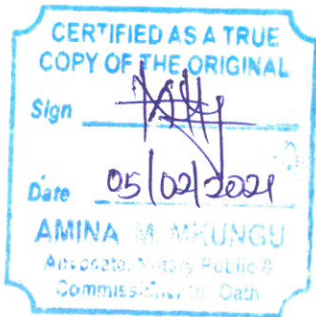

ERERA TANZANIA LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2019



**ERERA TANZANIA LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2019**

Table of Contents

Corporate Information	2
Statement of Directors' Responsibilities	4
Auditor's Report	10
Statement of Comprehensive Income	12
Statement of Financial Position	13
Statement of Changes in Equity	15
Statement of Cash flow	16

**ERERA TANZANIA LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2019**

Corporate Information

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Erera Tanzania Limited
Maji ya Chai, Kill Golf Road
Plot no 30/17
P.O Box 70
Arusha,
Tanzania

BANKER

NMB Bank Tanzania Limited
Dar es Salaam

COMPANY AUDITORS

Cassian and Associates
Certified Public Accountants

**ERERA TANZANIA LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2019**

Statement of Directors' Responsibilities

1. Introduction

The Directors submit their report and the audited financial statements for the year ended 31 December 2019 which disclose the financial performance of Erera Tanzania Limited (the company).

2. Incorporation

The company is incorporated in Tanzania under the companies Act, 2002 domiciled in Tanzania as a private limited company with incorporation number 130185 whose shares are not publicly traded.

3. Principle Activity

The Company's principal activities are within the holiday accommodation and services business.

4. Results For The Year

During the year ended 31 December 2019, the company made a net loss of TZS 141,075,538. Detailed operating results are set out on page 12.

5. Dividend

Directors have not proposed a dividend in respect of the financial year ended 31 December 2019.

6. Accumulated Losses

As of 31 December 2019, the company had an accumulated loss of TZS 356,449,884 as set out on page 15.

7. Related Party Transactions

Details of transactions and balances with related parties are disclosed in note 17 to the financial statements.

8. Relationship With Employees

The relationship between management and the employees during the year was good. There were no unresolved complaints received by management from individual employees or groups thereof.

9. Directors

The directors who served during the year and up to the date of this report are:

Name	Position	Nationality
Ranyani Nirmala Perera	Director. Appointed 30 June 2018.	Canadian
Shamal Nishan-Christo Wijay	Director. Appointed 30 June 2018.	Canadian
Sriyani Perera*	Director. Appointed 3 April 2017	Canadian

**ERERA TANZANIA LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2019**

Mrs Sriyani Perera was appointed by resolution as a Director on 3 April 2017. This update was registered with BRELA but is currently not reflected. The Company, through its appointed lawyers, is working to rectify this.

10. Shareholding

The shareholding of the Company as at 31 December 2019 is as stated below:

Name	Shares	Percentage
Sriyanjit Michael Perera and Louise Anne Perera (jointly)	16,500	50%
Shamal Nishan-Christo Wijay and Ranyani Nirmala Perera (jointly)	16,500	50%
Total	33,000	100%

11. Directors' Remuneration

There is no directors' fee paid during the year.

12. Borrowings

The Company had no borrowings from its shareholders. There were no borrowings from third parties. Details about borrowings are laid out in note 16.

13. Administrative Matters

The Company is capable of handling all administrative matters.

14. Employee's Welfare

14.1 Relationship between management and employees

The relationship between employees and management continue to be good. There were no serious complaints received by management from individual employee or group thereof.

14.2 Financial help

This was provided to all grades of staff on a case by case basis.

15. Subsequent Events

The Directors are not aware of any other significant matter or circumstances arising since the end of the financial period, nor otherwise dealt with in these financial statements, which significantly affect the financial position of the company or the result of its operation

16. Solvency

The Company's state of affairs on 31 December 2019 is set out on page 12. The directors consider the company to be solvent within the meaning ascribed by the Tanzanian Companies Act, 2002.

**ERERA TANZANIA LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2019**

17. Corporate Governance Statement

The Directors are committed to the principles of good corporate governance and recognise the need to conduct the business in accordance with generally accepted best practice. In so doing the Directors therefore confirm that:

- The Board of Directors met regularly throughout the year.
- They retain full and effective control over the Company and monitor executive management;
- The Chairman of the board of directors is non-executive; and
- The Board accepts and exercises responsibility for strategic and policy decisions, the approval of budgets and the monitoring of the performance.

18. Management Of The Company

There is no Managing Director. Management of the Company has been outsourced to Artisan Entrepreneurs, together with power of attorney.

19. Going Concern

The Directors have prepared the financial statements on the basis of accounting policies applicable to a going concern after due consideration of assumption and judgement as indicated in Note 4 to the financial statements.

20. Risk Management And Internal Control

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

- The effectiveness and efficiency of operations;
- The safeguard of the company assets.
- Compliance with applicable laws and regulations;
- The reliability of accounting records;
- Business sustainability under normal as well as adverse conditions; and
- Responsible behaviour toward all stakeholders.

The efficiency of any internal control system is dependent on the strict observance of prescribed measures. There is always a risk of non-compliance of such measures by staff.

Whilst no system of internal control can provide absolute assurance against misstatement or loss, the Company system is designed to provide the Board with reasonable assurance that the procedures in place are operating effectively. The Board assessed the internal control systems throughout the financial year ended 31 December 2019 and is of the opinion that they met accepted criteria.

21. Environmental Matter

The company complied with standards of Industrial safety and environmental regulations established by various authorities to the best of its knowledge.

22. Auditors

The auditors have expressed their willingness to continue in office and are eligible for re-appointment.

**ERERA TANZANIA LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2019**

Approved by the board of directors for issue and signed on its behalf by:

Name: Ranyani Perera



Signature

Title: Director

Date: July 30, 2020

**ERERA TANZANIA LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2019**

DECLARATION OF MANAGING DIRECTOR'S RESPONSIBILITY

The Tanzanian Companies Act, 2002 requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of its profit or loss. It also requires the directors to ensure that the company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the company. They are also responsible for safeguarding the assets of the company.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and the requirements of the Companies Act, 2002. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company and of its profit or loss in accordance with International Financial Reporting Standards. The directors further accept responsibility for the maintenance of accounting records, which may be relied upon in the preparation of financial statements give a true and fair view of the state of the financial affairs of the company records, which may be relied upon in the preparation of the financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the directors to indicate that the Company will not remain a going concern for at least twelve months from the date of this statement.

Name: Ranyani Perera  Title: Director
Signature

Name: _____ Title: _____
Signature

Date: July 30, 2020

The directors are required under the Companies Act 2002 to prepare financial statements for each year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the operational results of the company for that year.

The Directors confirm that suitable accounting policies have been applied; reasonable and prudent judgement and estimates have been made in the preparation of the financial statements for the year ended 31 December 2019. The directors also confirm that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records, which discloses, with reasonable accuracy at any time, the financial position of the company, which enable the financial statements to comply with the companies Act 2002. They are responsible for safeguarding the assets of the company and, hence, for taking reasonable steps for the preparation and detection of fraud, error and other irregularities.

**ERERA TANZANIA LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2019**

Name: Ranyani Perera



Signature

Title: Director

Name: _____

Signature

Title: _____

Date: July 30, 2020

**ERERA TANZANIA LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2019**

Auditor's Report

Report on the financial statements

We have audited the accompanying financial statements of Erera Tanzania Limited, which comprise the balance sheet as at 31 December 2019, the profit and loss accounts, statement of changes in equity, and statement of cash flows for the year ended, and the notes, comprising a summary of significant accounting policies and other explanatory.

Directors' responsibility for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Tanzanian Companies Act 2002, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedure selected depends on the auditors' judgement, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion the accompanying financial statements present fairly, in all material respects, the financial position Erera Tanzania Limited as at 31 December 2019, and its financial performance and its cash flow for the year then ended in accordance with International Financial Reporting Standards and Tanzanian Companies Act, 2002.

**ERERA TANZANIA LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2019**

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 Tanzanian Companies Act, 2002 and for no other purposes.

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

- i. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- ii. in our opinion proper books of account have been kept by the company, so far as appears from our examination of those books;
- iii. The Director report is consistent with the financial statements;
- iv. Information specified by law regarding directors remuneration and transactions with the company is disclosed; and
- v. The company's balance sheet and profit and loss account are in agreement with the books of account.

Cassian and Associates
Certified Public Accountants
Dar es Salaam

ERERA TANZANIA LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2019

Statement of Comprehensive Income

	NOTE	Full year ended 31.12.2019 TSHS	Full year ended 31.12.2018 TSHS
Revenue	5	22,156,076	38,348,707
Less: Cost of Service	6	(2,659,255)	(2,782,966)
GROSS PROFIT		19,496,821	35,565,741
Administrative Costs	7	(119,973,058)	(140,569,355)
Staff Costs	8	(6,206,042)	(4,740,366)
Finance Costs	9	(94,854,204)	(74,143,480)
		(221,033,304)	(219,453,200)
Operating Loss		(201,536,483)	(183,887,459)
Tax benefit/(expenses)		60,460,945	55,166,238
Profit/Loss for the period		(141,075,538)	(128,721,221)
Other comprehensive income		-	-
Profit after comprehensive income		(141,075,538)	(128,721,221)


**ERERA TANZANIA LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2019**

Statement of Financial Position

		Full year ended 31.12.2019	Full year ended 31.12.2018
	NOTES	TSHS	TSHS
NON CURRENT ASSETS			
Prepayment: Land Lease		202,149,474	202,149,474
Property, Plant and Equipment	17	599,451,574	642,744,572
		801,601,047	844,894,046
CURRENT ASSETS			
Trade & Other Receivables	12	4,216,826	10,960,779
Deferred Tax Asset	18	152,437,163	91,976,218
Prepayments	11	12,315,644	11,131,585
Cash and Cash Equivalent	9	10,926,487	40,059,142
VAT Control	13	92,274,847	96,261,713
Withholding Tax	14	(851,568)	(14,012,429)
TOTAL CURRENT ASSETS		271,319,399	236,377,007
TOTAL ASSETS		1,072,920,446	1081271053
EQUITY AND LIABILITIES			
CURRENT LIABILITIES			
Trade and Other Payables	12	234,352,415	128,795,979
TOTAL CURRENT LIABILITIES		234,352,415	128,795,979
NON CURRENT LIABILITIES			
Long Term Loan	17	922,395,920	922,395,920
TOTAL NON CURRENT LIABILITIES		922,395,920	922,395,920
EQUITY			
Share Capital	14	245,453,500	245,453,500
Advance towards share capital		27,168,495	0
Retained Earnings	15	(356,449,884)	(215,374,346)
TOTAL EQUITY		(83,827,889)	30,079,154
TOTAL EQUITY AND LIABILITIES		1,072,920,446	1,081,271,053

**ERERA TANZANIA LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2019**

These financial statements were approved by the board of directors for issue on 2020 and were signed on their behalf by:

Name: Ranyani Perera  Title: Director
Signature: _____

Name: _____ Title: _____
Signature: _____

**ERERA TANZANIA LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2019**

Statement of Changes in Equity

	Share Capital	Retained Earnings	Total
	TZS	TZS	TZS
At 1 January 2018	244,690,330	(85,889,955)	158,800,375
FX Adjustment	763,170	(763,170)	0
Profit for the year	-	(128,721,221)	(128,721,221)
At 31 December 2018	245,453,500	(215,374,346)	30,079,154

	Share Capital	Retained Earnings	Total
	TZS	TZS	TZS
At 1 January 2019	245,453,500	(215,374,346)	30,079,154
FX Adjustment	0	(0)	(0)
Profit for the year	27,168,495	(141,075,538)	(113,907,043)
At 31 December 2019	272,621,995	(356,449,884)	(83,827,889)

**ERERA TANZANIA LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2019**

Statement of Cash flow

	Full year ended 31.12.2019 TSHS	Full year ended 31.12.2018 TSHS
Operating activities		
Profit before tax	(201,536,483)	-183887459
Adjustment for:		
Depreciation and amortisation	43,292,998	25312287.76
Historical adjustment	(0)	(763,170)
Tax charge	60,460,945	55,166,238
	(97,782,540)	(104,172,104)
Changes in working capital		
(Increase)/Decrease in trade and other receivables	6,743,952	-10,960,778.96
(Increase)/Decrease in prepayments	(1,184,059)	485,786,870.00
(Decrease)/increase in trade and other payables	105,556,436	32,421,255.03
(Increase)/Decrease in Withholding tax payable	(13,160,861)	12,573,041.49
(Increase)/Decrease in Deferred tax asset	(60,460,945)	-55,166,237.69
(Increase)/Decrease in VAT asset	3,986,866	-82,386,433.94
	-56,301,150	278,095,612.42
Tax paid during the period	-	-
Net cash flow generated/(used) in operating activities	-56,301,150	278,095,612.42
Investing activities		
Purchase of property, plant and equipment	0	-495189947.6
Leasehold land acquisition and improvements	-	(202,149,474)
Net cash flow used in investing activities	-	-697339421.3
Financing activities		
Capital injection	27,168,495	763170
Borrowing (long term loan)	0	167256241.9
Interest Paid	-	-
Net cash flow from financing activities	27,168,495	168,019,412
Net increase in cash and cash equivalent	-29,132,655	-251224397
Net foreign exchange difference	-	-
Cash and cash equivalent at the beginning of the period	40,059,141.99	291283538.9
Cash and cash equivalent at the end of the period	10,926,487	40059141.99

Notes to the Financial Statements

1. **Company Information**

The Company is incorporated in Tanzania under the Companies Act 2002 as a limited liability company, and it is domiciled in Tanzania. The principal activities of the Company are disclosed in the Directors' report.

2. **Basis of Preparation**

The financial statements are prepared in compliance with International Financial Reporting Standards (IFRS). 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 (TZS), rounded to the nearest thousand.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions. It also requires management to exercise its judgement in the process of applying the company's accounting policies.

3. **Change in Accounting Policies**

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year. Changes resulting from the following new or revised standards and interpretations, amendments to existing standards and interpretations and improvements of 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.

- **Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27):** These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10.
- **IAS 32 Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32:** These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting.
- **IFRIC Interpretation 21 levies (IFRIC 21):** IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached.
- **IAS 36 Disclosure requirement for the recoverable amount of impaired assets – Amendments to IAS 36** clarifies the disclosure requirements about the recoverable amount of impaired assets is that amount is based on fair value less costs of disposal.
- **IAS 39 Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39:** These amendments provide relief from discontinuing as a hedging instrument meets certain criteria.

4. Critical Accounting Estimates, Assumptions and Judgements

Estimates and judgments are continually and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates will, by definition, seldom equal the related actual results. The estimates and judgments that have a significant risk of causing a material adjustment, amounts of assets and liabilities within the next financial year are discussed below:

4.1 Significant judgments

These financial statements do not reflect adjustments that would be necessary if the Company was unable to continue as a going concern. If the Company was unable to continue as a going concern, then substantial adjustments would be necessary to the carrying values of assets, the reported amounts of its liabilities, the reported revenues and expenses, and the classification used in the statement of financial position. While the directors and management believe that the actions already taken or planned, will mitigate the adverse conditions and events which raise doubt about the validity of the going concern assumption used in preparing these financial statements, there can be no absolute assurance that these actions will be successful.

4.1.1 Going Concern

The financial statements have been prepared on a going concern basis. The basis presumes that the company will continue to receive the support of the holding company and that the realization of assets and settlements of liabilities will occur in the ordinary course of business. The directors are reasonably confident that based on the developing business prospects, the Company will resume trading profitably in the foreseeable future.

4.2 Estimates and Assumptions

4.2.1 Determination of impairment of non-financial assets

Management is required to make assumptions concerning the cause, timing and the amount of impairment of such assets. In the identification of impairment indicators, management considers the impact of changes in current market conditions, technological obsolescence, and physical recognized impairment loss should be reversed. Where impairment indicators exist, determination of the recoverable amount requires management to make assumptions to determine the fair value less costs to sell and value in use. Fair value less costs to sell is based on the best information available to management that reflects the amount that the company could obtain, at the year end, from the disposal of the assets in an arm's length transaction between a market participant in its principal market after deducting the costs of disposal value in use is based on key assumption on which management has based its determination which projected revenues, gross margins, capital expenditure, expected customer base and market share.

4.2.2 Trade receivables and loans and receivables

At each reporting period ends, the company makes estimates and judgments regarding the carrying value of debtors based on the age of the debtor, the financial position of the customer, expected payment profile and views on the customer being able to raise future

**ERERA TANZANIA LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2019**

finance. The resulting accounting estimates may not reflect the actual amount receivable and any differences may have a significant impact on reported results.

4.2.3 Taxes

Judgment is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liability for anticipated tax based on estimates for whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provision in the period in which such determination is made.

The Company recognizes the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the company to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operating and the applications of existing tax laws in each jurisdiction.

To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the company to realize the net deferred tax asset recorded at the end of the reporting period may be impacted.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been adopted in the preparation of financial statements.

5.1 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. This Revenue is recognized as per International Accounting Standard (IAS) 18 – Revenue Recognition

5.2 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying Assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization

5.3 Translation of foreign currencies

The financial statements are presented in Tanzanian Shillings (TZS). Transactions in other currencies are translated to TZS at the rate of exchange ruling on the date of transaction. Monetary assets and liabilities denominated in other currencies at the reporting date are translated to TZS using the spot rate at that date. Exchange differences arising on the translation are recognized in the statement of comprehensive income in the year in which they arise.

5.4 Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Such costs include the cost of replacing part of the property and equipment when that cost is incurred if the recognition criteria are met. All

**ERERA TANZANIA LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2019**

other repair and maintenance costs are recognized in the statement of comprehensive income as incurred. Depreciation is provided on a straight line basis to write off the cost of property and equipment over the expected useful lives of the assets.

The principal annual rates used for this purpose are:

Plant and Equipment	12.5%
Furniture and Fittings	12.5%
Buildings	5%

The carrying value of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual values of the assets, their useful lives and depreciation methods are reviewed and adjusted as appropriate at the end of each financial year.

5.5 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in income statements in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortized, but tested for impairment annually either

Individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the charges in the useful life assessment from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible assets measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the income statement when the asset is derecognized.

5.6 Financial instrument

Financial assets

5.6.1 Initial recognition

Financial assets are recognized initially at fair value.

**ERERA TANZANIA LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2019**

5.6.2 Subsequent measurement

For the purposes of measurement after initial recognition, financial assets are classified in accordance with the various categories in IAS 39. The financial assets include cash and short-term deposits, trade and other receivables and loans and their subsequent measurement is as follows:-

Cash and cash equivalents

Cash and cash equivalents comprise bank balances and cash and short-term deposits with an original maturity of three months or less.

For the purpose of the cash flow statement, cash and cash equivalents comprise of cash in hand and at bank as defined above, net of outstanding bank overdrafts.

Account receivable

Accounts receivable comprise all trade and non-trade receivables of short-duration with no stated interest rate and are measured at original invoice amount.

Impairment of financial assets

The company assesses whether objective evidence of impairment exists individually. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured at the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred).

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement. If in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognized in the statement of comprehensive income.

5.6.3 Derecognition

A financial asset is derecognized when the right to receive cash from the asset has expired, or the company has transferred the asset and the transfer qualifies the derecognition.

Financial liabilities

5.6.4 Initial recognition

Financial liabilities are recognized initially at fair value.

5.6.5 Subsequent measurement

The financial liabilities consist of trade and other payables and interest bearing borrowings and their subsequent measurement is as follows:-

Trade and other payables

Trade and other payables are of short-duration with no stated interest rate and are measured at original invoice amount.

ERERA TANZANIA LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2019

Interest bearing borrowings

Interest bearing borrowings are subsequently measured at amortized cost using the effective interest rate method. Amortized costs are calculated by taking into account any issue costs and discount or premium on settlement. Gains and losses are recognized on the statement of comprehensive income when the liabilities are derecognized as well as through the amortization process.

5.6.6 Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

5.6.7 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

5.6.8 Impairment of non-financial assets

The Company assesses at each report date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the company makes an estimate of the asset's recoverable amount.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the income statement in those expense categories consistent with the function of the impairment asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the income statement.

After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

5.6.9 Taxation

Current income tax

Current tax assets and liabilities for the current and prior periods and are measured at the amount expected to be recovered from or paid to the taxation authorities. Tax rates and

**ERERA TANZANIA LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2019**

tax laws used to compute the amounts are those that are enacted by the reporting date. The current rate of corporation tax is 30%.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unusual tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and tax losses can be utilized except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that at the time of the transaction, affects neither accounting profit nor taxable profit or loss.

The carrying amount of the deferred income tax asset is reviewed at each reporting date and reduced to the extent that it is probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or liability settled, based on tax rates that have been enacted at the reporting date.

Deferred income tax relating to items recognized in equity is recognized in equity and not in the income statement.

Value Added Tax (VAT)

Revenues, expenses and assets are recognized at amounts net value added tax except where the value added tax incurred on purchase of assets or services is not recoverable from the taxation authority in which case the value added tax is recognized as part of the cost of acquisition of the asset or part of the expense item as applicable.

Receivables and payable are started with the amount of Value Added Tax (VAT) included.

Provisions

Provisions are made when the company has a present obligation (legal or constructive) as a result of a past event where 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 for the amount of the obligation. Expense relating to any provision is recognized in the statement of comprehensive income net of any reimbursement. If the effect of the time value of money is material, it is included in the provision.

6. STANDARD 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

**ERERA TANZANIA LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2019**

interpretation 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 expects that adoption of these standards, amendments and interpretation in most cases not to have any significant impact on the company's financial position or performance in the period of initial application. In cases where it will have an impact, the company is still assessing the possible impact.

The following standards and interpretations have been issued or revised but were not yet effective for the financial year ended 31 December 2015:

- IFRS 15: Revenue from Contracts with Customers
- IFRS 9: Financial instruments
- IFRS 14: Regulatory Deferral Accounts (Effective 1 January 2016)
- IFRS 16 and IAS 38: Clarification of Acceptable method of Depreciation and Amortization (Effective 1 January 2016)
- IFRS 16 and IAS 41: Accounting for bearer plants (Effective 1 January 2016)
- IFRS 11: Accounting for the acquisition of interests in a joint Operation (Effective 1 January 2016)
- IFRS 27: Equity method in separate financial statement (Effective 1 January 2016)
- IFRS 1 –Presentation of financial statements – Disclosure initiative (Effective 1 January 2016).

Improvement project

Below is a summary of the improvements issued in December 2014 but which were not yet effective for the financial year 31 December 2015:

- IFRS 5 - Non-current assets held for sale and discontinued operation (Effective 1 January 2016)
 - IFRS 7 - Financial Instruments: Disclosure (Effective 1 January 2016)
 - IAS 19 - Employee benefits (Effective 1 January 2016)
 - IAS 34 - Interim financial reporting (Effective 1 January 2016)

ERERA TANZANIA LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2019

	2019	2018
	TZS	TZS
5 REVENUE		
Income: Accomodation	1,097,687	37,430,931
Income: Beverage/food Sales	33,983	577,881
Income: Other	21,024,406	339,895
	22,156,076	38,348,707
6 DIRECT EXPENSES		
Direct Villa Expenses:Beverage Lodge Cost	67,000	513,915
Direct Villa Expenses:Consumable Supplies	-	168,500
Direct Villa Expenses:Food Cost Lodge	1,324,455	190,000
Direct Villa Expenses:Laundry Expenses	-	22,034
Direct Villa Expenses:Pool Maintenance	1,267,800	1,838,517
Direct Villa Expenses:Vehicle hire-Client	-	50,000
	2,659,255	2,782,966
7 ADMINISTRATIVE COSTS		
Annual Service Fee	-	11,865,000
Kitchen consumables (cutlery)	-	
Hotel consumables	-	100,000
Guest supplies	6,000	596,200
Vehicle Hire	50,000	122,250
Professional Fees: Accounting and Auditing	3,754,435	2,159,673
Professional fees others	17,025,000	
Professional Fees: Consulting	40,949,280	75,104,675
Professional Fees: Legal & Secretarial Fees	2,651,502	
Casual Wages	420,000	2,171,500
Marketing and Advertising	408,960	5,444,902
Transport and Travel	2,080,441	1,312,000
Office Expenses	393,000	584,746
Villa Maintenance	2,275,000	5,572,431
Staff training	100,000	
Staff medical	58,000	
Staff Cafeteria	931,600	685,970
Staff Uniforms	160,000	141,000
Lodge Utilities	601,000	2,695,117
Printing and Stationery	90,000	611,661
Telephone and Internet	665,000	853,839
Postage and Courier	-	105,000
Rental Expense	-	2,150,526

ERERA TANZANIA LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2019

Cleaning Charges	183,900	400,576
Electricity Charges	3,356,942	
Depreciation	43,292,998	25,312,288
Licence and Registration	100,000	2,580,000
Levy fee	420,000	
	119,973,058	140,569,355
8 Staff Costs		
Salaries and Wages	5,591,038	4,279,559
NSSF (Employers' Contribution)	559,104	417,552
Workers Compensation Fund	55,900	43,255
	6,206,042	4,740,366
9 FINANCE COSTS		
Bank Charges and Fees	1,233,007	1,572,407
Foreign Exchange Loss/(gain)	555,844	- 20,910,711
Interest Charge	93,065,354	93,481,783
	94,854,204	74,143,480
10 CASH AND BANK		
Cash at Bank - USD	4,081,278	37,837,846
Cash at Bank - TSHS	3,185,931	2,221,296
Petty Cash - TSHS	3,659,278	-
	10,926,487	40,059,142
11 PREPAYMENTS		
Advance payments made to Kili Golf	10,767,305	10,231,585
Employee Loans	438,339	150,000
Provisional income tax	1,110,000	750,000
	12,315,644	11,131,585
12 TRADE AND OTHER RECEIVABLES		
Trade Debtors	4,216,826	10,960,779
Interest receivable	-	-
	4,216,826	10,960,779
12 TRADE AND OTHER PAYABLES		
Trade Creditors	35,691,374	10,398,008
Employee liabilities Payable	253,678	99,046
Management Payable	182,215	2,896,301
Provisions Payable		936,294
Interest Payable	198,225,148	114,466,330
	234,352,415	128,795,979
13 VAT CONTROL		
VAT asset/(liability)	92,274,847	96,261,713
	92,274,847	96,261,713

ERERA TANZANIA LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2019

14 WITHHOLDING TAX

Balance Brought Forward	14,012,429	1,439,388
Withholding tax provision	851,568	12,573,041
Amount paid during the year	- 14,012,429	-
Balance payable at the end of the year	851,568	14,012,429

15 SHARE CAPITAL

Authorized, 40,000 Ordinary shares of Tsh 10,000 each	400,000,000	400,000,000
Issued and Fully Paid up Capital 24,545 Ordinary shares of Tsh 10,000 each	245,453,500	245,453,500

16 RETAINED EARNINGS

Profit/Loss before tax	(201,536,483)	(183,887,459)
Tax	60,460,945	55,166,238
	(141,075,538)	(128,721,221)
Balance B/F	(215,374,346)	(85,889,955)
Prior Year Adjustment	(0)	(763,170)
Balance C/F	(356,449,884)	(215,374,346)

17 LONG TERM LOAN FROM DIRECTORS

Sriyanjit Perera	230,598,980	230,598,980
Louise Perera	230,598,980	230,598,980
Ranyani Perera	230,598,980	230,598,980
Shamal Wijay	230,598,980	230,598,980
	922,395,920	922,395,920

On 23 July 2017 the Board of Directors of Erera Tanzania Limited approved a loan agreement between the directors (lenders) and Erera Tanzania Limited (beneficiary) The loan's interest is calculated at a variable rate of 7.5% over the LIBOR rate of 1.42%. Effective interest rate will therefore be 8.92% per annum.

18 Tax Computation

Profit/(Loss) before tax	(201,536,483)	(183,887,459)
Alternative Minimum Tax (0.5%)	(110,780)	
Tax @ 30%	60,460,945	55,166,238
Profit/(Loss) after tax	(141,186,318)	(128,721,221)
Deferred Tax Asset - on losses carried forward		
Opening Balance	91,976,218	36,809,981
Charge for the year	60,460,945	55,166,238
Closing Balance	152,437,163	91,976,218

**ERERA TANZANIA LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2019**

18. FINANCIAL RISK MANAGEMENT AND POLICIES

The company's principal financial liabilities comprise trade payables and term loans. The main purpose of these financial instruments is to raise finance for the company's operations. The company has various financial assets such as trade receivables and cash and short-term deposits, which arise directly from its operations.

The main risks arising from the company's financial instruments are foreign currency risk, liquidity risk and credit risk. The board reviews and agrees policies for managing each of these risks which are summarised below.

Credit risk

A credit risk is the risk of loss due to the inability or unwillingness of a customer or other counterparty to meet its obligation in order to manage risk, the Board has a defined credit policy for the company, which is documented and forms the basis of all credit decisions. The Company structures the level of credit risk, all invoices should be raised one month before the actual service and they have to be paid before the beginning of the month of service. That means the due date of any invoices is on 1st day of the month of service. The company also makes provision against non-performing accounts.

This means, credit risk is not a significant risk facing the company. There is no other credit risk apart from the one arising from normal trade activities.

Foreign exchange risk

The company functional currency is TZS in general, the company does not hedge foreign exchange functions, but it has managed to do the following to reduce the foreign currency risk:

- Some invoices are raised in USD and cash is received in USD
- Some cost of goods sold are incurred in USD
- Some fixed asset were bought in USD

Liquidity risk

Liquidity risk is the risk that suitable sources of funding for the company's business activities may not be available and thus the company being unable to fulfil its existing and future cash flow obligations. The company has set the finance department which among other functions monitors the maturity gap of the company's assets against liabilities.

19. CAPITAL MANAGEMENT

The primary objective of the company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The company manages its capital structure and makes adjustments to it, in light of changes in economic conditions to maintain or adjust the capital structure the company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

**ERERA TANZANIA LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2019**

No changes were made in the objectives, policies or processes during the year end 31 December 2019.

20. CONTINGENT LIABILITIES

There were no contingent liabilities against the company as at the date of this report.

21. COMMITMENTS

Capital commitments

There were no capital commitments that were authorised or contracted for as at 31 December 2019.

Legal claims

There are no contingent liabilities related to legal claims as at 31 December 2019.