

ORYX SERVICES AND SPECIALITIES LIMITED

REPORTS AND FINANCIAL STATEMENTS

31 DECEMBER 2023

ORYX SERVICES AND SPECIALITIES LIMITED

REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

CONTENTS	Page
Corporate information	1
The report by those charged with governance	2 – 8
Statement of Directors' responsibilities	9
Declaration by the head of finance	10
Independent auditor's report	11 - 13
Financial statements:	
Statement of profit or loss and other comprehensive income	14
Statement of financial position	15
Statement of changes in equity	16
Statement of cash flows	17
Notes to the financial statements	18 - 50

ORYX SERVICES AND SPECIALITIES LIMITED

CORPORATE INFORMATION

DIRECTORS	Name	Nationality	Position
	K. Mehta*	British	Managing Director
	G. Desenne	French	Director
	A. Dominick	Tanzanian	Director
	S. Bane	Senegalese	Director

*Executive Directors

REGISTERED OFFICE AND
PRINCIPAL PLACE OF
BUSINESS

Plot No. 34/1, 7th Floor Tanhouse
Victoria Area, Kinondoni
Bagamoyo Road
P.O. Box 9540
Dar es Salaam, Tanzania

COMPANY SECRETARY

Antonia Kilama
P.O. Box 9540
Dar es Salaam
Tanzania

MAIN LAWYER

FB Attorneys
8th Floor, Amani Place
Ohio Street
P.O. Box 19813
Dar es Salaam, Tanzania

AUDITOR

Deloitte & Touche
Certified Public Accountants (Tanzania)
3rd Floor, Aris House

Plot 152, Haile Selassie Road
P.O. Box 1559
Dar es Salaam, Tanzania

MAIN BANKERS

Standard Chartered Bank Tanzania Limited
International House, Shaaban Robert St./Garden Avenue
P.O. Box 9011
Dar es Salaam, Tanzania

Stanbic Bank Tanzania Limited
Plot 99A, Kinondoni/Ali Hassani Mwinyi Road
P.O. Box 72647
Dar es Salaam, Tanzania

National Bank of Commerce Limited
Corporate Branch, Sokoine Drive
P.O. Box 9062
Dar es Salaam, Tanzania

NMB Bank Plc
Bank House Branch, Samora Avenue
P.O. Box 9031
Dar es Salaam, Tanzania

ORYX SERVICES AND SPECIALITIES LIMITED

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2023

The Directors have pleasure in presenting their report together with the audited financial statements of Oryx Services and Specialities Limited (the "Company") for the year ended 31 December 2023 which disclose the state of affairs of the Company as at that date.

INCORPORATION

The Company was incorporated in Tanzania under the Companies Act, 2002 on 22 October 2014 vide registration number 112292.

SHAREHOLDERS OF THE COMPANY

The shareholding structure of the Company is as set out below:

	2023		2022	
	No. of shares	%	No. of shares	%
Oryx Energies SA	16,583,400	99.9	16,583,400	99.9
Overseas Petroleum Holdings Limited	<u>16,600</u>	<u>0.1</u>	<u>16,600</u>	<u>0.1</u>
	<u>16,600,000</u>	<u>100</u>	<u>16,600,000</u>	<u>100</u>

NATURE OF OPERATION

The Company is one of the Oil Marketing Companies (OMC) operating in Tanzania. It is regulated by the Energy and Water Utilities Regulatory Authority (EWURA), established under Cap 414 of the laws of Tanzania. EWURA is mandated to regulate the mid- and downstream petroleum subsector in Tanzania Mainland, covering technical, economic, and safety regulatory functions.

The Company principal activities includes blending, sale of petroleum products, transportation, and other specialized services. The Company operate a modern and well-advanced lubricant blending plant located at Kurasini, Dar es salaam -Tanzania, and owns and operates warehouses in Dar es salaam, Mwanza, Moshi and Mbeya for distribution of its lubricant's products throughout the country.

The country's macroeconomic environment has been stable, despite the challenge of USD scarcity impacting the oil and marketing companies. The political environment during the year was stable, allowing the Company to execute its operations without restrictions.

MISSION

To be the most admired and independent lubricant Company in Tanzania.

VISION

To be the most preferred and respected supplier of lubricants and related services in Tanzania.

ORYX SERVICES AND SPECIALITIES LIMITED

THE REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

PERFORMANCE FOR THE YEAR

Lubricants and base oil sold for the years ended 31 December are as summarised below:

	2023		2022	
	Metric tonnes	TZS'000	Metric tonnes	TZS'000
Consumer	1,457	11,128,752	1,227	8,958,086
Retail network	236	1,676,451	196	1,338,210
Wholesale and bunkering	1,119	7,819,811	1,074	6,630,719
Exports and intercompany	6,193	38,700,689	5,928	35,086,919
Distributors and CODO*	5,599	34,854,608	5,794	35,570,699
	<u>14,604</u>	<u>94,180,311</u>	<u>14,219</u>	<u>87,584,633</u>

*CODO- Company Owned Dealer Operated

FINANCIAL RESULTS

Revenue has increased by 8% compared to 2022 on account of volume increase and strategic price interventions, but 14% below budget because our customers could not purchase as per plan due to USD scarcity in the market, the volume was at 12% (1904 metric tonnes) below budget.

The loss for the year of TZS 3,139,354,000 (2022: Loss of TZS 3,287,994,000) has been transferred to retained earnings. The Company experienced a challenging year that recorded a significant decline in profit against budget. The performance was adversely impacted by the costs of raw materials increased significantly as well as increase of competition of products from Mid and Far East and the forex losses as a result of Tanzania shilling deprecating significantly against US dollar. Despite the challenges above the Company continue to drive the strategy on optimizing the cost of production.

MANAGEMENT

The Company's overall management is under the Board of Directors ("the Board"). The day-to-day management of the Company is under the Managing Director. The Company is organised into four (4) departments headed by departmental managers who report to the Managing Director. These departments are:

- Finance and Administration.
- Marketing and Sales.
- Technical; and
- Operations.

STAKEHOLDERS

The Company has a good and strong relationship with its shareholders, customers, suppliers, bankers, lawyers, employees, tax authority, Petroleum bulk procurement agencies, and regulators.

The Company relationships with stakeholders are built upon mutual understanding and compliance with the agreed and stipulated terms.

ORYX SERVICES AND SPECIALITIES LIMITED

THE REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

SOLVENCY

The Company is financed by equity, short term loans from financial institutions and internally generated funds from the operations. The financial resources are required to meet the Company objectives that includes to operate the business, support growth, expansion, and innovation. The Directors consider the Company to be solvent within the meaning ascribed by the Companies Act, 2002.

DIVIDENDS

The Directors do not recommend payment of dividend in respect of the year ended 31 December 2023 (2022: Nil).

DIRECTORS' INTEREST IN THE SHARES OF THE COMPANY

The Directors are charged with governance of the Company. The Directors do not have any direct beneficial interest in the issued and paid-up share capital of the Company.

RELATED PARTY TRANSACTIONS

Details of transactions and balances with related parties are disclosed in note 20 to the financial statements.

EMPLOYEE WELFARE

The Company conducts a comprehensive review of its employment terms every three years in consultation with both Employee Trade Union and Employer Association representatives to ensure compliance with statutory requirements and alignment with market conditions.

Communication with employees is facilitated through Quarterly Management town hall sessions, toolbox meetings, emails, and circulars.

To support employees in realizing their full potential, the Company offers extensive training programs. By investing in staff qualifications, we effectively meet stakeholders' expectations for reliability, service quality, standardization, and consistency.

Training is predominantly conducted in-house, with external programs offered as necessary. In 2023, in-house training focused on fostering a safety culture and enhancing staff development through programs on product knowledge, compliance, sales accreditation, and leadership competencies. The Company also provided support for employees to meet the ongoing development requirements of their professional bodies, including certified accountants and registered engineers, and offered educational sponsorships for long-term studies such as master's programs.

Employment Benefit Plan: The Company pays contribution to publicly administered defined contribution plan on mandatory basis and that is National Social Security Fund (NSSF).

CORPORATE SOCIAL RESPONSIBILITY

Corporate and social responsibility (CSR) is the continuing commitment by the Company to behave ethically and contribute to its development while improving the quality of life of the workforce and their families as well as of the community and society in which it operates.

ORYX SERVICES AND SPECIALITIES LIMITED

THE REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

CORPORATE SOCIAL RESPONSIBILITY (CONTINUED)

The concern for social and economic development in a safe environment is an intrinsic part of Company business. One of the Company's core beliefs is that being a good employer and a good corporate citizen is essential to building and sustaining a dynamic and profitable business. The Company aims to provide a quality work environment for its employees and partners, and to understand the needs of the communities where it operates, to improve local living conditions with efficient and sustainable solutions.

Respecting the communities in which the Company operates encompasses those corporate actions that are in response to society's expectation that businesses be good corporate citizens.

The Company aims to show its respect for the local communities in which it operates in the following ways:

- By delivering support for a range of education, training, infrastructure, community development and environment projects that offer benefits to local people; and
- By supporting key biodiversity conservation initiatives.

CORPORATE GOVERNANCE

The Board of Directors consists of four Directors. The Board takes overall responsibility for the running of Company, including responsibility for identifying key risk areas, considering, and monitoring investment decisions, considering significant financial matters, and 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) is in place and that the Company complies with sound corporate governance principles.

The Board delegates the day-to-day management of the business to the Managing Director who is assisted by the senior management team. The senior management team is invited to attend Board meetings and facilitate the effective controls of all the Company's operational activities, acting as a medium of communication and coordination between all the various business units.

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

PRINCIPAL RISK AND UNCERTAINTIES

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 to provide reasonable assurance regarding:

- The effectiveness and efficiency of operations.
- The safeguarding of the Company's assets.
- Compliance with applicable laws and regulations.
- The reliability of accounting records.
- Business sustainability under normal as well as adverse conditions; and
- Responsible behaviours towards all stakeholders.

The efficiency of any internal control system is dependent on the strict observance of prescribed measures. There is always a risk of non-compliance of such measures by staff. Whilst no system of internal control can provide absolute assurance against misstatement or losses, the Company's system of internal control is designed to provide the Board with reasonable assurance that the procedures in place are operating effectively throughout the year.

ORYX SERVICES AND SPECIALITIES LIMITED

THE REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

PRINCIPAL RISK AND UNCERTAINTIES (CONTINUED)

The Board assessed the internal control systems throughout the financial year ended 31 December 2023 and is of the opinion that they met the accepted criteria.

The principal risks and uncertainties that may significantly affect the Company operations, strategies and sustainability are detailed below:

Market Price Risk

The risk that competitor's actions or natural comparative advantages in the marketplace will adversely affect the volumes or prices achieved by the Company, resulting in lower than budgeted revenues and being unable to meet its financial obligations.

The Company manage the risk by optimizing lubricants sales by geography/ micro market, customer segment and by product, sales linked promotions for large distributors and lastly optimizing logistics supply to the market.

Reduced Market Demand Risk.

The risk that an overall reduction in market demand due to macroeconomic factors will cause the business to attain lower than budgeted sales volumes and have a direct impact on the Company's revenue.

The Company manage the risk by optimizing lubricants sales by geography/ micro market, customer segment and by product and sales linked promotions for large distributors.

Operational risk

This is a risk resulting from the company's activities not being conducted in accordance with formally recognised procedures. Management ensures that the company complies with internal policies and procedures.

Noncompliance with Material Legislation

The risk that the business will incur fines, penalties, loss of licenses due to non-compliance with material legislation or license conditions.

The Directors ensure that legislative changes in the business's operating environment are monitored closely, encourage ethical and acceptable market conduct in pursuit of business objectives, as guided by the Codes of Conduct and implementation of a zero tolerance to misconduct associated with corruption and unethical behaviour in any part of the business.

Reputational Risk

The risk of damage to the reputation of the business in the eyes of internal and external stakeholders resulting in loss of sales and other loss of business opportunities. Impact is measured as sales losses due to reputational damage.

The directors develop and implement a code of conduct applicable to all employees of the Company, develop a public relations and communication policy and procedure manual. Management to ensure proactive engagement with stakeholders. Training on fraud prevention and ethics in the workplace.

ORYX SERVICES AND SPECIALITIES LIMITED

THE REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

GENDER PARITY AND DIVERSITY

The Company is an equal opportunity employer. It provides equal access to employment opportunities and ensures that the best available person is appointed to any given position. It does not discriminate on the grounds of marital status, tribe, gender, religion, nor disability which does not impair ability to discharge duties. As at 31 December 2023 the Company had 93 employees, out of which 27 were female and 66 male (2022: 93 employees of which 27 were female and 66 male).

HEALTH SAFETY SECURITY ENVIRONMENT AND QUALITY

The Company is committed to protecting the environment, as well as the health and safety of its employees, contractors, customers, and the communities in which it operates. The Company is committed to providing quality products and services that meet or exceed customer expectations and are environmentally sound throughout their life cycle. All aspects of our business will be managed in a safe and environmentally responsible manner consistent both with good business practices that provide a competitive return on investment and the principles set forth in this policy.

At the end of the reporting period Lubricant Oil Blending Plant (LOBP) was ISO 9001, 14001 and 45001 certified. In line with the Company policy the Directors are laying a lot of emphasis on Health, Safety, Security, Environment and Quality (HSSEQ) and working hand in hand with the various Government authorities such as Fire Department, EWURA, Occupational Safety & Health Administration (OSHA) and National Environmental Management Council (NEMC). The Company also has in place Safety, Health, and Environment (SHE) representatives within Tan House, Kurasini & LOBP facilities to emphasise the importance to this aspect. Toolbox meetings are also held in every site and the pertaining issues are addressed during the quarterly townhall meetings.

FUTURE DEVELOPMENT PLANS

The Company continues to expand its production efficiency by modernizing its production and storage facilities. The Company is also expanding its distribution network by opening Company Owned Dealer Operated (CODO) shops in key regions which are exclusively dedicated to Oryx lubricants. For the year ended 31 Dec 2023 the Company had 33 (2022:38) operational CODO shops across the country.

GOING CONCERN

The Directors have reviewed the going concern considerations of the Company and have no reason to believe the Company will not be a going concern for the foreseeable future.

POLITICAL AND CHARITABLE DONATIONS

The Company did not make any political donations during the year (2022: Nil).

ORYX SERVICES AND SPECIALITIES LIMITED

THE REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

AUDITOR

The auditor, Deloitte & Touche ("Deloitte"), was appointed as the Company auditor of the financial statement for the year ended 31 December 2023. Deloitte has expressed willingness to continue in office and is eligible for re-appointment. A resolution proposing the re-appointment of Deloitte as auditor of the Company for the year ending on 31 December 2024 will be put to the Annual General Meeting. The address of the auditor is disclosed on page 1.

Deloitte & Touche with PF No 025 and TIN 100-148-692 is an audit firm registered by the National Board of Accountants and Auditor (NBAA).

BY ORDER OF THE BOARD



K. Manjta
Managing Director

26 JUNE 2024

STATEMENT OF DIRECTORS' RESPONSIBILITIES

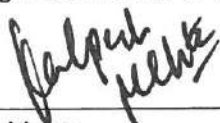
The Companies Act, 2002 requires the Directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company as at the end of the financial period and of its operating results for that period. It also requires the Directors to ensure that the Company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company. They are also responsible for safeguarding the assets of the Company.

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Companies Act, 2002 and for such internal control as Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with IFRS Accounting Standards as issued by the International Accounting Standards Board and in the manner required by the Companies Act, 2002. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of its operating results. The Directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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

Signed on behalf of the Board of Directors by:



K. Menta
Managing Director



A. Dominick
Director

26 JUNE 2024

ORYX SERVICES AND SPECIALITIES LIMITED

DECLARATION BY THE HEAD OF FINANCE

The National Board of Accountants and Auditors (NBAA) according to the power conferred 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 Statement of Declaration issued by the Head of Finance responsible for the preparation of financial statements of the entity concerned.

It is the duty of a Head of Finance to assist the Board of Directors to discharge the responsibility of preparing financial statements of an entity showing true and fair view position of the entity in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and statutory reporting requirements. Full legal responsibility for financial statements rests with the Board of Directors as under the Statement of Directors' Responsibilities on page 9.

I, Imani Mtafya, being the Finance Manager of Oryx Services and Specialities Limited hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31 December 2023 have been prepared in compliance with IFRS Accounting Standards as issued by the International Accounting Standards Board and statutory requirements.

I thus confirm that the financial statements comply with IFRS Accounting Standards as issued by the International Accounting Standards Board and statutory requirements as on that date and that they have been prepared based on properly maintained financial records.



Imani Mtafya

Finance Manager

NBAA Membership No. ACPA 3993

26 JUNE 2024

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ORYX SERVICES AND SPECIALITIES LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Oryx Services and Specialities Limited (the "Company"), set out on pages 14 to 50, which comprise the statement of financial position as at 31 December 2023, 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 material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2023 and of its financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Companies Act, 2002.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). 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 the National Board of Accountants and Auditors (NBAA) Code of Ethics which is consistent with the International Ethics Standards Board for Accountant's *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), together with other 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 of the information included in corporate information, statement of Directors responsibilities, declaration by the head of finance, and the report by those charged with governance and 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.



Other information (continued)

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 on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Companies Act, 2002, and for such internal control as Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism 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.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- 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 auditor's 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 auditor's 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 the 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 Requirements

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

- (i) we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
- (ii) in our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books; and
- (iii) the Company's statement of financial position (balance sheet) and the statement of profit or loss and other comprehensive income (profit and loss account) are in agreement with the books of account.

The engagement partner responsible for the audit resulting in this independent auditor's report is F. J. Kibiki

Deloitte & Touche

Certified Public Accountants (Tanzania)



Signed by: F.J. Kibiki

NBAA Registration No. ACPA- PP3214

Dar es Salaam

27 June 2024

ORYX SERVICES AND SPECIALITIES LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023

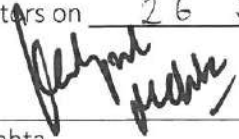
	Notes	2023 TZS'000	2022 TZS'000
Revenue	5	95,976,475	88,866,819
Cost of sales	6	<u>(82,452,260)</u>	<u>(79,096,778)</u>
Gross profit		13,524,215	9,770,041
Other income	7	978,604	949,822
Administrative and other expenses		(11,452,923)	(9,746,332)
Finance costs	8(a)	(5,982,004)	(4,438,250)
Interest income	8(b)	<u>118,878</u>	<u>31,882</u>
Loss before tax	9	(2,813,230)	(3,432,837)
Tax (expenses)/income	10(a)	<u>(326,124)</u>	<u>144,843</u>
Loss for the year		(3,139,354)	(3,287,994)
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive loss for the year		<u>(3,139,354)</u>	<u>(3,287,994)</u>


ORYX SERVICES AND SPECIALITIES LIMITED

STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2023

	Notes	2023 TZS'000	2022 TZS'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	42,750,004	38,153,968
Intangible assets	12	49,454	67,433
Deferred tax asset	16	1,356,414	1,313,081
Right-of-use assets	17(a)	<u>117,056</u>	<u>448,999</u>
Total non-current assets		<u>44,272,928</u>	<u>39,983,481</u>
Current assets			
Inventories	13	48,512,660	26,605,042
Trade and other receivables	14	14,881,629	17,239,491
Current tax asset	10(c)	279,904	565,493
Due from related parties	20(f)	3,923,448	7,087,233
Cash and bank balances	19	<u>2,216,829</u>	<u>594,443</u>
Total current assets		<u>69,814,470</u>	<u>52,091,702</u>
Total assets		<u>114,087,398</u>	<u>92,075,183</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	15	3,320,000	3,320,000
Retained earnings		<u>16,603,300</u>	<u>19,742,654</u>
Total equity		<u>19,923,300</u>	<u>23,062,654</u>
Non-current liabilities			
Lease liabilities	17(b)	<u>49,234</u>	<u>98,013</u>
Total non-current liabilities		<u>49,234</u>	<u>98,013</u>
Current liabilities			
Lease liabilities	17(b)	48,780	343,230
Trade and other payables	18	34,783,437	3,884,101
Bank overdrafts	19	16,569,517	3,329,022
Due to related parties	20(g)	<u>42,713,130</u>	<u>61,358,163</u>
Total current liabilities		<u>94,114,864</u>	<u>68,914,516</u>
Total equity and liabilities		<u>114,087,398</u>	<u>92,075,183</u>

The financial statements on pages 14 to 50 were approved and authorised for issue by the Board of Directors on 26 JUNE 2024 and were signed on its behalf by:


K. Mehta
Managing Director


A. Dominick
Director

ORYX SERVICES AND SPECIALITIES LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023

	Share capital TZS'000	Retained earnings TZS'000	Total TZS'000
At 1 January 2022	3,320,000	23,030,648	26,350,648
Total comprehensive loss for the year	<u>-</u>	<u>(3,287,994)</u>	<u>(3,287,994)</u>
At 31 December 2022	<u>3,320,000</u>	<u>19,742,654</u>	<u>23,062,654</u>
At 1 January 2023	3,320,000	19,742,654	23,062,654
Total comprehensive loss for the year	<u>-</u>	<u>(3,139,354)</u>	<u>(3,139,354)</u>
At 31 December 2023	<u>3,320,000</u>	<u>16,603,300</u>	<u>19,923,300</u>

ORYX SERVICES AND SPECIALITIES LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 TZS'000	2022 TZS'000
CASH FLOW FROM OPERATING ACTIVITIES			
Loss before tax		(2,813,230)	(3,432,837)
<i>Adjustments for:</i>			
Interest expense	8(a)	5,951,140	4,384,049
Interest expense on lease liabilities	8(a)	20,447	53,059
Unrealised exchange loss on lease liabilities	8(a)	10,417	1,142
Unrealized foreign exchange on cash equivalents		(50,914)	(48,509)
Interest income	8(b)	(118,878)	(31,882)
Depreciation of right-of-use assets	9(a)	331,943	411,087
Depreciation of property, plant, and equipment	9(a)	1,459,909	3,000,138
Amortisation of intangible assets	9(a)	17,979	2,344
Expected credit loss expense	9(a)	210,176	102,747
Operating cash flow before movement in working capital		5,018,989	4,441,338
<i>Movements in working capital:</i>			
(Increase)/decrease in inventories		(21,907,618)	6,952,238
Decrease/(increase) in trade and other receivables		2,147,686	(382,175)
Decrease/(increase) in due from related parties		3,163,785	(4,489,818)
Increase in trade and other payables		30,899,336	466,410
(Decrease)/increase in due to related parties		(18,645,033)	13,648,318
Net cash generated from operations		677,145	20,636,311
Interest paid		(5,951,140)	(4,437,108)
Interest received		118,878	31,882
Tax paid	10(c)	(83,868)	(119,737)
Net cash generated from operating activities		(5,238,985)	16,111,348
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for purchase of property, plant and equipment	11	(6,055,945)	(3,425,571)
Net cash used in investing activities		(6,055,945)	(3,425,571)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of lease liabilities	17(b)	(374,093)	(446,023)
Net cash used in financing activities		(374,093)	(446,023)
Net (decrease)/increase in cash and cash equivalents		(11,669,023)	12,239,754
Net foreign exchange difference		50,914	48,509
Cash and cash equivalents at the beginning of the year		(2,734,579)	(15,022,842)
Cash and cash equivalents at the end of the year		(14,352,688)	(2,734,579)
Analysis of cash and cash equivalents			
Cash on hand		3,391	3,391
Bank balances		2,213,438	591,052
Bank overdraft		(16,569,517)	(3,329,022)
		(14,352,688)	(2,734,579)

1. GENERAL INFORMATION

Oryx Services and Specialities Limited (the "Company") deals with blending and sale of lubricants, transportation and other specialized services. It is a limited liability Company incorporated under the Companies Act, 2002 and domiciled in the United Republic of Tanzania. The details of the ultimate holding Company are set out in note 26, while details of the address of its registered office and principal place of business are disclosed on page 1.

2. ADOPTION OF NEW AND REVISED STANDARDS

a) **New standards, amendments and interpretations adopted by the Company for year ended 31 December 2023**

The following were new and revised IFRS Accounting Standards as issued by the International Accounting Standards Board that have been effective in the current year. The Company's application of the new and revised standards did not have significant impact to these financial statements.

IFRS 17 Insurance Contracts	IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2023.
Amendments to IFRS 17	Amends IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 Insurance Contracts was published in 2017. The main changes are: <ul style="list-style-type: none">• Deferral of the date of initial application of IFRS 17 by two years to annual periods beginning on or after 1 January 2023.• Additional scope exclusion for credit card contracts and similar contracts that provide insurance coverage as well as optional scope exclusion for loan contracts that transfer significant insurance risk.• Recognition of insurance acquisition cash flows relating to expected contract renewals, including transition provisions and guidance for insurance acquisition cash flows recognised in a business acquired in a business combination.• Clarification of the application of IFRS 17 in interim financial statements allowing an accounting policy choice at a reporting entity level.• Clarification of the application of contractual service margin (CSM) attributable to investment-return service and investment-related service and changes to the corresponding disclosure requirements.• Extension of the risk mitigation option to include reinsurance contracts held and non-financial derivatives.• Amendments to require an entity that at initial recognition recognises losses on onerous insurance contracts issued to also recognise a gain on reinsurance contracts held.• Simplified presentation of insurance contracts in the statement of financial position so that entities would present insurance contract assets and liabilities in the statement of financial position determined using portfolios of insurance contracts rather than groups of insurance contracts.

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

a) New standards, amendments and interpretations adopted by the Company for year ended 31 December 2023 (continued)

- Additional transition relief for business combinations and additional transition relief for the date of application of the risk mitigation option and the use of the fair value transition approach.

Initial Application of IFRS 17 and IFRS 9 — Comparative Information The amendment permits entities that first apply IFRS 17 and IFRS 9 at the same time to present comparative information about a financial asset as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset before.

Amendments to IAS 1 and IFRS Practice Statement 2 The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the International Accounting Standard Board (IASB) has also developed guidance and examples to explain and demonstrate the application of the ‘four-step materiality process’ described in IFRS Practice Statement 2.

Definition of Accounting Estimates (Amendments to IAS 8) The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

(Amendments to IAS 12)

Income taxes: International Tax Reform – Pillar Two Model Rules (issued 23 May 2023) This amendment was introduced in response to the imminent implementation of the Pillar Two model rules released by the Organization for Economic Co-operation and Development's (OECD) as a result of international tax reform.

(Amendments to IAS 12)

The amendments provide a temporary exception from the requirement to recognize and disclose deferred taxes arising from enacted or substantively enacted tax law that implements the Pillar Two model rules. Companies may apply the exception immediately, but disclosure requirements are required for annual periods commencing on or after 1 January 2023.

The amendment did not have a material impact on these financial statements.

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

b) New and amended standards and interpretations in issue but not yet effective in the year ended 31 December 2023

Standard or amendment	Description	Effective date
IFRS S1	General Requirements for Disclosure of Sustainability-related Financial Information	1 January 2024
IFRS S2	Climate-related Disclosures	1 January 2024
Amendment to IAS 1	Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)	1 January 2024
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)	1 January 2024
Amendment to IAS 1	Non-current Liabilities with Covenants (Amendments to IAS 1)	1 January 2024
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)	1 January 2024
Amendment to IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to IAS 21	Lack of Exchangeability (Amendments to IAS 21)	1 January 2025
IFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027

c) Impact of new and amended standards and interpretations in issue but not yet effective for the year ended 31 December 2023

IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information

IFRS S1 sets out overall requirements for sustainability-related financial disclosures with the objective to require an entity to disclose information about its sustainability-related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity.

Application of IFRS S1 is optional however the National Board of Accountants and Auditors of Tanzania (NBAA) has mandated application of this standard in Tanzania. The standard is effective for accounting periods beginning on or after 1 January 2024 and the Directors are still evaluating the impact to the financial statements.

IFRS S2 Climate-related Disclosures

IFRS S2 sets out the requirements for identifying, measuring and disclosing information about climate-related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity.

Application of IFRS S2 is optional however the National Board of Accountants and Auditors of Tanzania (NBAA) has mandated application of this standard in Tanzania. The standard is effective for accounting periods beginning on or after 1 January 2024 and the Directors are still evaluating the impact to the financial statements.

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

c) Impact of new and amended standards and interpretations in issue but not yet effective in the year ended 31 December 2023 (continued)

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

The amendments to IAS 1 are effective for accounting periods beginning on or after 1 January 2024 and the Directors do not anticipate that its adoption will result into material impact on the financial statements.

Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)

The amendment clarifies how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale.

The amendments to IFRS 16 are effective for accounting periods beginning on or after 1 January 2024 and the Directors do not anticipate that its adoption will result into material impact on the financial statements.

Non-current Liabilities with Covenants (Amendments to IAS 1)

The amendment clarifies how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.

The amendments to IAS 1 are effective for accounting periods beginning on or after 1 January 2024 and the Directors do not anticipate that its adoption will result into material impact on the financial statements.

Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)

The amendments add disclosure requirements, and 'signposts' within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements.

The amendments to IAS 7 and IFRS 7 are effective for accounting periods beginning on or after 1 January 2024 and the Directors do not anticipate that its adoption will result into material impact on the financial statements.

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

c) Impact of new and amended standards and interpretations in issue but not yet effective in the year ended 31 December 2023 (continued)

Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)

The amendment clarifies how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale.

Amendments to IFRS 16 is effective for accounting periods beginning on or after 1 January 2024 and the Directors do not anticipate that its adoption will result into material impact on the financial statements.

Lack of Exchangeability (Amendments to IAS 21)

The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not.

The amendments to IAS 7 and IFRS 7 are effective for accounting periods beginning on or after 1 January 2025 and the Directors do not anticipate that its adoption will result into material impact on the financial statements.

Presentation and Disclosure in Financial Statements (IFRS 18)

IFRS 18 sets out requirements for the presentation and disclosure of information in general purpose financial statements (financial statements) to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses.

The standard is effective for accounting periods beginning on or after 1 January 2027 and the Directors do not anticipate that its adoption will result into material impact on the financial statements.

d) Early adoption of standards

The Company did not early-adopt any new or revised standards in 2023.

3. MATERIAL ACCOUNTING POLICIES

Statement of compliance

The financial statements have been prepared in accordance with and comply with IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Companies Act, 2002.

For the Companies Act, 2002 reporting purposes, in these financial statements the balance sheet is represented by/equivalent to the statement of financial position and the profit and loss account is included in the statement of profit or loss and other comprehensive income.

Basis of preparation

The financial statements have been prepared under the historical cost basis of accounting, except for the revaluation of certain financial instruments (such as debt and equity), on the assumptions that the Company will continue trading as a going concern for the foreseeable future. Historical cost is generally based on fair value of the consideration given in exchange for goods and services.

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

Revenue recognition

Revenue comprises amounts invoiced for goods supplied during the year, excluding Value Added Tax (VAT) and trade discounts where applicable, and is recognised when control of a product has been transferred to a customer or service rendered to customer. Control of product is transferred to a customer upon customer acceptance of products and associated services, being delivery of the product.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset. Interest income is recognised in profit or loss and is included in the "finance income - interest income" .

Other income is recognised when control of a product or service has been transferred to a customer.

Taxation

Tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)

Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Translation of foreign currencies

The financial statements are presented in the currency of the primary economic environment in which the Company operates-Tanzanian Shillings (TZS) which is its functional currency.

Transactions during the year which are denominated in foreign currencies are translated into Tanzania Shillings at rates prevailing at the transaction dates. Monetary assets and liabilities which are denominated in foreign currencies are re-translated into Tanzania Shillings at rates ruling at the end of the reporting period. The differences arising from the re-translation of these transactions and balances (including borrowings denominated in foreign currencies) are recognised in profit or loss in the year in which they arise.

Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Nonmonetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Property, plant, and equipment

Property, plant, and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is recognised to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method based on the following annual rates:

Class of assets	2023 rates	2022 rates
Land and buildings	3% or Unexpired Lease period	1% to 10%
Plant, Industrial and commercial equipment	3% to 10%	6.7%
House furniture and vehicles	20%	20%
Office furniture and equipment	12.5% to 20%	33.3%

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Property, plant, and equipment (continued)

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The review carried out during the year resulted in changes in useful lives of the company assets hence change in depreciation rates as disclosed in the table above. The net effect of the changes in the current financial year was a decrease in depreciation expenses by TZS 1,400,767,440. Management has not finalised estimating the impact of the changes in future periods.

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of a property, plant and equipment is determined between the sales proceeds recoverable and the carrying amount of the property, plant and equipment and is recognised in profit or loss.

Capital work in progress

Capital work in progress relates to items of property, plant and equipment under construction or assets owned by the Company but not yet in a manner of intended use by management. Cost of capital work in progress includes materials, direct labour and any other direct expenses incurred in respect of the items. The amounts are transferred to the appropriate property, plant and equipment categories once the project is completed and the asset is available for use or when the asset is in a condition and manner intended by the management.

Intangible assets

Intangible assets include software which is carried at cost less any accumulated amortisation and impairment losses (if any). Amortisation is calculated on a straight line basis over the estimated useful lives, which is currently capped at the license term of the software. The useful lives of intangible assets are assessed to be 5 years.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment of non-financial assets

At each end of the reporting period, the Company reviews the carrying amounts of its assets to determine whether there is any indication that these assets have suffered an impairment loss.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss, which is then recognised in profit or loss.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets (continued)

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease and to the extent that the impairment loss is greater than the related revaluation surplus, the excess impairment loss is recognised in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss to the extent that it eliminates the impairment loss which has been recognised for the asset in prior years. Any increase in excess of this amount is treated as a revaluation increase.

Inventories

Inventories, including work in progress relating to inventories, are stated at the lower of cost and net realisable value. In general, cost is determined on a first in first out basis (FIFO).

Cost comprises expenditure directly incurred in purchasing the inventories plus an allocation of normal overhead expenditure attributable to bringing it to its current saleable state. Net realisable value is the price at which inventories can be sold in the normal course of business after allowing for the cost of realisation and, where appropriate, the cost of conversion from their existing state to a finished condition. Provision is made where for obsolete, slow moving and defective inventories.

Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand, bank balances, deposits held at call with banks, and investments of three months or less in money market instruments net of outstanding bank overdrafts.

Overdrafts are repayable on demand and form an integral part of the Company's cash management. Such overdrafts are presented as short-term borrowings in the statement of financial position. At the end of the reporting period only bank balances were elements of cash and cash equivalents.

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Initial recognition

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables that do not have a significant financing component which are measured at transaction price.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

The Company's principal class of financial assets is financial assets at amortised cost. This includes trade and other receivables, due from related parties and cash and bank balance.

Subsequent measurement

Financial assets amortized cost are subsequently measured at amortized cost using effective interest method.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost.

Trade and other receivables

Trade and other receivables are stated at invoice amounts less provision for impairment. A provision for impairment is established using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the trade and other receivables.

Impairment of financial assets

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company applies a simplified approach in calculating ECLs for trade and other receivables and due from related parties. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime 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 considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

De-recognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities

Financial liabilities are measured subsequently at amortised cost using the effective interest method.

The Company's financial liabilities include trade and other payables, due to related party and lease liability. The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not contingent consideration of an acquirer in a business, held-for-trading, or designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

De-recognition of financial liabilities

The Company de-recognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability de-recognised and the consideration paid and payable is recognised in profit or loss.

Offset

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Dividends

Dividends on ordinary shares are charged to equity in the year in which they are approved. Proposed dividends are disclosed in the financial statements and are not accrued for until ratified in an Annual General Meeting.

Retirement benefits obligations

The Company contributes on statutory basis to National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Fund Act No 28 of 1997. The Company's obligation under this scheme is limited to specific legislated contributions per employee per month. Currently, the contribution is limited to 10% of gross salary per employee per month. The Company's contributions are charged to profit or loss in the year to which they relate.

Leases

The Company as lessee

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

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

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable.
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date.
- The amount expected to be payable by the lessee under residual value guarantees.
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Company did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in 'Other expenses' in profit or loss.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient. For a contracts that contain a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the liability for annual leave earned but not taken at the end of the reporting period.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the accounting policies, management has made judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are regularly reviewed and revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The areas of critical judgements and key sources of estimation uncertainty are as set out below:

Useful lives of property, plant and equipment

Management reviews the useful lives and residual values of the items of property and equipment on a regular basis. During the financial year, the Directors reviewed the useful lives of property, plant and equipment as set out in the accounting policy for property, plant and equipment in note 3.

Impairment of financial assets

Management exercises judgement in assessing the likely result on ultimate realisation of financial assets, including an evaluation of the current creditworthiness of each trade receivable. The Company recognises expected credit losses ("ECL") on financial assets that are measured at amortised cost.

The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecasted direction of conditions at the reporting date, including time value of money where appropriate.

The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY
(CONTINUED)

Impairment of financial assets (continued)

In addition to recognition of ECL, the Company applies a general rule that any receivable over 180 days is fully provided for.

Impairment of property, plant and equipment

The Company assesses its property, plant and equipment for possible impairment if there are events or changes in circumstances that indicate that carrying values of the assets may not be recoverable and, as a result, impairment charges may be recognised in the Company's results from time to time. The assessment for impairment involves comparing the carrying value of the property, plant and equipment with its recoverable amount, that is, the higher of fair value less costs to sell and value in use.

Lease liability

In order to make a judgement to determine the term of the lease and the corresponding lease liability, the Directors consider any options regarding extension or termination of the lease contract which may be available and whether it is probable that such options will be exercised.

Unless there is an implicit interest rate contained in the lease contract, the discount rate used to calculate the net present value of the lease liability is the Company's incremental borrowing rate. This rate is estimated by the Directors to be the rate which would be paid by the Company to purchase a similar asset.

Taxation

The Company is subjected to numerous taxes and levies by various government and quasi-government regulations bodies. As a rule of thumb, the Company recognises liabilities for the anticipated taxes/levies payable with utmost care and diligence. However, significant judgment is usually required in the interpretation and applicability of those taxes/levies. Should it come to the attention of management in one way or other, that the initially recorded liability was erroneous, such differences will impact on the income and liabilities in the period in which such differences are determined.

ORYX SERVICES AND SPECIALITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2023 TZS'000	2022 TZS'000
5. REVENUE		
Base oil and lubricants revenue	94,180,310	87,584,633
Transport and other related revenue	<u>1,796,165</u>	<u>1,282,186</u>
	<u>95,976,475</u>	<u>88,866,819</u>
6. COST OF SALES		
Purchases	102,182,449	70,409,763
Movement in inventories	(21,907,618)	6,952,238
Transport costs	1,796,359	1,322,475
Other cost of sales	<u>381,070</u>	<u>412,302</u>
	<u>82,452,260</u>	<u>79,096,778</u>
7. OTHER INCOME		
Sale of sundry materials and rental income	<u>978,604</u>	<u>949,822</u>
8. (a) FINANCE COSTS		
Interest expense on overdue balances from related party	5,951,140	4,384,049
Interest expense on lease liabilities	20,447	53,059
Unrealised exchange loss on lease liabilities	<u>10,417</u>	<u>1,142</u>
	<u>5,982,004</u>	<u>4,438,250</u>
(b) INTEREST INCOME		
Interest income on overdue balances	<u>118,878</u>	<u>31,882</u>
9. LOSS BEFORE TAX		
(a) Loss before tax has been arrived at after charging the following:		
Employment costs (note 9(b))	7,292,687	7,316,667
Depreciation of property, plant and equipment	1,459,909	3,000,138
Amortisation of intangible assets	17,979	2,344
Depreciation of right-of-use assets	331,943	411,087
Auditors' remuneration	90,307	85,106
Expected credit loss expense	210,176	102,747
Net foreign exchange losses	<u>1,765,263</u>	<u>228,746</u>

ORYX SERVICES AND SPECIALITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2023 TZS'000	2022 TZS'000
9. LOSS BEFORE TAX (CONTINUED)		
(b) Employment costs		
Salaries and wages	3,962,365	4,120,218
Social security contributions - Defined Contribution Plans	642,491	702,283
Skills and Development Levy (SDL)	206,379	251,013
Other staff costs	<u>2,481,452</u>	<u>2,243,153</u>
	<u>7,292,687</u>	<u>7,316,667</u>
10. INCOME TAX		
(a) Tax expense/(income)		
<i>Current tax:</i>		
In respect of current year	-	-
In respect of prior years	<u>369,457</u>	<u>70,304</u>
	<u>369,457</u>	<u>70,304</u>
<i>Deferred tax:</i>		
In respect of current year	(70,771)	(214,003)
In respect of prior years	<u>27,438</u>	<u>(1,144)</u>
	<u>(43,333)</u>	<u>(215,147)</u>
	<u>326,124</u>	<u>(144,843)</u>
(b) Reconciliation of tax expense to expected tax based on accounting profit		
Loss before tax	<u>(2,813,230)</u>	<u>(3,432,837)</u>
Tax at the corporate tax rate of 30% (2022: 30%)	(843,969)	(1,029,851)
Tax effect of expenses not deductible for tax purposes	678,001	216,058
Current tax expense in respect of prior years	369,457	70,304
Deferred tax asset not recognized respect of current year	95,196	599,790
Deferred tax expense in respect of prior year	<u>27,439</u>	<u>(1,144)</u>
Tax expense/(income)	<u>326,124</u>	<u>(144,843)</u>
(c) Current tax asset		
At the beginning of the year	565,493	516,060
Current tax expense	(369,457)	(70,304)
Tax paid	<u>83,868</u>	<u>119,737</u>
At the end of the year	<u>279,904</u>	<u>565,493</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings TZS'000	Industrial and commercial equipment TZS'000	House furniture and vehicles TZS'000	Office furniture and equipment TZS'000	Capital work in progress TZS'000	Total TZS'000
COST						
At 1 January 2022	27,317,280	18,641,565	936,223	769,734	963,021	48,627,823
Additions	271,800	526,370	8,814	59,762	2,558,825	3,425,571
Transfer in/(out)	30,000	141,254	-	1,661	(172,915)	-
At 31 December 2022	<u>27,619,080</u>	<u>19,309,189</u>	<u>945,037</u>	<u>831,157</u>	<u>3,348,931</u>	<u>52,053,394</u>
At 1 January 2023	27,619,080	19,309,189	945,037	831,157	3,348,931	52,053,394
Additions	-	540,276	-	265,596	5,250,073	6,055,945
Transfer in/(out)	-	199,964	-	2,441	(202,405)	-
At 31 December 2023	<u>27,619,080</u>	<u>20,049,429</u>	<u>945,037</u>	<u>1,099,194</u>	<u>8,396,599</u>	<u>58,109,339</u>
DEPRECIATION						
At 1 January 2022	9,887	9,654,431	800,473	434,497	-	10,899,288
Charge for the year	989,432	1,853,311	71,458	85,937	-	3,000,138
At 31 December 2022	<u>999,319</u>	<u>11,507,742</u>	<u>871,931</u>	<u>520,434</u>	<u>-</u>	<u>13,899,426</u>
At 1 January 2023	999,319	11,507,742	871,931	520,434	-	13,899,426
Charge for the year	856,397	533,991	28,913	40,608	-	1,459,909
At 31 December 2023	<u>1,855,716</u>	<u>12,041,733</u>	<u>900,844</u>	<u>561,042</u>	<u>-</u>	<u>15,359,335</u>
NET BOOK VALUE						
At 31 December 2022	<u>26,619,761</u>	<u>7,801,447</u>	<u>73,106</u>	<u>310,723</u>	<u>3,348,931</u>	<u>38,153,968</u>
At 31 December 2023	<u>25,763,364</u>	<u>8,007,696</u>	<u>44,193</u>	<u>538,152</u>	<u>8,396,599</u>	<u>42,750,004</u>

Included in the property, plant and equipment are fully depreciated assets with an original cost TZS 5,332,748,305 (2022: 4,194,585,000) whose notional depreciation charge for the year is TZS 645,960,871 (2022: TZS 73,349,000).

ORYX SERVICES AND SPECIALITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2023 TZS'000	2022 TZS'000
12. INTANGIBLE ASSETS		
Cost		
At 1 January	77,407	77,407
Additions	-	-
At 31 December	<u>77,407</u>	<u>77,407</u>
Accumulated depreciation		
At 1 January	9,974	7,630
Charge for the year	<u>17,979</u>	<u>2,344</u>
At 31 December	<u>27,953</u>	<u>9,974</u>
Net book value	<u>49,454</u>	<u>67,433</u>
13. INVENTORIES		
Finished goods – lubricants	<u>11,389,512</u>	<u>9,939,907</u>
Raw materials:		
Base oils	24,865,848	12,266,835
Additives	12,920,220	4,478,441
Packaging materials	<u>790,742</u>	<u>1,365,205</u>
	38,576,810	18,110,481
Less: Allowance for slow moving and obsolete items	<u>(1,466,614)</u>	<u>(1,466,614)</u>
	<u>37,110,196</u>	<u>16,643,867</u>
Consumables - Laboratory materials and chemicals	<u>12,952</u>	<u>21,268</u>
	<u>48,512,660</u>	<u>26,605,042</u>
14. TRADE AND OTHER RECEIVABLES		
Trade receivables	5,779,536	5,195,140
Expected credit losses	<u>(1,425,594)</u>	<u>(1,215,418)</u>
	4,353,942	3,979,722
Value Added Tax (VAT) recoverable	9,316,986	10,224,240
Prepayments	1,188,835	1,158,401
Other receivables	<u>21,866</u>	<u>1,877,128</u>
	<u>14,881,629</u>	<u>17,239,491</u>
15. SHARE CAPITAL		
<i>Authorised, issued and fully paid up share capital:</i>		
16,600,000 ordinary shares of TZS 200 each	<u>3,320,000</u>	<u>3,320,000</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. DEFERRED TAX ASSET

Deferred tax is calculated on all temporary differences under the liability method using the enacted tax rate of 30%. The net deferred tax asset as at the end of the reporting period is attributable to the following items:

	2023 TZS'000	2022 TZS'000
Accelerated capital allowances	199,383	444,930
Allowance for slow-moving inventories	439,984	439,985
Lease liabilities and right-of-use of assets	31,912	37,857
Allowance for expected credit losses	427,678	364,625
Tax loss carried forward	694,984	599,788
Unrealised exchange losses	257,457	25,684
	<u>2,051,398</u>	<u>1,912,869</u>
Deferred tax asset not recognised*	<u>(694,984)</u>	<u>(599,788)</u>
	<u>1,356,414</u>	<u>1,313,081</u>

Movement in deferred tax asset is as follows:

As at 1 January	1,313,081	1,097,934
Deferred tax credit (note 10(a))	<u>43,333</u>	<u>215,147</u>
As at 31 December	<u>1,356,414</u>	<u>1,313,081</u>

*The deferred tax asset in respect of tax losses has not been recognised in these financial statements because of the uncertainty regarding the Company's ability to generate sufficient future taxable profits to utilise tax losses and realise the net deferred tax asset relating to it.

17. LEASES

a) Right-of-use assets

	2023 TZS'000	2022 TZS'000
Cost		
At 1 January	1,829,866	2,631,485
Additions	-	-
Disposals	<u>(896,120)</u>	<u>(801,619)</u>
At 31 December	<u>933,746</u>	<u>1,829,866</u>
Depreciation		
At 1 January	1,380,867	1,577,801
Charge for the year	331,943	411,086
Eliminated on disposals	<u>(896,120)</u>	<u>(608,020)</u>
At 31 December	<u>816,690</u>	<u>1,380,867</u>
Net book value	<u>117,056</u>	<u>448,999</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2023 TZS'000	2022 TZS'000
17. LEASES (CONTINUED)		
b) Lease liabilities		
At 1 January	441,243	1,079,722
Interest expense on lease liabilities	20,447	53,059
Unrealised exchange loss on lease liabilities	10,417	1,142
Eliminated on disposals	-	(193,598)
<i>Repayments of lease liabilities:</i>		
Interest paid	(20,447)	(53,059)
Principal paid	(353,646)	(446,023)
	<u>98,014</u>	<u>441,243</u>
At 31 December	<u>98,014</u>	<u>441,243</u>
Analysed as:		
Current	48,780	343,230
Non-current	49,234	98,013
	<u>98,014</u>	<u>441,243</u>
Maturity Analysis:		
Within one year	48,780	343,230
Later than one year and not later than three years	49,234	48,772
Later than 3 years	-	49,241
	<u>98,014</u>	<u>441,243</u>
c) Amounts recognised in profit or loss		
Depreciation expense on right-of-use assets (Note 9(a))	331,943	411,087
Interest expense on lease liabilities (Note 8(a))	20,447	53,059
Unrealised exchange loss on lease liabilities (Note 8(a))	10,417	1,142

d) The Company's leasing activities and how these are accounted for

The Company leases several assets including land and buildings, equipments and vehicles. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The average lease term is 33 months (2022: 33 months).

The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets are not used as security for borrowing purposes. The Company's obligations are secured by the lessors' title to the leased assets for such leases.

The Company has no options to purchase the leased assets at the end of the lease term. There are extension and/or termination options on the leases.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. LEASES (CONTINUED)

To determine the incremental borrowing rate, the Company, where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received; and makes adjustments specific to the lease, e.g. term, country, currency and security.

	2023 TZS'000	2022 TZS'000
18. TRADE AND OTHER PAYABLES		
Trade payables	30,760,124	2,171,872
Other payables and accruals	<u>4,023,313</u>	<u>1,712,229</u>
	<u>34,783,437</u>	<u>3,884,101</u>
19. CASH AND CASH EQUIVALENTS (BANK OVERDRAFTS)		
Cash in hand	3,391	3,391
Cash at bank	2,213,438	591,052
Bank overdraft (NMB Bank Plc)	<u>16,569,517</u>	<u>3,329,022</u>

The Company has a secured overdraft facility of USD 7.5 million from NMB Bank Plc which can be drawn only in local currency. The loan is secured by a parent Company (Oryx Energies SA) corporate guarantee and a first ranking general debenture over the Company's assets.

20. RELATED PARTY TRANSACTIONS AND BALANCES

A related party is a person or entity that is related to the entity that is preparing its financial statements. Related party transaction is the transfer of resources, services, or obligations between reporting entity and a related party, regardless of whether a price is charged.

The Company transacts with the parent Company and other entities related to it by virtue of common shareholding and other members of the key management personnel.

Apart from Oryx Energies SA and Overseas Petroleum Holdings Limited who are shareholders, all other parties are sister companies in the Group.

Transactions with related parties during the period and balances at period end were as follows:

	2023 TZS'000	2022 TZS'000
a) Sales of goods and services		
Oryx Energies Rwanda Limited	689,133	977,194
Addax Energy SA	230,239	253,136
Oryx Energies Kenya Limited	2,646,514	2,968,699
Oryx Local Services and Specialities Limited	17,445,195	16,390,436
Oryx Energies Uganda Limited	3,624,411	3,517,518
Oryx Energies Zambia Limited	<u>11,801,618</u>	<u>8,623,538</u>
	<u>36,437,110</u>	<u>32,730,521</u>

ORYX SERVICES AND SPECIALITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2023 TZS'000	2022 TZS'000
20. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)		
b) Purchase of petroleum products		
Oryx Energies Tanzania Limited	354,477	312,943
Addax Energy SA	16,032,574	30,390,874
Oryx Energies Kenya Limited	106,455	83,940
	<u>16,493,506</u>	<u>30,787,757</u>
c) Sales of other goods and services		
Oryx Gas Tanzania Limited	466,891	417,661
Oryx Energies Tanzania Limited	441,000	379,895
	<u>907,891</u>	<u>797,556</u>
d) Purchases of other goods and services		
Oryx Gas Tanzania Limited		773,010
Oryx Energies SA	116,357	105,986
Oryx Local Services and Specialities Limited	710,730	2,790,711
Addax Energy SA	282,229	394,017
Oryx Energies Tanzania Limited	4,218,391	2,790,711
	<u>5,327,707</u>	<u>6,854,435</u>
e) Compensation for key management personnel		
Salaries and other benefits	2,378,928	1,586,379
Post-employment benefits	411,676	380,004
	<u>2,790,604</u>	<u>1,966,383</u>
<p>This compensation for key management personnel is included in employment cost in note 9(b). There were no emoluments to Directors during the year other than salaries (for executive Directors) included in compensation to key management personnel.</p>		
	2023 TZS'000	2022 TZS'000
f) Due from related parties		
Oryx Local Services and Specialities Limited	1,580,317	1,400,588
Oryx Energies Tanzania Limited	-	417,661
Oryx Energies Rwanda Limited	191,313	198,704
Oryx Gas Tanzania Limited	148,271	2,415,866
Oryx Energies Kenya Limited	164,269	601,838
Addax Energy SA	-	15,424
Oryx Energies Zambia Limited	1,359,935	1,468,784
Oryx Energies Uganda Limited	479,343	568,368
	<u>3,923,448</u>	<u>7,087,233</u>

	2023 TZS'000	2022 TZS'000
20. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)		
g) Due to related parties		
Oryx Energies Tanzania Limited	36,817,862	41,820,884
Oryx Energies SA	80,842	41,265
Oryx Local Services and Specialties Limited	5,205,275	7,200,880
Oryx Energies Kenya Limited	76,030	15,274
Addax Energy SA	<u>533,121</u>	<u>12,279,860</u>
	<u>42,713,130</u>	<u>61,358,163</u>

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks, including credit risk, foreign currency exchange rates and interest rates. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on financial performance.

Risk management is carried out by finance department under policies approved by the Board of Directors. Risk management policies and systems are reviewed regularly to reflect changes in the market conditions, and services offered. The Company through its training, management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees and stakeholders understand their roles and obligations.

The most important types of risks are:

- Credit risk
- Liquidity risk
- Market risk which is mainly due to foreign exchange risk and interest rate risk

A description of the significant risk factors is given below together with risk management policies applicable.

Credit risk

Potential concentration of credit risk consist principally of short-term cash and cash equivalent investments, trade and other receivables and related party balances. Trade receivables comprise a large and widespread customer base and the Company performs ongoing credit evaluations on the financial conditions of its customers. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Company's management based on prior experience and the current economic environment. The carrying amount of financial assets represents the maximum credit exposure.

The credit risk on liquid funds with financial institutions is also low because the counter parties are banks with high credit-ratings.

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

The amount that best represents the Company's maximum exposure to credit risk at 31 December 2023 without taking account of any collateral obtained was:

	12-month or lifetime ECL TZS'000	Gross carrying amount TZS'000	Loss allowance TZS'000	Net carrying amount TZS'000
Trade receivables and other receivables	Lifetime ECL	5,801,402	(1,425,594)	4,375,808
Due from related parties	Lifetime ECL	3,923,448	-	3,923,448
Bank balances	12-month	2,213,438	-	2,213,438
		<u>11,938,288</u>	<u>(1,425,594)</u>	<u>10,512,694</u>

The amount that best represents the Company's maximum exposure to credit risk at 31 December 2022 without taking account of any collateral obtained was:

	12-month or lifetime ECL TZS'000	Gross carrying amount TZS'000	Loss allowance TZS'000	Net carrying amount TZS'000
Trade receivables and other receivables	Lifetime ECL	6,613,163	(1,215,418)	5,397,745
Due from related parties	Lifetime ECL	7,087,233	-	7,087,233
Bank balances	12-month	591,052	-	591,052
		<u>14,291,448</u>	<u>(1,215,418)</u>	<u>13,076,030</u>

The financial assets that are impaired have been fully provided for. However, management is actively following up recovery of the impaired debts.

The movement in the allowance for bad and doubtful debts is set out below.

	2023 TZS'000	2022 TZS'000
At the beginning of the year	1,215,418	1,112,671
Additional specific provisions	<u>210,176</u>	<u>102,747</u>
At the end of the year	<u>1,425,594</u>	<u>1,215,418</u>

The Company has applied the simplified approach in IFRS 9 on receivables to measure the loss allowance at lifetime ECL. The Company determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss and future economic conditions.

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

In determining the recoverability of a trade receivable, the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the Directors believe that there is no further credit provision required in excess of the allowance for doubtful debts already recognised.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The liquidity risk arise because of the possibility that the entity could be required to pay its liabilities earlier than expected.

The Company manages liquidity risk by monitoring forecast cash flows and ensuring that adequate borrowing facilities are maintained. The Directors may from time to time at their discretion raise or borrow monies for the Company as they deem fit. There are no borrowing limits in the articles of association of the Company.

The table below indicates the contractual timing of cash flows arising from financial assets and liabilities at 31 December 2023:

	<1 month TZS'000	1-5 months TZS'000	5-12 months TZS'000	>1year TZS'000	Total TZS'000
Financial assets					
Trade and other receivables (net)	4,375,808	-	-	-	4,375,808
Due from related parties	-	3,923,448	-	-	3,923,448
Cash and bank balances	2,213,438	-	-	-	2,213,438
	<u>6,589,246</u>	<u>3,923,448</u>		-	<u>10,512,694</u>
Financial liabilities					
Trade payables	30,760,124	-	-	-	30,760,124
Lease liabilities	-	103,419	-	126,010	229,429
Bank overdraft	-	16,569,517	-	-	16,569,517
Due to related parties	-	42,713,130	-	-	42,713,130
	<u>30,760,124</u>	<u>59,386,066</u>		<u>126,010</u>	<u>90,272,200</u>
Difference in contractual cash flows	<u>(24,170,878)</u>	<u>(55,462,618)</u>		<u>(126,010)</u>	<u>(79,759,506)</u>

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

The table below indicates the contractual timing of cash flows arising from financial assets and liabilities at 31 December 2022:

	<1 month TZS'000	1-5 months TZS'000	5-12 months TZS'000	>1year TZS'000	Total TZS'000
Financial assets					
Trade and other receivables (net)	5,397,745	-	-	-	5,397,745
Due from related parties	-	7,087,233	-	-	7,087,233
Cash and bank balances	594,443	-	-	-	594,443
	<u>5,992,188</u>	<u>7,087,233</u>	<u>-</u>	<u>-</u>	<u>13,079,421</u>
Financial liabilities					
Trade payables	1,712,767	-	-	-	1,712,767
Lease liabilities	-	343,230	-	98,013	441,243
Bank overdraft	-	3,329,022	-	-	3,329,022
Due to related parties	-	61,358,163	-	-	61,358,163
	<u>1,712,767</u>	<u>65,030,415</u>	<u>-</u>	<u>98,013</u>	<u>66,841,195</u>
Difference in contractual cash flows	<u>4,279,421</u>	<u>(57,943,182)</u>	<u>-</u>	<u>(98,013)</u>	<u>(53,761,774)</u>

Market risk

(i) Interest rate risk

The Company is exposed to interest rate risk as it obtains funds at floating interest rates as well as being charged interest on floating rate on overdue balance. The risk is managed by the Company by close management monitoring. As at 31 December 2023, an increase/decrease in interest rate of 1% p.a. on overdue balances, the impact on annual results would have been a decrease/increase in pre-tax profit of TZS 4,701 million (2022: TZS 486 million).

(ii) Foreign exchange risk

The Company has various monetary assets and liabilities held in United States Dollars (USD). At 31 December 2023 if the TZS had weakened/strengthened by 5% against the USD with all other variables held constant, the impact on pre-tax profit for the year would have been TZS 1.03 billion (2022: TZS 395 million) higher/lower.

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market risk (continued)

The carrying amounts of the Company's material monetary assets and liabilities held in USD, that will have an impact on profit or loss when exchange rates change, as at year end are as follows:

	2023 TZS'000	2022 TZS'000
Bank balances	1,566,139	90,808
Trade and other receivables (net)	791,724	827,053
Due from related parties	3,775,177	4,254,626
Trade and other payables	(26,032,786)	(5,054)
Due to related parties	<u>(689,993)</u>	<u>(13,082,869)</u>
Open position	<u>(20,589,739)</u>	<u>(7,915,436)</u>

Capital risk management.

The Company manages its capital to ensure that entities in the Company will be able to continue as a going concern while maximising the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Company consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in note 15 and the statement of changes in equity.

The Company reviews the capital structure regularly. As part of this review, the Company considers the cost of capital and the risks associated with each class of capital through balancing its overall capital structure in payment of dividends and issue of new debt or the redemption of existing debt.

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital risk management (continued)

CATEGORIES OF FINANCIAL INSTRUMENTS

2023	Total TZS'000	Financial assets amortised at cost TZS'000	Financial liabilities at amortised cost TZS'000	Non-financial assets, liabilities, and equity TZS'000
Assets				
Non-current assets				
Property, plant and equipment	42,750,004	-	-	42,750,004
Intangible assets	49,454	-	-	49,454
Deferred tax asset	1,356,414	-	-	1,356,414
Right-of-use assets	117,056	-	-	117,056
	<u>44,272,928</u>	-	-	<u>44,272,928</u>
Current assets				
Inventories	48,512,660	-	-	48,512,660
Current tax asset	279,904	-	-	279,904
Trade and other receivables	14,881,629	4,375,808	-	10,505,821
Trade receivables	4,353,942	4,353,942	-	-
Other receivables	21,866	21,866	-	-
Value added Tax (VAT) receivable	9,316,986	-	-	9,316,986
Prepayments	1,188,835	-	-	1,188,835
Due from related parties	3,923,448	3,923,448	-	-
Cash and bank balances	2,216,829	2,216,829	-	-
	<u>69,814,470</u>	<u>10,516,085</u>	-	<u>59,298,385</u>
Total assets	<u>114,087,398</u>	<u>10,516,085</u>	-	<u>103,571,313</u>
Equity and liabilities				
Capital and reserves				
Share capital	3,320,000	-	-	3,320,000
Retained earnings	16,603,300	-	-	16,603,300
Total equity	<u>19,923,300</u>	-	-	<u>19,923,300</u>
Non-current liabilities				
Lease liabilities	49,234	-	49,234	-
Current liabilities				
Lease liabilities	48,780	-	48,780	-
Trade and other payables	34,783,437	-	30,760,124	4,023,313
Trade payables	30,760,124	-	30,760,124	-
Other payables and accruals	4,023,313	-	-	4,023,313
Bank overdrafts	16,569,517	-	16,569,517	-
Due to related parties	42,713,130	-	42,713,130	-
	<u>94,114,864</u>	-	<u>90,091,551</u>	<u>4,023,313</u>
Total equity and liabilities	<u>114,087,398</u>	-	<u>90,140,785</u>	<u>23,946,613</u>

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital risk management (continued)

CATEGORIES OF FINANCIAL INSTRUMENTS

2022	Total	Financial assets amortised at cost	Financial liabilities at amortised cost	Non-financial assets, liabilities and equity
Assets	TZS'000	TZS'000	TZS'000	TZS'000
Non-current assets				
Property, plant and equipment	38,153,968	-	-	38,153,968
Intangible assets	67,433	-	-	67,433
Deferred tax asset	1,313,081	-	-	1,313,081
Right-of-use assets	448,999	-	-	448,999
	<u>39,983,481</u>	-	-	<u>39,983,481</u>
Current assets				
Inventories	26,605,042	-	-	26,605,042
Current tax asset	565,493	-	-	565,493
Trade and other receivables	17,239,491	5,856,850	-	11,382,641
Trade receivables	3,979,722	3,979,722	-	-
Other receivables	1,877,128	1,877,128	-	-
Value added Tax (VAT) receivable	10,224,240	-	-	10,224,240
Prepayments	1,158,401	-	-	1,158,401
Due from related parties	7,087,233	7,087,233	-	-
Cash and bank balances	594,443	594,443	-	-
	<u>52,091,702</u>	<u>13,538,526</u>	-	<u>38,553,176</u>
Total assets	<u>92,075,183</u>	<u>13,538,526</u>	-	<u>78,536,657</u>
Equity and liabilities				
Capital and reserves				
Share capital	3,320,000	-	-	3,320,000
Retained earnings	19,742,654	-	-	19,742,654
Total equity	<u>23,062,654</u>	-	-	<u>23,062,654</u>
Non-current liabilities				
Financial lease obligations	98,013	-	98,013	-
Current liabilities				
Financial lease obligations	343,230	-	343,230	-
Trade and other payables	3,884,101	-	2,171,872	1,712,229
Trade payables	2,171,872	-	2,171,872	-
Other payables and accruals	1,712,229	-	-	1,712,229
Bank overdrafts	3,329,022	-	3,329,022	-
Due to related parties	61,358,163	-	61,358,163	-
	<u>68,914,516</u>	-	<u>67,202,287</u>	<u>1,712,229</u>
Total equity and liabilities	<u>92,075,183</u>	-	<u>67,300,300</u>	<u>24,774,883</u>

22. FAIR VALUE MEASUREMENT

The Directors consider that there is no material difference between the fair value and carrying value of the Company's financial assets and liabilities where fair value details have not been presented.

IFRS 13 requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The Company specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Company's market assumptions. These two types of inputs have created the following fair value hierarchy:

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

This hierarchy requires the use of observable market data when available. The Company considers relevant and observable market prices in its valuations where possible.

(i) Fair value of the Company financial assets and financial liabilities that are measured at fair value on recurring basis.

The Company had no financial assets or financial liabilities that are measured at fair value on recurring basis at 31 December 2023.

(ii) Fair value of the Company financial assets and financial liabilities that are not measured at fair value on recurring basis.

The Company's financial assets and liabilities are measured at amortised cost; their carrying amounts are reasonable approximation of their fair value.

23. CONTINGENT LIABILITIES

In the opinion of Directors the Company has no contingent liabilities at the reporting date.

24. CAPITAL COMMITMENTS

As at 31 December 2023, the Company had contractual capital commitments of TZS 2,565,067,000 (2022: TZS 2,851,786,000).

25. INCORPORATION

The Company is incorporated in Tanzania under the Companies Act, 2002 on 22 October 2014 vide registration number 112292.

26. ULTIMATE HOLDING COMPANY

The immediate parent Company is Oryx Energies SA, a Company incorporated and domiciled in Switzerland. The ultimate holding Company is the Addax and Oryx Group (AOG) PLC, a Company incorporated and domiciled in Malta.

27. COMPARATIVES

Where necessary, comparative figures have been updated to conform to changes in presentation in the current year.

28. CURRENCY

The financial statements are presented in Tanzania Shillings rounded to the nearest thousand (TZS'000), which is also the functional currency.

29. EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

As at the date of these financial statements, there were no events after the reporting date that would require adjustment or disclosure in these financial statements.