

ALAF LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

ALAF LIMITED

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

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ALAF LIMITED

COMPANY INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2022

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Plot No.18, Nyerere Road, Industrial Area
P. O. Box 2070
Dar es Salaam, Tanzania.

MAIN BANKERS:

Standard Chartered Bank Tanzania
Limited
1st Floor, International House
Shabani Robert Street/Garden Avenue
P.O. Box 9011
Dar es Salaam, Tanzania

Citibank Tanzania Limited
Peugeot House
Plot No. 36 Upanga Road
P.O. Box 71625
Dar es Salaam, Tanzania

Stanbic Bank Tanzania Limited
Stanbic Centre
P.O. Box 72647
Dar es Salaam, Tanzania

SOLICITORS

Sheikh's Chambers of Advocates
Plot No. 2349/40, 3rd Floor
Pamba Road

P.O. Box 6225
Dar es Salaam, Tanzania

B & Eako Law
House No.7, Plot No. 30
Regent Estate, Ursino
Street

P.O. Box 71748
Dar es Salaam, Tanzania

Law Associates Advocates
6th Floor, OAS Building
Azikiwe Street

P.O. Box 11133
Dar es Salaam, Tanzania

COMPANY SECRETARY

Ms H. H. Sheikh
Sheikh's Chambers of Advocates
Plot No. 2349/40, 3rd Floor
Pamba Road
P.O. Box 6225
Dar es Salaam, Tanzania

AUDITOR

KPMG
Certified Public Accountants
2ndThe Luminary, Plot No. 574
Haile Selasie Road
Msasani Peninsula Area
P. O. Box 1160
Dar es salaam, Tanzania

ALAF LIMITED

REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2022

1. INTRODUCTION

The members charged with governance ("the Directors") submit their report together with the audited financial statements for the year ended 31 December 2022, which disclose the state of affairs of ALAF Limited, herein referred to as the "Company".

2. INCORPORATION

The Company was incorporated in Tanzania in 1960 under the Companies Act, 1956 (revised 2002) as a private limited liability company. The address of the registered office is set out on page 1.

3. BUSINESS OBJECTIVES & STRATEGIES

Vision Statement:

An Africa built with pride.

Mission Statement:

We deliver trusted building solutions that are made with pride and care to provide superior customer value.

Our Values:

A strong customer focus Innovating for world class solutions. Partnership for shared success. Commitment to ethics and compliance. To care for our employees, our communities and the environment.

Through the insights and experience gathered over a period of 60 years and continuous innovations, the Company strives to stay at the forefront in providing premier building systems and solutions that are backed up by decades of technical, design and engineering expertise.

The Company intends to retain and improve its market standing through combination of strategies, which includes, but not limited to, the following strategic pillars:

- Building Solutions – focus on customer preferences, new products and services ;
- Employees – focus on culture and talent development and employee welfare;
- Market Channels – focus on distribution channels to ensure Company's products and services are available across the Country;
- Operational Efficiency – focus on cost and operating efficiencies in all segments of Company's operations.

4. PRINCIPAL ACTIVITIES

The principal activity of the company is manufacture and sale of aluminium-zinc coated steel coils, roofing sheets and allied roofing and steel products.

The Company's main production facilities are in Dar es Salaam and includes Cold Rolling Mill, Metal Coating Line, Roll Forming Operations, Tubemill and Wire Products Line.

The Company also has Roll Forming production facilities in Arusha, Dodoma, Mbeya and Mwanza, to cater to regional markets.

The Company's products are sold in Domestic Markets and in Markets of neighbouring Countries viz. Kenya, Uganda, Rwanda, DR Congo, Malawi etc.

ALAF LIMITED

REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued) FOR THE YEAR ENDED 31 DECEMBER 2022

5. FINANCIAL RESULTS AND DIVIDEND

The Company suffered a loss before tax of TZS 5,521 million for the year ended 31 December 2022 (2021: Profit before tax of TZS 8,929 million).

The Company had declared dividend of TZS 500 per ordinary share amounting to TZS'000 6,846,230 for the year ended 31 December 2021, which was approved in the Annual General Meeting held on 20th June 2022 and was paid in lots in June, August and September 2022.

For the year ended 31 Decemeber 2022, the Board of Directors recommends NIL dividend (2021: TZS 500 per ordinary share amounting to TZS 6,846,230,000).

6. PERFORMANCE FOR THE YEAR

| Particulars | Year | | Increase (↑) / Decrease (↓) |
|--|---------|---------|--------------------------------|
| | 2022 | 2021 | %/Days |
| Total Revenue (TZS Million) | 366,835 | 334,050 | ↑ 10% |
| (Loss)/Profit Before Tax (TZS Million) | (5,521) | 8,929 | ↓ 162% |
| Gross Profit Margin | 7.6% | 13.1% | ↓ 5.5% |
| Net (Loss)/Profit Margin | (1.5%) | 2.7% | ↓ 4.2% |

While Turnover of the Company for year 2022 increased from previous year, the year 2022 was difficult year for the Company in terms of profit margins due to steel price volatility and unfavorable global headwinds.

The Company was well poised for growth in domestic and export (neighbouring East African countries) markets, post capacity expansion of its Metal Coating Line in late 2021. However global economic conditions turned unfavorable towards end of 1st quarter of the year.

Underperforming China's demand, risk of recession in Europe, Ukraine-Russia conflict leading to increased fuel and commodity prices, especially in African continent – all led to a consistent and steep fall in HRC prices, the main raw material for the Company. HRC prices fell from ~USD 1100/MT in Feb'22 to the levels of below USD 600/MT in Dec'22.

Company's supply lead time is 90 days and falling prices meant the Company always had to liquidate higher cost inventory at lower margins. Competition within Tanzania and EAC countries faced the same situation, and this led to price war and further pressure on margins.

Federal Reserve's aggressive stance on interest rates strengthened dollar and this, coupled with higher fuel and commodity prices, led to sharp depreciation in Tanzania shilling and dollar liquidity challenges resulting in higher exchange loss and interest costs for the Company.

Company did well to mitigate the challenges with efforts to liquidate higher cost inventory, optimum stock ordering management, containment of fixed costs, deferment of capex spend, among other measures and is well poised for turnaround in the year 2023.

7. LIQUIDITY

The Company has a positive liquidity position.

ALAF LIMITED

REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued) FOR THE YEAR ENDED 31 DECEMBER 2022

8. USES OF FUNDS AVAILABLE

Cash and cash equivalents held by the Company are used for operating activities, settle maturing obligations, dividends and for financing modernization/expansion projects.

9. RELATIONSHIP WITH STAKEHOLDERS

The Company has a good and strong relationship with its shareholders, customers, suppliers, bankers, lawyers, employees, tax authority and all related regulators. Our relationships with stakeholders is built upon mutual understanding and trust and in compliance with the agreed and stipulated terms.

10. ACCOUNTING POLICIES

Accounting policies applied are consistent, unless where new standards have been applied. New standards applied in 2022 did not result in any significant change in the financial performance but led to increased disclosures in the Company's financial statements. Future changes are not expected to result in any significant change in the financial performance or disclosures of the Company's financial statements.

11. PROCESS MANAGEMENT

The Company operates under Quality and Environmental Management Systems, which are both internationally certified. The Quality Management System is certified to the ISO 9001:2015 Standards, and the Environmental Management System is certified to the ISO 14001:2015 Standards. The two Standards help the Company to sustain and improve the quality of its services and ensure compliance with the environmental laws/regulations. These certifications are audited, reviewed and updated annually to maintain certifications. Our two systems were audited for recertification during the month of October 2021 and ISO 9001:2015 and 14001:2015 certificates are valid as at the date of this report.

12. INVESTMENTS

The Company made investments in property, plant and equipment to the value of TZS 4.2 billion including work in progress during the year ended 31 December 2022 (2021: TZS 18.9 billion).

The Company also invested TZS 2.3 billion in SAP S4 Hana ERP (Enterprise Resource Planning), which was rolled out w.e.f from 1st August 2022. This will improve internal controls and drive efficiency.

13. POLITICAL AND CHARITABLE DONATIONS

The Company did not make any political donations during the year (2021: Nil). The details of charitable donations made during the year are listed under note 16 of this report.

14. FUTURE DEVELOPMENT PLANS

The Company continues to endeavour to deliver high quality products and services and has taken up the following development plans:

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REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued) FOR THE YEAR ENDED 31 DECEMBER 2022

14. FUTURE DEVELOPMENT PLANS (Continued)

- a. The Board, in its meeting dated 14th December 2022, has approved an investment of USD 23.4 million for installation of Colour Coating Line of 73,000 MTPA production capacity. Project is expected to be commissioned by early 2025.
- b. The Company has also undertaken ALAF site development plan. This will help efficient material handling, material flow and improve customer services.

15. ENVIRONMENTAL CONTROL PROGRAMME

The Company recognises its responsibility towards protection of the environment. For making the manufacturing processes greener, the Company is using natural gas.

The Company continues to support environment by:

- Use of Transfer Trolleys for movement of material within its manufacturing facilities instead of diesel forklifts;
- Use of LED Lighting to reduce energy consumption; and
- Use of effluent treatment plant and evaporation pond for treating waste water to save ground water reserves.

16. CORPORATE SOCIAL RESPONSIBILITY

At ALAF Limited we believe that whatever we earn, we have an obligation to return part of it to the communities because without the communities around, our existence would not be possible. As part of Corporate Social Responsibility (CSR) initiatives, the Company continued to donate roofing sheets, allied roofing and steel products to the dispensaries, schools and orphanages.

Some of the CSR activities carried out during 2022 were:

- Provided roofing sheets for housing for community in Lindi and Njombe regions through Prime Minister's office amount to TZS 65 million
- Donation for immediate roofing support for primary schools in Kojani Constituency, Pemba region amount to TZS 44 million
- Provided roofing sheets to support second phase construction for GG SHULUA in Dar es salaam amounting to TZS 42 million
- Provided roofing sheets to uplift education and health sectors in Mufindi South Constituency amount TZS 19 million
- Roofing sheets to facilitate "Boresha vya kale" campaign to Primary and Secondary schools in Temeke region through Member of Parliament (MOP) Temeke amount to TZS 14 million
- Kiswahili Scholarship for Masters in Kiswahili students at the University of Dar es Salaam amount to TZS 10 million
- Roofing support for schools' hostels and dormitories in Newala region through President's office amounting to TZS 9.9 million
- Provided roofing sheets for repair of public primary schools in Mufindi North Constituency amount Tshs. 6 million
- Roofing sheets to provide shelter to Singida region amount to TZS 5 million
- Donation to Umoja wa Washahiri Tanzania (UWASHATA) as per SAFAL Group initiative on education pillar amount to TZS 2 million
- Donation of roofing sheets to support District of Dodoma's office amount TZS 1 million
- Others TZS 1 million

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REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued) FOR THE YEAR ENDED 31 DECEMBER 2022

17. CORPORATE GOVERNANCE

The Board of Directors (the "Board") of the Company consists of eight (8) Directors listed below note 19, out of which two (2) are Directors representing Government of Tanzania. The Board takes overall responsibility for the Company, including responsibility for identifying risk areas, considering and monitoring investment decisions, considering significant financial matters, reviewing the performance of management, business plans and budgets. The Board is also responsible for ensuring that a comprehensive system of internal control, policies and procedures are operative and for compliance with corporate governance policies.

The Board meets at least four times in a year. The Board delegates the day to day management of the business to the Chief Executive Officer who is assisted by the senior management team. Senior management team members are invited to attend Board meetings and facilitate the effective control of the Company's operational activities, acting as a medium of communication and coordination between the functional areas of the Company.

The Company is committed to the principles of effective corporate governance. The Directors also recognise the importance of integrity, transparency and accountability.

Committees of the Board

The Board has constituted two standing Committees on 26th August 2022, namely Audit Committee and Executive Committee, which operate within defined terms of reference laid down by the Board with the Board retaining collective and ultimate responsibility for all recommendations and decisions made. On an annual basis, the Board reviews and updates the terms of references (TORs) for the board and its committees to ensure that the ToRs remain relevant and that the Committees are meeting the expectations set out under the ToRs.

Board Audit Committee

Board Audit Committee is made up of three (3) members, one director each nominated by Safal Investments (Mauritius) Ltd (the majority shareholders) and the Treasury Registrar of the United Republic of Tanzania (the minority shareholders) and one independent director of the Company. The Board Audit Committee holds its meetings at least three (3) times a year; its key responsibilities include:

- a) To review and approve Internal Audit plan for the year;
- b) To review significant and material observations (including matters relating to Internal Controls) of Internal Auditor and Statutory Auditor and managements comments thereon, action taken or proposed by the management and advise Management, wherever required;
- c) To review the Audited Annual Financial Statements (including the Directors Report) and recommend to the Board of Directors for approval and adoption;
- d) To review amount of Dividend that could be declared and paid in accordance with the Company's Dividend policy;
- e) To recommend to the Board of Directors for the appointment of Internal and Statutory Auditors, terms of reference of engagement and their fees;

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REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued) FOR THE YEAR ENDED 31 DECEMBER 2022

17. CORPORATE GOVERNANCE (Continued)

Board Audit Committee (Continued)

- f) To review and recommend to the Board of Directors for consideration and adoption/approval of the Charters, Policies and Standard Operating Procedures, as maybe required from time to time, to ensure structured working and mitigation of risks; and
- g) To review any legal matters that could have a significant impact on the Company's business and advise Management appropriately.

The current members of the Committee are:

| | Name | Role |
|----|------------------------|--------------------------------------|
| 1. | Mr. Joseph Sheffu | Chairman – Independent non-executive |
| 2. | Mr. Masha John Mshomba | Member – Non-executive |
| 3. | Mr. Pankaj Kumar | Member – Non-executive |

The Committee met twice during the year ended 31st December 2022.

Board Executive Committee

Board Executive Committee is made up of two (2) members, one director each nominated by Safal Investments (Mauritius) Ltd (the majority shareholders) and the Treasury Registrar of the United Republic of Tanzania (the minority shareholders). The Board Executive Committee holds its meetings at least three (3) times a year; its key responsibilities include:

- a) To review and recommend to the Board for consideration and approval of Company's Annual and Strategic business plans, Modernisation and expansion plans;
- b) To consider and approve opening and closing of Banks Accounts for the Company;
- c) To consider and approve changes in Signatories for the operation of Company's Bank Accounts;
- d) To consider and approve yearly renewal of Banking Facilities made available by the Banks, provided there are no material changes in the amount of Banking Facilities and the in the Terms and Conditions;
- e) To consider and approve Short Term Borrowing up to US\$ 5 million at any one time to meet urgent business requirements;
- f) To review and recommend to the Board for consideration and approval of material changes in existing Banking Facilities, Term loans for expansion and modernisation;
- g) To consider and approve issuance of Credit Cards to the Senior Employees of the Company.

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REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued) FOR THE YEAR ENDED 31 DECEMBER 2022

17. CORPORATE GOVERNANCE (Continued)

Board Executive Committee (Continued)

The current members of the Committee are:

| | Name | Role |
|----|--------------------------|------------------------|
| 1. | Mr. Pankaj Kumar | Member – Non-executive |
| 2. | Mr. Godfrey Omar Kitundu | Member – Non-executive |

The Committee met once during the year ended 31st December 2022.

Directors' remuneration

Directors' fees and sitting allowances are approved at the Annual General Meeting (AGM). The Board of Directors approves key management remunerations. It is the Company's policy to remunerate its Directors, and key management personnel, in accordance with their responsibilities and the prevailing market conditions. Directors' fees and sitting allowances and key management remuneration is highlighted in Note 27 to the financial statements.

Relations with shareholders

The Board places considerable importance on effective communication with shareholders. All shareholders have access to the annual report and financial statements.

Accountability and audit

The Board is mindful of its responsibility to present a balanced and clear assessment of the Company's financial position and prospects. This assessment is primarily provided in the Directors' Report. The internal control systems have been designed to manage, rather than eliminate, the risk of failure to achieve business objectives and provide reasonable assurance against material misstatement or loss. The control environment is strong with a robust organizational structure, risk identification and evaluation process, information and financial reporting systems, investment appraisal process, strong internal audit and a robust fraud management system. Review of the effectiveness of the system of internal controls is carried out by the Board.

The Board met Four times during 2022 (2021 – Four times) where the Chief Executive Officer, the General Manager and the Financial Manager attended. The Board is chaired by Mr. Kaushik B. Shah.

The Company Secretary attended all meetings conducted during the year. The Board is responsible for reviewing the effectiveness of the Company's risk management, internal control systems and operations, which includes annual financial statements and budgets, and monitoring the controls which are in force to ensure the integrity of the financial information reported to the shareholders. The Board appoints the external auditor and approves their remuneration and discusses the nature, scope and results of the audit with the external auditor.

ALAF LIMITED**REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022****17. CORPORATE GOVERNANCE (Continued)****Attendance of the Board meetings**

| Name | Q1 2022 held on 02 nd June 2022 | Q2 2022 held on 26 th August 2022 | Q3 2022 held on 11 th November 2022 | Extra-ordinary meeting held on 14 th December 2022 |
|----------------------------|--|--|--|---|
| Mr. Kaushik B. Shah | ✓ | ✓ | ✓ | ✓ |
| Mr. Pankaj Kumar | ✓ | ✓ | ✓ | ✓ |
| Mr. Anders Lindgren | ✓ | ✓ | ✓ | ✓ |
| Mr. Ashish Mistry | ✓ | ✓ | ✓ | ✓ |
| Mr. Godfrey Omar Kitundu | ✓ | ✓ | ✓ | ✓ |
| Mr. Masha John Mshomba | x | x | x | ✓ |
| Mr. Joseph Sheffu | ✓ | x | ✓ | ✓ |
| Mr. Andrew J. Heycott | ✓ | n/a | n/a | n/a |
| Mr. Dipti Prasanna Mohanty | n/a | x | ✓ | ✓ |

Key to table: ✓ attended the meeting; x absent with apology

DIRECTORS AND THEIR INTEREST IN THE COMPANY

None of the Directors have any interest in the shares of the Company.

18. CAPITAL STRUCTURE

The capital structure of the Company as at year-end was as shown below:

| Particulars | Type of shares | Number of shares | Value per share (TZS) | Amount (TZS'000) |
|--------------------------|-----------------|------------------|-----------------------|------------------|
| Authorised share capital | Ordinary Shares | 15,000,000 | 1,000 | 15,000,000 |
| Called-up share capital | Ordinary Shares | 13,692,460 | 1,000 | 13,692,460 |
| Paid-up share capital | Ordinary Shares | 13,692,460 | 1,000 | 13,692,460 |

ALAF LIMITED

REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued) FOR THE YEAR ENDED 31 DECEMBER 2022

19. DIRECTORS

The following are the Directors who held office during the year and to the date of this report, except where otherwise stated:

| Name | Position | Age | Qualification /Discipline | Nationality |
|---------------------------|---------------------|-----|---|-------------|
| Mr. Kaushik B. Shah, MBS. | Director - Chairman | 70 | Fellow Chartered Accountant (England and Wales), Certified Public Accountant (Kenya) | British |
| Mr. Pankaj Kumar | Director | 66 | Bachelor of Commerce (Hons.), ACA | Indian |
| Mr. Anders Lindgren | Director | 64 | Bachelor in Business Administration & Economics | Swedish |
| Mr. Ashish Mistry | Director /CEO | 54 | Bachelor's degree in Industrial Engineering | Indian |
| Mr. Godfrey Omar Kitundu | Director | 49 | Master Degree of Economics in Public Policy and Taxation | Tanzanian |
| Mr. Masha John Mshomba | Director | 51 | Bachelor of Commerce, Certified Public Accountant (Tanzania), Master of Business Administration | Tanzanian |
| Mr. Joseph Sheffu | Director | 51 | Certified Public Accountant (Tanzania) | Tanzanian |
| Mr. Dipti Mohanty* | Director | 54 | B. Tech (Hons.), MBA | Indian |
| Mr. Andrew J. Heycott** | Director | 55 | BE Engineering (Hons.) | Australian |

* Appointed on 02nd June 2022

** Resigned on 02nd June 2022

20. COMPETITION

The Company is facing competition from competitors providing similar services in Tanzania.

The Directors have formulated several plans and strategies that will provide consistent performance in a competitive environment. This includes enhancing the value of service to the customer to boost sales.

Company strives to stay abreast with market developments and allocates sufficient funds and resources on marketing activities to protect and grow its market visibility, brand and outreach to customers.

Company actively engages with various regulatory bodies against the unethical practices of counterfeit and under-declared material supplies prevalent in the market.

During the year the Company has opened up depots at Iringa to increase its geographical reach. It also ran a significant campaign in Mwanza region training installers to increase awareness of Simbadumu in the Lakke zone.

REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

21. PRINCIPAL RISK AND UNCERTAINTIES

The Company's financial performance depends largely on the ability to manufacture and sale of aluminium-zinc coated steel coils, roofing sheets and allied roofing and steel products.

This is considered the high risk for the Company if the production capabilities or the market demand for the Company's products is adversely affected. In view of this, the top line is influenced by the volume sold and price realised. The Company also faces reputation risk.

22. 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:

- Effectiveness and efficiency of operations;
- Safeguarding of the Company's assets;
- Statutory Compliance with applicable laws and regulations;
- Reliability of accounting records;
- Business sustainability under normal as well as adverse conditions; and
- Responsible behaviour towards 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 by staff. Whilst no system of internal control can provide absolute assurance against misstatement or losses, the Company's systems are designed to provide the Board with reasonable assurance that the procedures in place are operating effectively.

The Board assessed the internal control system throughout the financial year and is of the opinion that they meet accepted criteria.

Operational Risk

Company's manufacturing processes involves critical machines which requires upkeep and regular maintenance. Management has preventive, predictive and diagnostics maintenance schedule in place.

Covid-19 pandemic appears to be under control however Company continues to be vigilant for health risks for its employees.

Financial Risk

Falling steel prices during the year strained Company's margins and posed cash flow challenges, which the Company managed through timely engagement with the banks and suppliers for extended credit period. Company also continuously monitored and optimised its inventory levels.

Technological Risk

Company has upgraded its production facilities, Cold Rolling Mill and Metal Coating Line, for better operating efficiency and quality. Production capacity of Metal Coating Line has been enhanced from 70,000 MTPA to 100,000 MTPA during the year 2021.

ALAF LIMITED

REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued) FOR THE YEAR ENDED 31 DECEMBER 2022

22. RISK MANAGEMENT AND INTERNAL CONTROL

Company has also invested in IT systems and implemented SAP S4 Hana aimed at better internal control and driving efficiency. SAP S4 Hana went live from 1st August 2022.

The Company ensures that it complies with all the laws and regulations and operates with highest levels of transparency and integrity.

23. RESOURCES

The Company also has well trained staff who are able to execute the objective of the company under the leadership of management and guidance of the board.

The Company has access to professional expertise from sister companies.

The Company strategy is to allocate resources like money, labor, and staff to support the infrastructure and other business activities which will add value to customers and partners by providing services that meet their needs and that of the society, at a price they are prepared to pay.

The Directors consider the Company to be solvent and have reasonable expectation that the Company has adequate resources to enable it to remain in operational existence in the years ahead.

24. MANAGEMENT

The management of the Company is under the Chief Executive Officer and is organised in two major segments i.e. Coated Steel and Building Solutions. The segments are supported by following departments:

- Technical
- Sales & Marketing
- Human Resources
- Finance and Accounts
- Information Technology
- Procurement
- Logistics
- Internal Audit

Each department is headed by a Head of Department.

The Company has a well defined KPI with defined strategic action plan for each of the function in line with overall business and strategic plan for the Company.

25. SHAREHOLDERS OF THE COMPANY

The total number of shareholders during the year 2022 and to the date of this report are two (2) (2021: two (2) shareholders). The shares of the Company are held as follows:

| Shareholder | 2022 Number of Shares | % | 2021 Number of Shares | % |
|--|-----------------------------|---------------|-----------------------------|---------------|
| Safal Investments (Mauritius)Limited | 10,465,421 | 76.43 | 10,465,421 | 76.43 |
| Treasury Registrar, Government of the United Republic of Tanzania | 3,227,039 | 23.57 | 3,227,039 | 23.57 |
| Total | 13,692,460 | 100.00 | 13,692,460 | 100.00 |

No director held shares in the Company.

ALAF LIMITED

REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued) FOR THE YEAR ENDED 31 DECEMBER 2022

26. STOCK EXCHANGE INFORMATION

The shares of the Company are not listed on the Dar es Salaam Stock Exchange or any other stock exchange.

27. SOLVENCY AND GOING CONCERN

The Board confirms that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis. The Board has reasonable expectation that the Company will have sufficient resources to continue in operational existence for the foreseeable future.

The Company has sufficient working capital facilities in place and liquidity remains strong.

28. WELFARE OF EMPLOYEES

Relationship between management and employees

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

The relationship between management and employees continued to be cordial throughout the year. There were no material unresolved complaints of employees during the year and to the date of this report.

Training

Manpower identification, recruitment and development continued under established manpower development programmes. Number of employees at different levels of management underwent in-house and external training.

The Company continued with its Graduate Trainee Program in which fresh graduates of different fields are selected to undergo one year training within the Company and upon satisfactory completion of training, these graduates are assigned suitable roles in the Company.

Medical facilities

Medical care continued to be provided to all employees and their dependants.

Health and industrial safety

The Company continued to comply with the Standards of Industrial Safety established by the Occupational Safety and Health Authority (OSHA) and the Workers Compensation Fund (WCF). In the year 2022, there was no major work related injury recorded.

29. FINANCIAL ASSISTANCE TO STAFF

The Company assisted employees to establish the ALAF Savings and Credit Co-operative Society (SACCOS) and has given a guarantee of TZS 200 million to CRDB Bank PLC to provide financial assistance to SACCOS members. This assistance is in addition to the loans and advances provided by the Company to the employees on need based assessments.

ALAF LIMITED

REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued) FOR THE YEAR ENDED 31 DECEMBER 2022

30. PERSONS WITH DISABILITIES

Applications for employment by disabled persons are always considered bearing in mind the skills and aptitudes of the applicant. The Company maintains a policy of continued employment for employees who become disabled while in service. It is the policy of the Company that training, career development and promotion of disabled person should, as far as possible, be identical to that of the other employees.

31. EMPLOYEES BENEFIT PLAN

During the year 2022, the Company paid contributions for employees to the National Social Security Fund (NSSF). The Company's obligation in respect of these contributions is 10% of the employees' gross salary.

32. GENDER PARITY

The Company had 465 employees as at 31 December 2022, out of which 56 were female and 409 were male (2021: total 470 employees, out of which 47 were female and 423 were male). The decrease in number of employees in the year 2021 was due to open vacant positions to be filled in the coming year.

33. RELATED PARTY TRANSACTIONS

The related party transactions and balances are disclosed in Note 27 to the financial statements.

34. STATEMENT OF COMPLIANCE

Directors are of the opinion that the Company complied with all laws and regulations and guidelines affecting the Company and its related operations. The Directors report has been prepared in full compliance with Tanzania Financial Reporting Standard No. 1.

35. AUDITOR

KPMG is the auditor of the Company for the year ended 31 December 2022. The address and other details of the auditor are shown on page 1. KPMG has indicated their willingness to continue in office and are eligible for re-appointment. A resolution proposing the re-appointment of KPMG as the auditor of the Company will be put to the Annual General Meeting.

36. RESPONSIBILITY OF THE AUDITOR

The auditor is responsible for reporting on whether the financial statements give a true and fair view in accordance with the applicable financial reporting framework.

ALAF LIMITED

REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

37. RESPONSIBILITY BY THOSE CHARGED WITH GOVERNANCE

The members charged with governance accept responsibility for preparing these financial statements which show a true and fair view of the Company to the date of approval of the audited financial statements, in accordance with the applicable standards, rules, regulations and legal provisions. The members also confirm compliance with the provisions of the requirements of TFRS1 and all other statutory legislations relevant to the Company.

BY ORDER OF THE BOARD

| | | |
|----------------------|-----------------|---|
| <u>ASHISH MISTRY</u> | <u>DIRECTOR</u> | <u></u> |
| Name | Title | Signature |

| | | |
|------------------------|-----------------|---|
| <u>GODFREY KITUNDU</u> | <u>DIRECTOR</u> | <u></u> |
| Name | Title | Signature |

25/04/2023
Date

ALAF LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2022

The Company's Directors are responsible for the preparation of financial statements that give a true and fair view of ALAF LIMITED ("the Company"), comprising the statement of financial position as at 31 December 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards) and in the manner required by the Companies Act, 2002.

The Company's Directors are also responsible 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, and for maintaining adequate accounting records and an effective system of risk management.

The Directors have made an assessment of the ability of the Company to continue as going concern and have no reason to believe that the business will not be a going concern at least for the next twelve months from the date of approval of these financial statements.

The auditor is responsible for reporting on whether the financial statements give a true and fair view in accordance with the applicable financial reporting framework.

Approval of financial statements

The financial statements of ALAF LIMITED, as identified in the first paragraph, were approved and authorised for issue by the Directors on 25/04/2023....

| | | |
|----------------------|-----------------|----------------------|
| <u>ASHISH MISTRY</u> | <u>DIRECTOR</u> | <u>Ashish Mistry</u> |
| Name | Title | Signature |

| | | |
|-------------------|-----------------|--------------------|
| <u>G. WITUNDA</u> | <u>DIRECTOR</u> | <u>[Signature]</u> |
| Name | Title | Signature |

ALAF LIMITED

**DECLARATION BY THE HEAD OF FINANCE
FOR THE YEAR ENDED 31 DECEMBER 2022**

The National Board of Accountants and Auditors (NBAA) according to the powers conferred to it under the Auditors and Accountants (Registration) Act No. 33 of 1972, as amended by Act No. 2 of 1995, requires financial statements to be accompanied with a declaration issued by the Head of Finance responsible for the preparation of the financial statements of the entity concerned.

It is the duty of a professional accountant to assist the Board of Directors to discharge the responsibility of preparing financial statements of an entity showing a true and fair view of the entity's financial position and performance in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2002. Full legal responsibility for the preparation of financial statements rests with the Board of Directors as stated under the Statement of Directors' Responsibilities on the previous page.

I **MANISH RANJAN**, being the Head of Finance of ALAF Limited hereby acknowledge my responsibility of ensuring that the financial statements for the year ended 31 December 2022 have been prepared in compliance with International Financial Reporting Standards and the requirements of the Tanzanian Companies Act, 2002.

I thus confirm that the financial statements comply with applicable accounting standards and statutory requirements as on that date and that they have been prepared based on properly maintained financial records.

Signed by: 

Position: **FINANCE CONTROLLER**

NBAA Membership No.: TACPA 4083

Date: 25/04/2023



KPMG
Certified Public Accountants
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Dar es Salaam, Tanzania

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ALAF LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of ALAF Limited ("the Company"), set out on pages 21 to 68 which comprise the statement of financial position as at 31 December 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, comprising significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of ALAF Limited as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards) 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 *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with International Ethics Standards Board for Accountants *International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in Tanzania, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the document titled *ALAF Limited Annual Report and Audited Financial Statements for the year ended 31 December 2022*, but does not include the financial statements and our auditor's 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.



**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ALAF LIMITED (Continued)**

Report on the Audit of the Financial Statements (Continued)

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 IFRS Standards and in the manner required by the Companies Act, 2002, and for such internal control as the Directors determine is necessary to enable the preparation of financial statement that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional 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



INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ALAF LIMITED (Continued)

Report on the Audit of the Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the financial Statements (Continued)

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, 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

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

- in our opinion, proper accounting records have been kept by ALAF Limited;
- the individual accounts are in agreement with the accounting records of the Company;
- we obtained all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit;
- Directors's report is consistent with the financial statements; and
- information specified by the law regarding Directors' emoluments and other transactions with the Company is disclosed.

KPMG
Certified Public Accountants (T)

Signed by: CPA Adolph Boyo (ACPA 2815)
Dar es Salaam

Date: 25/04/2023

ALAF LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

| | Notes | 2022 TZS '000 | 2021 TZS '000 |
|--|-------|---------------------------|-------------------------|
| Revenue | 7 | 366,835,392 | 334,049,506 |
| Cost of sales | 9 | <u>(339,002,310)</u> | <u>(290,435,301)</u> |
| Gross profit | | 27,833,082 | 43,614,205 |
| Other operating income | 8 | 1,093,607 | 1,296,104 |
| Administrative expenses | 10 | (20,520,528) | (28,894,793) |
| Selling and distribution expenses | 11 | (4,985,234) | (4,749,885) |
| Impairment charge on trade receivable | 20 | <u>(268,804)</u> | <u>(756,502)</u> |
| Operating profit | | 3,152,123 | 10,509,129 |
| Finance costs | 12 | <u>(8,672,895)</u> | <u>(1,580,112)</u> |
| (Loss)/profit before tax | 13 | (5,520,772) | 8,929,017 |
| Income tax credit/(expense) | 14 | 911,366 | (4,063,300) |
| (Loss)/profit for the year | | <u>(4,609,406)</u> | <u>4,865,717</u> |
| Other comprehensive income: | | | |
| Actuarial (loss) /gain | 24 | (647,632) | 1,146,073 |
| Deferred tax on actuarial (loss)/gain | 14 | 194,290 | (343,822) |
| Revaluation reserve | 23 | - | 7,898,828 |
| Deferred tax - revaluation of assets | 14 | <u>-</u> | <u>(3,722,771)</u> |
| Other comprehensive (loss)/income for the year net of tax | | <u>(453,342)</u> | <u>4,978,368</u> |
| Total comprehensive (loss)/income for the year | | <u>(5,062,748)</u> | <u>9,844,025</u> |
| | | TZS | TZS |
| Basic earnings per share - Basic | 15 | <u>(336.6)</u> | <u>355.4</u> |
| - Diluted | 15 | <u>(336.6)</u> | <u>355.4</u> |

Notes and related statements forming part of these financial statements appear on pages 25 to 68.

Report of the Auditor's - pages 18 to 20.

ALAF LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

| ASSETS | NOTES | 2022 TZS'000 | 2021 TZS'000 |
|---|--------|---------------------------|---------------------------|
| Non-current assets | | | |
| Leasehold land | 16 | 1,299,884 | 1,317,265 |
| Property, plant and equipment | 17 | 111,847,324 | 116,501,149 |
| Right of use assets | 18 | 624,926 | 324,323 |
| | | <u>113,772,134</u> | <u>118,142,737</u> |
| Current assets | | | |
| Inventories | 19 | 98,642,774 | 127,898,464 |
| Trade and other receivables | 20 | 54,878,698 | 73,247,260 |
| Tax recoverable | 14 | 726,536 | - |
| Cash and bank balance | 21 | 1,702,781 | 1,430,164 |
| | | <u>155,950,789</u> | <u>202,575,888</u> |
| TOTAL ASSETS | | <u>269,722,923</u> | <u>320,718,625</u> |
| EQUITY AND LIABILITIES | | | |
| Shareholders' equity | | | |
| Share capital | 22 | 13,692,460 | 13,692,460 |
| Revaluation reserve | 23 | 50,632,266 | 49,563,631 |
| Retained earnings | | 34,872,189 | 47,590,750 |
| Other reserves | 24 | 1,636,266 | 2,089,608 |
| | | <u>100,833,181</u> | <u>112,936,449</u> |
| Non-current liabilities | | | |
| Deferred tax liability | 14 | 18,939,726 | 20,008,361 |
| Retirement benefit obligation | 24 | 5,485,208 | 4,199,354 |
| Interest bearing loans and borrowings | 25 (a) | - | 1,532,831 |
| Finance lease liability | 18 | 573,016 | 236,443 |
| | | <u>24,997,950</u> | <u>25,976,989</u> |
| Current liabilities | | | |
| Trade and other payables | 26 | 110,389,861 | 155,589,862 |
| Short term borrowings | 25 (b) | 31,904,833 | 21,952,824 |
| Tax payable | 14 | - | 2,045,406 |
| Current portion of Long term borrowings | 25 (a) | 1,512,027 | 2,111,373 |
| Finance lease liability | 18 | 85,071 | 105,722 |
| | | <u>143,891,792</u> | <u>181,805,187</u> |
| TOTAL EQUITY AND LIABILITIES | | <u>269,722,923</u> | <u>320,718,625</u> |

The financial statements, as set out on pages 21 to 68 were approved and authorised for issue by the Board of Directors on 25/04/2023 and signed by:

G. M. MISTRY

Name

~~DIRECTOR~~

Title

Signature

ASHISH MISTRY

Name

DIRECTOR

Title

Signature

Notes and related statements forming part of these financial statements appear on pages 25 to 68.
Report of the Auditor's- pages 18 to 20.

ALAF LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 2022

| | Share capital TZS '000 | Revaluation reserve TZS '000 | Retained earnings TZS '000 | Other reserves TZS '000 | Total equity TZS '000 |
|--|------------------------------|------------------------------------|----------------------------------|-------------------------------|-----------------------------|
| At 1 January 2022 | 13,692,460 | 49,563,631 | 47,590,750 | 2,089,608 | 112,936,449 |
| Loss for the year | - | - | (4,609,406) | - | (4,609,406) |
| <i>Other comprehensive income</i> | | | | | |
| <i>Revaluation Reserve – release due to disposal</i> | - | - | - | - | - |
| <i>Deferred Tax – released</i> | - | 1,068,635 | (1,262,925) | 194,290 | - |
| <i>IAS 19: Actuarial loss</i> | - | - | - | (647,632) | (647,632) |
| Total comprehensive loss for the year | - | 1,068,635 | (5,872,331) | (453,342) | (5,257,038) |
| Transaction with the owners of the company | | | | | |
| Dividend paid | - | - | (6,846,230) | - | (6,846,230) |
| Total transaction with the owners of the company | - | - | (6,846,230) | - | (6,846,230) |
| At 31 December 2022 | 13,692,460 | 50,632,266 | 34,872,189 | 1,636,266 | 100,833,181 |
| At 1 January 2021 | 13,692,460 | 53,395,866 | 48,818,323 | 1,287,357 | 117,194,006 |
| Total comprehensive income for the year | | | | | |
| Profit for the year | - | - | 4,865,717 | - | 4,865,717 |
| <i>Other comprehensive income</i> | | | | | |
| <i>Revaluation Reserve – release due to disposal</i> | - | (7,898,828) | 7,898,828 | - | - |
| <i>Deferred Tax – released</i> | - | 4,066,593 | (3,722,771) | (343,822) | - |
| <i>IAS 19: Actuarial loss</i> | - | - | - | 1,146,073 | 1,146,073 |
| Total comprehensive income for the year | - | (3,832,235) | 9,041,774 | 802,251 | 6,011,790 |
| Transaction with the owners of the company | | | | | |
| Dividend paid | - | - | (10,269,347) | - | (10,269,347) |
| Total transaction with the owners of the company | - | - | (10,269,347) | - | (10,269,347) |
| At 31 December 2021 | 13,692,460 | 49,563,631 | 47,590,750 | 2,089,608 | 112,936,449 |

Notes and related statements forming part of these financial statement appear on pages 25 to 68.

Report of the Auditor's – page 18 to 20.

Note: The revaluation reserve represents the surplus of valuation over historical cost of the buildings and plant & machinery. The revaluation reserve is not available for distribution. Other reserve represents surplus on actuarial valuation and is not available for distribution.

ALAF LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

| | Notes | 2022 TZS'000 | 2021 TZS'000 |
|---|-------|---------------------|---------------------|
| Cash flows from operating activities | | | |
| (Loss)/profit before tax | | (5,520,772) | 8,929,017 |
| Adjustments to reconcile profit before tax to net cash flows | | | |
| Depreciation and Amortisation | 16/17 | 8,654,490 | 8,930,937 |
| Finance lease depreciation | 18 | 140,172 | 145,560 |
| Loss on disposal of property, plant and equipment | 10 | 16,546 | 7,895,006 |
| Profit on lease modification - IFRS 16 | | (32,207) | - |
| Provisions for retirement obligation | 24 | 1,040,001 | 1,160,096 |
| Interest expenses | 12 | 2,632,978 | 597,056 |
| Interest expense on lease liabilities | 18 | 55,913 | 47,346 |
| Unrealised exchange loss/(gain) | 12 | 1,965,836 | (585,807) |
| Impairment charge on trade receivables | 20 | 268,804 | 756,502 |
| Working capital adjustments: | | | |
| Decrease/(increase) in inventories | | 29,255,690 | (50,962,126) |
| Decrease/(increase) in trade and other receivables | | 18,442,904 | (24,883,301) |
| (Decrease)/increase in trade and other payables | | (46,212,695) | 66,093,247 |
| Cash generated from operating activities | | <u>10,707,659</u> | <u>18,123,532</u> |
| Retirement benefits paid | 24 | (401,779) | (106,080) |
| Income tax paid | 14 | (2,929,211) | (6,778,480) |
| Interest paid on interest bearing loans | 12 | (2,632,978) | (597,056) |
| Net cash generated from operating activities | | <u>4,743,691</u> | <u>10,641,916</u> |
| Cash flows from investing activities | | | |
| Proceeds from sale of property, plant and equipment | | - | 3,821 |
| Purchase of property, plant and equipment | 17 | (4,216,260) | (18,950,830) |
| Net cash flows used in investing activities | | <u>(4,216,260)</u> | <u>(18,947,009)</u> |
| Cash flows from financing activities | | | |
| Repayment of interest bearing loans and borrowings | 25(a) | (2,132,177) | (2,148,608) |
| Interest expense on lease liabilities | 18 | (55,913) | (47,346) |
| Dividend paid | | (6,846,230) | (10,269,347) |
| Payment of lease liability | 18 | (145,019) | (136,563) |
| Net cash flows used in financing activities | | <u>(9,179,339)</u> | <u>(12,601,864)</u> |
| Net decrease in cash and cash equivalents | | (8,651,908) | (20,565,732) |
| Effect of exchange (loss)/gain | | (1,027,484) | 341,225 |
| Cash and cash equivalents at 1 January | | (20,522,660) | 43,072 |
| Cash and cash equivalents at 31 December | 21 | <u>(30,202,052)</u> | <u>(20,522,660)</u> |

Notes and related statements forming part of these financial statements appear on pages 25 to 68.
Report of the Auditor – pages 18 to 20.

ALAF LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1. COMPANY INFORMATION

The Company is incorporated under the Tanzanian Companies Act as a limited liability company and it is domiciled in Tanzania. The principal activity of the company is manufacture and sale of aluminium-zinc coated steel coils, roofing sheets and allied roofing and steel products. The address of its registered office is:

Plot No.18, Nyerere Road, Industrial Area
P. O. Box 2070
Dar es Salaam, Tanzania.

2. BASIS OF PREPARATION

The financial statements have been prepared on an historical cost basis except other wise stated. For example some property, plant and equipment and derivative financial instruments that are measured at fair value. The financial statements are presented in Tanzanian Shillings rounded to the nearest thousand (TZS'000).

The significant accounting policies adopted in the preparation of these financial statements are set out in Note 5.

3. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with IFRS Standards as issued by International Accounting Standards Board (IFRS Standards), and in the manner required by Companies Act, 2002.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

In preparing these financial statements, management has made judgements and estimates that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses.

Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Revisions to accounting estimates are recognised in the year in which the estimate is revised and in any future periods affected.

Judgments

In the process of applying the Company's accounting policies, management has made the following judgment, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

- Leases classification and whether an arrangement contains a lease; and
- The impairment of assets.

Lease

At inception of a contract, the Company assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

Impairment of non-financial assets

The Company assesses whether there are any indicators of impairment for any non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Management has determined that there were no indicators of impairment as at year-end.

Refer to Notes 16,17 and 18 for the carrying amounts of the non-financial assets.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Asset useful lives

The useful lives of items of property, plant and equipment are estimated annually and are in line with the rate at which they are depreciated.

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authority. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Company's domicile.

Refer to Note 14 for further disclosures on tax including the carrying amount.

Provision for bad debts

The Company uses a provision matrix to calculate Expected Credit Losses (ECL) for trade receivables. The provision rates are based on days past due for the customers. The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., inflation) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

Provision for bad debts (Continued)

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs involves estimation. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The Company exclude Government debt and Related party debt from ECLs calculation.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:

a) Revenue recognition

Accounting policy

Revenue represents income arising in the course of Company's ordinary activities, which leads to an increase of economic benefits during the accounting period. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer. The Company applied the portfolio approach in assessing the contracts. Revenue is stated net of value-added tax (VAT). Revenue is primarily derived from the sale of steel products. Payments from customers for which no goods have been transferred are carried in the statement of financial position as a contract liability until when the control of the related goods passes to the customer.

The five-step model stipulated in IFRS 15 *Revenue from contracts with customers* is applied when accounting for revenue from contracts with customers. The Company accounts for a revenue contract with a customer only when all the following criteria are met:

- The parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations;
- The Company can identify each party's rights regarding the goods or services to be transferred;
- The Company can identify the payment terms for the goods or services to be transferred;
- The contract has commercial substance (i.e., the risk, timing or amount of future cash flows is expected to change as a result of the contract); and
- It is probable that the Company will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

Revenue from sale of goods is recognized at the point in time when control of the goods is transferred to the customer, generally on delivery of the goods.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition (Continued)

Accounting policy (Continued)

The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, customer loyalty points). In determining the transaction price for the sale of goods, the Company considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer, if any. Currently, the Company does not have contracts with customers that have significant financing components or consideration payable to customers.

Performance obligation and revenue recognition policy

Revenue is measured based on the consideration specified in a contract with a customer. The Company recognises revenue when it transfers control over a good to a customer. Contracts with customers on the sale of steel product do not have variable considerations and have only one performance obligation. Billing and revenue recognition is done after the discharge of the performance obligation.

Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

Trade receivables

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). The carrying value of trade receivables are reasonable approximation of their fair value due to their short term in nature.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Company performs under the contract.

Cost to obtain a contract

If the Company pays sales commission to obtain contracts with customers, the Company defers and amortises these costs over the period of the contract during which the services are transferred to the customers. The Company currently has no such costs.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Foreign currency transaction

The Company's financial statements are presented in Tanzanian Shillings, which is the Company's functional and presentation currency. Transactions in foreign currencies during the year are translated into Tanzanian Shillings at the exchange rate ruling at the date of the transaction. Foreign currency monetary assets and liabilities are re-translated at the exchange rate ruling at the statement of financial position date. Resulting exchange differences are recognised in the statement of profit or loss and other comprehensive income for the year. Non-monetary assets and liabilities denominated in foreign currency are recorded at the exchange rate ruling at the date of transaction.

b) Cash and cash equivalent

Cash and cash equivalents presented in the statement of financial position comprise cash on hand, bank balances and highly liquid investments with maturities of three months or less that are readily convertible to a known amount of cash and are not subject to significant risk of changes in value. For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

c) Taxation

Current income tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. The current rate of corporate taxation is 30%.

Deferred income tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used.

Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans of the Company.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Taxation (continued)

Deferred income tax (continued)

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if any.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

Value added tax

Revenues, expenses and assets are recognised at amounts net of value added tax except;

- where the value added tax is incurred on a purchase of an asset or service is not recoverable from the taxation authority in which case the value added tax is recognised as part of the cost of acquisition of the asset or part of the expense item as applicable; and
- receivables and payables are stated with the amount of Value Added Tax included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of the receivables or payables in the statement of financial position.

d) Property, plant and equipment

Property, Plant & machinery and fire fighting equipment was revalued in 2020. This revaluation was done to determine the true and fair value of the assets. The revaluation is carried out after every 3 years.

Land and building are measured at fair value less accumulated depreciation on buildings and impairment losses recognised after the date of revaluation. Valuations are performed frequently enough to ensure that the fair value of revalued assets does not differ materially from its carrying amount.

Any revaluation surplus is credited to the asset revaluation reserve in equity through other comprehensive income (OCI), except to the extent that it reverses a revaluation decrease of the same asset previously recognised in statement of profit or loss and other comprehensive income, in which case the increase is recognised in statement of profit or loss and other comprehensive income. Impairment on revalued assets is recognised in statement of profit or loss and other comprehensive income, except to the extent that it offsets an existing revaluation surplus on the same asset recognised in the asset revaluation reserve.

Transfer from the asset revaluation reserve to retained earnings is made when the revalued assets are disposed of or written off. Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Depreciation on property, plant and equipment is computed on

ALAF LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022**

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Property, plant and equipment (Continued)

a straight line basis over the estimated useful lives of the assets. The annual rates of depreciation used are:

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

| | |
|-----------------------------------|------------------------------|
| Leasehold interest in land | Over the period of the lease |
| Buildings and Roads | 2% to 6% |
| Plant and machinery | 3% to 20% |
| Motor vehicles | 20% |
| Furniture, fittings and equipment | 20% |
| Firefighting equipment | 10% |
| Computer equipment and Software | 33.33% |

Property, plant and equipment of the Company were revalued to reflect their market value. Any excess of the value of the net assets acquired over their cost at the date of takeover is described as revaluation surplus.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset, (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss and other comprehensive income in the year the asset is derecognised. The assets' residual values, useful lives and depreciation methods are reviewed and adjusted if appropriate at each financial year end.

e) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a potential period of time to get ready for its intended use are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

f) Inventories

Inventories are valued at the lower of cost and net realizable value. Estimated net realizable value is the estimated selling price in the ordinary course of business less any costs of completion and estimated costs necessary to make the sale. Raw materials, spares and accessories, consumables and resalable stocks are accounted for at purchase cost on Average Weighted Cost (AVCO) basis and includes transport and handling charges. Finished goods and work-in process are valued by incorporating material cost and appropriate overheads. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Inventory is provided for, if the Directors identify that a particular item of inventory can no longer be sold.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. The expense relating to any provision is recognised in the statement of profit or loss and other comprehensive income net of any reimbursement.

h) Pensions and other post employment benefits

The Company has both defined benefit and defined contribution plans. For the defined contribution plan, the Company pays fixed contributions to a publicly administered pension plan (NSSF). The Company has no legal or constructive obligations to pay further contributions if the Fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as employee benefit expense when they are due.

Defined contribution plan

All of the Company's employees are members of the National Social Security Fund ("NSSF"), which is a defined contribution plans. Law prescribes these plans. The Company and employees both contribute 10%. The Company also contributes 10% of non-permanent and pensionable employees' gross salary towards NSSF. The contribution is charged to the profit or loss account when incurred.

Defined benefit plan

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

Employees retiring from the Company after 10 years or more of continuous service with the Company are paid retirement gratuity equivalent to one-month basic salary for every year of service with the Company. The liability is recognised in the statement of financial position in respect of defined benefit pension plan is the estimate of the defined benefit obligation at the end of the reporting period.

The company operate an unfunded and unestimated fund benefit scheme to its employees. The obligation in respect of unfunded benefit is calculated by estimating the amount of total benefit that employee has earned in the current and prior periods, discounting that estimate future cash outflow.

The calculation of unfunded benefit obligation is performed for the year ended 31 December 2022 by qualified Actuary. The calculation is done on yearly basis.

Provision is made in the financial statement for the estimated cost of the future benefits under the scheme. Payments to the scheme are recognized as an expense in the statement of profit or loss and other comprehensive income when employees have rendered services.

Actuarial gain or losses are fully recognized net of tax in statement of profit or loss and other comprehensive income loss of TZS 647.632 million for the year (2021: Gain TZS 1,146.07 million) under statement of profit or loss and comprehensive income. The retirement benefit

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Pensions and other post employment benefits (Continued)

obligation recognized in the statement of financial position represents the present value of the unfunded benefit obligation, adjusted for actual gain or losses. The present value of the unfunded obligation is determined by discounting the estimated future cash outflow using 11.5% (2021 14.8%) (refer note no. 24).

i) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Leases (Continued)

As a lessee (Continued)

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

Lease modification

Lease modification arise from changes to the underlying contract agreed between the lessee and lessor subsequent to commencement of the lease. The accounting for the modification depends on whether the modified terms increase or decrease the scope of the lease, and

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Leases (Continued)

Lessor – modifications to an operating lease (Continued)

whether increases in scope require consideration to be paid that is commensurate with a 'standalone price' for the new scope of the lease.

As a Lessee

A lease modification is accounted for as *separate lease* if both of the following conditions exists:

- The modification increase the scope of the lease by adding the right to use one or more underlying assets; and
- The consideration for lease increases by an amount commensurate with the standalone price for the increase in scope.

Lessor – modifications to a finance lease

A lessor accounts for a modification to a finance lease as a *separate lease* if both of the following conditions exist:

- The modification increase the scope of the lease by adding the right to use one or more underlying assets; and
- The consideration for the lease increase by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

A lessor accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payment relating to the original lease as part of the lease payment for the new lease.

j) Financial instruments

Financial instruments, comprising financial assets and financial liabilities and are recognised in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or where it neither transfers nor retains substantially all of the risks and rewards of ownership and loses control. When control is retained, the Company continues to recognise the financial asset to the extent of its continuing involvement. Assets are also de-recognised when they are written off. Assets are written off when there is no reasonable expectation of further recoveries even though there may be enforcement actions ongoing.

Financial assets and financial liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Company has a legally enforceable right to set off the recognised amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Financial instruments (Continued)

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

Classification and measurement

All financial assets and liabilities are initially recognised at fair value, which is usually the transaction price including, where appropriate, transaction costs, with the exception of trade receivables without a significant financing component, which are measured at their transaction price, determined in accordance with the Company's accounting policies for revenue. Subsequently, measurement depends on the financial assets/liabilities classification as follows:

Financial assets measured at fair value through profit or loss (FVTPL)

Non-equity financial assets are classified at fair value through profit or loss if they arise from contracts which do not give rise to cash flows which are solely principal and interest, or otherwise where they are held in a business model which mainly realises them through sale. Such assets are re-measured to fair value at the end of each reporting period. Gains and losses arising from re-measurement are taken to profit or loss, as are transaction costs.

Equity investments are classified as FVPL unless they are designated as at FVOCI on initial recognition. Dividends from equity investments, irrespective of whether classified as FVPL or FVOCI, are recognised in profit or loss as finance income.

Financial assets measured at FVOCI

Non-equity financial assets are classified at fair value through other comprehensive income where they arise from contracts which give rise to cash flows which are solely principal and interest and which are held in a business model which realises some through sale and some by holding them to maturity. They are recognised initially at fair value plus any directly attributable transaction costs, or in the case of trade receivables, at the transaction price.

At the end of each reporting period, they are re-measured to fair value, with the cumulative gain or loss compared to their amortised cost being recognised in other comprehensive income and in the fair value reserve, except for the recognition in profit and loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gain and losses. When these assets are derecognised, the cumulative gain or loss is reclassified from equity to profit or loss.

Equity investments not held for trading purposes are designated as at FVOCI where they are considered strategic to the Company. Such designation is made on an instrument-by-instrument basis but may only be made if the investment meets the definition of equity from the issuer's perspective. Amounts accumulated in the fair value reserve in respect of these investments are transferred directly to retained earnings on the disposal of the investment. These investments are not subject to impairment.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Financial instruments (Continued)

Financial assets measured at amortised cost (AC)

Financial assets are held at amortised cost when they arise from contracts which give rise to contractual cash flows which are solely principal and interest and are held in a business model which mainly holds the assets to collect contractual cash flows.

These assets are measured at amortised cost using the effective interest method and are also subject to impairment losses. Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated on the amortised cost (i.e., gross carrying amount less loss allowance). Interest income is included in finance income.

Impairment

The Company applied the simplified approach as such it is not mandatory to assess the existence of significant increase in credit risk or to define the term 'default' as this approach does not apply the concept of staging. The entity always measures the lifetime ECL of the trade receivable portfolio. Trade receivables do not contain a significant financing component thus the calculated provision amount is not discounted.

Financial liabilities at amortised cost

Financial liabilities, except those designated as at FVPL, are stated at amortised cost using the effective interest method. Interest is included in finance expenses unless capitalized into property, plant and equipment.

Offsetting financial instruments

Financial assets and liabilities are offset, and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realised asset and settle the liability simultaneously.

k) Impairment

Non-derivative financial assets

Financial instruments and contract assets

The Company recognises loss allowances for ECLs on:

- financial assets measured at amortised cost;
- debt investments measured at FVOCI; and
- contract assets.

The Company measures loss allowances at an amount equal to lifetime ECLs. Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Impairment (Continued)

Non-derivative financial assets (Continued)

Financial instruments and contract assets (Continued)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 180 days past due.

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime.

Measurement of ECL's

ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The Company analysed historical sales, receivables aging, and loss data for the past three years to determine the appropriate basis for developing its expected lifetime credit loss on the trade receivables portfolio.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 180 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Impairment (Continued)

Credit-impaired financial assets (Continued)

- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

Reversal of impairment

For assets measured at amortised cost: If an event occurring after the impairment was recognised caused the amount of impairment loss to decrease, then the decrease in impairment loss is reversed through profit or loss.

Financial assets not classified as at FVTPL were assessed at each reporting date to determine whether there was objective evidence of impairment.

Non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than biological assets, investment property, inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Impairment (Continued)

Non-financial assets (Continued)

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

l) Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

m) Dividend distribution

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

n) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

o) Basic and Diluted earnings per share

Basic earnings per share are calculated by dividing net profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the Company (after deducting interest on the convertible non-

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

p) Basic and Diluted earnings per share (Continued)

cumulative redeemable preferences shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

q) Interest income

Interest earned on short-term investments is calculated using the effective interest method and recognized in the profit or loss statement over the investment period as finance income.

r) Rental income

Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms and included in other operating income. Further details have been covered in Note 8 (l)(ii) of these financial statements.

s) Foreign exchange gain and losses

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit and loss within 'other operating income' or 'other operating expenses'.

t) Finance costs

Finance expense comprises of interest expense on loans, Interest on lease liabilities and charge for loan arrangement fees. Interest expense is recognised using the effective interest method.

u) Cost of sales

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

v) Trade and other payable

Trade and other payables are obligations to pay for goods or services that have been acquired from suppliers in the ordinary course of business. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are initially measured at fair value and subsequently at amortized cost. The carrying value of trade and other payable are reasonable approximation of their fair values due to their short term in nature.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

w) Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the company's accounting policy for borrowing costs.

6. NEW STANDARD AND INTERPRETATIONS

New standards, amendments and interpretations effective and adopted during year

New currently effective requirements: The Company has adopted the following new standards and amendments during the year, including consequential amendments to other standards with the date of initial application by the Company being 1 January 2022. The nature and effects of the changes are explained below:

The adoption of the standards and amendments did not have a significant impact on the financial statements of the Company. These are summarized below:

| Effective date | New standards or amendments |
|----------------|---|
| 1 April 2021 | COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16). |
| 1 January 2022 | Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) Annual Improvements to IFRS Standards 2018–2020 Reference to the Conceptual Framework (Amendments to IFRS 3) |

Forthcoming requirements: This table lists the recent changes to the Standards that are required to be applied for annual periods beginning after 1 January 2022 and that are available for early adoption in annual periods beginning on 1 January 2022. However, the Company has not early adopted the new or amended standards in preparing these financial statements. The following new standards or amended standard are not expected to have significant impact on the Company financial statements.

| Effective date | New standards or amendments |
|----------------|---|
| 1 January 2023 | Classification of Liabilities as Current or Non-current (Amendments to IAS 1). The Standard aim to clarify the requirement on determining whether a liability is current or non-current. The effective date deferred to 1 January 2024 and management is unable to determine the impact of this amendment in the financial statement at the moment. IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts Early application of IFRS 17 is permitted only for companies that also apply IFRS 9 Financial Instruments. Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) Definition of Accounting Estimates (Amendments to IAS 8) Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) |

ALAF LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

6. NEW STANDARD AND INTERPRETATIONS (Continued)

New standards, amendments and interpretations effective and adopted during year

Available for optional Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) effective date deferred indefinitely
The effective date for these amendments was deferred indefinitely. Early adoption continues to be permitted.

| | 2022 TZS'000 | 2021 TZS'000 |
|---------------------------------------|--------------------|--------------------|
| 7 REVENUE | | |
| Revenue from contracts with customers | 366,835,392 | 334,049,506 |
| | <u>366,835,392</u> | <u>334,049,506</u> |
| Comprise of: | | |
| Local sales | 299,733,247 | 272,645,369 |
| Export sales | 67,102,145 | 61,404,137 |
| | <u>366,835,392</u> | <u>334,049,506</u> |
| 8 OTHER OPERATING INCOME | | |
| Interest received | 5,994 | 40,888 |
| Rental income * | 60,001 | 222,091 |
| Miscellaneous income | - | 87,796 |
| Insurance claims | 300,327 | 945,329 |
| Advances written back | 727,285 | - |
| | <u>1,093,607</u> | <u>1,296,104</u> |

*The company leases out own property (godowns) These are of short term in nature has a lease term of 12 months or less and does not contain a purchase option. The company has classified these leases as operating leases and there is no transfer of substantially risks and rewards incidental to ownership of an underlying asset.

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date

| | 2022 TZS'000 | 2021 TZS'000 |
|----------------------------|-----------------|-----------------|
| Less than one year | 60,001 | 222,091 |
| Between one and five years | - | - |
| | <u>60,001</u> | <u>222,091</u> |

ALAF LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

| 9 COST OF SALES | 2022 TZS'000 | 2021 TZS'000 |
|---------------------------------|---------------------------|---------------------------|
| Consumption of goods | 323,717,896 | 274,997,540 |
| Human resource cost | 7,346,422 | 7,304,722 |
| Training | 56,791 | 53,662 |
| Water | 11,081 | 6,193 |
| Depreciation and amortization * | <u>7,870,120</u> | <u>8,073,184</u> |
| | <u>339,002,310</u> | <u>290,435,301</u> |

* Depreciation on PPE amounts to TZS'000 8,637,109 (2021: TZS'000 8,913,252) and amortization to TZS'000 17,390 (2021: TZS'000 17,685) totalling to TZS'000 8,654,449 (2021: TZS'000 8,930,937) out of which depreciation and amortization charged to cost of sales is TZS'000 7,870,120 (2021: TZS'000 8,073,184) and to administrative expense TZS'000 784,379 (2021: TZS'000 857,753).

| 10 ADMINISTRATIVE EXPENSES | 2022 TZS '000 | 2021 TZS '000 |
|--|--------------------------|--------------------------|
| Human resource cost | 9,855,955 | 10,796,543 |
| Training for staff | 141,440 | 125,010 |
| Environment, helath & safety | 964,076 | 1,201,471 |
| Repair & maintenance | 316,233 | 439,097 |
| Security | 576,782 | 715,085 |
| Rent and rates * | 937,952 | 879,876 |
| Licences & other fees | 277,360 | 194,844 |
| Insurance | 1,080,749 | 987,740 |
| IT and communication expenses | 404,445 | 760,049 |
| Printing & stationery | 94,844 | 65,929 |
| Legal & professional fees | 1,129,640 | 678,146 |
| Books & periodicals | 3,016 | 3,074 |
| Subscriptions | 76,899 | 61,794 |
| Motor vehicle running expenses | 321,256 | 411,915 |
| Travelling | 1,097,506 | 766,081 |
| Entertainment | 19,168 | 3,108 |
| Donations & gifts | 9,720 | 28,575 |
| Technical and management support services fees | 1,408,083 | 1,362,308 |
| Directors' (Non-employees) fees | 12,074 | 5,908 |
| Audit fees | 97,010 | 138,337 |
| Corporate social responsibiity (CSR) | 222,488 | 163,572 |
| General expenses | 532,737 | 208,012 |
| Loss on disposal of fixed assets | 16,545 | 7,895,006 |
| Depreciation & amotization | 784,378 | 857,753 |
| IFRS 16 - depreciation expense | <u>140,172</u> | <u>145,560</u> |
| | <u>20,520,528</u> | <u>28,894,793</u> |

* Rental expenses pertain to short term lease has a lease term of 12 months or less, the Company recognise the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

ALAF LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

| | 2022 | 2021 |
|--|------------------|------------------|
| | TZS '000 | TZS '000 |
| 11 SELLING AND DISTRIBUTION EXPENSES | | |
| Outward freight & delivery | 2,685,744 | 2,606,121 |
| Sales promotion and advertisement | 2,309,416 | 2,158,521 |
| Write-off | (9,926) | (14,757) |
| | <u>4,985,234</u> | <u>4,749,885</u> |
| | | |
| | 2022 | 2021 |
| | TZS '000 | TZS '000 |
| 12 FINANCE COSTS | | |
| Interest on bank borrowings | 2,632,978 | 597,056 |
| Foreign exchange loss/(gain) - Realised | 3,250,069 | 736,604 |
| Foreign exchange loss/(gain) - Unrealised | 1,965,836 | (585,807) |
| Bank charges | 768,099 | 784,913 |
| Interest on lease liability | 55,913 | 47,346 |
| | <u>8,672,895</u> | <u>1,580,112</u> |
| 13 PROFIT/(LOSS) BEFORE TAX | | |
| Profit/(Loss) before tax is stated after charging/(crediti | | |
| <i>In cost of sales:</i> | | |
| Depreciation and amortisation | 7,870,120 | 8,073,184 |
| <i>In administrative expenses:</i> | | |
| Depreciation and amortisation | 784,378 | 857,753 |
| Amortisation of right of use assets | 140,172 | 145,560 |
| Directors' fees | 12,074 | 5,908 |
| Auditor's remuneration | 97,010 | 138,337 |
| Legal & professional fees | 1,129,640 | 678,146 |
| Expected credit loss provision | 268,804 | 756,502 |
| <i>In finance cost:</i> | | |
| Exchange loss | 5,215,905 | 150,797 |
| And after crediting: | | |
| Interest earned | <u>(5,994)</u> | <u>(40,888)</u> |

ALAF LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

14 INCOME TAX

The major components of the income tax expense for the year ended 31 December 2022 and 2021 are:

| | 2022 | 2021 |
|---|------------------|------------------|
| | TZS '000 | TZS '000 |
| Income tax expense/(credit) | | |
| <i>Current income tax:</i> | | |
| Current income tax charge | 157,269 | 8,129,893 |
| <i>Deferred income tax:</i> | | |
| Deferred tax credit for the year | (1,068,591) | (4,467,078) |
| Prior years' deferred tax | (44) | 400,485 |
| Income tax (credit)/expense reported in the statement of profit or loss | <u>(911,366)</u> | <u>4,063,300</u> |

A reconciliation between tax expense and the product of accounting profit multiplied by corporate tax rate for the years ended 31 December 2022 and 2021 is as follows:

| | 2022 | 2021 |
|--|--------------------|--------------------|
| | TZS '000 | TZS '000 |
| (Loss)/profit before tax | <u>(5,520,772)</u> | <u>8,929,017</u> |
| Income tax rate of 30% (2021: 30%) | (1,656,232) | 2,678,705 |
| Expenses not deductible for tax purposes | 548,306 | 968,918 |
| Provisions disallowed permanent | 158,340 | - |
| Restriction on motor vehicle | 44,314 | 15,467 |
| Income not subject to tax | - | (274) |
| IFRS 16 difference | (6,050) | - |
| Effect of previous years' deferred tax | (44) | 400,484 |
| Income tax (credit)/expense | <u>(911,366)</u> | <u>4,063,300</u> |
| Effective rate of tax | <u>(16.5%)</u> | <u>45.5%</u> |
| Tax payable/(recoverable) | | |
| At 1 January | 2,045,406 | (1,723,993) |
| Charged during the year - current period | 157,269 | 8,129,893 |
| Charged during the year - prior period | - | - |
| Transfer to other receivable * | - | 2,417,986 |
| Paid during the year | <u>(2,929,211)</u> | <u>(6,778,480)</u> |
| At 31 December | <u>(726,536)</u> | <u>2,045,406</u> |

*These related to payment made for Tax Appeals.

ALAF LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

| 14 INCOME TAX (Continued) | 2022 | 2021 |
|--|---------------------------|---------------------------|
| | TZS '000 | TZS '000 |
| Deferred tax liability | | |
| Movement in net deferred tax liability: | | |
| Opening Balance | 20,008,361 | 24,074,954 |
| Credit for the year | <u>(1,068,635)</u> | <u>(4,066,593)</u> |
| Closing Balance | <u><u>18,939,726</u></u> | <u><u>20,008,361</u></u> |
| The net credit for the year is made as follows: | | |
| Deferred tax credit for the year | (1,343,610) | (7,959,652) |
| Prior years' deferred tax | 44 | (400,485) |
| Deferred tax benefit on IAS 19 impact- actuarial loss/(gain) | 194,290 | 343,822 |
| Deferred tax benefit on revaluation of assets | - | 3,722,771 |
| Expected credit loss provision | <u>80,641</u> | <u>226,951</u> |
| | <u><u>(1,068,635)</u></u> | <u><u>(4,066,593)</u></u> |
| The net deferred tax liability comprises the following: | | |
| Revaluation surplus on property, plant and equipment | 20,514,294 | 20,514,294 |
| Accelerated depreciation of property, plant and Equipment | 4,476,462 | 4,603,639 |
| Impact of right of use of assets and liability | 9,948 | (5,352) |
| Impact on application of IAS 19 – Acturial loss/(gain) | 194,290 | (343,822) |
| Retirement benefit obligation | (1,830,556) | (1,745,786) |
| Provision for doubtful debts | (3,439,031) | (3,358,390) |
| Net unrealised foreign exchange losses | (589,751) | 175,742 |
| Movement in other provisions | <u>(395,930)</u> | <u>168,036</u> |
| | <u><u>18,939,726</u></u> | <u><u>20,008,361</u></u> |

15. EARNINGS PER SHARE

Basic Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

| | 2022 | 2021 |
|--|-----------------------|---------------------|
| | TZS'000 | TZS'000 |
| Net (loss)/profit for the year attributable to ordinary shareholders | <u>(4,609,406)</u> | <u>4,865,717</u> |
| Total number of ordinary shares | <u>13,692,460</u> | <u>13,692,460</u> |
| Earnings per share – TZS | <u><u>(336.6)</u></u> | <u><u>355.4</u></u> |

ALAF LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

15. EARNINGS PER SHARE (Continued)

Diluted earnings per share

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the Company (after deducting interest on the convertible non-cumulative redeemable preferences shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

| | 2022 TZS'000 | 2021 TZS'000 |
|--|--------------------|-------------------|
| Net (loss)/profit for the year attributable to ordinary shareholders | <u>(4,609,406)</u> | <u>4,865,716</u> |
| Total number of issued and fully paid ordinary shares | <u>13,692,460</u> | <u>13,692,460</u> |
| Earnings per share - TZS | <u>(336.6)</u> | <u>355.4</u> |

16. LEASEHOLD LAND

| | 2022 TZS '000 | 2021 TZS '000 |
|---------------------------|------------------|------------------|
| Cost | 1,477,440 | 1,477,440 |
| Additions | - | - |
| Accumulated Amortization | <u>(177,556)</u> | <u>(160,175)</u> |
| Closing balance | <u>1,299,884</u> | <u>1,317,265</u> |
| Opening balance | 160,175 | 142,490 |
| Amortization for the year | <u>17,381</u> | <u>17,685</u> |
| Closing balance | <u>177,556</u> | <u>160,175</u> |

Leasehold land amortising is on the basis of remaining lease period. Total lease period was initially being 99 years and amortising is based on the remaining period of the lease.

ALAF LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

17 PROPERTY, PLANT AND EQUIPMENT

| | Roads & Buildings TZS'000 | Plant and Machinery TZS'000 | Furniture and Equipment TZS'000 | Motor Vehicles TZS'000 | Fire Fighting Equipment TZS'000 | Computers Equipment TZS'000 | Computer Software TZS'000 | Capital Work in Progress TZS'000 | Total TZS'000 |
|-------------------------------|------------------------------|--------------------------------|------------------------------------|---------------------------|------------------------------------|--------------------------------|------------------------------|-------------------------------------|--------------------|
| COST OR VALUATION | | | | | | | | | |
| At 1 January 2022 | 36,341,184 | 68,888,748 | 1,921,438 | 2,348,549 | 248,891 | 2,038,161 | 1,110,211 | 20,963,022 | 133,860,204 |
| Additions | - | 276,344 | 139,334 | 267,712 | - | 81,999 | 88,946 | 3,361,925 | 4,216,260 |
| Transfers | 213,920 | 18,986,444 | - | - | - | 30,651 | 2,392,518 | (21,623,533) | - |
| Disposal | - | - | - | (55,956) | - | - | - | (216,430) | (272,386) |
| AS AT 31 DECEMBER 2022 | 36,555,104 | 88,151,536 | 2,060,772 | 2,560,305 | 248,891 | 2,150,811 | 3,591,675 | 2,484,984 | 137,804,078 |
| DEPRECIATION | | | | | | | | | |
| At 1 January 2022 | 2,875,017 | 8,137,511 | 1,644,029 | 2,032,545 | 25,280 | 1,918,499 | 726,174 | - | 17,359,055 |
| Charge for the year | 2,288,552 | 5,622,897 | 109,380 | 137,342 | 20,583 | 70,910 | 387,445 | - | 8,637,109 |
| Disposal | - | - | - | (55,956) | - | - | - | - | (55,956) |
| Adjustments | - | 18,405 | - | (1,859) | - | - | - | - | 16,546 |
| AS AT 31 DECEMBER 2022 | 5,163,569 | 13,778,813 | 1,753,409 | 2,112,072 | 45,863 | 1,989,409 | 1,113,619 | - | 25,956,754 |
| NET BOOK VALUE | | | | | | | | | |
| AS AT 31 DECEMBER 2022 | 31,391,535 | 74,372,723 | 307,363 | 448,233 | 203,028 | 161,402 | 2,478,056 | 2,484,984 | 111,847,324 |

Cost of Assets which are revalued:

Roads & Buildings: 2022 TZS'000 14,566,463 (2021: TZS'000 14,566,463)
Plant and Machinery: 2022 TZS'000 74,784,035 (2021: TZS'000 74,784,035)
Fire fighting equipment: 2022 TZS'000 384,188 (2021: TZS'000 384,188).

ALAF LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

17 PROPERTY, PLANT AND EQUIPMENT (Continued)

| | Roads & Buildings | Plant and Machinery | Furniture and Equipment | Motor Vehicles | Fire Fighting Equipment | Computer Equipment | Computer Software | Capital Work in Progress | Total |
|--------------------------|-------------------|---------------------|-------------------------|----------------|-------------------------|--------------------|-------------------|--------------------------|-------------|
| | TZS'000 | TZS'000 | TZS'000 | TZS'000 | TZS'000 | TZS'000 | TZS'000 | TZS'000 | TZS'000 |
| COST OR VALUATION | | | | | | | | | |
| At 1 January 2021 | 36,341,184 | 77,223,870 | 1,819,416 | 2,298,484 | 240,341 | 1,869,564 | 1,110,211 | 2,629,239 | 123,532,309 |
| Additions | - | 226,322 | 102,022 | 111,556 | 8,550 | 168,597 | - | 18,333,783 | 18,950,830 |
| Transfers | - | - | - | - | - | - | - | - | - |
| Disposal | - | (8,561,444) | - | (61,491) | - | - | - | - | (8,622,935) |
| Revaluation | - | - | - | - | - | - | - | - | - |
| At 31 December 2021 | 36,341,184 | 68,888,748 | 1,921,438 | 2,348,549 | 248,891 | 2,038,161 | 1,110,211 | 20,963,022 | 133,860,204 |
| DEPRECIATION | | | | | | | | | |
| At 1 January 2021 | 575,003 | 2,941,070 | 1,488,124 | 1,981,043 | 5,034 | 1,812,353 | 367,283 | - | 9,169,910 |
| Charge for the year | 2,300,014 | 5,859,057 | 155,905 | 112,993 | 20,246 | 106,146 | 358,891 | - | 8,913,252 |
| Disposal | - | (662,616) | - | (61,491) | - | - | - | - | (724,107) |
| Revaluation | - | - | - | - | - | - | - | - | - |
| At 31 December 2021 | 2,875,017 | 8,137,511 | 1,644,029 | 2,032,545 | 25,280 | 1,918,499 | 726,174 | - | 17,359,055 |
| NET BOOK VALUE | | | | | | | | | |
| At 31 December 2021 | 33,466,167 | 60,751,237 | 277,409 | 316,004 | 223,611 | 119,662 | 384,037 | 20,963,022 | 116,501,149 |

The Company has bank facilities which are secured as follows:

- (a) Mortgage charge over plot no. 18A (Certificate of Occupancy No. 18541), Plot no. 18B (Certificate of Occupancy No. 18802), Plot No. 29 (Certificate of Occupancy No. 15322), Plot No. 188/1 (Certificate of Occupancy No. 59088), Plot No. 18E (Certificate of Occupancy No. 18796) and Plot No. 18D (Certificate of Occupancy No. 186085/27) shared pari passu with Standard Chartered Bank Tanzania Limited, Stanbic Bank Tanzania Limited and Citibank Tanzania Limited registered to cover USD 83.3 million (2021: USD 83.3 million).
- (b) Debiture deed over all assets of the Company shared pari passu with Standard Chartered Bank Tanzania Limited, Stanbic bank Tanzania Limited and Citibank Tanzania Limited for USD 83.3 million (2021: USD 83.3 million). Firefighting equipment, plant and machinery were revalued in December 2019 (previously in 2014) by TATA Consulting Engineers, a firm of professional valuers on the basis of estimated present values. The buildings were revalued in December 2019 (previously in 2015) by Land Masters Combine Ltd on the basis on market comparable method.

ALAF LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

18 RIGHT OF USE ASSETS AND LEASE LIABILITIES – IFRS 16

(i) Right of use assets

| | Land TZS'000 | Land & Building TZS'000 | Total TZS'000 |
|--------------------------|-----------------|-------------------------------|------------------|
| COST OR VALUATION | | | |
| At 1 January 2022 | 372,577 | 261,363 | 633,940 |
| Additions | - | 365,150 | 365,150 |
| Terminated/Expired | - | (261,363) | (261,363) |
| Reassessment impact | - | - | - |
| At 31 December 2022 | <u>372,577</u> | <u>365,150</u> | <u>737,727</u> |
| DEPRECIATION | | | |
| At 1 January 2022 | 102,235 | 207,382 | 309,617 |
| Charge for the year | 8,862 | 131,310 | 140,172 |
| Terminated/Expired | - | (261,363) | (261,363) |
| Reassessment impact | (75,625) | - | (75,625) |
| At 31 December 2022 | <u>35,472</u> | <u>77,329</u> | <u>112,801</u> |
| NET BOOK VALUE | | | |
| At 31 December 2022 | <u>337,105</u> | <u>287,821</u> | <u>624,926</u> |
| COST OR VALUATION | | | |
| At 1 January 2021 | 372,577 | 261,363 | 633,940 |
| Additions | - | - | - |
| Terminated/Expired | - | - | - |
| Reassessment impact | - | - | - |
| At 31 December 2021 | <u>372,577</u> | <u>261,363</u> | <u>633,940</u> |
| DEPRECIATION | | | |
| At 1 January 2021 | 93,373 | 70,684 | 164,057 |
| Charge for the year | 8,862 | 136,698 | 145,560 |
| Terminated/Expired | - | - | - |
| Reassessment impact | - | - | - |
| At 31 December 2021 | <u>102,235</u> | <u>207,382</u> | <u>309,617</u> |
| NET BOOK VALUE | | | |
| At 31 December 2021 | <u>270,342</u> | <u>53,981</u> | <u>324,323</u> |

ALAF LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

18 RIGHT OF USE ASSETS AND LEASE LIABILITIES – IFRS 16 (Continued)

| | | | |
|------|---|------------------|------------------|
| (ii) | Lease liabilities | 2022 | 2021 |
| | | TZS'000 | TZS'000 |
| | As at January | 342,165 | 478,728 |
| | Additions during year | 364,151 | - |
| | Interest expense during the year | 55,913 | 47,346 |
| | Re-measurement*(termination) | 96,790 | - |
| | Payment made during the year (principal and interest) | <u>(200,932)</u> | <u>(183,909)</u> |
| | | <u>658,087</u> | <u>342,165</u> |
| | Current lease liability | 85,071 | 105,722 |
| | Non current lease liability | <u>573,016</u> | <u>236,443</u> |
| | | <u>658,087</u> | <u>342,165</u> |

(iii) The following are amounts recognised in statement of profit or loss and other comprehensive income:

| | | | |
|--|--|----------------|----------------|
| | | 2022 | 2021 |
| | Particulars | TZS'000 | TZS'000 |
| | Depreciation expense of right-of-use assets | 140,172 | 145,560 |
| | Interest expense on lease liabilities | 55,913 | 47,346 |
| | Expenses relating to lease of low value items for which the recognition exemption is applied | - | 60,040 |
| | Total | <u>196,085</u> | <u>252,946</u> |

(iv) The following are amounts recognised in statement of cash flows

| | | | |
|--|--|-----------------|----------------|
| | Payment of lease liability (Principal) | 145,019 | 136,563 |
| | Payment of interest lease liability | 55,913 | 47,346 |
| | Profit on lease modification | <u>(32,207)</u> | |
| | | <u>168,725</u> | <u>183,909</u> |

(v) Extension and termination options

The Company has lease contracts for "land, land & building" which are used for regular operations of its business. There are several lease contracts that include extension and termination options which are further discussed below.

The Company has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Company's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

ALAF LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

| | 2022 TZS '000 | 2021 TZS '000 |
|-------------------------------------|--------------------------|---------------------------|
| 19 INVENTORIES | | |
| Raw materials | 54,152,843 | 77,490,312 |
| Resaleables | 5,176,839 | 6,639,786 |
| Packing materials | 415,427 | 364,399 |
| Spares, accessories and consumables | 24,558,042 | 24,443,422 |
| Fuel, oils and lubricants | 3,729 | 417,255 |
| Finished goods | <u>14,335,894</u> | <u>18,543,290</u> |
| | <u>98,642,774</u> | <u>127,898,464</u> |

Inventories consumed during the year amounted to TZS'000 323,717,896 (2021 - TZS'000 274,997,540) included in cost of sales.

| | 2022 TZS '000 | 2021 TZS '000 |
|---|--------------------------|--------------------------|
| 20 TRADE AND OTHER RECEIVABLES | | |
| Trade receivables - Third parties | 35,708,840 | 35,358,257 |
| Receivables from related parties (Note 27) | <u>8,833,396</u> | <u>15,908,047</u> |
| | 44,542,236 | 51,266,304 |
| Less: Provision for expected Credit Losses | <u>(11,463,436)</u> | <u>(11,194,632)</u> |
| | 33,078,800 | 40,071,672 |
| | | |
| Add: Other receivables | 12,047,916 | 24,147,966 |
| Other tax receivable | 2,798,077 | 2,417,986 |
| Prepayments | <u>6,953,905</u> | <u>6,609,636</u> |
| | <u>54,878,698</u> | <u>73,247,260</u> |
| | | |
| Movement in provision for bad and doubtful debts: | | |
| Opening balance | 11,194,632 | 10,818,406 |
| Re-classification* | - | (380,276) |
| Addition as per expected credit loss model (Net) | <u>268,804</u> | <u>756,502</u> |
| Closing balance | <u>11,463,436</u> | <u>11,194,632</u> |

*Re-classification - pertains to reversal of advance payment.

Terms and conditions of trade and other receivable as follows:

- i) Local trade receivables are non-interest bearing and are normally settled on 15 to 60 days terms.
- ii) Export trade receivables are non-interest bearing and are normally settled on 60 to 120 days terms.

ALAF LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

20 TRADE AND OTHER RECEIVABLES (Continued)

As at 31st December, the aging analysis of trade receivable is as follows:

| | 2022 | 2021 |
|---------------|-------------------|-------------------|
| | TZS'000 | TZS'000 |
| 31 to 60 days | 18,459,172 | 28,951,426 |
| 61 to 90 days | 5,173,149 | 4,603,184 |
| 91 and Above | 20,909,915 | 17,711,694 |
| | <u>44,542,236</u> | <u>51,266,304</u> |

21. CASH AND CASH EQUIVALENT

| | 2022 | 2021 |
|---------------|------------------|------------------|
| | TZS'000 | TZS'000 |
| Cash on hand | 23,313 | 48,387 |
| Cash at banks | 1,679,468 | 1,381,777 |
| | <u>1,702,781</u> | <u>1,430,164</u> |

For the purpose of cash flows statement, cash and cash equivalents comprise of the following:

| | 2022 | 2021 |
|----------------------------------|---------------------|---------------------|
| | TZS'000 | TZS'000 |
| Cash at banks and on hand | 1,702,781 | 1,430,164 |
| Short term borrowings (Note 25b) | (31,904,833) | (21,952,824) |
| | <u>(30,202,052)</u> | <u>(20,522,660)</u> |

22. SHARE CAPITAL

| | 2022 | 2021 |
|--|-------------------|-------------------|
| | TZS'000 | TZS'000 |
| (a) Authorised shares: | | |
| 15,000,000 Ordinary shares of TZS 1,000 each | 15,000,000 | 15,000,000 |
| | <u>15,000,000</u> | <u>15,000,000</u> |
| (b) Issued and fully paid: | | |
| 13,692,460 Ordinary Shares of TZS 1,000 each | 13,692,460 | 13,692,460 |
| | <u>13,692,460</u> | <u>13,692,460</u> |

23. REVALUATION RESERVE

The non distributable reserve relates to the revaluation surplus that arose from the revaluation of plant and machinery. The reserve is not distributable to the shareholders. The movement in the reserve is included in the statement of changes in equity.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

23. REVALUATION RESERVE (Continued)

REVALUATION OF BUILDING, PLANT MACHINERY AND FIRE EQUIPMENT

Land Masters, an independent professional valuers firm, was engaged to revalue the land and buildings as of 31st December 2019. Buildings valued at TZS'000 36,341,184. The resulting surplus on the revaluation of buildings is TZS'000 8,826,971 was credited to revaluation reserve in the year 2020 and is being released over the remaining useful life of the buildings. Deferred tax liability thereon amounted to TZS'000 2,648,091 was recognised in the revaluation reserve as well.

Plant & machinery and fire fighting equipment

TATA Consulting Engineers Limited (TEC), India, an independent professional consultant firm, was engaged to revalue the Plant and Machinery as of 31st December 2019. Plant and machinery revalued at TZS'000 75,756,393 and fire fighting equipment revalued at TZS'000 240,341. The resulting surplus on the revaluation of plant and machinery and fire fighting equipment of TZS'000 20,886,803 was credited to revaluation reserve in the year 2020. Deferred tax liability thereon amounted to TZS'000 6,266,040 was recognised in the revaluation reserve as well.

| Valuation technique | Unobservable inputs | Inter-relationship between ke unobservable inputs and fair value |
|--|--|---|
| <p>Building Adopted the Comparative Method of Valuation, sometimes referred to as the Direct Capital Comparison Method to value buildings. By this method, a Valuer equates value of the property under appraisal to a value of a known comparable property whereby the latter's value is taken to be the best price that can be obtained by the property being valued, with due allowance made for value affecting differences between the subject property and the comparable property.</p> | <ul style="list-style-type: none"> - Cost of construction per square meter. - Depreciation basis on useful life (ranging from 3% to 9%). | <p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> - Cost of construction per square meter increase/(decreases). - Change in uselife depreciation rate. |

ALAF LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

23. REVALUATION RESERVE (Continued)

| | | |
|--|---|--|
| Plant and equipment Revaluation of Plant & Machinery at ALAF Limited, based on Estimated present value. | Revaluation of Plant & Machinery at ALAF Limited, based on physical verification of plant & equipment during plant visit & review of relevant documents made available. In some cases, where documents pertaining to technical specifications of equipment were not available, TATA Consulting Engineers (TCE) assumed those technical information after due inspection and discussion with ALAF Limited executives and also from TCE's past experience. - Estimated present value equivalent to Depreciated replacement value. - Depreciated replacement value is equivalent to replacement value less depreciation. - Expected useful life ranges from 3 years to 30 years. - Depreciation basis on useful life (ranging from 3.7% to 33%). | The estimated fair value would increase (decrease) if: - Change in useful life. Change in basis of depreciation. - Change in the salvage value. - Change in valuation method used. |
| The above are categorized as level 3 fair value based on the inputs to the valuation techniques used. | | |

| | 2022 | 2021 |
|---|-------------------|-------------------|
| | TZS'000 | TZS'000 |
| Balance at 1 January | 49,363,631 | 53,395,866 |
| (Reversal) /Addition to revaluation reserve | - | (7,898,828) |
| Deferred tax released | 1,068,635 | 4,066,593 |
| Closing Balance | <u>50,632,266</u> | <u>49,363,631</u> |

The revaluation reserve represents the surplus of valuation over historical cost of the buildings and plant & machinery.

24. RETIREMENT OBLIGATIONS

| | 2022 | 2021 |
|------------------------|------------------|------------------|
| | TZS'000 | TZS'000 |
| At 1st January | 4,199,354 | 4,291,411 |
| Charge during the year | 1,040,001 | 1,160,096 |
| Paid during the year | (401,779) | (106,080) |
| Loss /(gain) | 647,632 | (1,146,073) |
| At 31 December | <u>5,485,208</u> | <u>4,199,354</u> |

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

24. RETIREMENT OBLIGATIONS (Continued)

The company has an unfunded non-contributory employee retirement benefits obligation for permanent and pensionable employees (the "Arrangement") which provides for lump sum payments to its employees on their retirement age or those allowed to retire early or those who deceases while in employment, based on length of service and salary at retirement and qualifies as a defined benefit plan.

A firm of professional actuaries Muhanna & Co, carried out the actuarial valuation of the arrangement as at 31 December 2022 using the Projected Unit Method.

As at 31 December 2022 the present value of the accrued (past service) liability in respect of retirement benefits was TZS 5,485.21 million (2021 TZS 4,199.35 million). Loss/(gain) net of deferred tax is taken to Other reserves. The principal assumptions used in the actuarial valuation are:

- (i) Discount rate of 2022: 11.50% (2021: 14.80%)
- (ii) Inflation 2022: 3.5% (2021: 3.5%)
- (iii) Rate of salary escalation of 2022: 3% (2021: 3%) for union members
- (iv) Rate of salary escalation of 2022: 6.5% (2021: 6.5%) for non-union members
- (v) Retirement age 2022: 60 years (2021: 60 years)
- (vi) Mortality pre-retirement 2022: 80% (2021: 80%)

The 'notional' company contribution rate to meet the cost of future accrual of retirement benefits is estimated at 8.2% (2021: 6.2%) of salaries per annum. The next valuation is due on 31 December 2023.

Other reserve represents surplus on actuarial valuation and is not available for distribution 2022 TZS 1,636.27 million (2021: Tshs 2,089.61 million).

Sensitivity analysis of actuarial liability

The below table analysis sensitivity result of main parameters of the Scheme.

- Scenario 1: Increase in discount rate by 1%
- Scenario 2: decrease in discount rate by 1%
- Scenario 3: increase in inflation rate by 1%
- Scenario 4: decrease in inflation rate by 1%
- Scenario 5: increase in withdrawal rate by 1%

| Changing Parameter 2022 | Baseline | Scenario 1 | Scenario 2 | Scenario 3 | Scenario 4 | Scenario 5 |
|--------------------------------|-----------|------------|------------|------------|------------|------------|
| Discount rate | 11.5% | 12.5% | 10.50% | 11.50% | 11.50% | 11.50% |
| Salary increase | 6.5% | 6.5% | 6.5% | 7.5% | 5.5% | 6.5% |
| Actuarial liability (TShs'000) | 5,485,208 | 5,000,017 | 6,046,265 | 6,051,525 | 4,992,865 | 5,652,014 |
| Service cost | 8.2% | 7.3% | 9.4% | 9.4% | 7.2% | 8.4% |
| Changing Parameter 2021 | Baseline | Scenario 1 | Scenario 2 | Scenario 3 | Scenario 4 | Scenario 5 |
| Discount rate | 14.8% | 15.8% | 13.8% | 14.8% | 14.8% | 14.8% |
| Salary increase | 6.5% | 6.5% | 6.5% | 7.5% | 5.5% | 6.5% |
| Actuarial liability (TShs'000) | 4,199,354 | 3,910,715 | 4,526,279 | 4,303,508 | 3,716,928 | 4,224,915 |
| Service cost | 6.2% | 5.7% | 6.8% | 6.4% | 5.3% | 6.4% |

The weighted average duration of the liability as at 31 December 2022 is 16 (2021: 16)

ALAF LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

25. INTEREST BEARING LOANS AND BORROWINGS

| | 2022 | 2021 |
|---|--------------------|--------------------|
| | TZS '000 | TZS '000 |
| a Interest Bearing Long Term Loans | | |
| Stanbic Bank Tanzania Limited | | |
| At 1st January | 3,644,204 | 5,792,812 |
| Received during the year | - | - |
| Paid During the year | <u>(2,132,177)</u> | <u>(2,148,608)</u> |
| | <u>1,512,027</u> | <u>3,644,204</u> |
| Non current | - | 1,532,831 |
| Current | <u>1,512,027</u> | <u>2,111,373</u> |
| | <u>1,512,027</u> | <u>3,644,204</u> |

Loan from the Stanbic Bank Tanzania Limited of US Dollar 3.64 million is repayable in 4 years in 16 equal instalments i.e from December 2019 to September 2023, and is accruing interest at 6 months LIBOR plus 3.5%. These are secured term loans. The Fair value of the long term approximates its carrying value as the interest rate is assessed to approximates the market rate.

| | 2022 | 2021 |
|--|-------------------|-------------------|
| | TZS '000 | TZS '000 |
| b Short term borrowings | | |
| Bank overdraft | | |
| Standard Chartered Bank Tanzania Limited | 12,845,751 | 8,515,002 |
| Stanbic Bank | 6,532,267 | 6,391,080 |
| Citibank Tanzania Limited | <u>236,283</u> | <u>-</u> |
| | <u>19,614,301</u> | <u>14,906,082</u> |
| Short term loans | | |
| Standard Chartered Bank Tanzania Limited | 5,308,796 | 4,064,800 |
| Stanbic Bank | 2,331,869 | 1,854,960 |
| Citibank Tanzania Limited | <u>4,649,867</u> | <u>1,126,982</u> |
| | <u>12,290,532</u> | <u>7,046,742</u> |
| Total short term borrowings | <u>31,904,833</u> | <u>21,952,824</u> |

The overdraft limits are USD 3 million with Standard Chartered Bank, USD 2 million with Stanbic Bank and USD 1 million with Citibank. The overdraft drawdown is interchangeable in USD and TZS for all banks. The company also has invoice financing facilities with Standard Chartered Bank (with a limit of USD 6.0 million), Stanbic Bank (with a limit of USD 2.8 million) and Post Import Loan facilities with Citibank (with a limit of USD 12.4 million, interchangeable with Letters of Credit facility). Short term loans are repayable between 30-90 days.

The interest rates applicable on overdraft and short term loans during the year were 5% to 7% per annum for the USD facilities (2021: 5% to 7% per annum) and 7% to 17% per annum for the TZS facilities (2021: 7% to 17% per annum).

ALAF LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

25. INTEREST BEARING LOANS AND BORROWINGS (Continued)

Loans and overdraft facilities are secured on pari passu basis by the following securities:

- (i) Mortgage charge over plot no. 18A (Certificate of Occupancy No. 18541), Plot no. 18B (Certificate of Occupancy No. 18802), Plot No. 29 (Certificate of Occupancy No. 15322), Plot No. 188/1 (Certificate of Occupancy No. 59088), Plot No. 18E (Certificate of Occupancy No. 18796) and Plot No. 18D (Certificate of Occupancy No. 186085/27) shared pari passu with Standard Chartered Bank Tanzania Limited, Citibank Tanzania Limited and Stanbic Bank Tanzania Limited, and registered to cover USD 83.3 million. (2021: USD 83.3 million).
- (ii) Debenture deed over all assets of the Company shared pari passu Standard Chartered Bank Tanzania Limited, Stanbic Bank Tanzania Limited and Citibank Tanzania Limited for USD 83.3 million (2021: USD 83.3 million).
- (iii) The company complied with all loan covenants

| 26. TRADE AND OTHER PAYABLES | 2022 | 2021 |
|---|--------------------|--------------------|
| | TZS '000 | TZS '000 |
| Trade creditors | 65,819,597 | 95,825,598 |
| Payable to related parties (refer to note 27) | 33,207,708 | 52,067,332 |
| Other creditors and accruals | 11,362,556 | 7,696,932 |
| | <u>110,389,861</u> | <u>155,589,862</u> |

Terms and conditions of trade and other payable as follows:

- i) Local trade payables are non interest bearing and normally settled in 30 days terms.
- ii) Foreign trade payables are non interest bearing and normally settled in 150-180 days terms.

27. RELATED PARTIES TRANSACTIONS

The ultimate parent company is Safal Investments (Mauritius) Limited (incorporated in Mauritius).

Related party relationships exist between shareholders, fellow group companies, companies under common ownership, and Directors and key group management personnel.

During the year, the Company made sales and purchases to and from its group companies as shown below.

| | 2022 | 2021 |
|---|--------------------|--------------------|
| | TZS '000 | TZS '000 |
| Sales of goods and services to sister companies; | <u>48,764,134</u> | <u>23,221,806</u> |
| Purchase of goods and services from sister companies; | <u>101,750,169</u> | <u>114,563,008</u> |
| Amount owed by sister companies; | <u>8,833,396</u> | <u>15,908,047</u> |
| Amount owed to sister companies; | <u>33,207,708</u> | <u>52,067,332</u> |

ALAF LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2022

27. RELATED PARTIES TRANSACTIONS (Continued)

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made on the normal course of business which result to outstanding balances due to or from sister companies. Outstanding balances at the year-end are unsecured.

Compensation of key management personnel of the Company

| | 2022 | 2021 |
|---|---------------|--------------|
| | TZS'000 | TZS'000 |
| Short term employee benefits – Remuneration – CEO | 705,919 | 614,258 |
| Directors' fees | | |
| - Mr. Godfrey Kitundu | 4,747 | 3,018 |
| - Mr. Joseph Sheffu | 5,296 | 2,168 |
| - Mr. Masha John Mshomba | 2,032 | 722 |
| | <u>12,074</u> | <u>5,908</u> |

28. COMMITMENTS AND CONTINGENCIES

Capital commitments

At 31 December 2022, the Company has capital commitments of USD 8.5 Million (2021: Nil) towards investment in Color Coating Line.

Guarantee

The Company has given a guarantee of TZS 200 million to CRDB Bank Plc to finance the ALAF SACCOS which in turn provides financial assistance to its members who are Company employees.

Legal claims

As at 31 December 2022, the Company was a defendant in several lawsuits. The plaintiffs are claiming damages and interest thereon for the loss caused by the Company due to breach of contracts, unlawful termination of employment and staff retrenchment exercise. The Company has filed counter-claims against the plaintiffs. The total principal amount claimed in the various lawsuits approximates TZS 51 million (2021: TZS 98 million). In the opinion of the Directors and Company's Legal Counsel, no material liabilities are expected to crystallize from these lawsuits.

Tax

The normal procedure for agreeing final income tax liability involves the Company filing final income tax returns to Tanzania Revenue Authority (TRA) followed by TRA performing its own review of the Company's tax returns and issuing notice of final income tax assessment. The final income tax assessment as may be determined by TRA after its review and possible site visit may differ from the self-assessments done by the Company and legal procedures are in place to object to and appeal against the TRA assessments. It is common that the timeframe from submission of final tax self-assessment returns and for TRA performing its reviews and issuing of notice of final tax assessment may be several months or years.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

28. COMMITMENTS AND CONTINGENCIES (Continued)

Tax (Continued)

Currently the Company has the following on-going appeals with TRA. The Directors have assessed that the Company is more likely to be successful in defending its position as such no provision in the financial statements has been determined to be necessary.

TRA assessment of disallowed expenditure for the period 2013, TZS 772 million, import duty dispute for the period 2015 – 2017 amounting to TZS 536 million, assessment of additional VAT of TZS 2,089 million for 2014 – 2016, assessment for corporate tax TZS 772 million for 2015 – 2016 and assessment for corporate tax TZS 1,189 million for 2018 – 2019.

29 EMPLOYEE BENEFITS

Employees are members of either the National Social Security Fund (NSSF). The contributions to these funds are fixed and are charged to statement of profit or loss and other comprehensive income in the year in which the contributions are incurred.

Refer to Note 24 for further disclosures on employee retirement benefits.

30 FINANCIAL RISK MANAGEMENT

The Company's financial liabilities include trade and other payables, and interest bearing term loans and bank overdrafts. The main purpose of these financial liabilities is to raise finance for the operations of the Company. The Company's financial assets include trade and other receivables and cash and cash equivalents which arise directly from its operations.

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

Risk management is carried out by the Finance Department of the Company under policies approved by the Board of Directors. Risk management policies and systems are reviewed regularly to reflect changes in market conditions. A description of the significant risk factors is included below together with the risk management policies applicable.

Foreign currency risk

The Company operates wholly in Tanzania and its assets and liabilities are reported in TZS. Sales are invoiced in TZS and USD. Payments for outstanding debts are accepted in both TZS and USD. The main raw materials, Steel, Aluminium Silicon Alloy, Zinc and Color Coated Steel Coils are imported and are payable for in USD. The Company keeps cash in TZS and USD to match the payment obligations in the respective currencies.

To mitigate foreign exchange risk, the Company may employ hedging technique such as swaps. The natural hedge provided by export sales also serves to reduce foreign exchange exposures.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

30. FINANCIAL RISK MANAGEMENT (Continued)

Foreign currency sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in the TZS to USD exchange rate, with all other variables held constant, of the Company's profit before tax (due to changes in the fair value of monetary assets and liabilities). The Company's exposure to foreign currency changes for all other currencies is not material.

| | Change in US Dollar rate | Effect on profit before tax USD | Effect on profit before tax TZS '000 |
|------|-----------------------------|---------------------------------------|--|
| 2022 | 5% | 1,865,827 | 4,359,413 |
| | -5% | (1,865,827) | (4,359,413) |
| 2021 | 5% | 3,294,170 | 7,625,377 |
| | -5% | (3,294,170) | (7,625,377) |

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

| | Exposure in USD |
|------------------------------------|----------------------|
| At 31 December 2022 | |
| Financial assets | |
| Trade and other receivables | 8,833,396 |
| Cash and bank balances | 249,403 |
| Total financial assets | 9,082,799 |
| Financial liabilities | |
| Trade and other payables | 95,914,743 |
| Bank overdrafts | 31,904,833 |
| Interest bearing loans | 1,512,027 |
| Total financial liabilities | 129,331,603 |
| Foreign exchange risk gap | (120,248,804) |
| At 31 December 2021 | |
| Financial assets | |
| Trade and other receivables | 15,908,047 |
| Cash and bank balances | (1,819,773) |
| Total financial assets | 14,088,274 |
| Financial liabilities | |
| Trade and other payables | 144,438,323 |
| Bank overdrafts | 15,101,973 |
| Interest bearing loans | 3,644,204 |
| Total financial liabilities | 163,184,500 |
| Foreign exchange risk gap | (149,096,226) |

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

30 FINANCIAL RISK MANAGEMENT (Continued)

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. Potential concentration of credit risk consists principally of trade and other receivables. Trade receivables comprise a large and widespread customer base and the Company performs ongoing credit evaluations on the financial condition of its customers. The amounts presented in the statement of financial position are net of allowances for expected credit losses, estimated by the Company's management based on prior experience, the current economic environment and forward looking information.

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

| | Fully performing TZS'000 | Past due but not impaired TZS'000 | Total TZS'000 |
|------------------------------|--------------------------------|--|-------------------|
| At 31 December 2022 | | | |
| Trade receivables | 15,423,919 | 8,821,485 | 24,245,404 |
| Due from related parties | 8,208,402 | 624,994 | 8,833,396 |
| Other receivables | 14,845,993 | - | 14,845,993 |
| Bank balances | 1,679,468 | - | 1,679,468 |
| Total credit exposure | <u>40,157,782</u> | <u>9,446,479</u> | <u>49,604,261</u> |
| | | | |
| | Fully performing TZS'000 | Past due but not impaired TZS'000 | Total TZS'000 |
| At 31 December 2021 | | | |
| Trade receivables | 18,256,631 | 5,906,994 | 24,163,625 |
| Due from related parties | 15,294,418 | 613,629 | 15,908,047 |
| Other receivables | 24,147,966 | - | 24,147,966 |
| Bank balances | 1,381,777 | - | 1,381,777 |
| Total credit exposure | <u>59,080,792</u> | <u>6,520,623</u> | <u>65,601,415</u> |

Set out below is the information about the credit risk exposure on the Company's trade receivables due from third parties and related parties using a provision matrix:

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

30 FINANCIAL RISK MANAGEMENT (Continued)

| | Current/ Others | Days past due | | | | Total |
|---|--------------------|----------------|-----------------|-----------------|------------|------------|
| | | 91-180 days | 181-360 days | 360-540 days | >540 days | |
| At 31 December 2022 | | | | | | |
| Gross carrying amount (TZS'M) | 23,632,320 | 4,580,684 | 99,711 | 334,856 | 15,894,665 | 44,542,236 |
| Expected credit loss rate (%) | 1.20% | 15.1% | 75.0% | 98.2% | 100.00% | |
| Expected credit loss (TZS'M) | 203,800 | 24,342 | 4,319 | 61,506 | 11,169,469 | 11,463,436 |
| At 31st December 2021 | | | | | | |
| Gross carrying amount (TZS'M) | 39,924,706 | 172,430 | 170,622 | 859,502 | 10,139,044 | 51,266,304 |
| Expected credit loss rate (%) | 1.10% | 10.02% | 27.12% | 91.23% | 100.00% | |
| Expected credit loss (TZS'M) | 207,955 | 17,271 | 46,273 | 784,089 | 10,139,044 | 11,194,632 |

Interest rate risk

Interest rate risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's borrowings with floating interest rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on borrowings. With all other variables held constant, the Company's profit before tax is affected through the impact on floating rate borrowings as follows:

| | Increase / decrease in basis points | Effect on profit before tax USD | Effect on profit before tax TZS '000 |
|------|---|---------------------------------------|--|
| 2022 | + 40 | (64,395) | (150,456) |
| | - 40 | 64,395 | 150,456 |
| 2021 | + 40 | (14,807) | (34,117) |
| | - 40 | 14,807 | 34,117 |

The assumed movement in the basis points for interest rate sensitivity analysis is based on the currently observable market environment.

The table below summarizes the Company's exposure to interest rate risk. Included in the table are the Company's financial instruments at carrying amounts, categorized by the earlier of contractual re-pricing or maturity dates.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

30 FINANCIAL RISK MANAGEMENT (Continued)

Interest rate risk (Continued)

| | <1 month TZS'000 | >1 - 12 months TZS'000 | Non-interest bearing TZS'000 | Total TZS'000 |
|------------------------------|---------------------|------------------------------|------------------------------------|----------------------|
| At 31 December 2022 | | | | |
| Financial assets | | | | |
| Trade receivables | - | - | 24,245,404 | 24,245,404 |
| Due from related parties | - | - | 8,833,396 | 8,833,396 |
| Other receivables | - | - | 14,845,993 | 14,845,993 |
| Cash and bank balances | - | - | 1,702,781 | 1,702,781 |
| | - | - | <u>49,627,574</u> | <u>49,627,574</u> |
| Financial liabilities | | | | |
| Trade and other payables | - | - | 77,182,153 | 77,182,153 |
| Due to related parties | - | - | 33,207,708 | 33,207,708 |
| Lease liability | - | - | 658,087 | 658,087 |
| Bank overdrafts | 31,904,833 | - | - | 31,904,833 |
| Interest bearing loans | - | 1,512,027 | - | 1,512,027 |
| | <u>31,904,833</u> | <u>1,512,027</u> | <u>111,047,948</u> | <u>144,464,808</u> |
| Net exposure | (31,904,833) | (1,512,027) | (61,420,374) | (94,837,234) |
| | | | | |
| | <1 month TZS'000 | >1 - 12 months TZS'000 | Non-interest bearing TZS'000 | Total TZS'000 |
| At 31 December 2021 | | | | |
| Financial assets | | | | |
| Trade receivables | - | - | 24,163,625 | 24,163,625 |
| Due from related parties | - | - | 15,908,047 | 15,908,047 |
| Other receivables | - | - | 24,147,966 | 24,147,966 |
| Cash and bank balances | - | - | 1,430,164 | 1,430,164 |
| | - | - | <u>65,649,802</u> | <u>65,649,802</u> |
| Financial liabilities | | | | |
| Trade and other payables | - | - | 95,825,599 | 95,825,599 |
| Due to related parties | - | - | 52,067,332 | 52,067,332 |
| Lease Liability | - | - | 342,165 | 342,165 |
| Bank overdrafts | 21,952,824 | - | - | 21,952,824 |
| Interest bearing loans | - | 3,644,204 | - | 3,644,204 |
| | <u>21,952,824</u> | <u>3,644,204</u> | <u>148,235,096</u> | <u>173,832,124</u> |
| Net exposure | (21,952,824) | (3,644,204) | (82,585,294) | (108,182,322) |

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

30. FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises because of the possibility that the entity could be required to pay its liabilities when the entity does not have sufficient liquid assets to meet the obligations.

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

The Company manages liquidity risk by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. The Directors may from time to time at their discretion raise or borrow monies for the Company as they deem fit.

The following tables includes the Company's remaining contractual maturity for its financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay.

| | On demand TZS '000 | Less than 12 months TZS '000 | After 1 year TZS '000 | Total TZS '000 |
|----------------------------|-----------------------|------------------------------------|--------------------------|--------------------|
| At 31 December 2022 | | | | |
| Trade and other payables | - | 77,182,153 | - | 77,182,153 |
| Due to related parties | - | 33,207,708 | - | 33,207,708 |
| Bank overdrafts | 31,904,833 | - | - | 31,904,833 |
| Interest bearing loans | - | - | 1,512,027 | 1,512,027 |
| Finance leases | - | 85,071 | 573,016 | 658,087 |
| | <u>31,904,833</u> | <u>111,986,959</u> | <u>2,085,043</u> | <u>144,464,808</u> |
| At 31 December 2021 | | | | |
| Trade and other payables | - | 95,825,599 | - | 95,825,599 |
| Due to related parties | - | 52,067,332 | - | 52,067,332 |
| Bank overdrafts | 21,952,824 | - | - | 21,952,824 |
| Interest bearing loans | - | 2,111,373 | 1,532,831 | 3,644,204 |
| Finance leases | - | 105,722 | 236,443 | 342,165 |
| | <u>21,952,824</u> | <u>150,110,026</u> | <u>1,769,274</u> | <u>173,832,124</u> |

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

31 FAIR VALUES

The fair values of the Company's financial instruments reasonably approximate the carrying amounts due to the short term nature of the instruments or fact that long term instruments bear interest rates that are in line with market interest rates.

The Company uses the following hierarchy for determining and disclosing the fair value of assets and liabilities by valuation technique:

Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

Interest rate swaps are disclosed as level 2 because the fair values are obtained directly from the vendor bank.

Revaluation of plant machinery and fire equipment

The fair value of plant machinery was determined using the estimated present value method as at 31 December 2019.

The fair values were based on the valuation performed by Tata Consulting Engineers Limited, an accredited independent value with valuation experience in similar assets.

Revaluation of buildings

The fair value of buildings was determined using the market comparable method as at 31 December 2019. This means that valuations performed by valuers were based on active market prices, adjusted for differences in the nature, location or condition of the specific buildings. The fair values were based on the valuation performed by Land Masters Combine Limited, an accredited independent value with valuation experience in similar assets.

The valuations for the plant, machinery, firefighting equipment and buildings are classified into level 3 hierarchy since the significant inputs into the valuations are the open market prices for investment property in the same location and these are unobservable, either directly or indirectly from the market.

There have been no transfers into or out of this fair value hierarchy.

The management assessed that fair values of cash and cash equivalents, trade and other receivables, trade and other payables approximate their carrying amounts largely due to short-term maturities of these instruments. Borrowing have interest rate approximating to the market rate.

32 DIVIDEND

Proposed dividend of TZS 500 per ordinary share amounting to TZS'000 6,846,230 for the year ended 31 December 2021, was approved in the Annual General Meeting held on 20th June 2022 and was paid in lots in the months of June, August and September 2022.

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)
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33 EMPLOYEES

The number of employees as at 31 December 2022 was 465 (2021: 470).

34 EVENTS AFTER THE REPORTING PERIOD

The Directors are not aware of any material events or circumstances have arisen between the accounting date and the date of this report that require additional disclosure in the financial statements.

35. COMPARATIVES

Where necessary, the comparatives figures have been reclassified to conform to changes in presentation in the current year. There was no significant reclassification done during the year.