

Tanfoam Limited
(Registration number 3751)
Financial statements
for the year ended 31 December 2021

Tanfoam Limited

(Registration number: 3751)

Financial Statements for the year ended 31 December 2021

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

Tanfoam Limited

(Registration number: 3751)

Financial Statements for the year ended 31 December 2021

Index

The reports and statements set out below comprise the financial statements presented to the shareholders:

	Page
The Report by Those Charged with Governance	3 - 7
Statement of Directors' Responsibilities	8
Declaration of the Head of Finance/Accounting	9
Report of the Independent Auditor	10 - 12
Financial Statements	
Statement of Financial Position	13
Statement of Profit or Loss and Other Comprehensive Income	14
Statement of Changes in Equity	15
Statement of Cash Flows	16
Accounting Policies	17 - 22
Notes to the Financial Statements	23 - 35

Tanfoam Limited

(Registration number: 3751)

Financial Statements for the year ended 31 December 2021

The Report by Those Charged with Governance

The members charged with governance (directors) have pleasure in submitting their report on the financial statements of Tanfoam Limited (company) for the year ended 31 December 2021 which disclose the state of affairs of the company.

1. Incorporation

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

2. Nature of business

The principal activity of the company is 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.

3. Review of financial results and activities

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

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

Net profit of the company was TZS 23,764,000 (2020: TZS 951,326,000), after taxation of TZS (195,853,000) (2020: TZS 629,568,000).

4. 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.

5. Company's vision

Providing sleep comfort at every stage of life.

6. 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.

The board of directors has reasonable expectation that the company has adequate resources to continue in operational existence for the next twelve months. The impact of COVID-19 has been taken into consideration in the going concern assessment.

Tanfoam Limited

(Registration number: 3751)

Financial Statements for the year ended 31 December 2021

The Report by Those Charged with Governance

7. Directors

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

Name	Position	Age	Nationality
Riyaz Hussein Somji	Chairperson	64	Tanzanian
Imtiaz Mohamedbaker Somji	Member	59	British

There have been no changes to the directors for the year under review.

8. Shareholders of the company

The total number of shareholders during the year are 5 shareholders (2020: 5 shareholders).

The shares of the company are held as follows:

	Number of shares	
	2021	2020
	Direct	Direct
Variety Industrial Products Ltd	52,500	52,500
Whistler Resources Ltd	13,125	13,125
Munir Bharwani	27,825	27,825
Late Leila Mohamed Baker Somji	10,500	10,500
Mohamed Raza Bharwani	1,050	1,050
	105,000	105,000

9. Authorised and issued share capital

Authorised	2021		2020	
	Number of shares			
Ordinary shares			1,000,000	1,000,000

Issued	2021	2020	2021	2020
	TZS '000	TZS '000	Number of shares	Number of shares
Ordinary shares	105,000	105,000	105,000	105,000

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

Tanfoam Limited

(Registration number: 3751)

Financial Statements for the year ended 31 December 2021

The Report by Those Charged with Governance

10. Corporate governance

The board of directors consists of 2 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.

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	General Manager
Mumtaz Ladak	Business Development 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
Glorious Temu	Head of finance
Abbas Lalji	General Manager

The audit committee reports to the chairman.

The audit committee met twice during the year.

Tanfoam Limited

(Registration number: 3751)

Financial Statements for the year ended 31 December 2021

The Report by Those Charged with Governance

11. 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 year ended 31 December 2021 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.

12. 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.

13. Environmental control programme

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

14. 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.

15. Dividends

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

Tanfoam Limited

(Registration number: 3751)

Financial Statements for the year ended 31 December 2021

The Report by Those Charged with Governance

16. Secretary

The company secretary is Abbasraza A. Sherali.

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 78,542,000 (previous year: TZS 117,174,000).

18. Related parties transactions

Related party transactions and balances are disclosed in note 26 to these financial statements.

19. Events after the reporting period

The company has the plan to exchange parcels of Land being Plot No 50, Block D Area P measuring 5,740 square feet comprised under certificate of title number 6,755 situated at Arusha Municipality amounting to TZS 900 million with a parcel of land being plot No 254 Block "B" measuring 64,121 square meters comprised under certificate of title number 3,256 situated at Losirway within Arusha Region amounting to TZS 1200 million. The plot of land is acquired for future development of new and modern factory to meet our growth plan. The certificate of title is issued on 14th Jan 2022.

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

20. Statement of disclosure to the company's auditors

With respect to each person who is a director on the day that this report is approved:

- there is, so far as the person is aware, no relevant audit information of which the company's auditors are unaware; and
- the person has taken all the steps that he or she ought to have taken as a director to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

21. Responsibility of those charged with governance

It is directors' 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 International Financial Reporting Standard and applicable rules, regulations and legal provisions. The directors also confirm compliance with the provisions of the requirements of Tanzania Financial Reporting Standard 1 (TFRS 1) and all other statutory legislation relevant to the company.

22. 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 13 to 35, 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 2022

Tanfoam Limited

(Registration number: 3751)

Financial Statements for the year ended 31 December 2021

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 2022 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 10 - 12.

The financial statements set out on pages 13 to 35, which have been prepared on the going concern basis, were approved by the board of directors on the date of this statement and were signed on its behalf by:



Riyaz Hussain Somji
Director

Date: 30 June 2022

Date: 30 June 2022

Tanfoam Limited

(Registration number: 3751)

Financial Statements for the year ended 31 December 2021

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 statement of directors' responsibilities on an earlier page.

I, being the head of finance/accounting of Tanfoam Limited at 31 December 2021 and for the year then ended hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31 December 2021 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.

Name: GLORIOUS FREDRICK TEMU

Signature: 

Position: HEAD OF FINANCE

NBAA Membership No: ACPA 2820

Date: 30-06-2022

Report of the Independent Auditor

To the shareholders of Tanfoam Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Tanfoam Limited (the company) set out on pages 13 to 35, which comprise the statement of financial position as at 31 December 2021, 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 the 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 2021, and its financial performance and cash flows for the year then ended in accordance with the 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' International Code of Ethics for Professional Accountants (including International Independence Standards) (Parts 1, 3 and 4A) (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 report by those charged with governance, statement of directors' responsibilities and declaration of the head of finance/accounting, which we obtained prior to the signing of this report. The 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, 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 Auditor

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 the 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 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 of the Independent Auditor


To the shareholders of Tanfoam Limited

Report on other legal and regulatory requirements

This report, including 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:

- This report, including 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:
- In our opinion proper books of accounts have been kept by the company, so far as appears for our examination of the books;
- The company's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of accounts;
- The report by those charged with governance is consistent with the financial statements; and
- Information specified by law regarding directors' remuneration and transactions with the company is disclosed.



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



Date: 30 June 2022

Tanfoam Limited

(Registration number: 3751)

Financial Statements for the year ended 31 December 2021

Statement of Financial Position as at 31 December 2021

	Note(s)	2021 TZS '000	2020 TZS '000
Assets			
Non-Current Assets			
Property, plant and equipment	2	19,747,678	12,194,526
Investments in associates	5	100,000	100,000
Investment in quoted shares	6	189,572	185,817
		20,037,250	12,480,343
Current Assets			
Inventories	9	8,406,088	6,633,215
Trade and other receivables	8	7,648,438	5,982,923
Current tax receivable		149,919	141,287
Cash and cash equivalents	10	132,074	294,409
		16,336,519	13,051,834
Total Assets		36,373,769	25,532,177
Equity and Liabilities			
Equity			
Share capital	11	105,000	105,000
Reserves		11,653,931	5,895,781
Retained income		2,680,640	2,522,351
		14,439,571	8,523,132
Liabilities			
Non-Current Liabilities			
Other financial liabilities	13	2,389,286	2,849,343
Deferred tax	7	3,659,527	1,979,369
		6,048,813	4,828,712
Current Liabilities			
Trade and other payables	12	11,693,105	7,444,699
Other financial liabilities	13	747,889	1,215,224
Bank overdraft	10	3,444,391	3,520,410
		15,885,385	12,180,333
Total Liabilities		21,934,198	17,009,045
Total Equity and Liabilities*		36,373,769	25,532,177


Riyaz Hussain Somji
Director

Date: 30 June 2022

The accounting policies on pages 17 to 22 and the notes on pages 23 to 35 form an integral part of the financial statements.

Tanfoam Limited

(Registration number: 3751)

Financial Statements for the year ended 31 December 2021

Statement of Profit or Loss and Other Comprehensive Income

	Note(s)	2021 TZS '000	2020 TZS '000
Revenue	14	28,444,185	22,129,450
Cost of sales	15	(21,066,884)	(14,006,943)
Gross profit		7,377,301	8,122,507
Other income	16	244,654	185,177
Operating expenses	17	(6,566,907)	(5,837,698)
Operating profit		1,055,048	2,469,986
Finance costs	20	(835,431)	(889,092)
Profit before taxation		219,617	1,580,894
Taxation	21	(195,853)	(629,568)
Profit for the year		23,764	951,326
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Fair value gains (losses)		7,654,170	(326,053)
Deferred tax movement on fair valuation		(1,761,495)	323,963
Total items that will not be reclassified to profit or loss		5,892,675	(2,090)
Other comprehensive income (loss) for the year net of taxation		5,892,675	(2,090)
Total comprehensive income for the year		5,916,439	949,236

The accounting policies on pages 17 to 22 and the notes on pages 23 to 35 form an integral part of the financial statements.

Tanfoam Limited

(Registration number: 3751)

Financial Statements for the year ended 31 December 2021

Statement of Changes in Equity

	Share capital	Revaluation reserve	Retained income	Total equity
	TZS '000	TZS '000	TZS '000	TZS '000
Balance at 01 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
Transfer between reserves	-	(138,685)	138,685	-
Depreciation adjustment - prior period	-	-	3,414	3,414
Total changes	-	(138,685)	142,099	3,414
Balance at 01 January 2021	105,000	5,895,781	2,522,351	8,523,132
Profit for the year	-	-	23,764	23,764
Other comprehensive income	-	5,892,675	-	5,892,675
Total comprehensive income for the year	-	5,892,675	23,764	5,916,439
Transfer between reserves	-	(134,525)	134,525	-
Total changes	-	(134,525)	134,525	-
Balance at 31 December 2021	105,000	11,653,931	2,680,640	14,439,571

Note(s)

11

The accounting policies on pages 17 to 22 and the notes on pages 23 to 35 form an integral part of the financial statements.

Tanfoam Limited

(Registration number: 3751)

Financial Statements for the year ended 31 December 2021

Statement of Cash Flows

	Note(s)	2021 TZS '000	2020 TZS '000
Cash flows from operating activities			
Cash generated from operations	23	2,317,271	2,081,413
Finance costs		(835,431)	(889,092)
Tax paid	24	(285,821)	(578,345)
Net cash from operating activities		1,196,019	613,976
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(385,890)	(242,904)
Sale of property, plant and equipment	2	34,702	-
Sale of financial assets		(3,755)	(966)
Derocognition of right of use asset		-	566,704
Net movement in investment in associates		-	(100,000)
Net cash from investing activities		(354,943)	222,834
Cash flows from financing activities			
Repayment of other financial liabilities		(927,392)	(256,830)
Net cash from financing activities		(927,392)	(256,830)
Total cash movement for the year		(86,316)	579,980
Cash at the beginning of the year		(3,226,001)	(3,805,981)
Total cash at end of the year	10	(3,312,317)	(3,226,001)

The accounting policies on pages 17 to 22 and the notes on pages 23 to 35 form an integral part of the financial statements.

Tanfoam Limited

(Registration number: 3751)

Financial Statements for the year ended 31 December 2021

Accounting Policies

General information

Tanfoam Limited is a private 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 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.

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

When an item of property, plant and equipment is revalued, the gross carrying amount is adjusted consistently with the carrying amount. The accumulated depreciation at that date is adjusted to equal the difference between the gross carrying amount and the net revalued carrying amount.

The revaluation reserve related to a specific item of property, plant and equipment is transferred directly to retained income when the asset is derecognised.

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	Rate
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 period is recognised in profit or loss unless it is included in the carrying amount of another asset.

Tanfoam Limited

(Registration number: 3751)

Financial Statements for the year ended 31 December 2021

Accounting Policies

1.1 Property, plant and equipment (continued)

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

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss, equal to the excess of the carrying amount over the recoverable amount, is recognised immediately in profit or loss for assets which are not revalued. In the case of revalued assets, the impairment loss is recognised in other comprehensive income and accumulated in the revaluation reserve in equity against any existing credit relating to the same asset. Any remaining impairment loss is recognised in profit or loss.

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

Intangible assets are initially recognised at cost and subsequently at cost less accumulated amortisation and accumulated impairment losses.

Research and development costs are recognised as an expense in the period incurred.

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

Item	Depreciation method	Useful life
Computer software	Straight line	3 years

In cases where management is unable to make a reliable estimate of the useful life of an intangible asset, its best estimate is applied, limited to 10 years.

The residual value, amortisation period and amortisation method for intangible assets are reassessed when there is an indication that there is a change from the previous estimate.

1.3 Investments in subsidiaries

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

1.4 Investments in associates

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

Tanfoam Limited

(Registration number: 3751)

Financial Statements for the year ended 31 December 2021

Accounting Policies

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. They 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.

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 reporting date.

Tanfoam Limited

(Registration number: 3751)

Financial Statements for the year ended 31 December 2021

Accounting Policies

1.6 Tax (continued)

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.

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.

Operating leases - lessor

Operating lease income is recognised as an income 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 receipt of payments is 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.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

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.

Tanfoam Limited

(Registration number: 3751)

Financial Statements for the year ended 31 December 2021

Accounting Policies

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.

1.9 Impairment of assets

The company assesses at each reporting date whether there is any indication that property, plant and equipment or intangible 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.

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 leave pay 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 an obligation at the reporting date as a result of a past event; it is probable that the company will be required to transfer economic benefits in settlement; and the amount of the obligation can be estimated reliably.

Provisions are measured at the present value of the amount expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

Provisions are not recognised for future operating losses.

Contingent assets and contingent liabilities are not recognised.

Tanfoam Limited

(Registration number: 3751)

Financial Statements for the year ended 31 December 2021

Accounting Policies

1.13 Revenue

The company recognises income from the following major sources:

- Sale of mattresses, cushions and related bedding products
- Surfactants

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.

Interest is recognised, in profit or loss, using the effective interest rate method.

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.

1.15 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.16 Foreign exchange

Foreign currency transactions

Exchange differences arising on monetary items are recognised in profit or loss in the period in which they arise.

All transactions in foreign currencies are initially recorded in Tanzanian Shilling, using the spot rate at the date of the transaction. Foreign currency monetary items at the reporting date are translated using the closing rate. All exchange differences arising on settlement or translation are recognised in profit or loss.

Tanfoam Limited

(Registration number: 3751)

Financial Statements for the year ended 31 December 2021

Notes to the Financial Statements

	2021			2020		
	TZS '000			TZS '000		
2. Property, plant and equipment						
	2021			2020		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Land	12,104,868	-	12,104,868	4,450,698	-	4,450,698
Buildings	6,032,897	(354,036)	5,678,861	5,950,104	(178,401)	5,771,703
Plant and machinery	4,637,275	(3,160,251)	1,477,024	4,433,805	(2,949,248)	1,484,557
Furniture and fixtures	239,184	(126,178)	113,006	182,206	(110,034)	72,172
Motor vehicles	1,049,722	(921,813)	127,909	1,187,857	(1,015,253)	172,604
Office tools and equipment	505,433	(281,801)	223,632	467,071	(249,854)	217,217
Farm assets	74,431	(52,053)	22,378	74,431	(48,856)	25,575
Total	24,643,810	(4,896,132)	19,747,678	16,746,172	(4,551,646)	12,194,526

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Revaluations	Depreciation	Closing balance
Land	4,450,698	-	-	7,654,170	-	12,104,868
Buildings	5,771,703	82,794	-	-	(175,636)	5,678,861
Plant and machinery	1,484,557	203,470	-	-	(211,003)	1,477,024
Furniture and fixtures	72,172	56,978	-	-	(16,144)	113,006
Motor vehicles	172,604	4,286	(6,345)	-	(42,636)	127,909
Office tools and equipment	217,217	38,362	-	-	(31,947)	223,632
Farm assets	25,575	-	-	-	(3,197)	22,378
	12,194,526	385,890	(6,345)	7,654,170	(480,563)	19,747,678

3. Intangible assets

	2021			2020		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	24,590	(24,590)	-	24,590	(24,590)	-

Tanfoam Limited

(Registration number: 3751)

Financial Statements for the year ended 31 December 2021

Notes to the Financial Statements

			2021 TZS '000	2020 TZS '000
4. Investments in subsidiaries				
Name of subsidiary	% holding 2021	% holding 2020	Carrying amount 2021	Carrying amount 2020
JR Electronics Ltd	50.00 %	50.00 %	131,169	131,169
			<u>131,169</u>	<u>131,169</u>
Impairment of investment			(131,169)	(131,169)
			<u>-</u>	<u>-</u>

Investments in subsidiaries constitutes total cost of investment in JR Electronics Ltd. The percentage ownership interest is 50% accounted for at cost.

During the year 2019, the subsidiary seized operations and accordingly impaired in the financial statements.

Investment in the equity of JR Electronics Ltd is less than 50% of voting power of the investee. Nevertheless, significant influence is demonstrated through participation in policy making processes, including participation in decisions about dividends or other distributions.

5. Investments in associates

Name of company	% holding 2021	% holding 2020	Carrying amount 2021	Carrying amount 2020
Sterling Surfactants Limited	6.00 %	6.00 %	80,000	80,000
Arusha Mattress Company Limited	20.00 %	20.00 %	20,000	20,000
			<u>100,000</u>	<u>100,000</u>

Investment in the equity of Sterling Surfactants Limited is less than 20% of voting power of the investee. Nevertheless, significant influence is demonstrated through representation on the board of directors and participation in policy making processes, including participation in decisions about dividends or other distributions.

6. Investment in quoted shares

At fair value				
Listed shares			<u>189,572</u>	<u>185,817</u>
Non-current assets				
Designated at FV through profit or loss			<u>189,572</u>	<u>185,817</u>

Tanfoam Limited

(Registration number: 3751)

Financial Statements for the year ended 31 December 2021

Notes to the Financial Statements

					2021 TZS '000	2020 TZS '000
6. Investment in quoted shares (continued)						
Company	Number of shares as at 31 December 2021	Share price as at 31 December 2021	Value of shares as at 31 December 2021	Number of shares as at 31 December 2020	Share price as at 31 December 2020	Value of shares as at 31 December 2020
Twiga Portland Cement Co Ltd	3,760	3,400	12,784,000	3,760	2,500	9,400,000
DSM Airports Handling Co Ltd	3,988	1,000	3,988,000	3,988	1,120	4,466,560
Tanzania Cigarette Company Limited	10,000	17,000	170,000,000	10,000	17,000	170,000,000
CRDB Bank Plc	10,000	280	2,800,000	10,000	195	1,950,000
	<u>27,748</u>	<u>21,680</u>	<u>189,572,000</u>	<u>27,748</u>	<u>20,815</u>	<u>185,816,560</u>
7. Deferred tax						
Deferred tax liability					<u>(3,659,527)</u>	<u>(1,979,369)</u>
Reconciliation of deferred tax asset/(liability)						
At beginning of year					(1,979,369)	(2,230,528)
Recognised in profit or loss:						
Taxable / (deductible) temporary difference movement on IFRS 16 adjustment					-	(8,556)
Taxable / (deductible) temporary difference on cumulative unrealized forex gains					9,624	(2,492)
Taxable / (deductible) temporary difference movement on tangible fixed assets					39,675	30,043
Taxable / (deductible) temporary difference on provisions					32,037	(91,799)
					<u>81,336</u>	<u>(72,804)</u>
Recognised directly in equity:						
Taxable/(deductible) temporary difference on revaluation reserve					(1,761,494)	323,963
At end of year					<u>(3,659,527)</u>	<u>(1,979,369)</u>

Tanfoam Limited

(Registration number: 3751)

Financial Statements for the year ended 31 December 2021

Notes to the Financial Statements

	2021 TZS '000	2020 TZS '000
8. Trade and other receivables		
Trade receivables	5,379,212	4,200,797
Loan and advances	132,651	139,836
Prepayments	194,516	147,548
Deposits	25,744	19,800
VAT	-	140,147
Amounts due from related parties (shareholders account)	95,172	433,449
Advance due from Munir Bharwani	1,473,287	630,057
Advance due from other related parties	24,002	23,584
Other receivable	323,854	247,705
	<u>7,648,438</u>	<u>5,982,923</u>
9. Inventories		
Packing materials	342,090	133,616
Goods in transit	2,392,616	1,693,732
Raw materials	1,872,854	1,944,733
Work in progress	446,780	183,745
Finished goods	1,319,455	981,812
Other stock	525,376	463,341
Mattress covers	1,506,917	1,232,236
	<u>8,406,088</u>	<u>6,633,215</u>

Tanfoam Limited

(Registration number: 3751)

Financial Statements for the year ended 31 December 2021

Notes to the Financial Statements

	2021 TZS '000	2020 TZS '000
10. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	44,398	92,353
Bank balances	87,676	202,056
Bank overdraft	(3,444,391)	(3,520,410)
	(3,312,317)	(3,226,001)
Current assets	132,074	294,409
Current liabilities	(3,444,391)	(3,520,410)
	(3,312,317)	(3,226,001)
<p>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 at the rate of 13%.</p>		
11. Share capital		
Authorised		
1,000,000 ordinary shares of TZS 1,000/- each	1,000,000	1,000,000
Issued		
105,000 ordinary shares at TZS 1,000/- each	105,000	105,000
12. Trade and other payables		
Trade payables	10,334,317	6,049,750
VAT	176,054	-
Other accrued expenses	910,219	1,122,560
Accrued leave pay	30,931	41,746
Accrued expenses	80,694	169,949
Operating lease payables (if immaterial)	78,994	-
Deposits received	-	(2,375)
Other payables	81,896	63,069
	11,693,105	7,444,699

Tanfoam Limited

(Registration number: 3751)

Financial Statements for the year ended 31 December 2021

Notes to the Financial Statements

	2021 TZS '000	2020 TZS '000
13. Other financial liabilities		
At amortised cost		
CRDB Bank loan	330,806	937,962
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 change debenture over fixed and floating assets of the company		
CRDB Bank term loan	170,597	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 change 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
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.		
	3,137,175	4,064,567
Non-current liabilities		
At amortised cost	2,389,286	2,849,343
Current liabilities		
At amortised cost	747,889	1,215,224
	3,137,175	4,064,567

Tanfoam Limited

(Registration number: 3751)

Financial Statements for the year ended 31 December 2021

Notes to the Financial Statements

	2021 TZS '000	2020 TZS '000
14. Revenue		
Mattresses and cushions	26,525,496	20,623,084
Surfactants	1,098,871	1,062,440
Other sales	819,818	443,926
	28,444,185	22,129,450
15. Cost of sales		
Surfactants	915,517	881,881
Manufactured goods:		
Raw materials consumed	18,748,544	11,731,784
Employee costs	604,778	568,444
Depreciation and impairment	421,157	436,992
Manufacturing expenses	376,888	387,842
	21,066,884	14,006,943
16. Other income		
Profit on sale of assets and liabilities	28,358	-
Dividend received	7,600	3,590
Transport charges	123,057	36,330
Difference in opening balance	3,755	966
Others	14,584	109,891
House rent	67,300	34,400
	244,654	185,177

Tanfoam Limited

(Registration number: 3751)

Financial Statements for the year ended 31 December 2021

Notes to the Financial Statements

	2021 TZS '000	2020 TZS '000
17. Operating expenses		
Advertising	213,415	202,376
Auditor's remuneration	36,765	37,323
Bad debts	139,346	190,900
Consulting and professional fees	107,083	217,195
Opening balance difference	77,977	3,048
Depreciation, amortisation and impairments	59,406	35,118
Donations	85,342	117,174
Employee costs	2,964,797	2,441,022
Trading licence	3,374	4,275
Loss on exchange difference	130,743	180,880
Distribution expenses	140,582	95,212
Tax penalties	87,994	1,600
Outward freight	376,494	198,711
Rebate on Pumzika Scheme	23,697	13,402
Farm expenses	8,848	38,806
Insurance	69,408	49,032
IT expenses	28,907	48,115
Lease rentals on operating lease	476,547	438,041
Levies	107,346	120,607
Motor vehicle expenses	374,985	405,770
Utilities	29,540	10,658
Other office expenses	142,826	136,610
Petrol and oil	446,539	451,757
Printing and stationery	31,358	33,482
Promotions	2,259	1,275
Repairs and maintenance	127,833	114,673
Security	65,714	54,587
Subscriptions	2,139	2,139
Telephone and fax	23,103	31,070
Travel	182,540	162,840
	6,566,907	5,837,698
18. 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	476,547	438,041
Profit on sale of property, plant and equipment	28,358	-
Amortisation on intangible assets	-	8,213
Depreciation on property, plant and equipment	480,563	493,010
Amortisation on leasehold property	-	(29,113)
Employee costs	3,569,575	3,009,466
19. Employee cost		
Direct employee costs		
Salaries, wages, bonuses and payroll levies	604,778	568,444

Tanfoam Limited

(Registration number: 3751)

Financial Statements for the year ended 31 December 2021

Notes to the Financial Statements

	2021 TZS '000	2020 TZS '000
19. Cost of sales (continued)		
Indirect employee costs		
Salaries, wages, bonuses and payroll levies	2,507,598	1,873,018
Workers' Compensation Fund	12,734	12,921
Skills and Development Levy	81,451	78,009
Directors' fees	280,000	416,000
Retirement benefit plans: defined contribution expense	83,014	61,074
	2,964,797	2,441,022
Total employee costs		
Direct employee costs	604,778	568,444
Indirect employee costs	2,964,797	2,441,022
	3,569,575	3,009,466
20. Finance costs		
Bank overdraft	563,835	579,806
Bank term loan	224,594	269,374
Interest paid on related parties loans	47,002	39,912
	835,431	889,092

Tanfoam Limited

(Registration number: 3751)

Financial Statements for the year ended 31 December 2021

Notes to the Financial Statements

	2021 TZS '000	2020 TZS '000
21. Taxation		
Major components of the tax expense		
Current taxation		
Local income tax - current year	257,925	556,764
Local normal tax - prior period (over) under provision	19,264	-
	277,189	556,764
Deferred taxation		
Local deferred tax - current year	(81,336)	72,804
	195,853	629,568
Reconciliation of the tax expense		
Reconciliation between accounting profit and tax expense.		
Accounting profit	219,617	1,580,894
Tax at the applicable tax rate of 30% (2020: 30%)	65,885	474,268
Tax effect of adjustments on taxable income		
Permanent differences	114,109	155,821
Deferred tax effect income - prior period	-	9,580
Non-taxable income	(3,405)	(10,101)
Local income tax - recognised in current tax for prior periods	19,264	-
	195,853	629,568
<p>The normal procedure for agreeing final income tax liability in Tanzania involves the company filing its final income tax returns with the Tanzania Revenue Authority (TRA) followed by the TRA performing their own review of the company's submissions and issuing their notice of income tax assessments to the company. The final income tax liability as determined by TRA after their review may differ from the liability determined by the company and procedures are in place for the company to object and appeal against such assessments. It is common that a time frame from the company's own submission of its final tax returns and TRA performing their review and issuing of notice of final tax assessment may take several months or years.</p>		
22. Auditors' remuneration		
Audit fees	36,765	36,775
Adjustment for previous year	-	548
	36,765	37,323

Tanfoam Limited

(Registration number: 3751)

Financial Statements for the year ended 31 December 2021

Notes to the Financial Statements

	2021 TZS '000	2020 TZS '000
23. Cash generated from operations		
Profit before taxation	219,617	1,580,894
Adjustments for:		
Depreciation and amortisation	480,563	472,110
Profit on sale of property, plant and equipment	(28,358)	-
Finance costs	835,431	889,092
Net movement in lease liability	-	(370,281)
Derecognition of right of use asset and lease liability	-	(168,319)
Changes in working capital:		
Inventories	(1,772,873)	(1,034,294)
Trade and other receivables	(1,665,515)	(104,719)
Trade and other payables	4,248,406	816,930
	2,317,271	2,081,413
24. Tax paid		
Balance at beginning of the year	141,287	119,706
Current tax for the year	(277,189)	(556,764)
Balance at end of the year	(149,919)	(141,287)
	(285,821)	(578,345)

25. Contingencies

On 3 June 2022, the company received notice of assessments on Value Added Tax (VAT), Withholding Tax (WHT), Skills and Development Levy (SDL), Stamp duty and Corporate tax for the years of income 2016 – 2019 from Tanzania Revenue Authority (TRA).

Of the total assessed amount of TZS 363,138,000, TZS 78,994,000 is undisputed and has been accrued in these financial statements. The company intends to object the remaining assessed amount of TZS 284,144,000 and has initiated the process, accordingly no provision has been made.

Apart from the above, the directors are of the opinion that there are no other contingent liabilities as at the year end.

Tanfoam Limited

(Registration number: 3751)

Financial Statements for the year ended 31 December 2021

Notes to the Financial Statements

	2021 TZS '000	2020 TZS '000
26. Related parties		
Relationships		
Shareholders		Munir Bharwani VIP Limited Leila Baker Somji Mohamed Raza Bharwani Whistler Resources Ltd
Directors		Riyaz Hussein Somji Imtiaz Somji
Subsidiaries		Refer to note 4
Associates		Refer to note 5
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)
Amounts included in trade and other receivables (trade and other payables) regarding related parties		
Variety Industrial Products Ltd	-	339,660
Sterling Surfactants Ltd	299,226	(96,038)
Arusha Mattress Company Limited	1,308,768	892,425
Munir Bharwani	1,473,287	315,227
Riyaz Hussein Somji	-	(61,264)
Munir Bharwani	(4,096)	-
Related party transactions		
(Sales to) and purchases from related parties		
Sterling Surfactants Ltd	915,517	1,064,826
Sterling Surfactants Ltd	(179,038)	(19,760)
Arusha Mattress Company Limited	(6,830,794)	(5,242,571)
Interest accrued to related parties		
Munir Bharwani	115,317	115,317
Riyaz Hussein Somji	15,789	14,653
Rent paid to (received from) related parties		
Arusha Mattress Company Limited	(45,300)	(18,000)
Sterling Surfactants Ltd	(44,800)	(14,400)
Transport paid to (received from) related parties		
Arusha Mattress Company Limited	(95,810)	(21,820)
Sterling Surfactants Ltd	(23,832)	(14,669)
Special pay to related parties		
Munir Bharwani	136,000	-

Tanfoam Limited

(Registration number: 3751)

Financial Statements for the year ended 31 December 2021

Notes to the Financial Statements

	2021 TZS '000	2020 TZS '000
27. Directors' and prescribed officer's remuneration		
Executive		
2021		
Directors' emoluments	Directors fees	Total
Services as director or prescribed officer		
Riyaz Hussein Somji	280,000	280,000
<hr/>		
2020		
	Directors fees	Total
Riyaz Hussein Somji	280,000	280,000
Munir Bharwani	136,000	136,000
<hr/>		

28. 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.

The board of directors has reasonable expectation that the company has adequate resources to continue in operational existence for the next twelve months. The impact of COVID-19 has been taken into consideration in the going concern assessment.

29. Events after the reporting period

The company has the plan to exchange parcels of Land being Plot No 50, Block D Area P measuring 5,740 square feet comprised under certificate of title number 6,755 situated at Arusha Municipality amounting to TZS 900 million with a parcel of land being plot No 254 Block "B" measuring 64,121 square meters comprised under certificate of title number 3,256 situated at Losirway within Arusha Region amounting to TZS 1200 million. The plot of land is acquired for future development of new and modern factory to meet our growth plan. The certificate of title is issued on 14th Jan 2022.

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