

GS GROUP LIMITED

(Registration number 95762)
Financial statements
for the year ended 31 December 2020

GS GROUP LIMITED

(Registration number: 95762)

Financial Statements for the year ended 31 December 2020

General Information

Country of incorporation and domicile

Tanzania, United Republic of

Directors

Guo Dong Jian
Chen Yong Quing
Shi You Quing
Shi Wenbin

Bankers

CRDB Bank PLC
NMB PLC
Exim Bank

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Financial Statements for the year ended 31 December 2020

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Directors' Responsibilities and Approval

The directors are required by the Companies Act 2002, to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with the International Financial Reporting Standard for Small and Medium-sized Entities. The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the company's cash flow forecast for the year to 31 December 2021 and, in the light of this review and the current financial position, They are satisfied that the company has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independent auditing and reporting on the company's financial statements. The financial statements have been examined by the company's external auditors and their report is presented on page 6.

Approval of financial statements

Director



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Directors' Report

The directors have pleasure in submitting their report on the financial statements of GS GROUP LIMITED for the year ended 31 December 2020.

1. Nature of business

The principal activities of the company are import, assembling and sale of motor cycles and spares.

2. Review of financial results and activities

The financial statements have been prepared in accordance with International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act 2002. The accounting policies have been applied consistently compared to the prior year.

Full details of the financial position, results of operations and cash flows of the company are set out in these financial statements.

3. Share capital

Authorised			2020	2019
			Number of shares	
Ordinary shares			1,000	1,000

Issued	2020	2019	2020	2019
	TSh	TSh	Number of shares	
Ordinary shares	922,265,407	922,265,407	922	922

There have been no changes to the authorised or issued share capital during the year under review.

4. Dividends

The board of directors do not recommend the declaration of a dividend for the year.

5. Directors

The directors in office at the date of this report are as follows:

Directors	Designation
Guo Dong Jian	Executive
Chen Yong Quing	Executive
Shi You Quing	Executive
Shi Wenbin	Executive

6. Events after the reporting period

The directors are not aware of any material event which occurred after the reporting date and up to the date of this report.

7. Going concern

The directors believe that the company has adequate financial resources to continue in operation for the foreseeable future and accordingly the financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the company is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the company. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the company.

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Directors' Report

Approval of financial statements



Director

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Statement of Financial Position as at 31 December 2020

Figures in Tanzanian Shilling	Note(s)	2020	2019
Assets			
Non-Current Assets			
Property, plant and equipment:	2	131,613,645	168,821,463
Current Assets			
Inventories	4	375,411,761	85,532,674
Trade and other receivables	3	161,931,000	134,674,150
Cash and cash equivalents	5	1,019,183,424	825,686,178
		1,556,526,185	1,045,893,002
Total Assets		1,688,139,831	1,214,714,465
Equity and Liabilities			
Equity			
Share capital	6	922,265,407	922,265,407
Retained income		373,372,791	102,001,451
		1,295,638,198	1,024,266,858
Liabilities			
Current Liabilities			
Trade and other payables	7	392,501,633	36,285,179
Current tax payable		-	154,162,428
		392,501,633	190,447,607
Total Equity and Liabilities		1,688,139,831	1,214,714,465

Director

Director

The accounting policies on pages 11 to 13 and the notes on pages 14 to 18 form an integral part of the financial statements.

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Statement of Comprehensive Income

Figures in Tanzanian Shilling	Note(s)	2020	2019
Revenue		34,555,120,373	29,884,312,406
Cost of sales	10	(33,473,704,915)	(29,096,276,480)
Gross profit		1,081,415,458	788,035,926
Expenses (Refer to page 8)		(798,044,118)	(507,211,470)
Profit before taxation		283,371,340	280,824,456
Taxation	12	(12,000,000)	(86,640,276)
Profit for the year		271,371,340	194,184,180
Other comprehensive income		-	-
Total comprehensive income for the year		271,371,340	194,184,180

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Financial Statements for the year ended 31 December 2020

Statement of Comprehensive Income

Figures in Tanzanian Shilling	Note(s)	2020	2010
Operating expenses			
Auditors remuneration	13	(2,000,000) ✓	(2,000,000)
EFD		-	(1,170,000)
Bank charges		(11,084,460)	(3,448,655)
Cleaning		(5,671,610)	(610,000)
ferry fees		(8,626)	-
Rolls		(4,054,381)	-
Depreciation, amortisation and impairments		(37,584,936) ↗	(25,691,064)
Employee costs		(81,081,000) ✗	(86,936,200)
Electronic items		(3,372,823)	-
Electricity and water		(10,927,091)	(2,763,905)
Other expenses		(5,622,607)	-
BOXES		(2,608,059)	-
Business license		(1,850,000)	(1,683,000)
City service levy		(2,192,800)	(1,978,800)
Fire extinguisher		(620,000)	(785,593)
Plate numbers		(164,756,932)	(80,112,370)
Fines and penalties		(90,000)	(343,000)
fees		(383,052)	-
Insurance		(10,608,000)	(295,000)
Rent		(183,389,095) ✗	(83,968,104)
OSHA		(1,580,000)	(1,820,000)
Motorvehicle running expenses		(30,211,353)	(34,436,041)
Printed film		(8,100,000)	-
Printing and stationery		(4,361,680)	(747,347)
Business promotion		(36,974,500)	(48,665,131)
Immigration expenses		(10,875,000)	(4,464,250)
Repairs and maintenance		(7,359,323)	(4,213,364)
Stamp duty		(1,083,417)	(763,346)
Trasnport expense		(83,063,000) ✗	(88,159,181)
Security		(21,373,714)	(5,323,758)
hardwares		(5,085,566)	-
Staff welfare		(5,770,607)	(2,566,176)
medical charges		(20,186,400)	-
training fee		(22,356,783)	-
Telephone postatge and internet		(1,582,913)	(1,324,492)
Travelling and accomodation		(10,174,390)	(22,942,693)
		(798,044,118)	(507,211,470)

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Financial Statements for the year ended 31 December 2020

Statement of Changes in Equity

Figures in Tanzanian Shilling	Share capital	Retained income	Total equity
Balance at 1 January 2019	922,265,407	(92,182,729)	830,082,678
Profit for the year	-	194,184,180	194,184,180
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	194,184,180	194,184,180
Balance at 1 January 2020	922,265,407	102,001,451	1,024,266,858
Profit for the year	-	271,371,340	271,371,340
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	271,371,340	271,371,340
Balance at 31 December 2020	922,265,407	373,372,791	1,295,638,198
Note(s)	6		

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Statement of Cash Flows

Figures in Tanzanian Shilling	Note(s)	2020	2019
Cash flows from operating activities			
Cash generated from operations	14	360,036,792	861,888,076
Tax paid	15	(166,162,428)	(10,500,000)
Net cash from operating activities		193,874,364	851,388,076
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(377,118)	(157,626,024)
Cash flows from financing activities			
Total cash movement for the year		193,497,246	693,762,052
Cash at the beginning of the year		825,686,178	131,924,128
Total cash at end of the year	5	1,019,183,424	825,686,180

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Financial Statements for the year ended 31 December 2020

Accounting Policies

1. Basis of preparation and summary of significant accounting policies

The financial statements have been prepared on a going concern basis in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities, and the Companies Act 2002. The financial statements have been prepared on the historical cost basis, except for biological assets at fair value less point of sale costs, and incorporate the principal accounting policies set out below. They are presented in Tanzanian Shilling.

These accounting policies are consistent with the previous period.

1.1 Property, plant and equipment

Property, plant and equipment are tangible assets which the company holds for its own use or for rental to others and which are expected to be used for more than one period.

Property, plant and equipment is initially measured at cost.

Cost includes costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Expenditure incurred subsequently for major services, additions to or replacements of parts of property, plant and equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the company and the cost can be measured reliably. Day to day servicing costs are included in profit or loss in the period in which they are incurred.

Property, plant and equipment is subsequently stated at cost less accumulated depreciation and any accumulated impairment losses, except for land which is stated at cost less any accumulated impairment losses.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the company.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life (Years)
Furniture and fixtures	Straight line	8
Motor vehicles	Straight line	4
Office equipment	Straight line	8
Computer and printer	Straight line	3

When indicators are present that the useful lives and residual values of items of property, plant and equipment have changed since the most recent annual reporting date, they are reassessed. Any changes are accounted for prospectively as a change in accounting estimate.

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

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

12 Financial instruments

Initial measurement

Financial instruments are initially measured at the transaction price (including transaction costs except in the initial measurement of financial assets and liabilities that are measured at fair value through profit or loss) unless the arrangement constitutes, in effect, a financing transaction in which case it is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

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Accounting Policies

12 Financial instruments (continued)

Financial instruments at amortised cost

These include loans, trade receivables and trade payables. Those debt instruments which meet the criteria in section 11.8(b) of the standard, are subsequently measured at amortised cost using the effective interest method. Debt instruments which are classified as current assets or current liabilities are measured at the undiscounted amount of the cash expected to be received or paid, unless the arrangement effectively constitutes a financing transaction.

At each reporting date, the carrying amounts of assets held in this category are reviewed to determine whether there is any objective evidence of impairment. If there is objective evidence, the recoverable amount is estimated and compared with the carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

Financial instruments at cost

Equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably without undue cost or effort are measured at cost less impairment.

Financial instruments at fair value

All other financial instruments, including equity instruments that are publicly traded or whose fair value can otherwise be measured reliably, without undue cost or effort, are measured at fair value through profit and loss.

If a reliable measure of fair value is no longer available without undue cost or effort, then the fair value at the last date that such a reliable measure was available is treated as the cost of the instrument. The instrument is then measured at cost less impairment until management are able to measure fair value without undue cost or effort.

13 Tax

Current tax assets and liabilities

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

The tax liability reflects the effect of the possible outcomes of a review by the tax authorities.

Tax expenses

Tax expense is recognised in the same component of total comprehensive income or equity as the transaction or other event that resulted in the tax expense.

14 Inventories

Inventories are measured at the lower of cost and estimated selling price less costs to complete and sell, on the first-in, first-out (FIFO) basis.

15 Share capital and equity

If the company reacquires its own equity instruments, those instruments are deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the company's own equity instruments. Consideration paid or received shall be recognised directly in equity.

Ordinary shares are recognised at par value and classified as 'share capital' in equity. Any amounts received from the issue of shares in excess of par value is classified as 'share premium' in equity. Dividends are recognised as a liability in the year in which they are declared.

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Accounting Policies

16 Revenue

Revenue is recognised to the extent that the company has transferred the significant risks and rewards of ownership of goods to the buyer, or has rendered services under an agreement provided the amount of revenue can be measured reliably and it is probable that economic benefits associated with the transaction will flow to the company. Revenue is measured at the fair value of the consideration received or receivable, excluding sales taxes and discounts.

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Notes to the Financial Statements

Figures in Tanzanian Shilling

2020

2019

2. Property, plant and equipment

	2020			2019		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Plant and machinery	92,724,329	-	92,724,829	92,724,829	-	92,724,829
Furniture and fixtures	3,217,097	(2,501,219)	715,878	3,217,097	(2,099,082)	1,118,015
Motor vehicles	148,731,197	(110,935,379)	37,795,818	148,731,197	(73,752,580)	74,978,617
Office equipment	2,153,398	(2,153,897)	1	2,153,898	(2,153,897)	1
IT equipment	11,729,575	(11,352,456)	377,119	11,352,457	(11,352,456)	1
Total	258,556,596	(126,942,951)	131,613,645	258,179,478	(89,358,015)	168,821,463

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Depreciation	Closing balance
Plant and machinery	92,724,829	-	-	92,724,829
Furniture and fixtures	1,118,015	-	(402,137)	715,878
Motor vehicles	74,978,617	-	(37,182,799)	37,795,818
Office equipment	1	-	-	1
Computer	1	377,118	-	377,119
	168,821,463	377,118	(37,584,936)	131,613,645

3. Trade and other receivables

Trade receivables	161,931,000	105,148,726
Other receivable	-	29,525,424
	161,931,000	134,674,150

4. Inventories

Finished goods	375,411,761	85,532,674
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5. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	1,019,183,424	825,686,178
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6. Share capital

Authorised		
1,000 Ordinary shares of TZS 1,000,000 each	1,000,000,000	1,000,000,000
Issued		
922 Ordinary shares of TZS 1,000,000 each	922,265,407	922,265,407

7. Trade and other payables

VAT	66,720,690	34,285,179
Trade and other payables	325,780,943	2,000,000
	392,501,633	36,285,179

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Notes to the Financial Statements

Figures in Tanzanian Shilling	2020	2019
8. Operating profit		
Operating profit for the year is stated after accounting for the following:		
Operating lease charges		
Lease rentals on operating lease - 1		
• Contractual amounts	<u>183,389,095</u>	<u>83,968,104</u>
Depreciation on property, plant and equipment	37,584,936	25,691,064
Employee costs	81,081,000	86,936,200
Stamp duty	<u>1,083,417</u>	<u>763,346</u>
9. Employee cost		
Employee costs	70,200,000	73,600,000
Gross salaries		
WCF	702,000	860,400
SDL	3,159,000	3,871,800
NSSF	<u>7,020,000</u>	<u>8,604,000</u>
	<u>81,081,000</u>	<u>86,936,200</u>
10. COST OF SALE		
Opening Stock	85,532,674	216,884,144
Add: Purchases	<u>33,763,584,002</u>	<u>28,964,925,010</u>
	<u>33,849,116,676</u>	<u>29,181,809,154</u>
Less: Closing Stock	375,411,762	85,532,674
	<u>33,473,704,915</u>	<u>29,096,276,480</u>
11. Depreciation, amortisation and impairments		
The following items are included within depreciation, amortisation and impairments:		
Depreciation		
Property, plant and equipment	<u>37,584,936</u>	<u>25,691,064</u>
12. Taxation		
Major components of the tax expense		
Current taxation		
Local normal tax - year	<u>12,000,000</u>	<u>86,640,276</u>
13. Auditors' remuneration		
Fees	<u>2,000,000</u>	<u>2,000,000</u>
14. Cash generated from operations		
Profit before taxation	283,371,340	280,824,456
Adjustments for:		
Depreciation and amortisation	37,584,936	25,691,064
Changes in working capital:		
Inventories	(289,879,087)	131,351,470
Trade and other receivables	(27,256,850)	389,735,907
Trade and other payables	356,216,454	34,285,179
	<u>360,036,792</u>	<u>861,888,076</u>

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Notes to the Financial Statements

Figures in Tanzanian Shilling	2020	2019
15. Tax paid		
Balance at beginning of the year	(154,162,428)	(78,022,152)
Current tax for the year recognised in loss	(12,000,000)	(86,640,276)
Balance at end of the year	-	154,162,428
	<u>(166,162,428)</u>	<u>(10,500,000)</u>

16. Going concern

We draw attention to the fact that at 31 December 2020, the company had accumulated losses of TSh (699,153,733) and that the company's total liabilities exceed its assets by TSh 1,621,419,140.

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.