GRUMETI CONSTRUCTION LIMITED
ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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FOR THE YEAR ENDED 31 DECEMBER 2017

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GRUMETI CONSTRUCTION LIMITED

CORPORATE INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2017

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
MAIN BANKERS:	National Bank of Commerce Limited P.O. Box 3004 Arusha, Tanzania CRDB Bank Plc. P.O. Box 386 Musoma, Tanzania First National Bank Tanzania Limited Mezzanine floor, PPF Plaza Old Moshi Road Arusha, Tanzania
ATTORNEY:	Mawalla Advocates P.O. Box 6101 Arusha, Tanzania

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017

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 31st December 2017, 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 2017, 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.

4. DIRECTORS

The Directors of the Company at the date of this report and who have served since 1 January 2017, except where otherwise stated are:

Name	Position	Age	Nationality	Discipline/Occupation
Mr. Graham J. Ledger	Director	61	British	Hotelier
Mr. Daniel Mwasandube	Director	62	Tanzanian	Quantity Surveyor

5. CAPITAL STRUCTURE

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

	2017		2016	
	No. of shares	Value TZS '000	No. of shares	Value TZS '000
Authorized share capital:				
Ordinary shares at TZS 10,000 each	2,000,000	20,000,000	500,000	5,000,000
Issued share capital				
Ordinary shares at TZS 10,000 each	1,303,084	13,030,840	322,473	3,224,730

6. SHAREHOLDERS OF THE COMPANY

The shareholding of the Company is as stated below:-

	2017		2016	
	No. of shares	% Share-holding	No. of shares	% Share-holding
Grumeti Reserves Limited -Fully Paid	1,303,083	99.9999%	322,472	99.999%
Mr. Daniel Mwasandube - Unpaid	1	0.0001%	1	0.001%
	1,303,084	**100%**	**322,473**	**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 YEAR

The Company's results for the year are set out in the statement of profit or loss and other comprehensive income.

9. SOLVENCY OF THE COMPANY

The state of financial affairs of the Company is set out in the statement of financial position.

The Company incurred a loss of TZS 878,951,000 during the year ended 31 December 2017 (2016: a profit of TZS 902,742,000) resulting into an increase in accumulated losses to TZS 10,955,227,000 as at 31 December 2017 (2016: TZS 10,076,276,000). However, the Company's total and current assets exceeded total and current liabilities by TZS 2,075,613,000 and TZS 1,623,917,000 respectively.

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.

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 year.

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.

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	**2017**	**2016**
Male	29	29
Female	-	-
	29	29

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 2017 and has expressed willingness to continue in office and is eligible for reappointment. A resolution to appoint Ernst & Young for the year 2018 will be presented to the Annual General Meeting.

The Directors' Report was approved by the Board of Directors on 3rd July 2018 and signed on its behalf by:

....
Graham Ledger
Director

STATEMENT OF DIRECTORS' RESPOSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2017

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 (IFRS) and in compliance with the requirements of the Tanzanian Companies Act, 2002. The Directors are of the opinion that te financial statements present fairly the state of the financial affairs of the Company and of its operating results.

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

The financial statements are prepared on the basis of accounting policies applicable to a going concern. This basis presumes that the Company will continue to be solvent and 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.

....
Graham Ledger
Director

3rd July 2018

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 financial position and performance in accordance with International Financial Reporting Standards and the requirements of the Tanzanian Companies Act, 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 2017 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: Head of Finance

NBAA Membership No.: TACPA 1546

Date: 3rd July 2018

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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 34, which comprise the statement of financial position as at 31 December 2017, 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 2017, 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.

Other Information included in the Company's 2017 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

Ernst & Young
Certified Public Accountants
Dar es Salaam

Signed by : Julius Rwajekare (TACPA 2760)____________

Date: 27 JULY **2018**

GRUMETI CONSTRUCTION LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	Year ended 31-Dec-17 TZS'000	Year ended 31-Dec-16 TZS'000
Contract revenue	7	6,643,181	10,287,597
Contract costs	8	(6,009,567)	(3,233,948)
Gross profit		**633,614**	**7,053,649**
Other income	9	128,802	54,764
General and administrative expenses	10	(1,621,051)	(6,174,644)
(Loss)/profit before income tax		**(858,635)**	**933,769**
Income tax charge	19	(20,316)	(31,027)
(Loss)/profit for the year		**(878,951)**	**902,742**
Other comprehensive income		-	-
Total comprehensive (loss)/income for the year, net of tax		**(878,951)**	**902,742**

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Notes	As at 31-Dec-17 TZS'000	As at 31-Dec-16 TZS'000
ASSETS			
Property and equipment	18	451,696	443,273
		451,696	**443,273**
Current assets			
Inventories	22	398,026	-
Trade and other receivable	12	295,410	1,961,929
Amount due from related parties	21	381,942	8,459,544
Tax recoverable	19	120,385	-
Cash and bank balances	13	879,282	1,073,964
		2,075,045	**11,495,437**
TOTAL ASSETS		**2,526,741**	**11,938,710**
EQUITY AND LIABILITIES			
Equity			
Share capital	15	13,030,840	3,224,730
Accumulated losses		(10,955,227)	(10,076,276)
		2,075,613	**(6,851,546)**
Current liabilities			
Amount due to related parties	21	127,876	15,993,554
Deferred income	16(a)	-	1,047,840
Trade and other payables	16(b)	297,929	1,573,304
VAT payable		25,323	141,383
Tax payable	19	-	34,175
		451,128	**18,790,256**
TOTAL EQUITY AND LIABILITIES		**2,526,741**	**11,938,710**

The financial statements were approved and authorized by the Board of Directors on 3RD July ....2018 and signed on it's behalf by:

....

Graham Ledger
Director

GRUMETI CONSTRUCTION LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital TZS'000	Accumulated losses TZS'000	Total TZS'000
As at 1 January 2017	3,224,730	(10,076,276)	(6,851,546)
Issued share capital	9,806,110	-	9,806,110
Total comprehensive loss for the year		(878,951)	(878,951)
As at 31 December 2017	**13,030,840**	**(10,955,227)**	**2,075,613**
As at 1 January 2016	2,637,750	(10,979,018)	(8,341,268)
Issued share capital	586,980	-	586,980
Total comprehensive income for the year	-	902,742	902,742
As at 31 December 2016	**3,224,730**	**(10,076,276)**	**(6,851,546)**

GRUMETI CONSTRUCTION LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	Year ended 31-Dec-17 TZS'000	Year ended 31-Dec-16 TZS'000
Operating activities			
(Loss)/profit before income tax		(858,635)	933,769
Decrease in provision for expected contract losses		-	(468,822)
Adjustments for:			
Depreciation of property and equipment	18	275,912	371,992
Net cash (used in)/from operations before working capital changes		**(582,723)**	**836,939**
Working capital adjustments:			
Increase in inventories		(398,026)	-
Decrease/(increase) in trade and other receivables		1,666,519	(1,959,213)
(Decrease)/increase in trade and other payables		(2,323,215)	2,506,981
Decrease/(increase) in receivables from related parties		8,077,602	(6,545,273)
(Decrease)/increase in VAT payable		(116,060)	1,476,846
(Decrease)/increase in payables to related parties excluding transfers to issued capital		(6,059,568)	3,831,051
Cash generated from operations		**264,529**	**147,331**
Tax paid		(174,876)	-
Net cash flows from operating activities		**89,654**	**147,331**
Investing activities			
Purchase of property and equipment	18	(284,336)	(277,148)
Net cash flows used in investing activities		**(284,336)**	**(277,148)**
Financing activities			
Proceeds from issued share capital		-	586,980
Net cash flows from financing activities		**-**	**586,980**
Net increase in cash and cash equivalents		(194,682)	457,163
Cash and cash equivalents at 1 January		1,073,964	616,801
Cash and cash equivalents at 31 December	13	**879,282**	**1,073,964**
Represented by:			
Cash in hand	13	66,674	67,634
Bank balances	13	812,608	1,006,330
		879,282	**1,073,964**

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 under Corporate Information. 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

During the year, the Company incurred a loss of TZS 878,951,000 (2016: profit of TZS 902,742,000) resulting into an increase in accumulated losses to TZS 10,955,227,000 as at 31 December 2017 (2016: TZS 10,076,276,000). However, the Company's total and current assets exceeded total and current liabilities by TZS 2,075,613,000 and TZS 1,623,917,000 respectively. The Directors are also pursuing short and longterm business plans and strategies including new investments to ensure that the Company keeps solvent and returns to profitability.

The financial statements are prepared on the basis of accounting policies applicable to a going concern. This basis presumes that the Company will continue being solvent 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.

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 9: Financial instruments (Effective 1 January 2018)

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into three measurement categories: those measured at fair value through profit or loss (FVPL), fair value through other comprehensive income (FVOCI), and those measured at amortized cost. Equity instruments should be measured at fair value and those that are not held for trading may be irrevocably designated as measured at fair value through other comprehensive income (FVOCI) with no subsequent reclassification of gains or losses to profit or loss. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than in profit or loss, unless this creates an accounting mismatch. A final standard on hedging (excluding macro-hedging) has been issued in November 2013 which aligns hedge accounting more closely with risk management and allows to continue hedge accounting under IAS 39.

The Company expects that implementation of the standard will have the following impact:

• Trade and other receivables, amounts receivable from related parties and bank balances are expected to pass the solely for payment of principal and interest (SPPI) test and are held to collect contractual cash flows. Therefore, these financial assets are expected to be measured at amortized cost using the effective interest method. The expected credit loss on these financial assets is not expected to be significant as it is expected that the probability of default is low for these financial assets.

• The classification and measurement of financial liabilities is not expected to change on the adoption of this standard.

The Company will adopt the new standard on the required effective date using the modified retrospective transition approach.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The interpretation addresses: i) whether an entity considers uncertain tax treatments separately; ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; iii) how the entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019. The Company is still assessing the impact of this interpretation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Standards issued but not yet effective (Continued)

IFRS 15 Revenue from Contracts with Customers (Effective 1 January 2018):
IFRS 15 was issued in May 2014, and amended in April 2016, and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Company plans to adopt the new standard on the required effective date using the modified retrospective method.

The Company is still assessing the likely impact of this standard.

Other new and amended standards

The other new and amended standards issued but not yet effective are not expected to have an impact on the Company's financial statements.

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 the time of acquisition are:

Computer hardware	3 years
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.

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.

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.

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.

<u>Current income tax</u>

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.

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.

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.

Offseting of financial assets and financial 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.

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 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 profit or loss. In determining whether an impairment loss should be recognized in profit or loss, management checks whether there is objective evidence that the assets are impaired. 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.

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.

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 without taking account of the value of any collateral obtained was:

	Fully performing	
	2017	**2016**
	TZS'000	**TZS'000**
Trade and other receivables (Note 12)	273,445	1,277,204
Amount due from related parties (Note 21)	381,942	8,459,544
Bank balances (Note 13)	812,608	1,006,330
Total credit exposure	**1,467,995**	**10,743,078**

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.

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.

At 31 December 2017	<1 year	Total
	TZS'000	TZS'000
Trade and other payables (Note 16)	297,929	297,929
Due to related parties (Note 21)	127,876	127,876
Total	**425,805**	**425,805**

At 31 December 2016	<1 year	Total
	TZS'000	TZS'000
Trade and other payables (Note 16)	1,573,304	1,573,304
Due to related parties (Note 21)	15,993,554	15,993,554
Total	**17,566,858**	**17,566,858**

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.

	<1 year	Total
At 31 December 2017	TZS'000	TZS'000
Trade and other receivables (Note 12)	273,445	273,445
Due from related parties (Note 21)	381,942	381,942
Cash and bank balances (Note 13)	879,282	879,282
Total	**1,534,669**	**1,534,669**

	<1 year	Total
At 31 December 2016	TZS'000	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	**10,810,712**	**10,810,712**

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Market risk

The Company's activities expose it primarily to the financial risks of changes in 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 2017 and 31 December 2016 were 1 US$ = TZS 2,240 and 1 USD$ = TZS 2,179 respectively.

The Company was exposed to the currencies disclosed in the table below (All amounts are in TZS'000):

	USD	In functional currency (TZS)	Total
At 31 December 2017			
Financial assets			
Trade and other receivables	198,868	74,577	273,445
Due from related parties	381,019	924	381,942
Cash and bank balances	580,569	298,713	879,282
	1,160,456	**374,214**	**1,534,669**
Financial liabilities			
Trade and other payables	29,378	268,551	297,929
Due to related parties	-	127,876	127,876
	29,378	**396,427**	**425,805**
At 31 December 2016			
Financial assets			
Trade and other receivables	1,264,295	12,909	1,277,204
Due from related parties	2,919,702	5,539,842	8,459,544
Cash and bank balances	1,059,453	14,511	1,073,964
	5,243,450	**5,567,261**	**10,810,712**
Financial liabilities			
Trade and other payables	38,105	1,535,199	1,573,304
Due to related parties	-	15,993,554	15,993,554
	38,105	**17,528,753**	**17,566,858**

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Market risk (Continued)

Financial instruments categorization as at 31 December 2017

	Loans and receivables TZS'000	Financial liabilities carried at amortized cost TZS'000	Total TZS'000
Financial assets			
Trade and other receivables (Note 12)	273,445	-	273,445
Due from related parties (Note 21)	381,942	-	381,942
Cash and bank balances (Note 13)	879,282	-	879,282
Total financial assets	**1,534,670**	**-**	**1,534,670**
Financial liabilities			
Trade and other payables (Note 15)	-	297,929	297,929
Due to related parties (Note 21)	-	127,876	127,876
Total financial liabilities	**-**	**425,805**	**425,805**

Financial instruments categorization as at 31 December 2016

	Loans 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**

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 trade and other payables plus amounts due to related parties less cash and cash equivalents, and equity attributable to equity holders of the Company, comprising of issued capital and accumulated losses.

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-17 TZS'000	As at 31-Dec-16 TZS'000
Share capital	13,030,840	3,224,730
Accumulated losses	(10,955,227)	(10,076,276)
Equity	**2,075,613**	**(6,851,546)**
Payables	425,805	17,566,858
Less: Cash and cash equivalents	(879,282)	(1,073,964)
Net debt	**(453,477)**	**16,492,894**
Total capital	**1,622,136**	**9,641,348**
Gearing (Net debt to total capital)	**N/A**	**171%**

7. CONTRACT REVENUE

	Year Ended 31-Dec-17 TZS'000	Year Ended 31-Dec-16 TZS'000
Construction projects - Grumeti Reserves, Grumeti Fund and Grumeti Air	2,423,163	3,389,493
Construction projects - Grumeti Reserves for SH Lodge/Kilima One	4,220,018	6,898,104
	6,643,181	**10,287,597**

	Year ended 31-Dec-17 TZS'000	Year ended 31-Dec-16 TZS'000
8. CONTRACT COSTS		
Construction of SH Lodge/Kilima - costs incurred	3,583,744	1,027,901
Building supplies and other project direct costs	2,425,823	2,206,047
	6,009,567	**3,233,948**
9. OTHER INCOME		
Income from vehicle hire	26,148	53,042
Sale of slates	17,490	-
Sale of blocks	7,513	-
Misc income	9,178	1,722
Foreign exchange gain	68,472	-
	128,802	**54,764**
10. GENERAL AND ADMINISTRATIVE EXPENSES		
Employment costs (Note 11)	530,501	932,182
Management fee	136,634	26,171
Audit fees	30,499	27,725
Tax consultation fees	20,333	20,414
Repairs and maintenance	29,529	118,606
Professional and legal fees	294,313	453,227
Insurance expenses	1,778	7,594
Telephone and utilities	7,919	5,428
Household expenses	16,589	14,798
Security and safety	-	-
Travel expenses	32,061	35,873
Taxes and licenses	81,632	25,264
Vehicle expenses	11,070	907,657
Other administrative expenses	151,117	540,331
Small equipment	1,165	159,825
Foreign exchange loss	-	2,527,556
Depreciation of property and equipment	275,912	371,992
	1,621,051	**6,174,644**
11. EMPLOYMENT COSTS		
Salaries, wages and other employee costs	423,130	718,481
Social security contributions - NSSF & PPF (Current year)	35,305	64,363
Social security contributions - NSSF & PPF (casual staff - prior year	-	134,249
Skills and Development Levy - SDL (Current year)	17,209	15,089
Skills and Development Levy - SDL (prior year assessments)	54,857	-
	530,501	**932,182**
12. TRADE AND OTHER RECEIVABLES		
Trade receivables	198,868	1,264,295
Other receivables	47,373	2,489
Advances to employees	27,204	10,421
Prepayments	21,965	684,725
	295,410	**1,961,929**

Trade and other receivables are non interest bearing and due on 30 - 60 days terms. No amounts were either past due or impaired.

	As at 31-Dec-17 TZS'000	As at 31-Dec-16 TZS'000
13. CASH AND BANK BALANCES		
Bank balances	812,608	1,006,330
Cash balances	66,674	67,634
	879,282	**1,073,964**

For the purpose of the statement of cash flows, cash and cash equivalents comprise of the above balances.

14. CONSTRUCTION WORK-IN-PROGRESS

Construction work-in-progress	-	21,906,378
Less: Billings	-	(21,906,378)
Net construction work-in-progress	**-**	**-**

15. SHARE CAPITAL

Authorized:

2,000,000 Ordinary shares at TZS 10,000 each	20,000,000	5,000,000

Issued share capital

1,303,084 (2016: 322,473) Ordinary shares at TZS 10,000 each	13,030,840	3,224,730

16. DEFERRED INCOME, TRADE & OTHER PAYABLES

(a) Deferred income

Deferred income	-	1,047,840

(b) Trade and other payables

Trade payables	184,799	1,517,377
Other payables	113,130	55,927
	297,929	**1,573,304**

17. SHORT TERM BORROWINGS

At 1 January	-	-
Loan received during the period	940,757	586,980
Conversion of the loan to equity	(940,757)	(586,980)
At 31 December	**-**	**-**

During the year, the Company received financial assistance from its parent Company, Grumeti Reserves Limited, in the form of short term borrowings. The amount of the borrowings received was converted to share capital by way of issuance of additional shares to Grumeti Reserves Limited.

18. PROPERTY AND EQUIPMENT

At 31 December 2017

Cost	Motor Vehicles TZS'000	Furniture, fittings and equipment TZS'000	Total TZS'000
At 1 January 2017	1,292,131	62,958	1,355,089
Additions	31,000	253,336	284,336
At 31 December 2017	**1,323,131**	**316,294**	**1,639,424**
Depreciation			
At 1 January 2017	899,998	11,819	911,816
Charge for the year	243,440	32,472	275,912
At 31 December 2017	**1,143,438**	**44,291**	**1,187,729**
Net carrying amount at 31 December 2017	**179,693**	**272,003**	**451,696**

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	**1,292,131**	**62,958**	**1,355,089**
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	**899,998**	**11,819**	**911,816**
Net carrying amount at 31 December 2016	**392,133**	**51,139**	**443,273**

19. TAX

	2017 TZS '000	2016 TZS '000
Charge for the year		
Alternative Minimum Tax (AMT)	20,316	31,027
Penalties incurred during the year	-	3,148
Total tax charge for the year	**20,316**	**34,175**

	2017 TZS '000	2016 TZS '000
Tax (receivable)/payable		
Opening balance	34,175	-
Charge for the year	20,316	34,175
Paid during the year	(174,876)	-
Closing balance	**(120,385)**	**34,175**

The Company has accumulated tax losses of TZS 10,766,287,273 (2016: TZS 9,927,053,440). 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.

A reconciliation between the tax expense and the product of accounting loss multiplied by the tax rate for the year is as follows:

	2017 TZS '000	2016 TZS '000
(Loss)/profit before tax	**(858,635)**	**933,769**
Income tax at 30%	(257,591)	280,131
Permanent non allowable expenses	2,541	2,994
Prior year deferred tax adjustment	-	(75,943)
Deferred tax credit/(charge) not recognised	255,050	(207,182)
Alternative minimum tax	20,316	34,175
Income tax charge for the year	**20,316**	**34,175**

20. DEFERRED TAX

The net deferred tax asset below 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:

	2017 TZS'000	2016 TZS'000
Deferred tax liabilities/(assets)		
Accelerated depreciation of property and equipment	(52,876)	(46,962)
Unrealised foreign exchange gains	32,186	29,553
Tax losses carried forward	(3,229,886)	(2,978,116)
Net deferred tax asset	**(3,250,575)**	**(2,995,526)**
Movement in deferred tax asset		
Opening balance	(2,995,526)	(3,202,708)
(Credit)/charge for the year	(255,050)	207,182
Closing balance	**(3,250,575)**	**(2,995,526)**

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-17 TZS'000	Year Ended 31-Dec-16 TZS'000
(i) The following transactions were carried out with related parties:		
Sale of goods and services:		
Construction projects - Related party	5,656,767	3,389,493
Sale of blocks	7,513	-
Vehicle hire	25,579	53,042
Sale of slates	17,490	-
	5,707,349	**53,042**
Purchase of goods and services:		
Management fees - Grumeti Reserves Ltd	**136,634**	**26,171**
Short term loans received		
Grumeti Reserves Limited	940,757	586,980

	As at 31-Dec-17	As at 31-Dec-16
(ii) Amounts due from related parties		
Grumeti Reserves Limited (sales receivable)	381,932	8,459,534
Mr. Daniel Mwasandube (Unpaid share capital)	10	10
	381,942	**8,459,544**
(iii) Amounts due to related parties		
Grumeti Reserves Limited - KOL project	-	9,944,784
Grumeti Reserves Limited	127,876	6,048,770
	127,876	**15,993,554**

Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. Amounts due from/to related parties are normally settled in 30 - 60 days terms. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2017, the Company has not recorded any impairment loss on receivables relating to amounts owed by related parties (2016: Nil). This assessment is undertaken each financial year through examining the financial position of the related parties and the market in which the related parties operate.

(iv) Compensation for key management personnel

Key management personnel are described as the persons having responsibility for planning, directing and controlling the activities of the Company directly or indirectly. Key Management compensation includes remuneration of the principal officers of the Company.

Salaries and other short-term employee benefits	111,885	113,354
Post employment benefits - social security contributions	10,605	10,279
	122,490	**123,633**

21. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(v) Directors' remuneration

The Directors were not paid any remuneration by the Company.

	As at 31-Dec-17	As at 31-Dec-16
22. Inventories		
Consumables	**398,026**	-

No inventories were impaired as at year-end.

23. 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.

24. COMMITMENTS AND CONTINGENCIES

Contigent liability

The normal procedure for determining the final income tax liability in Tanzania involves the Company filing its self-assessed final income tax returns with the Tanzania Revenue Authority (TRA) followed by TRA performing its own review of the Company's submissions and issuing a notice of final income tax assessment to the Company. It is possible that the final income tax liability as determined by TRA following its review may differ from the liability determined by the Company due to differences in the interpretation of the tax laws. In such cases, procedures are in place for the Company to object and appeal against the TRA assessments. It is common that the timeframe from the Company's submission of its final tax return and for TRA performing its review and issuing notice of final tax assessment may be several months or years.

At 31 December 2017, the Company had open tax assessments amounting to TZS 662 million relating to VAT. The Directors reasonably expect that no material unrecognised tax liabilities will probably result from the open tax assessments and the open unassessed tax years.

Commitments

The Directors are not aware of any commitments as at year-end (2016: Nil).

25. EVENTS AFTER THE REPORTING PERIOD

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