

NALA INCORPORATION COMPANY LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2019

**NALA INCORPORATION COMPANY LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**NALA INCORPORATION COMPANY LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019**

- 1 The directors submit their report together with the audited financial statements for the year 31 December 2019, which disclose the state of affairs of NALA Incorporation Company Limited (the "Company")

2 ACTIVITIES

The Company's principal activities are transfer of money.

The operating results and the financial position of the company are fully presented in the attached financial statements and in our opinion the operating results and the financial position do not require further comment.

3 POST BALANCE SHEET EVENTS

The NALA Incorporation Company Limited directors' are not aware of any matter or circumstance arising after financial year end.

4 DIRECTORS

The directors of the Company at the date of this report, all of whom have served since 1 January 2019 are:

Name	Position	Nationality
Benjamin Paul Fernandes	Managing Director	Tanzanian
Samuel Thomas Castle	Director	American
Bernice Hannah Fernandes	Director	Tanzanian

5 THE COMPANY SHAREHOLDING

The authorized share capital of the company is TZS 100,000,000. The nominal value of each share is TZS 1,000. As at 31 December 2019 the company had issued 100,000 shares from authorized 100,000 shares. The shareholders are

Name	No. of shares	% of holding
Benjamin Paul Fernandes	75,000	75%
Samuel Thomas Castle	15,000	15%
Bernice Hannah Fernandes	10,000	10%

6 SECRETARY

The secretary of the company is:
Hafsa H. Sasya
PO Box 31057
Dar es Salaam

7 RESULTS AND DIVIDEND

The Company made a loss during the period of TZS 302,753,955. The directors do not recommend dividend for the period. The results for the period are set out on page 7 of the financial statements.

**NALA INCORPORATION COMPANY LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

8 DISABLED PERSONS

Applications for employment by disabled persons are always considered, bearing in mind the aptitudes of the applicant concerned. In the event a person providing service to the Company become disabled, every effort is made to ensure that their services with the company continues and appropriate arrangements are made to enable her /his services to the Company continues.

9 CORPORATE SOCIAL RESPONSIBILITY

In the course of undertaking our day to day business activities, we would focus our efforts on Corporate and Social Responsibility as it is key to the business environment.

10 SOLVENCY

The Company's state of affairs at 31 December 2019 is set out on page 8 of these financial statements.

11 POLITICAL AND CHARITABLE DONATIONS

The Company did not make any donations during the period.

12 AUDITORS

The auditors, EVK Certified Auditors, have expressed their willingness to continue as auditors of the Company and are eligible for re-appointment.

BY ORDER OF THE BOARD

Benjamin Paul Fernandes
Managing Director

Date:

**NALA INCORPORATION COMPANY LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL
STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

The directors are required under the Tanzania Companies Act 2002 to prepare financial statements for each financial period that give a true and fair view of the state of affairs of the Company as at the end of the financial period and of its profit for that period.

The directors confirm that appropriate accounting policies have been used and applied and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 2019. The directors also confirm that International Financial Reporting Standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the financial statements comply with the Tanzania Companies Act 2002. They 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.

BY ORDER OF THE BOARD

Benjamin Paul Fernandes
Managing Director

Date:

REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF NALA INCORPORATION COMPANY LIMITED

Report on the audit of the financial statements

Opinion

We have audited the financial statements of NALA Incorporation Company Limited (“the Company”), set out on pages 10 to 26 which comprise the statement of financial position as at 31 December 2019, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the period then ended, and notes to the financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of NALA Incorporation Company Limited as at 31 December 2019, and of its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act, 2002.

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 Auditors’ Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with 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

The directors are responsible for the other information. The other information comprises the Directors’ Report as required by the Companies Act, 2002, Statement of Directors’ responsibilities and Declaration of Head of Finance. The other information does not include the financial statements and our auditors’ report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information 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.

Responsibilities of Directors for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2002, and for such internal control as directors determine

**REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF NALA INCORPORATION COMPANY LIMITED (CONTINUED)**

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, 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 directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the financial Statements

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

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

**REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF NALA INCORPORATION COMPANY LIMITED (CONTINUED)**

including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report 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.

The Companies Act 2002 requires us to report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 2002. We also required to report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we required for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company is not disclosed.

**EVK Certified Auditors
Certified Public Accountants
Dar es Salaam**

Partner: Efrem Kimaro

Date: _____

**NALA INCORPORATION COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Notes	2019 TZS'000	2018 TZS'000
Revenue		0	0
Cost of sales	5	(119,404)	(14,302)
Gross Loss		<u>(119,404)</u>	<u>(14,302)</u>
Other operating income	6	24,950	0
Administrative expenses	7	(207,853)	(50,304)
Operating Loss		<u>(302,307)</u>	<u>(64,607)</u>
Finance cost	9	(447)	(1,601)
Loss before tax		<u>(302,754)</u>	<u>(66,207)</u>
Income tax expense	10	0	0
Other comprehensive income		<u>0</u>	<u>0</u>
Total comprehensive income for the period		<u><u>(302,754)</u></u>	<u><u>(66,207)</u></u>

**NALA INCORPORATION COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019**

	Notes	2019 TZS'000	2018 TZS'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	40,729	9,658
Deferred tax assets	10	0	0
		<u>40,729</u>	<u>9,658</u>
Current assets			
Inventories	5	0	0
Trade and other receivables	13	0	0
Tax recoverable		720	720
Cash and cash equivalents		91,897	0
		<u>92,617</u>	<u>720</u>
Total Assets		<u>133,346</u>	<u>10,378</u>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	11	490,473	76,585
Advance towards share capital		0	0
Retained earnings		<u>(368,961)</u>	<u>(66,207)</u>
Shareholder's Equity		<u>121,512</u>	<u>10,378</u>
LIABILITIES			
Non- current liabilities			
Loans		<u>0</u>	<u>0</u>
		0	0
Current liabilities			
Trade and other payables	14	<u>11,834</u>	<u>0</u>
		11,834	0
Total Liabilities		<u>11,834</u>	<u>0</u>
Total Equity and Liabilities		<u>133,346</u>	<u>10,378</u>

The financial statements were approved by the Board of Directors on _____
and signed on its behalf by:

Benjamin Paul Fernandes
Managing Director

Bernice Hannah Fernandes
Director

Date: _____

Date: _____

**NALA INCORPORATION COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Notes	Capital /advance TZS'000	Retained earnings TZS'000	<u>Total</u> TZS'000
As start of the period		0	0	0
Issue of shares/advance	11	76,585	0	76,585
Comprehensive income for the period		<u>0</u>	<u>(66,207)</u>	<u>(66,207)</u>
Balance at 31 December 2018		<u>76,585</u>	<u>(66,207)</u>	<u>10,378</u>

	Notes	Capital /advance TZS'000	Retained earnings TZS'000	<u>Total</u> TZS'000
As start of the period		76,585	(66,207)	10,378
Issue of shares/advance	11	413,888	0	413,888
Comprehensive income for the period		<u>0</u>	<u>(302,754)</u>	<u>(302,754)</u>
Balance at 31 December 2019		<u>490,473</u>	<u>(368,961)</u>	<u>121,512</u>

**NALA INCORPORATION COMPANY LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Notes	2019 TZS'000	2018 TZS'000
Cash flows from operating activities			
Cash used by operating activities	15	<u>(280,185)</u>	<u>(66,630)</u>
Net cash used by operating activities		(280,185)	(66,630)
Cash flows from investing activities			
Additions to property plant and equipment	12	(41,806)	(9,955)
Proceeds from disposal of property, plant and equipment		<u>0</u>	<u>0</u>
Net cash used in investing activities		(41,806)	(9,955)
Cash flows from financing activities			
Proceeds from issue of shares	11	413,888	76,585
Advance towards share capital		0	0
Long term Loan from bank		<u>0</u>	<u>0</u>
Net cash used in financing activities		413,888	76,585
Increase in cash and cash equivalents		91,897	0
Change in cash and cash equivalents			
Cash and cash equivalents at beginning of period		0	0
Cash and cash equivalents during the period		<u>91,897</u>	<u>0</u>
Cash and cash equivalents at end of the period		91,897	0

**NALA INCORPORATION COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

1 GENERAL INFORMATION

NALA Incorporation Company Limited is a limited liability company incorporated under the Companies Act and is domiciled in the United Republic of Tanzania. The address of its registered office is as follows:

Plot 95, Mbezi Beach
P.O. Box 70029
Dar es Salaam
Tanzania

2 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 to all years presented unless as otherwise stated.

(a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”). The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below. The financial statements are presented in Tanzania Shillings (TZS).

The preparation of financial statements in conformity with IFRS 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 where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

Changes in accounting policy and disclosures

(a) Amendments and interpretation effective on or after 1 January 2011 and relevant to the company

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2011 that would be expected to have a material impact on the Company. A detailed list of IFRSs and IFRIC interpretations effective on or after 1 January 2011 is included in the table over leaf.

(a) Basis of preparation (continued)

(i) Amendments and interpretation effective on or after 1 January 2011 and relevant to the company (continued)

NALA INCORPORATION COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Topic	Key requirements	Effective date
IAS 24, 'Related party disclosures' (revised 2009)	Amends the definition of a related party and modifies certain related-party disclosure requirements for government-related entities.	1 January 2011
Amendment to IFRIC 14, 'IAS 19 – The limit on a defined benefit assets, minimum funding requirements and their interaction'	Removes unintended consequences arising from the treatment of pre-payments where there is a minimum funding requirement. Results in pre-payments of contributions in certain circumstances being recognised as an asset rather than an expense.	1 January 2011
IFRS 7, 'Financial instruments'	Emphasizes the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments.	1 January 2011
IAS 1, 'Presentation of Financial statements'	Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.	1 January 2011

(ii) Standards and interpretations issued but not yet effective

The following new standards, amendments to existing standards and interpretations have been issued and are mandatory for the Company's accounting periods beginning on or after 1 January 2011 or later periods and are not expected to be relevant to the Company.

Standard/ Interpretation	Title	Applicable for financial years beginning on/after
IFRS 1 (amended)	First-time Adoption of International Financial Reporting Standards – Limited exemption from comparative IFRS 7 disclosures for first-time adopters	1 July 2011
IFRS 9	Financial instruments part 1: Classification and measurement	1 January 2013
IAS 24 (amended)	Related party disclosures	1 January 2011

NALA INCORPORATION COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ii) Standards and interpretations issued but not yet effective (continued)

Standard/ Interpretation	Title	Applicable for financial years beginning on/after
IFRS 1 (amended)	First-time Adoption of International Financial Reporting Standards – Limited exemption from comparative IFRS 7 disclosures for first-time adopters	1 July 2011
IAS 24 (amended)	Related party disclosures	1 January 2011
IAS 32 (amended)	Financial instruments: Presentation – Classification of rights issue	1 February 2011
IFRIC 14 (amended)	IAS 19 – The limit on a defined benefit asset, minimum funding requirement and their interaction	1 January 2011

The Directors have assessed the relevance of the interpretations and amendments to existing standards with respect to the company's operations and concluded that they will not have any impact on the company's financial statements.

(b) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable from services provided to customers, excluding VAT and trade discounts, and is recognised on an accrual basis.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Company and when specific criteria have been met for each of the Company's activities as described below. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(c) Property, plant and equipment

Property, plant and equipment are initially recorded at cost. These assets are subsequently shown at historical cost, less depreciation and impairment. Historical cost includes expenditure directly attributable to the acquisition of the items. Subsequent costs are included in asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be reliably measured.

**NALA INCORPORATION COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Property, plant and equipment (continued)

Depreciation is calculated using the straight-line method over the cost of each asset to its estimated useful lives using the following annual rates.

	Rates (%) per annum
Building	5.0
Equipment and tools	20.0
Office furniture and fittings	25.0
Office equipment	20.0
Motor vehicles	4.0

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

Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and the sales proceeds and both are taken into account in determining operating results. On disposal of revalued assets, amounts in the revaluation reserve relating to that asset are transferred to retained earnings

(d) Impairment of assets

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separable identifiable cash flows (cash-generating units).

(e) Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit and loss account on a straight-line basis over the period of the lease.

(f) Inventories

Inventories are stated at the lower of cost or net realisable value. In general, cost is determined by the weighted average cost method and includes transport and handling costs. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of realisation. Full provision is made in the accounts for all excess, obsolete and damaged inventories.

**NALA INCORPORATION COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Trade receivable

Trade receivables are initially recognised at fair value and subsequently measured at their amortised costs using the effective interest method. A provision for impairment of trade receivables is made when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the expected cash flows discounted at the effective interest rate. The amount of the provision is recognised in the profit and loss account.

(h) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three Month or less.

(i) Income taxes

Income tax expense is the sum of the charge to the profit and loss account in respect of current income tax and deferred income tax. Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the Tanzanian Income Tax Act, 2004.

Deferred income tax is provided in full using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted at the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that the directors consider that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is recognised as income tax benefit or expense in the year in which it arises.

(j) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

**NALA INCORPORATION COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the year in which the dividends are approved by the Company's shareholders.

(l) Foreign currency translation

i) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ("the functional currency"). The financial statements are presented in Tanzanian Shillings, which is the Company's functional and presentation currency, rounded to the nearest thousand.

ii) Transactions and balances

Foreign currency transactions are translated into Tanzania Shillings using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

(m) Share capital

Ordinary shares are classified as equity.

Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

(n) Critical accounting estimates and assumption

Income taxes

Significant judgement is required in determining the entity's overall income tax provision or estimated future recovery of income tax losses. There are many transactions and calculations for which the ultimate tax determination is uncertain. The entity recognises liabilities for anticipated tax audit issues based on estimates of 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 current and deferred income tax assets and liabilities in the period in which such determination is made.

**NALA INCORPORATION COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables

Critical estimates are made by the directors in determining the recoverable amount of any impaired receivables.

(o) Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits and other short-term highly liquid investments with original maturities of three Month or less. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Critical estimates are made by the directors in determining depreciation rates for equipment and their residual values. This information is set out in Note 2 (c) above.

Furthermore, in the process of applying the Company's accounting policies, management has made judgements in determining whether assets are impaired or not.

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

The Company's activities potentially expose it to a variety of financial risks, including credit risk and the effects of the changes in foreign currency exchange rates. The organizations' overall risk management programme takes account of the unpredictability of foreign exchange rate trends and seeks to minimise potential adverse effects on its financial performance.

Market risk

a) Foreign exchange risk

The Company has some exposure to foreign currencies as had some monetary items balances in US Dollars, while significant operating expenditure are incurred principally in local currency. However, this exposure does not result in a significant risk as foreign currency assets and liabilities are normally settled within a fairly short time.

b) Interest rate risk

**NALA INCORPORATION COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. NALA Incorporation Company Limited does

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

have long-term borrowings therefore statement of comprehensive income and operating cash flows are not highly affected by changes in market interest rates.

Credit risk

Credit risk arises from cash and cash equivalents, deposits with financial institutions and outstanding receivables Reputable banks are used by the Company for all deposits.

Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and cash equivalents, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. Management monitors rolling forecasts of the Company's liquidity reserve on the basis of expected cash flows.

4.2 Capital risk management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern and to maintain an optimal capital structure to reduce the cost of capital. Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. The directors believe that the gearing ratio of the company is appropriate to the nature of the business and the level of operations.

5	COST OF SALES	2019	2018
		TZS'000	TZS'000
	Marketing expenses	85,220	11,996
	Miscellaneous R&D expenses	1,753	2,228
	Utilities – airtime bundle	2,448	78
	Wages & Salaries – R&D	29,983	0
		<u>119,404</u>	<u>14,302</u>
6	OTHER OPERATING INCOME	2019	2018
		TZS'000	TZS'000
	Transport income	0	0
	Grant income	24,950	0
		<u>24,950</u>	<u>0</u>

NALA INCORPORATION COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

7 ADMINISTRATION EXPENSES	2019	2018
	TZS'000	TZS'000
Employees' benefit costs (note 8)	75,747	1,100
Transportation costs	11,836	23,025
Utilities	7,309	3,034
Staff welfare	8,403	2,788
Licenses expenses	910	1,658
Software expenses	0	439
Repair and maintenance	625	933
Consulting and professional expenses	5,434	0
Office rent	68,811	13,299
Printing and stationary	2,034	189
Legal fees	5,843	2,420
Accessories expenses	1,129	275
Stamp duty	0	12
Staff training costs	3,183	0
Freight and delivery	234	0
Depreciation	10,735	297
Miscellaneous expenses	5,618	835
	<u>207,853</u>	<u>50,304</u>
	<u><u>207,853</u></u>	<u><u>50,304</u></u>
8 EMPLOYEES' BENEFIT COSTS	2019	2018
	TZS'000	TZS'000
The following items are included within employees' benefit costs		
Salaries and wages – G&A	63,913	1,100
Other staff costs	0	0
Other statutory payroll remittances	11,834	0
	<u>75,747</u>	<u>1,100</u>
	<u><u>75,747</u></u>	<u><u>1,100</u></u>
9 FINANCE COST	2019	2018
	TZS'000	TZS'000
Bank interest and charges	447	1,601
Foreign exchange (gain)/loss	0	0
	<u>447</u>	<u>1,601</u>
	<u><u>447</u></u>	<u><u>1,601</u></u>

**NALA INCORPORATION COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

10 INCOME TAX EXPENSE

(i) Current income tax

No tax charge arises for the period as the Company made a tax loss during the period. The accumulated estimated tax loss carried forward is TZS 368,897,455 during the period and this is available for set off against future taxable profit. However, the final amount has yet to be agreed with Tanzania Revenue Authority (TRA)

(ii) Deferred tax asset	2019	2018
	TZS'000	TZS'000
Accelerated tax allowances	0	0
Estimated tax losses	<u>110,669</u>	<u>19,862</u>
	<u>110,669</u>	<u>19,862</u>

There is a potential deferred tax asset of TZS 110,669,236 arising on account of estimated tax losses. In the opinion of the directors, it is prudent not to recognise this asset, as it is uncertain that the Company will generate sufficient profits in the foreseeable future against which the temporary differences can reverse.

11 SHARE CAPITAL

	2019	2018
	TZS'000	TZS'000
Authorised share capital:		
100,000 ordinary share of TZS 1,000 each	<u>100,000</u>	<u>100,000</u>
	<u>100,000</u>	<u>100,000</u>
Issued and fully paid:		
Ordinary	490,473	76,585
Share premium	<u>0</u>	<u>0</u>
	<u>490,473</u>	<u>76,585</u>

**NALA INCORPORATION COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

12 PROPERTY, PLANT AND EQUIPMENT

	Motor Vehicles	Furniture & fittings	Office equipment	Total
	TZS'000	TZS'000	TZS'000	TZS'000
Cost				
Balance at 1 September 2017	0	0	0	0
Additions	7,363	0	2,952	9,955
Disposals	0	0	0	0
	<hr/>	<hr/>	<hr/>	<hr/>
As at 31 December 2018	7,363	0	2,952	9,955
Depreciation				
Opening balance at 1 January 2017	0	0	0	0
Charge for the period	254	0	43	297
	<hr/>	<hr/>	<hr/>	<hr/>
As at 31 December 2018	254	0	43	297
Net book value 31 December 2018	7,109	0	2,549	9,658
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**NALA INCORPORATION COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Computer equipment	Furniture & fittings	Office equipment	Total
	TZS'000	TZS'000	TZS'000	TZS'000
Cost				
Balance at 1 January 2019	7,363	0	2,952	9,955
Additions	9,845	28,238	3,723	41,806
Disposals	0	0	0	0
As at 31 December 2019	17,208	28,238	6,314	51,761
Depreciation				
Opening balance at 1 January 2019	254	0	43	297
Charge for the period	6,358	3,530	784	10,672
As at 31 December 2019	6,612	3,530	827	10,969
Net book value 31 December 2019	10,596	24,708	5,488	40,792

**NALA INCORPORATION COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

13 TRADE AND OTHER RECEIVABLES	2019 TZS'000	2018 TZS'000
Prepayments	0	0
Other receivables	720	720
	<hr/>	<hr/>
Balance as at 31 December 2019 / 2018	720	720
	<hr/> <hr/>	<hr/> <hr/>

14 TRADE AND OTHER PAYABLES	2019 TZS'000	2018 TZS'000
Trade payables	0	0
Other payables and accrued charges	11,834	0
	<hr/>	<hr/>
Balance as at 31 December 2019 / 2018	11,834	0
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15 CASH GENERATED FROM OPERATIONS	2019 TZS'000	2018 TZS'000
Profit / (Loss) before tax	(302,690)	(66,207)
Adjustments for:		
Depreciation (note 12)	10,672	297
WHT paid	(0)	(0)
Corporate Tax paid	(0)	(0)
Changes in working capital:		
Inventories	0	0
Trade and other receivables	0	(720)
Trade and other payables	11,834	0
	<hr/>	<hr/>
Cash used by operating activities	(280,630)	(66,630)
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16 COMMITMENTS

The Company had no contract commitments for approved contracts not recorded in the books of accounts as at 31 December 2019.

17 CONTINGENTS

As at 31 December 2019, the Company had no contingent liabilities or assets