

ALAF LIMITED
ANNUAL REPORT
AND
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

ALAF LIMITED

**ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

CONTENTS	PAGE
Company information	1
Report by Those Charged with Governance	2 - 12
Statement of Directors' responsibilities	13
Declaration by the head of Finance	14
Independent Auditor's report	15 - 17
Financial statements:	
Statement of profit or loss and other comprehensive income	18
Statement of financial position	19
Statement of changes in equity	20
Statement of cash flows	21
Notes to the financial statements	22 - 64

ALAF LIMITED

**COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2021**

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 2021

1. INTRODUCTION

The members charged with governance submit their report together with the audited financial statements for the year ended 31 December 2021, 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, DRC Congo, Malawi etc.

ALAF LIMITED

REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued) FOR THE YEAR ENDED 31 DECEMBER 2021

5. FINANCIAL RESULTS AND DIVIDEND

The Company earned a profit before tax of TZS 8,929 million for the year ended 31 December 2021 (2020: TZS 7,104 million).

The Company had declared dividend of TZS 10 per ordinary share amounting to TZS 6,846,230,000 for the year ended 31 December 2019, which was approved in the Annual General Meeting held on 4th March 2021 and was paid in March 2021.

The Company had declared dividend of TZS 5 per ordinary share amounting to TZS 3,423,117,000 for the year ended 31 December 2020, which was approved in the Annual General Meeting held on 8th September 2021 and was paid in September 2021.

For the year ended 31 December 2021, the Board of Directors recommends dividend of TZS 500 per ordinary share, amounting to TZS 6,846,230,000.

The Board of Directors also recommends bonus shares at the rate of one (1) share for every two (2) shares held as at 31st December 2021, out of accumulated reserves of the Company.

The issuance of bonus shares, once approved by the Annual General Meeting, shall require increase in authorized share capital of the Company.

6. PERFORMANCE FOR THE YEAR

Particulars	Year		Increase (↑) / Decrease (↓)
	2021	2020	%/Days
Total Revenue (TZS Million)	334,050	243,584	↑ 37%
Profit Before Tax (TZS Million)	8,929	7,104	↑ 26%
Gross Profit Margin	13.1%	14.5%	↓ 1.4%
Net Profit Margin (before tax)	2.7%	2.9%	↓ 0.2%

Turnover of the Company for year 2021 increased from previous year mainly due to favorable product mix and better sales realisation.

The Gross Profit Margin was slightly lower than previous year mainly due to increase in raw material cost.

Net profit (before tax) margin was slightly lower than previous year mainly due to exceptional impact of de-recognition of carrying value (revalued) of asset components removed / discarded during capacity enhancement project of Metal Coating Line. Revaluation reserve (net of deferred tax charge) corresponding to such components, so removed / discarded, is transferred from Revaluation Reserve to Retained Earnings through Other Comprehensive Income (OCI), as per IAS 16. Therefore, there is no impact on Shareholder's equity on account of de-recognition of asset components.

ALAF LIMITED

REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued) FOR THE YEAR ENDED 31 DECEMBER 2021

7. LIQUIDITY

The Company has a positive liquidity position.

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 2021 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 the renewal is in the process for ISO 9001:2015 and 14001:2015 as at the reporting date.

12. INVESTMENTS

The Company made investments in property, plant and equipment to the value of TZS 18.9 billion including work in progress during the year ended 31 December 2021 (2020: TZS 2.1 billion).

13. POLITICAL AND CHARITABLE DONATIONS

The Company did not make any political donations during the year (2020: Nil). The details of charitable donations made during the year are listed under note 17 of this Report.

14. 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.

ALAF LIMITED

REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued) FOR THE YEAR ENDED 31 DECEMBER 2021

15. FUTURE DEVELOPMENT PLANS

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

- a. The Company expects to utilise the additional capacity to manufacture roofing sheets to increase its market presence in all the major regions of the Country and in neighbouring Countries and improve profitability.
- b. The Company has completed the feasibility study for installation of Colour Coating Line of production capacity 80,000 MTPA. Project is expected to be presented for Board's approval in Q2 2022.
- c. The Company has also undertaken ALAF site development plan. This will help efficient material handling, material flow and improve customer services.
- d. The Company is investing to upgrade the existing IT infrastructure by implementation of SAP HANA ERP; implementation is planned to be completed by Q3 2022. This will improve internal controls and drive efficiency.

16. 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 Trollies 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.

17. 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 2021 were:

- Provided Kiswahili Scholarship to students who pursued the Masters in Kiswahili at the University of Dar es Salaam for an amount of Tshs. 10 million;
- Provided donation on the President's "Rebranding Tanzania" initiative for an amount of Tshs. 30 million;
- Provided roofing sheets for construction of Dar es Salaam schools, through the Regional Commissioner, for an amount of TShs. 44 million;
- Provided roofing sheets to improve community based houses, in support of an initiative of HE Jakaya Kikwete, former President of Tanzania, for an amount of Tshs. 25 million;
- Provided roofing sheets for construction of Traffic Control Headquarters for an amount of TShs. 22 million;
- Provided roofing sheets for construction of Tanzania People's Defence Force (TPDF) College for an amount of TShs. 23 million;
- Donations to improve elders shelter in Tandika - Temeke Municipal amounting to Tshs. 3 million;
- Donations to support blood donation camps by the Ministry of Health of United Republic of Tanzania amounting to Tshs. 3 million;
- Eye in the wild photo competition to promote environment conservation amounting to Tshs. 2 million, etc.

ALAF LIMITED

REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued) FOR THE YEAR ENDED 31 DECEMBER 2021

18. CORPORATE GOVERNANCE

The Board of Directors (the "Board") of the Company consists of Eight (8) Directors listed below note 20, 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.

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 2021 (2020 – Seven 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 2021

18. CORPORATE GOVERNANCE (Continued)

Accountability and Audit (Continued)

Attendance of the Board meetings

Name	Q1 2021 held on 18 th May 2021	Q2 2021 held on 31 st July 2021	Q3 2021 held on 9 th September 2021	Q4 2021 held on 12 th November 2021
Mr. Kaushik B. Shah	✓	✓	✓	✓
Mr. Pankaj Kumar	✓	✓	✓	✓
Mr. Anders Lindgren	✓	X	✓	✓
Mr. Ashish Mistry	✓	✓	✓	✓
Mr. Godfrey Omar Kitundu	✓	✓	✓	✓
Mr. Masha John Mshomba	X	X	X	✓
Mr. Joseph Sheffu	X	✓	✓	✓
Mr. Andrew J. Heycott	✓	✓	✓	✓

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.

19. 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

The Company increased face value of its Shares from TZS 20 per Share to TZS 1,000 per Share vide resolution passed in Annual General meeting dated 4th December 2020, with corresponding decrease in no. of Shares. Before the change, the capital structure of the Company was as shown below:

Particulars	Type of Shares	Number of Shares	Value per Share (TZS)	Amount (TZS'000)
Authorised Share capital	Ordinary Shares	750,000,000	20	15,000,000
Called-up Share capital	Ordinary Shares	684,623,028	20	13,692,460
Paid-up Share capital	Ordinary Shares	684,623,028	20	13,692,460

ALAF LIMITED

REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued) FOR THE YEAR ENDED 31 DECEMBER 2021

20. 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	69	Fellow Chartered Accountant (England and Wales), Certified Public Accountant (Kenya)	British
Mr. Pankaj Kumar	Director	65	Bachelor of Commerce (Hons.), ACA	Indian
Mr. Anders Lindgren	Director	63	Bachelor in Business Administration & Economics	Swedish
Mr. Ashish Mistry	Director / CEO	53	Bachelor's degree in Industrial Engineering	Indian
Mr. Godfrey Omar Kitundu	Director*	48	Master Degree of Economics in Public Policy and Taxation	Tanzanian
Mr. Masha John Mshomba	Director*	50	Bachelor of Commerce, Certified Public Accountant (Tanzania), Master of Business Administration	Tanzanian
Mr. Joseph Sheffu	Director*	50	Certified Public Accountant (Tanzania)	Tanzanian
Mr. Usaje Bernard Asubisye	Director**	56	Master in Business Administration	Tanzanian
Mr. Johannes Karungura	Director**	48	LLB, Masters in International Commercial Transactions	Tanzanian
Mr. Andrew J. Heycott	Director	54	BE Engineering (Hons.)	Australian

* Appointed on 18th May 2021

** Resigned on 17th February 2021

21. 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 enhanced capacity of its Metal Coating Line from 70,000 MTPA to 100,000 MTPA to achieve its objective of meeting the requirements of steel roofing sheets and allied roofing and steel products of the Country.

ALAF LIMITED

REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued) FOR THE YEAR ENDED 31 DECEMBER 2021

22. 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. In view of this, the top line is influenced by the volume sold and price realised. The Company also faces reputation risk.

23. 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

Covid-19 pandemic continues to pose health risk for Company's human resource. The Company has encouraged prevention protocols and vaccination drive across the workforce and have been able to manage the impact.

Financial Risk

Rising steel prices during the year, coupled with Company's capacity expansion, posed challenges for working capital adequacy, which the Board managed with enhancing working capital facilities with the banks.

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.

Company has also invested in IT systems and plans to implement SAP S4 Hana aimed at better internal control and driving efficiency.

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

ALAF LIMITED

REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued) FOR THE YEAR ENDED 31 DECEMBER 2021

24. 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.

25. 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.

26. SHAREHOLDERS OF THE COMPANY

The total number of shareholders during the year 2021 and to the date of this report are two (2) (2020: two (2) shareholders). The shares of the Company are held as follows:

Shareholder	2021		2020	
	Number of Shares*	%	Number of Shares	%
Safal Investments (Mauritius)Limited	10,465,421	76.43	523,271,078	76.43
Treasury Registrar, Government of the United Republic of Tanzania	3,227,039	23.57	161,351,950	23.57
Total	13,692,460	100.00	684,623,028	100.00

* Reduction in number of Shares in 2021 is due to consolidation of shares subsequent to increase in par value of Shares from TZS 20 per Share to TZS 1,000 per Share without an increase in authorised, called up or paid up Share capital vide resolution passed in Annual General Meeting held on 4th December 2020.

No director held shares in the Company.

ALAF LIMITED

REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued) FOR THE YEAR ENDED 31 DECEMBER 2021

27. STOCK EXCHANGE INFORMATION

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

28. 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.

29. 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 2021, there was no major work related injury recorded.

30. 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.

31. 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.

ALAF LIMITED

REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

32. EMPLOYEES BENEFIT PLAN

During the year 2021, 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.

33. GENDER PARITY

The Company had 470 employees as at 31 December 2021, out of which 47 were female and 423 were male (2020: total 461 employees, out of which 46 were female and 415 were male). The increase in number of employees in the year 2021 was due to filling of vacant positions to support and strengthen business operations.

34. RELATED PARTY TRANSACTIONS

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

35. AUDITOR

The auditor, KPMG have expressed their willingness to continue in office and are eligible for re-appointment as auditor of the Company for year 2022.

36. 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

ASHISH MISTRY
Name

DIRECTOR
Title

Ashish mistry
Signature

GODFREY WITUNDU
Name

DIRECTOR
Title

[Signature]
Signature

10 June 2022
Date

ALAF LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2021

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 2021, and the statements 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 and other explanatory information, in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act, 2002.

The 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 10 June 2022.

ASHISH MISTRY
Name

DIRECTOR
Title

Ashish Mistry
Signature

GODFREY KITUNDU
Name

DIRECTOR
Title

[Signature]
Signature

10 June 2022
Date

ALAF LIMITED

**DECLARATION BY THE HEAD OF FINANCE
FOR THE YEAR ENDED 31 DECEMBER 2021**

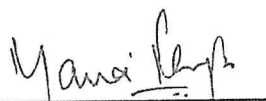
The National Board of Accountants and Auditors (NBAA) according to the powers conferred to it under the Auditors and Accountants (Registration) Act No. 33 of 1972, as amended by Act No. 2 of 1995, requires financial statements to be accompanied with a declaration issued by the Head of Finance responsible 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 2021 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: _____

10 June 2022



KPMG
Certified Public Accountants
2nd Floor, The Luminary
Haile Selassie Road, Masaki
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Telephone +255 22 2600330
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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 18 to 64 which comprise the statement of financial position as at 31 December 2021, and the statements 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 and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of ALAF Limited as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) 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 2021*, 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 (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 IFRSs 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 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.



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)

- 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, based on our audit 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' 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: 10/06/2022

ALAF LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 TZS '000	2020 TZS '000
Revenue from contracts with customers	7	334,049,506	243,583,616
Cost of sales	9	<u>(290,435,301)</u>	<u>(208,382,427)</u>
Gross profit		43,614,205	35,201,189
Other operating income	8	1,296,104	639,894
Administrative expenses	10	(28,894,793)	(18,353,123)
Selling and distribution expenses	11	(4,749,885)	(3,227,722)
Impairment charge on trade receivable	20	<u>(756,502)</u>	<u>(649,688)</u>
Operating profit		10,509,129	13,610,550
Finance costs	12	<u>(1,580,112)</u>	<u>(6,506,327)</u>
Profit before tax		8,929,017	7,104,223
Income tax expense	14	(4,063,300)	(2,325,769)
Profit for the year		<u>4,865,717</u>	<u>4,778,454</u>
Other comprehensive income:			
Actuarial gain/(loss)	24	1,146,073	(69,683)
Deferred tax - Actuarial	14	(343,822)	20,905
Revaluation reserve	23	7,898,828	29,713,774
Deferred tax - Revaluation of assets	14	<u>(3,722,771)</u>	<u>(8,914,132)</u>
Other comprehensive income for the year net of tax		<u>4,978,308</u>	<u>20,750,864</u>
Total comprehensive income for the year		<u>9,844,025</u>	<u>25,529,318</u>
		TZS	TZS
Basic earnings per share - Basic	15	<u>355.4</u>	<u>7.0</u>
- Diluted	15	<u>355.4</u>	<u>7.0</u>

Notes and related statements forming part of these financial statements appear on pages 22 to 64.
Report of the Auditor's - pages 15 to 17.

ALAF LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

ASSETS	NOTES	2021 TZS'000	2020 TZS'000
Non-current assets			
Leasehold land	16	1,317,265	1,334,950
Property, plant and equipment	17	116,501,149	114,362,399
Right of use assets	18	324,323	469,883
		<u>118,142,737</u>	<u>116,167,232</u>
Current assets			
Inventories	19	127,898,464	76,936,338
Trade and other receivables	20	73,247,260	46,696,814
Tax recoverable	14	-	1,723,993
Cash and bank balance	21	1,430,164	6,736,407
		<u>202,575,888</u>	<u>132,093,552</u>
TOTAL ASSETS		<u>320,718,625</u>	<u>248,260,784</u>
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	22	13,692,460	13,692,460
Revaluation reserve	23	49,563,631	53,395,866
Retained earnings		47,590,750	48,818,323
Other reserves	24	2,089,608	1,287,357
		<u>112,936,449</u>	<u>117,194,006</u>
Non-current liabilities			
Deferred tax liability	14	20,008,361	24,074,954
Retirement benefit obligation	24	4,199,354	4,291,411
Interest bearing loans and borrowings	25 (a)	1,532,831	3,686,335
Finance lease liability	18	236,443	271,393
		<u>25,976,989</u>	<u>32,324,093</u>
Current liabilities			
Trade and other payables	26	155,589,862	89,735,538
Bank overdrafts	25 (b)	21,952,824	6,693,335
Tax payable	14	2,045,406	-
Interest bearing loans and borrowings	25 (a)	2,111,373	2,106,477
Finance lease liability	18	105,722	207,335
		<u>181,805,187</u>	<u>98,742,685</u>
TOTAL EQUITY AND LIABILITIES		<u>320,718,625</u>	<u>248,260,784</u>

The financial statements, as set out on pages 18 to 64 were approved and authorised for issue by the Board of Directors on 10 June 2022 and signed by:

ASHISH MISTRY

DIRECTOR

Ashish Mistry

Name

Title

Signature

GODFREY KITUNDU

DIRECTOR

Signature

Name

Title

Notes and related statements forming part of these financial statements appear on pages 22 to 64.
Report of the Auditor's - pages 15 to 17.

ALAF LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 2021

	Share capital TZS '000	Revaluation reserve TZS '000	Retained earnings TZS '000	Other reserves TZS '000	Total equity TZS '000
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	-	-	4,865,717	-	4,865,717
Profit for the period	-	-	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 gain</i>	-	-	-	1,146,073	1,146,073
Total comprehensive income for the year	-	(3,832,235)	9,041,774	802,251	6,011,790
Transactions with the owners of the company	-	-	(10,269,347)	-	(10,269,347)
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	57,228,101	47,590,750	2,089,608	112,936,449
At 1 January 2020	13,692,460	32,596,224	44,039,869	1,336,135	91,664,688
Total comprehensive income for the year	-	-	4,778,454	-	4,778,454
Profit for the period	-	-	4,778,454	-	4,778,454
<i>Other comprehensive income</i>	-	-	-	-	-
<i>Revaluation Reserve</i>	-	29,713,774	-	-	29,713,774
<i>Deferred Tax</i>	-	(8,914,132)	-	-	(8,914,132)
<i>IAS 19: Actuarial loss - net of tax</i>	-	-	-	(48,778)	(48,778)
Total comprehensive income for the year	-	20,799,642	4,778,454	(48,778)	25,529,318
Transactions with the owners of the company	-	-	-	-	-
Dividend paid	-	-	-	-	-
Total transaction with the owners of the company	-	-	-	-	-
At 31 December 2020	13,692,460	53,395,866	48,818,323	1,287,357	117,194,006

Notes and related statements forming part of these financial statement appear on pages 22 to 64.

Report of the Auditor's - page 15 to 17.

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/(deficit) on actuarial valuation and is not available for distribution.

ALAF LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 TZS'000	2020 TZS'000
Operating activities			
Profit before tax		8,929,017	7,104,223
Adjustments to reconcile profit before tax to net cash flows			
Depreciation and Amortisation	16/17	8,930,937	7,911,017
Finance lease depreciation	18	145,560	164,057
(Loss)/Profit on disposal of property, plant and equipment	8	7,895,006	(8,819)
Profit/(Loss) on lease modification - IFRS 16		-	24,402
Provisions for retirement obligation	24	1,160,096	1,099,816
Interest expenses		597,056	3,700,014
Interest expense on lease liabilities	18	47,346	58,163
Unrealised exchange (gain) / loss	12	(585,807)	676,574
Impairment charge on trade receivables	20	756,502	649,688
Working capital adjustments:			
(Increase)/ decrease in inventories		(50,962,126)	23,729,144
(Increase)/ decrease in trade and other receivables		(24,883,301)	17,377,731
Increase/(Decrease) in trade and other payables		66,093,247	(19,023,045)
Cash generated from operating activities		18,123,532	43,462,965
Retirement benefits paid	24	(106,080)	(933,734)
Income Tax paid	14	(6,778,480)	(4,937,559)
Interest paid on interest bearing loans		(597,056)	(3,700,014)
Net cash flows from operating activities		<u>10,641,916</u>	<u>33,891,658</u>
Investing activities			
Proceeds from sale of property, plant and equipment		3,821	8,819
Purchase of property, plant and equipment	17	(18,950,830)	(2,116,242)
Net cash flows used in investing activities		<u>(18,947,009)</u>	<u>(2,107,423)</u>
Financing activities			
Repayment of interest bearing loans and borrowings	25(a)	(2,148,608)	(2,052,016)
Interest expense on lease liabilities	18	(47,346)	(58,163)
Dividend paid		(10,269,347)	-
Payment of lease liability	18	(136,563)	(116,814)
Net cash flows used in financing activities		<u>(12,601,864)</u>	<u>(2,226,993)</u>
Net (decrease)/ increase in cash and cash equivalents		(20,565,732)	29,557,342
Effect of exchange gain/(loss)		341,225	(749,683)
Cash and cash equivalents at 1 January		43,072	(28,764,487)
Cash and cash equivalents at 31 December	21	<u>(20,522,660)</u>	<u>43,072</u>

Notes and related statements forming part of these financial statements appear on pages 22 to 64.
Report of the Auditor - pages 15 to 17.

ALAF LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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 International Financial Reporting Standards (IFRSs), 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 2021

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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Revenue recognition (Continued)

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.

b) 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.

c) Cash and cash equivalent

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

d) 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Taxation (continued)

Deferred income tax (continued)

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.

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.

e) 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Property, plant and equipment (Continued)

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 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	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.

f) 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.

g) 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 2021

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) 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.

i) Pensions and other post employment benefits

The Company has both defined benefit and defined contribution plan. 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 2021 by qualified Actuary.

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 gain of TShs. 1,146.07 million for the year (2020: Loss TShs. 69.68 million) under statement of profit or loss and comprehensive income. The retirement benefit 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 14.8% (2020 15.5%) (refer note no. 24).

ALAF LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2021

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) 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 incentive 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.

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.