(i) The following transactions were carried out with related parties:		
Sale of goods and services:		
Construction projects - Related party	3,389,493	1,523,100
Sale of blocks - Grumeti Reserves Limited	-	32,200
Vehicle hire	53,042	-
	<u>3,442,535</u>	<u>1,555,300</u>
Purchase of goods and services:		
Management fees - Grumeti Reserves Ltd	<u>26,171</u>	<u>511,591</u>

GRUMETI CONSTRUCTION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2016**

21. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

	As at 31-Dec-16 TZS'000	As at 31-Dec-15 TZS'000
(ii) Amounts due from related parties		
Grumeti Reserves Limited (sales receivables)	8,459,534	1,914,261
Mr. Daniel Mwasandube (Unpaid share capital)	10	10
	<u>8,459,544</u>	<u>1,914,271</u>

No impairment has been recognized on the amounts due from related parties.

(iii) Amounts due to related parties		
Grumeti Reserves Limited - KOL project	9,944,784	6,422,905
Grumeti Reserves Limited - Other construction projects	6,048,770	5,739,598
	<u>15,993,554</u>	<u>12,162,503</u>

	Year/period ended	
	31-Dec-16	31-Dec-15
(iv) Key management compensation		
Key Management compensation includes remuneration of the principal officers of the Company.		
Salaries and other short-term employee benefits	113,354	109,631
Post employment benefits - social security contributions	10,279	10,231
	<u>123,633</u>	<u>119,862</u>
(v) Directors' remuneration		
The directors were not paid any remuneration by the Company.	<u>103,076</u>	<u>99,399</u>

22. ULTIMATE PARENT COMPANY

The Company is a limited liability company, incorporated and domiciled in Tanzania. The immediate holding entity is Grumeti Reserves Limited registered in Tanzania and the ultimate holding entity is Grumeti Community and Conservation LLC, registered in Connecticut, United States of America.

23. EVENTS AFTER THE REPORTING DATE

At the date of signing the financial statements, the Directors are not aware of any matter that requires disclosure in or adjustment of the financial statements.