

Tanfoam Limited 2020
(Registration number 3751)
Financial statements
for the year ended 31 December 2020

Tanfoam Limited 2020

(Registration number: 3751)

Financial Statements for the year ended 31 December 2020

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General Information

Country of incorporation and domicile	United Republic of Tanzania
Nature of business and principal activities	Manufacturing of polyurethane foam mattresses, cushions and related bedding products
Directors	Riyaz Hussein Somji Imtiaz Mohamedbaker Somji
Registered office	P.O. Box 13092 Tanfoam Road Arusha Tanzania
Bankers	CRDB Bank Plc Diamond Trust Bank Tanzania Limited Exim Bank (Tanzania) Limited NMB Bank Plc Bank of Baroda (Tanzania) Ltd Azania Bank Limited Tanzania Postal Bank Plc National Bank of Commerce Limited
Auditors	Crowe Tanzania Certified Public Accountants in Public Practice Dar es Salaam
Company registration number	3751

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Directors' Report

The directors have pleasure in submitting their report on the financial statements of Tanfoam Limited for the year ended 31 December 2020 which disclose the state of affairs of the company.

1. Incorporation

The company is incorporated in the United Republic of Tanzania under the Companies Act 2002 as a private company limited by share.

2. Review of activities

Main business and operations

The principal activity of the company is that of manufacturing of polyurethane foam mattresses, cushions and related bedding products.

There have been no material changes to the nature of the company's business from the prior year.

The financial statements have been prepared in accordance with International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs) and the requirements of the Companies Act 2002. The accounting policies have been applied consistently compared to the prior year, except for changes resulting from first time adoption of International Financial Reporting Standards for Small and Medium-sized Entities (IFRS for SMEs) as set out in note 27.

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

Net profit of the company was TZS 951,326,000 (2019: TZS 1,091,192,000), after taxation of TZS 629,568,000 (2019: TZS 317,826,000).

3. Company's mission

Our mission statement

We strive to provide comfort by manufacturing superior quality products at an affordable price through continuous improvement and customer interaction.

4. Company's vision

Providing sleep comfort at every stage of life.

5. Going concern

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

Despite the impact of the COVID-19 pandemic on the company's operations, the board of directors has implemented various strategies focusing on cost cutting measures to enable the company to operate through this period. With regular assessments and implementation of various strategies, the board of directors are optimistic that the company will withstand through the pandemic.

6. Directors

The directors of the company during the period and to the date of this report are as follows:

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Name	Changes	Nationality
Riyaz Hussein Somji		Tanzanian
Imtiaz Mohamedbaker Somji		Tanzanian
Nasir Mohamedbaker Somji	Resigned 19 November 2020	Tanzanian
Munir Bharwani	Resigned 19 November 2020	Tanzanian
Mehboob Bharwani	Resigned 19 November 2020	Tanzanian
Riaz Bharwani	Resigned 19 November 2020	Tanzanian

Changes to the directorate for the year under audit are detailed as above.

7. Shareholders of the company

The total number of shareholders during the year are 5 shareholders (2019: 5 shareholders).

	Number of Shares	
	2020	2019
Variety Industrial Products Ltd	52,500	52,500
Whistler Resources Ltd	13,125	13,125
Munir Bharwani	27,825	27,825
Leila Mohamed Baker Somji	10,500	10,500
Mohamed Raza Bharwani	1,050	1,050
	105,000	105,000

Director holding shares of the company is as follows:

	Number of Shares 2019
Munir Bharwani	27,825

Munir Bharwani resigned as a director of the company on 19 November 2020.

8. Authorised and issued share capital

	2020	2019
Authorised		
1,000,000 ordinary shares of TZS 1,000/- each (2019: 105,000 ordinary shares of TZS 1,000/- each)	1,000,000	105,000
Issued		
105,000 ordinary shares of TZS 1,000/- each	105,000	105,000

Refer to note 13 of the financial statements for detail of the movement in authorised share capital.

9. Corporate governance

The board of directors consists of 4 directors. The board takes overall responsibility for the 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 operative, and for compliance with sound corporate governance principles.

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The board is required to meet at least four times a year. The board delegates the day to day management of the business to the managing director assisted by senior management. Senior management is invited to attend board meetings and facilitates the effective control 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. During the year, the board of directors of the company had the following board sub-committees to ensure a high standard of corporate governance throughout the company.

Corporate Governance Committee

Name	Position
Riyaz Hussein Somji	Chairman
Abbas Lalji	Manager
Mumtaz Ladak	General Manager

The Corporate Governance Committee reports to the Chairman.

The Corporate Governance Committee met four times during the year.

Audit Committee

Name	Position
Riyaz Hussein Somji	Chairman
Abbas Lalji	Manager

The Audit Committee reports to the Chairman.

The Audit Committee met twice during the year.

10. Risk management and internal control

The board accepts final responsibility for the risk management and internal control systems of the company. It is the task of management to ensure that adequate internal financial and operational control systems are developed and maintained on an ongoing basis in order to provide reasonable assurance regarding:

- 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 system is designed to provide the board with reasonable assurance that the procedures in place are operating effectively.

The board assessed the internal control systems throughout the financial period ended 31 December 2020 and is of the opinion that they met accepted criteria.

The board carries out risk and internal control assessments through its corporate governance and audit committee.

11. Future development plans

The company will continue to improve its profitability through the introduction of innovative products, focusing on value-added customer services and selective expansion of its branches while carefully managing both costs and risks. The company will continue to focus on improving productivity and introducing new products to the market.

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12. Environmental Control Programme

The company recycles most of its by-products which reduces the impact of pollution on the environment.

13. Corporate Social Responsibility

Since its existence, Tanfoam Limited continues to maintain positive, ethical and accountable relationships with all stakeholders including local communities, customers, employees, and the public sector.

Tanfoam Limited is committed to providing a working environment that is both safe and fit for the intended purpose and ensures that health and safety issues are a priority for all business operations.

In order to promote the overall health of its workforce, the company established an employee staff welfare policy. Essentially holistic in approach, the welfare policy aims to radically reduce the incidence of accidents and illness at the workplace.

Tanfoam Limited provides medical facility to all staff and their families, compulsory annual leave for each employee, performance bonuses to each employee, balanced diet lunch is served at the staff canteen every day for all the employees and an annual revision of salaries.

This policy helps promote a healthy lifestyle, leading to maximized potential and optimal quality of life.

14. Dividends

No dividends were declared or paid to shareholders during the year.

15. Secretary

The secretary of the company is Abbasraza A. Sherali.

16. Employees' welfare

Management and employees' relationship

There were continued good relations between employees and management during the year. There were no unresolved complaints received by management from the employees during the year. A healthy relationship continues to exist between management and the trade union.

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

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Training facilities

The company has continuous on the job training system for all levels of employees. Wherever necessary, company employees attend external training programs and seminars. Training programs have been and are continually being developed to ensure employees are adequately trained at all levels, all employees have some form of annual training to upgrade skills and enhance development.

Medical assistance

All members of staff with a maximum number of four beneficiaries (dependents) for each employee were availed medical benefit guaranteed by the board. Management staff are covered by medical insurance. Currently these services are provided by National Health Insurance Fund (NHIF).

Health and safety

The company has a strong health and safety department which ensure that a strong culture of safety prevails at all times. A safe working environment is ensured for all employees and contractors by providing adequate and proper personal protective equipment, training and supervision as necessary.

Financial assistance to staff

Loans are available to all confirmed employees depending on the assessment of and the discretion of management as to the need and circumstances. Management has established a revolving fund and has influenced staff to join the Savings And Credit Co-Operative Society (SACCOS) to assist in promoting the welfare of its employees.

Persons with disabilities

Applications for employment by disabled persons are always considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and appropriate training is arranged. It is the policy of the company that training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employees benefit plan

The company pays contributions to a publicly administered pension plan on mandatory basis which qualifies to be a defined contribution plan.

Gender parity

The company had 227 employees, out of which 28% were female and 72% were male.

17. Political and charitable donations

The company did not make any political donations during the year. Donations made to charitable organizations during the year amounted to TZS 117,174,000 (previous year: TZS 68,880,000).

18. Related parties transactions

Related party transactions and balances are disclosed in note 28 to these financial statements.

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19. Events after the reporting period

One of the shareholders of the company, Leila Mohamed Baker Somji passed away on 02 February 2021. Management is currently in progress of filling the relevant documents with the Business Registration and Licensing Authority (BRELA).

Other than the above, there are no subsequent events which may have a material impact on the financial statements.

20. Auditors

The auditors, Crowe Tanzania have expressed their willingness to continue in office and will be recommended for re-appointment in accordance with the Companies Act 2002.

The financial statements set out on pages 14 to 40, which have been prepared on the going concern basis, were approved by the board of directors on the date of this report, and were signed on its behalf by:



Riyaz Hussein Somji
Director

Date: 30 JUNE 2021

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Statement of Directors' Responsibilities

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

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

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

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

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

The external auditors are responsible for independently auditing and reporting on the company's financial statements. The financial statements have been examined by the company's external auditors and their report is presented on page 11 - 13.

The financial statements set out on pages 14 to 40, which have been prepared on the going concern basis, were approved by the board of directors on the date of this report and were signed on its behalf by:



Riyaz Hussein Somji
Director

Date: 30 JUNE 2021

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Declaration of the Head of Finance/Accounting

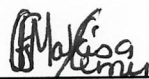
Declaration of the Head of Finance/Accounting of Tanfoam Limited.

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 declaration issued by the Head of Finance/Accounting responsible for the preparation of financial statements of the entity concerned.

It is the duty of a Professional Accountant to assist the Board of Directors/Governing Body/Management to discharge the responsibility of preparing financial statements of an entity showing true and fair view of the entity's position and performance in accordance with applicable International Accounting Standards and statutory financial reporting requirements. Full legal responsibility for the preparation of financial statements rests with the Board of Directors/Governing Body as stated under the Directors' Responsibilities statement on an earlier page.

I, Glorious Fredrick Temu, being the Head of Finance/Accounting of Tanfoam Limited hereby acknowledge my responsibility of ensuring that the financial statements for the period ended 31 December 2020 have been prepared in compliance with applicable accounting standards and statutory requirements.

I thus confirm that the financial statements give a true and fair view position of Tanfoam Limited as on that date and that they have been prepared based on properly maintained financial records.



Signed by: **Glorious Fredrick Temu**

Position: **Chief Accountant**

NBAA Membership No: **ACPA 2820**

Date: 29-06-2021

Report of the Independent Auditors

To the shareholders of Tanfoam Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Tanfoam Limited set out on pages 14 to 40, which comprise the statement of financial position as at 31 December 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Tanfoam Limited as at 31 December 2020, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act 2002.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B) (IESBA Code) and other independence requirements applicable to performing audits of financial statements in United Republic of Tanzania. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits in United Republic of Tanzania. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The directors are responsible for the other information. The other information comprises the directors' report as required by the Companies Act 2002 of United Republic of Tanzania, which we obtained prior to the date of this report. Other information does not include the financial statements and our auditors' report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditors' 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.

Report of the Independent Auditors

To the shareholders of Tanfoam Limited

Responsibilities of the directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act 2002, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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.

Auditors' responsibilities for the audit of the Financial Statements

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

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

To the shareholders of Tanfoam Limited

Report on other legal and regulatory requirements

This report, including the opinion, has been prepared for, and only for, the company's members as a body in accordance with the Companies Act 2002 and for no other purposes.

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

- 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;
- in our opinion proper books of account have been kept by the company, so far as appears from our examination of those books;
- the statement of financial position and the statement of profit or loss and other comprehensive income are in agreement with the books of account;
- the directors' report is consistent with the financial statements; and
- information specified by law regarding directors' remuneration and transactions with the company is disclosed.



CPA Christopher Msuya
For and on behalf of Crowe Tanzania
Certified Public Accountants in Public Practice
Dar es Salaam

30 June 2021



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Statement of Financial Position

	Note(s)	2020 TZS '000	2019 TZS '000
Assets			
Non-Current Assets			
Property, plant and equipment	2	12,194,526	12,781,420
Right of use asset	3	-	355,122
Intangible assets	4	-	8,214
Investments in associate	6	100,000	-
Investment in quoted shares	7	185,817	184,851
		<u>12,480,343</u>	<u>13,329,607</u>
Current Assets			
Inventories	11	6,633,215	5,598,921
Trade and other receivables	10	5,982,924	5,878,205
Current tax receivable		141,287	119,706
Cash and cash equivalents	12	294,409	342,730
		<u>13,051,835</u>	<u>11,939,562</u>
Total Assets		<u>25,532,178</u>	<u>25,269,169</u>
Equity and Liabilities			
Equity			
Share capital	13	105,000	105,000
Reserves		5,895,781	6,036,556
Retained income		2,522,351	1,428,926
		<u>8,523,132</u>	<u>7,570,482</u>
Liabilities			
Non-Current Liabilities			
Other financial liabilities	15	2,849,343	3,285,074
Lease liability	8	-	118,349
Deferred tax	9	1,979,369	2,230,528
		<u>4,828,712</u>	<u>5,633,951</u>
Current Liabilities			
Trade and other payables	14	7,444,700	6,627,770
Other financial liabilities	15	1,215,224	1,036,323
Lease liability	8	-	251,932
Bank overdraft	12	3,520,410	4,148,711
		<u>12,180,334</u>	<u>12,064,736</u>
Total Liabilities		<u>17,009,046</u>	<u>17,698,687</u>
Total Equity and Liabilities		<u>25,532,178</u>	<u>25,269,169</u>

Riyaz Hussein Somji
Director

Date: 30 JUNE 2021

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Statement of Profit or Loss and Other Comprehensive Income

	Note(s)	2020 TZS '000	2019 TZS '000
Revenue	16	22,129,450	21,694,390
Cost of sales	17	(14,006,943)	(13,519,171)
Gross profit		8,122,507	8,175,219
Other income		185,177	78,977
Expenses (Refer to page 16)		(5,837,698)	(5,836,466)
Operating profit	19	2,469,986	2,417,730
Finance costs	21	(889,092)	(1,008,712)
Profit before taxation		1,580,894	1,409,018
Taxation	22	(629,568)	(317,826)
Profit for the year		951,326	1,091,192
Other comprehensive income		-	-
Total comprehensive income for the year		951,326	1,091,192

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Statement of Profit or Loss and Other Comprehensive Income

	Note(s)	2020 TZS '000	2019 TZS '000
Operating expenses			
Advertising		(202,376)	(202,443)
Auditors' remuneration	23	(37,323)	(43,219)
Bad debts		(190,900)	(655,319)
Commission paid		-	(111,059)
Loss on valuation of quoted shares		-	(7,586)
Opening balance difference		(3,048)	-
Depreciation, amortisation and impairments		(35,118)	(272,542)
Donations		(117,174)	(68,880)
Employee costs		(2,441,022)	(1,999,524)
Trading licence		(5,875)	(15,032)
Rebate on Pumzika Scheme		(13,402)	(30,471)
Loss on exchange differences		(180,880)	-
Distribution expenses		(95,212)	(126,281)
Outward freight		(198,711)	(196,381)
IT expenses		(48,115)	(19,474)
Farm expenses		(38,806)	(64,652)
Insurance		(49,032)	(30,088)
Lease rentals on operating lease		(438,041)	(249,890)
Consulting and professional fees		(217,195)	(142,527)
Levies		(120,607)	(53,932)
Motor vehicle expenses		(405,770)	(369,890)
Utilities		(10,658)	(17,900)
Other office expenses		(136,610)	(75,127)
Petrol and oil		(451,757)	(417,883)
Printing and stationery		(33,482)	(48,368)
Profit and loss on exchange differences		-	(58,728)
Promotions		(1,275)	(17,466)
Repairs and maintenance		(114,673)	(240,372)
Secretarial fees		-	(645)
Security		(54,587)	(32,553)
Subscriptions		(2,139)	(5,719)
Telephone and fax		(31,070)	(26,980)
Training		-	(1,827)
Travel		(162,840)	(233,708)
		(5,837,698)	(5,836,466)

The accounting policies on pages 19 to 27 and the notes on pages 28 to 40 form an integral part of the financial statements.

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Statement of Changes in Equity

	Share capital	Revaluation reserve	Retained income	Total equity
	TZS '000	TZS '000	TZS '000	TZS '000
Balance at 1 January 2019	105,000	6,201,584	(153,994)	6,152,590
Profit for the year	-	-	1,091,192	1,091,192
Total comprehensive income for the year	-	-	1,091,192	1,091,192
IFRS 16 adjustment - prior period	-	-	(16,793)	(16,793)
Transfer between reserves	-	(508,521)	508,521	-
Deferred tax movement	-	343,493	-	343,493
Total changes	-	(165,028)	491,728	326,700
Balance at 1 January 2020	105,000	6,036,556	1,428,926	7,570,482
Profit for the year	-	-	951,326	951,326
Other comprehensive income	-	(2,090)	-	(2,090)
Total comprehensive income for the year	-	(2,090)	951,326	949,236
Depreciation adjustment - prior period	-	-	3,414	3,414
Transfer between reserves	-	(138,685)	138,685	-
Total changes	-	(138,685)	142,099	3,414
Balance at 31 December 2020	105,000	5,895,781	2,522,351	8,523,132

Note(s)

13

The accounting policies on pages 19 to 27 and the notes on pages 28 to 40 form an integral part of the financial statements.

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Statement of Cash Flows

	Note(s)	2020 TZS '000	2019 TZS '000
Cash flows from operating activities			
Cash generated from operations	24	2,081,413	4,095,678
Finance costs		(889,092)	(1,008,712)
Tax paid	25	(578,345)	(640,435)
Net cash from operating activities		613,976	2,446,531
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(242,904)	(1,135,669)
Recognition of right of use asset	3	-	(566,704)
Derecognition of right of use asset	3	566,704	-
Net movement in investment in associates		(100,000)	-
Fair value movement on quoted shares		(966)	7,586
Net cash from investing activities		222,834	(1,694,787)
Cash flows from financing activities			
Movement on bank and other loans		(256,830)	(805,609)
Net cash from financing activities		(256,830)	(805,609)
Total cash movement for the year		579,980	(53,865)
Cash at the beginning of the year		(3,805,981)	(3,752,116)
Total cash at end of the year	12	(3,226,001)	(3,805,981)

The accounting policies on pages 19 to 27 and the notes on pages 28 to 40 form an integral part of the financial statements.

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Accounting Policies

General information

Tanfoam Limited is a private limited company incorporated and domiciled in United Republic of Tanzania.

1. Basis of preparation and summary of significant accounting policies

The financial statements have been prepared on a going concern basis in accordance with, and in compliance with the International Financial Reporting Standard for Small and Medium-sized Entities, and the Companies Act 2002.

The financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below. They are presented in Tanzanian Shilling (TZS) rounded to the nearest thousand.

These accounting policies are consistent with the previous period, except for the changes set out in note 27 First-time adoption of the International Financial Reporting Standard for Small and Medium-sized Entities.

1.1 Property, plant and equipment

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

An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the company, and the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets and adjustments in respect of hedge accounting, where appropriate.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset.

The revaluation reserve related to a specific item of property, plant and equipment is transferred directly to retained income as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset, net of deferred tax.

Property, plant and equipment are depreciated on the diminishing balance method over their expected useful lives to their estimated residual value.

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

Item	Depreciation method	Average useful life
Buildings	Diminishing balance	3%
Plant and machinery	Diminishing balance	12.5%
Furniture and fixtures	Diminishing balance	12.5%
Motor vehicles	Diminishing balance	25%
Office tools & equipment	Diminishing balance	12.5%
Farm assets	Diminishing balance	12.5%

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

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Accounting Policies

1.1 Property, plant and equipment (continued)

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

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

1.2 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	3 years

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Accounting Policies

1.3 Investments in subsidiaries

Investments in subsidiaries are carried at cost less any accumulated impairment losses.

1.4 Investments in associates

Investments in associates are carried at cost less any accumulated impairment losses.

1.5 Financial instruments

Initial measurement

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

Financial instruments at amortised cost

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

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

Financial instruments at cost

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

Financial instruments at fair value

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

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

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Accounting Policies

1.6 Tax

Current tax assets and liabilities

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

Current tax liabilities/assets for the current and prior periods are measured at the amount expected to be paid to/recovered from the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit/tax loss.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit/tax loss.

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Tax expenses

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

1.7 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership to the lessee. All other leases are operating leases.

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Accounting Policies

1.7 Leases (continued)

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term unless:

- another systematic basis is representative of the time pattern of the benefit from the leased asset, even if the payments are not on that basis, or
- the payments are structured to increase in line with expected general inflation (based on published indexes or statistics) to compensate for the lessor's expected inflationary cost increases.

Any contingent rents are expensed in the period they are incurred.

Leases (Comparative under IFRS 16)

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

In order to assess whether a contract is, or contains a lease, management determine whether the asset under consideration is "identified", which means that the asset is either explicitly or implicitly specified in the contract and that the supplier does not have a substantial right of substitution throughout the period of use. Once management has concluded that the contract deals with an identified asset, the right to control the use thereof is considered. To this end, control over the use of an identified asset only exists when the company has the right to substantially all of the economic benefits from the use of the asset as well as the right to direct the use of the asset.

In circumstances where the determination of whether the contract is or contains a lease requires significant judgement, the relevant disclosures are provided in the significant judgments and sources of estimation uncertainty section of these accounting policies.

Lease liability

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

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

- fixed lease payments, including in substance fixed payments, less any lease incentives;
- 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 company under residual value guarantees;
- the exercise price of purchase options, if the company is reasonably certain to exercise the option;
- lease payments in an optional renewal period if the company is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease, if the lease term reflects the exercise of an option to terminate the lease.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability (or right of use asset). The related payments are recognised as an expense in the period incurred and are included in operating expenses.

The lease liability is presented as a separate line item on 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 lease payments made. Interest charged on the lease liability is included in finance costs.

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Accounting Policies

1.7 Leases (continued)

Right of use asset

Right of use asset are presented as a separate line item on the Statement of Financial Position.

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

- the initial amount of the corresponding lease liability;
- any lease payments made at or before the commencement date;
- any initial direct costs incurred;
- any estimated costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, when the company incurs an obligation to do so, unless these costs are incurred to produce inventories; and
- less any lease incentives received.

When the company incurs an obligation for the costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying assets to the condition required by the terms and conditions of the lease, a provision is recognised in the Statement of Financial Position.

Right of use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

As an exception, when the underlying assets are land and buildings, the company adopts the revaluation model consistent with the accounting policy for land and buildings which are owned by the company. The accounting policy for the revaluation model is explained in the property, plant and equipment accounting policy.

Right of use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. However, 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. Depreciation starts at the commencement date of a lease.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

1.8 Inventories

Inventories are measured at the lower of cost and estimated selling price less costs to complete and sell, on the weighted average cost basis.

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Accounting Policies

1.9 Impairment of assets

The company assesses at each reporting date whether there is any indication that assets may be impaired.

If there is any such indication, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset (or group of assets) in prior years. A reversal of impairment is recognised immediately in profit or loss.

Impairment of assets (Comparative)

The company recognises a loss allowance for expected credit losses on trade and other receivables, excluding VAT and prepayments. The amount of expected credit losses is updated at each reporting date.

The company measures the loss allowance for trade and other receivables at an amount equal to lifetime expected credit losses (lifetime ECL), which represents the expected credit losses that will result from all possible default events over the expected life of the receivable.

1.10 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

1.11 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

1.12 Provisions and contingencies

Provisions are recognised when:

- the company has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- the amount of the obligation can be estimated reliably.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

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Accounting Policies

1.12 Provisions and contingencies (continued)

Contingent assets and contingent liabilities are not recognised.

1.13 Revenue

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

1.14 Cost of sales

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

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Accounting Policies

1.15 Foreign exchange

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Tanzanian Shillings, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised to other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised to other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Cash flows arising from transactions in a foreign currency are recorded in Tanzanian Shillings by applying to the foreign currency amount the exchange rate between the Tanzanian Shilling and the foreign currency at the date of the cash flow.

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Notes to the Financial Statements

	2020			2019		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Land	4,450,698	-	4,450,698	5,746,725	-	5,746,725
Buildings	5,950,104	(178,401)	5,771,703	5,047,690	(690,135)	4,357,555
Plant and machinery	4,433,805	(2,949,248)	1,484,557	4,291,705	(2,737,168)	1,554,537
Furniture and fixtures	182,206	(110,034)	72,172	171,418	(99,724)	71,694
Motor vehicles	1,187,857	(1,015,253)	172,604	1,152,112	(957,718)	194,394
Office tools and equipment	467,071	(249,854)	217,217	384,836	(218,823)	166,013
Capital WIP	-	-	-	661,274	-	661,274
Farm assets	74,431	(48,856)	25,575	74,431	(45,203)	29,228
Total	16,746,172	(4,551,646)	12,194,526	17,530,191	(4,748,771)	12,781,420

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Transfers	Revaluations	Other movements	Depreciation	Closing balance
Land	5,746,725	9,058	-	(1,344,178)	39,093	-	4,450,698
Buildings	4,357,555	635	609,468	1,018,125	(35,679)	(178,401)	5,771,703
Plant and machinery	1,554,537	104,443	37,657	-	-	(212,080)	1,484,557
Furniture and fixtures	71,694	10,788	-	-	-	(10,310)	72,172
Motor vehicles	194,394	35,745	-	-	-	(57,535)	172,604
Office tools and equipment	166,013	82,235	-	-	-	(31,031)	217,217
Capital WIP	661,274	-	(647,125)	-	(14,149)	-	-
Farm assets	29,228	-	-	-	-	(3,653)	25,575
	12,781,420	242,904	-	(326,053)	(10,735)	(493,010)	12,194,526

Details of properties

Land and buildings comprise of:

Plot No. 4/5 block AA located at Unga Limited, Arusha registered under certificate of title no. 055034/5 9560 and 8714.

Plot No. AA39-51 located at Unga Limited, Arusha registered under certificate of title no. 5997.

Plot No. 264 located at KK Oloirien, Arusha under certificate of title no. 13764.

Plot No. 50 located at Lock B Area F, Arusha under certificate of title no. 6755.

Farm No. 44 located at Lokisale Village, Monduli under certificate of title no. 20073.

Farm No. 47 located at Lokisale Village, Monduli under certificate of title no. 20074.

Plot No. 580/582 located at Kange Industrial Area, Tanga under certificate of title no. 38383.

Plot No. 581/583 located at Kange Industrial Area, Tanga under certificate of title no. 38384.

Land located in Mwanza, under certificate of title no. 88271.

Land located in Singida, under certificate of title no.42896 - DLR.

The following land and buildings were revalued in 2020:

Plot No. 4/ 5 block AA located at Unga Limited, Arusha registered under certificate of title no. 9560 and 8714.

The effective date of the revaluation was January 2020. The valuation was performed by M & R Agency Limited.

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Notes to the Financial Statements

	2020 TZS '000	2019 TZS '000
3. Right of use asset		
Cost		
Opening balance	566,704	-
Recognition	-	566,704
Derecognition	(566,704)	-
	<u>-</u>	<u>566,704</u>
Accumulated amortisation		
Opening balance	(211,582)	-
Derecognition	211,582	-
Amortisation - Leased	-	(211,582)
	<u>-</u>	<u>(211,582)</u>
Carrying value		
Opening balance	355,122	-
Recognition	-	566,704
Derecognition	(355,122)	-
Amortisation	-	(211,582)
	<u>-</u>	<u>355,122</u>

The company entered into lease agreements with third parties for periods ranging two to five years with the latest expiring in 2022.

In previous year, the leases have been accounted for in accordance with the provisions of IFRS 16 which gave rise to right of use asset and lease liability. However, in current year, due to first-time adoption of the International Financial Reporting Standard for Small and Medium-sized Entities, the right of use asset and lease liability have been derecognised.

4. Intangible assets

	2020			2019		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software	24,590	(24,590)	-	24,590	(16,376)	8,214

Reconciliation of intangible assets - 2020

	Opening balance	Amortisation	Total
Computer software	8,214	(8,214)	-

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Notes to the Financial Statements

	2020 TZS '000	2019 TZS '000
8. Lease liability		
Non-current liabilities	-	(118,349)
Current liabilities	-	(251,932)
	<u>-</u>	<u>(370,281)</u>
<p>The company entered into lease agreements with third parties for periods ranging two to five years with the latest expiring in 2022.</p> <p>In previous year, the leases have been accounted for in accordance with the provisions of IFRS 16 which gave rise to right of use asset and lease liability. However, in current year, due to first-time adoption of the International Financial Reporting Standard for Small and Medium-sized Entities, the right of use asset and lease liability have been derecognised.</p>		
9. Deferred tax		
Deferred tax liability	<u>(1,979,369)</u>	<u>(2,230,528)</u>
Reconciliation of deferred tax asset/(liability)		
At beginning of year	(2,230,528)	(2,909,540)
Recognised in profit or loss:		
Taxable / (deductible) temporary difference movement on IFRS 16 adjustment	(8,556)	8,556
Taxable / (deductible) temporary difference on cumulative unrealized forex gains	(2,492)	(13,047)
Increases / (decrease) in tax loss available for set off against future taxable income	-	30,904
Taxable / (deductible) temporary difference movement on tangible fixed assets	30,043	54,232
Taxable / (deductible) temporary difference movement on cumulative unrealized forex losses	-	12,344
Taxable / (deductible) temporary difference on provisions	(91,799)	242,530
	<u>(72,804)</u>	<u>335,519</u>
Recognised directly in equity:		
Taxable / (deductible) temporary difference on revaluation reserve	323,963	343,493
At end of year	<u>(1,979,369)</u>	<u>(2,230,528)</u>

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Notes to the Financial Statements

	2020 TZS '000	2019 TZS '000
10. Trade and other receivables		
Trade receivables	4,200,797	4,797,148
Loan and advances	139,836	128,185
Prepayments	147,548	75,030
Deposits	19,800	19,800
VAT	140,147	-
Amounts due from related parties (directors and shareholders account)	433,449	385,892
Advance due from other related parties	23,584	122,510
Other receivables	877,763	349,640
	5,982,924	5,878,205
11. Inventories		
Packing materials	133,616	316,276
Goods in transit	1,693,732	1,351,869
Raw materials	1,944,733	1,548,413
Work in progress	183,745	348,375
Finished goods	981,812	888,984
Other stock	463,341	534,547
Mattress covers	1,232,236	610,457
	6,633,215	5,598,921
12. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	92,353	18,013
Bank balances	202,056	324,717
Bank overdraft	(3,520,410)	(4,148,711)
	(3,226,001)	(3,805,981)
Current assets	294,409	342,730
Current liabilities	(3,520,410)	(4,148,711)
	(3,226,001)	(3,805,981)

The bank overdraft facility is with CRDB Bank Plc and is secured to the extent of TZS 4.5 billion by a first charge over landed property on Plot No. 4/5, Block 'AA', CT No. 055034/5, LO No. 141238; Plot No. 39 to 51 Block 'AA' CT No.5997, LO No. 41912 in Unga Industrial Area, first charge fixed and floating debentures on the company's entire fixed current assets, guarantee by the company's shareholders. The overdraft attracts an interest rate of 13%.

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Notes to the Financial Statements

	2020 TZS '000	2019 TZS '000
13. Share capital		
Authorised		
1,000,000 ordinary shares of TZS 1,000/- each (2019: 105,000 ordinary shares of TZS 1,000/- each)	1,000,000	105,000
Reconciliation of authorised share capital		
Opening balance	105,000	105,000
Movement during the year	895,000	-
	1,000,000	105,000
Issued		
105,000 ordinary shares at TZS 1,000/- each	105,000	105,000
14. Trade and other payables		
Trade payables	6,049,751	6,072,312
VAT	-	257,024
Amounts due to related parties	1,122,560	-
Accrued leave pay	41,746	26,568
Accrued expenses	169,949	212,500
Deposits received	(2,375)	-
Other payables	63,069	59,366
	7,444,700	6,627,770

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Notes to the Financial Statements

	2020 TZS '000	2019 TZS '000
15. Other financial liabilities		
At amortised cost		
CRDB Bank loan	937,962	1,477,497
The CRDB term loan is in Tanzanian Shillings and bears interest of 15.5% per annum paid on a monthly basis. The loan shall be repayable in 60 monthly installments and the facility shall expire on 31 July 2022. The bank loan is secured by:		
1) Mortgage over CT No. 055034/5 Plot 4/5 Block 'AA' Unga Limited, Arusha Township		
2) Mortgage over CT No. 5997 Plot 39 to 51 Block 'AA' Unga Limited, Arusha Township		
3) Mortgage over CT No. 20074 Farm 47 Lolkisale Monduli		
4) First charge debenture over fixed and floating assets of the company.		
CRDB Bank term loan	282,705	-
The CRDB term loan is in Tanzanian Shillings and bears interest of 13% per annum paid on a monthly basis. The loan shall be repayable 30 months from the date of first draw down and the facility shall expire on 19 April 2023. The bank loan is secured by:		
1) Mortgage over CT No. 055034/5 Plot 4/5 Block 'AA' Unga Limited, Arusha Township		
2) Mortgage over CT No. 5997 Plot 39 to 51 Block 'AA' Unga Limited, Arusha Township		
3) Mortgage over CT No. 20074 Farm 47 Lolkisale Monduli		
4) First charge debenture over fixed and floating assets of the company.		
Loan - Arusha Region Education Trust	289,500	289,500
Loan is unsecured, repayable on demand and bears interest at the rate of 12% per annum on the Tanzanian Shillings loan and 6% per annum on the USD loan.		
Director loan - Riyaz Hussein Somji	208,128	208,128
Loan is unsecured, repayable on demand and bears interest at the rate of 7% per annum.		
Loan - Munir Bharwani	2,346,272	2,346,272
Loan is unsecured, repayable in four equal principal installments from 01 January 2022 and bears interest at the rate of 5% per annum.		
	4,064,567	4,321,397
Non-current liabilities		
At amortised cost	2,849,343	3,285,074
Current liabilities		
At amortised cost	1,215,224	1,036,323
	4,064,567	4,321,397

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Notes to the Financial Statements

	2020 TZS '000	2019 TZS '000
16. Revenue		
Mattresses and cushions	20,623,084	21,368,120
Surfactants	1,062,440	113,017
Other sales	443,926	213,253
	22,129,450	21,694,390
17. Cost of sales		
Surfactants	881,881	746,412
Manufactured goods:		
Raw materials consumed	11,731,784	11,382,329
Employee costs	568,444	644,161
Depreciation and impairment	436,992	407,007
Manufacturing expenses	387,842	339,262
	14,006,943	13,519,171
18. Other income		
Dividend received	3,590	26,250
Transport charges	36,330	3,309
Difference in opening balance	966	-
Others	109,891	12,218
House rent	34,400	37,200
	185,177	78,977
19. Operating profit		
Operating profit for the year is stated after charging (crediting) the following, amongst others:		
Operating lease charges		
Premises		
• Plant, warehouse and office space	438,041	249,890
Amortisation on intangible assets	8,213	8,188
Depreciation on property, plant and equipment	493,010	459,779
Amortisation on right of use asset	(29,113)	211,582
Employee costs	3,009,466	2,643,685
20. Employee cost		
Direct employee costs		
Salaries, wages, bonuses and payroll levies	568,444	644,161

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Notes to the Financial Statements

	2020 TZS '000	2019 TZS '000
20. Employee cost (continued)		
Indirect employee costs		
Salaries, wages, bonuses and payroll levies	1,873,018	1,521,888
Workers' Compensation Fund	12,921	9,173
Skills and Development Levy	78,009	65,060
Directors' fees	416,000	366,037
Retirement benefit plans: defined contribution expense	61,074	37,366
	2,441,022	1,999,524
Total employee costs		
Direct employee costs	568,444	644,161
Indirect employee costs	2,441,022	1,999,524
	3,009,466	2,643,685
21. Finance costs		
Bank overdraft	579,806	605,517
Bank term loan	269,374	324,111
Interest - lease liability	-	37,382
Interest paid on related parties loans	39,912	41,702
	889,092	1,008,712
22. Taxation		
Major components of the tax expense		
Current taxation		
Local income tax - current year	556,764	653,345
Deferred taxation		
Local deferred tax - current year	72,804	(335,519)
	629,568	317,826
Reconciliation of the tax expense		
Reconciliation between accounting profit and tax expense.		
Accounting profit	1,580,894	1,409,018
Tax at the applicable tax rate of 30% (2019: 30%)	474,268	422,705
Tax effect of adjustments on taxable income		
Permanent differences	155,821	105,746
Deferred tax effect income - prior period	9,580	(202,750)
Non-taxable income	(10,101)	(7,875)
	629,568	317,826

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	2020 TZS '000	2019 TZS '000
23. Auditors' remuneration		
Audit fees	36,775	38,895
Adjustment for previous year	548	4,324
	<u>37,323</u>	<u>43,219</u>
24. Cash generated from operations		
Profit before taxation	1,580,894	1,409,018
Adjustments for:		
Depreciation and amortisation	472,110	679,549
Losses on foreign exchange	-	58,728
Finance costs	889,092	1,008,712
Net movement in lease liability	(370,281)	370,281
Derecognition of right of use asset and lease liability	(168,319)	-
Changes in working capital:		
Inventories	(1,034,294)	(251,716)
Trade and other receivables	(104,719)	274,855
Trade and other payables	816,930	546,251
	<u>2,081,413</u>	<u>4,095,678</u>
25. Tax paid		
Balance at beginning of the year	119,706	132,616
Current tax for the year recognised in loss	(556,764)	(653,345)
Balance at end of the year	<u>(141,287)</u>	<u>(119,706)</u>
	<u>(578,345)</u>	<u>(640,435)</u>

26. Contingencies

The directors are of the opinion that there are no contingent liabilities as at the year-end.

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Notes to the Financial Statements

	2020 TZS '000	2019 TZS '000
27. First-time adoption of the International Financial Reporting Standards for Small and Medium-sized Entities.		
The company has applied the International Financial Reporting Standard for Small and Medium-sized Entities, for the first time for the year ended 31 December 2020. On principle, this standard has been applied prospectively.		
Set out below is a disclosure relating to the impact of the first-time adoption of IFRS for SMEs;		
Impact on the statement of financial position (increase/(decrease)) as at 31 December 2020:		
Assets		
Right of use asset	(355,122)	
Liabilities		
Lease liability	(384,236)	
Net impact on equity	29,114	
Impact on the statement of profit or loss and other comprehensive income (increase/(decrease)) for the year ended 31 December 2020:		
Write off - Right of use asset	29,114	
Net impact on profit or loss	29,114	

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	2020 TZS '000	2019 TZS '000
28. Related parties		
Relationships		
Shareholders		Munir Bharwani VIP Limited Leila Baker Somji Mohamed Raza Bharwani Whistler Resources Ltd
Directors		Riyaz Hussein Somji Imtiaz Somji Nasir Somji Riaz Bharwani
Associate		Sterling Surfactants Ltd Arusha Mattress Company Limited - Refer to note no. 6
Related party balances and transactions with other related parties		
Related party balances		
Loan accounts - Owing (to) by related parties		
Munir Bharwani	(2,346,272)	(2,346,272)
Riyaz Hussein Somji	(208,128)	(208,128)
Amounts included in trade and other receivables (trade and other payables) regarding related parties		
Variety Industrial Products Ltd	339,660	283,428
Sterling Surfactants Ltd	(96,038)	152,482
Arusha Mattress Company Limited	892,425	1,249,762
Munir Bharwani	315,227	(70,081)
Riyaz Hussein Somji	(61,264)	(46,612)
Related party transactions		
(Sales to) and purchases from related parties		
Sterling Surfactants Ltd	1,064,826	900,415
Sterling Surfactants Ltd	(19,760)	2,990
Arusha Mattress Company Limited	(5,242,571)	(4,026,587)
Interest accrued to related parties		
Munir Bharwani	115,317	115,317
Riyaz Hussein Somji	14,653	16,442
Rent paid to (received from) related parties		
Arusha Mattress Company Limited	(18,000)	(16,200)
Sterling Surfactants Ltd	(14,400)	(19,556)
Transport paid to (received from) related parties		
Arusha Mattress Company Limited	(21,820)	-
Sterling Surfactants Ltd	(14,669)	-

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Notes to the Financial Statements

	2020 TZS '000	2019 TZS '000
29. Directors' remuneration		
Executive		
2020		
	Directors' fees	Total
Riyaz Hussein Somji	280,000	280,000
Munir Bharwani	136,000	136,000
	416,000	416,000
2019		
	Directors' fees	Total
Riyaz Hussein Somji	255,037	255,037
Munir Bharwani	111,000	111,000
	366,037	366,037

30. Comparative figures

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

31. Going concern

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

Despite the impact of the COVID-19 pandemic on the company's operations, the board of directors has implemented various strategies focusing on cost cutting measures to enable the company to operate through this period. With regular assessments and implementation of various strategies, the board of directors are optimistic that the company will withstand through the pandemic.

32. Events after the reporting period

One of the shareholders of the company Leila Mohamed Baker Somji passed away on 02 February 2021. Management is currently in progress of filling the relevant documents with the Business Registration and Licensing Authority (BRELA).

Other than the above, there are no subsequent events which may have a material impact on the financial statements.