

**MSHALE TANZANIA LIMITED
ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2023**

**AUDITORS
DIAMOND FINANCIAL SERVICES
CERTIFIED PUBLIC ACCOUNTANTS
P.O.BOX 12842
DAR ES SALAAM**

**MSHALE TANZANIA LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

Table of Contents

	Page no
Corporate Information	3
Report of the Directors	4 - 5
Statement of Directors' Responsibilities	6
Declaration of Head of Finance	7
Independent Auditors' Report	8 - 9
Statement of Profit or Loss and Other Comprehensive Income	10
Statement of Financial Position	11
Statement of Changes in Equity	12
Statement of Cash Flows	13
Significant accounting policies	14 - 19
Notes to the Financial Statements	20 - 24

MSHALE TANZANIA LIMITED

CORPORATE INFORMATION

BOARD OF DIRECTORS

NAME

Emmanuel A. Shuma

Alfred A. Shuma

Theresia J. Lyimo

NATIONALITY

Tanzanian

Tanzanian

Tanzanian

POSITION

Director

Director

Director

REGISTERED OFFICE

Tegeta wazo

Plot No. 19480

Madale Street

P.O.Box 15005

Dar es Salaam

Tanzania

Contact No. 0713329149

AUDITOR

Diamond Financial Services

Floor no 2, Room no 218&219

Pamba Road/Garden Avenue

P.O. Box 12482

Dar es Salaam

Tanzania

BANKER

A/C No 1415625515

African Banking Corporation (T) Ltd

Dar Es Salaam

MSHALE TANZANIA LIMITED

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2023

The Directors submit their annual report together with the audited financial statements for the year ended 31 December 2023 which disclose the state of affairs of Mshale Tanzania Limited as at that date

1. INCORPORATION AND REGISTERED OFFICE

The Company is domiciled in Tanzania where it is incorporated as a private company limited by shares under the Tanzanian Companies Act 2002. The address of the registered office is set out on page 1.

2. PRINCIPAL ACTIVITIES AND PERFORMANCES FOR THE YEAR

The principal activities of the Company are manufacturing of electrical lamps Equipments and Accessories

3. COMPOSITION OF THE BOARD OF DIRECTORS

The Directors of the Company who served during the year and up to the date of this Report are:

Name	Nationality	Status
Emmanuel A. Shuma	Tanzanian	Active
Alfred A. Shuma	Tanzanian	Active
Teresia J. Lyimo	Tanzanian	Active

4. CORPORATE GOVERNANCE

The Board consists of 3 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 Company is committed to the principles of effective corporate governance. The Directors also recognise the importance of integrity, transparency, and accountability

MSHALE TANZANIA LIMITED

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2023

5. CAPITAL STRUCTURE AND SHAREHOLDING

Capital Structure

The Company's capital structure for the year is shown below

	2023
Authorised share capital	TZS "000"
	1,000,000

Issued and Full Paid Up

	2023
Authorised share capital	TZS "000"
	10,000

The shares of the Company are held as follows:

Name of Shareholder	2023
Mshale Holding Limited	97
Emmanuel A. Shuma	1
Alfred A. Shuma	1
Teresia J. Lyimo	1

6. RESULTS AND DIVIDENDS

The results for the year are set out on page 10 of these financial statements. The Directors do not recommend the payment of a dividend.

7. 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.

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.

MSHALE TANZANIA LIMITED

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2023

8. SOLVENCY

The Company's state of affairs as at 31 December 2023 is set out on page 11 of these financial statements. The Directors are confident that the Company will be able to meet its working capital requirements and will be on a going concern over the next twelve months, accordingly, the financial statements have been prepared on a going concern assumption.

9. ADMINISTRATIVE AFFAIRS

The Company can handle all administrative matters.

10. POLITICAL AND CHARITABLE DONATIONS

During the year, the Company did not make any political and charitable donations.

11. AUDITOR

The Auditor, Diamond Financial Services have expressed their willingness to continue continue in office and are eligible for re-appointment. A resolution proposing the re-appointment of Diamond Financial Services as auditor of the Company for year 2023 will be put to the Annual General Meeting.

MSHALE TANZANIA LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

FOR THE YEAR ENDED 31 DECEMBER 2023

The Tanzanian Companies Act 2002 requires the directors to prepare financial statements for each year that give true and fair view of the state of affairs of the Company as at the end of financial year and of its profit or loss for that year. It also requires directors to ensure that the Company maintains proper accounting records that disclose, with reasonable accuracy, the financial position of the Company. The directors are also responsible for safeguarding the assets of the Company

The directors accept responsibility for the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error. They also accept responsibilities for.

- i) Designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements
- ii) Selecting and applying appropriate accounting policies and.
- iii) Making accounting estimates and judgements that are reasonable in the circumstances.

The directors are of the opinion that the financial statements give true and fair view of the state of financial affairs of the Company as at 31 December 2023 and of its profit or loss and cashflows for the year then ended in accordance with the International Financial Reporting Standard for small and medium sized entities and the requirements of Tanzanian Companies Act.

Approval of financial statements

The financial statements of Mshale Tanzania Limited as identified in the first paragraph, were approved and authorised for issue by the Directors on ...26 March 2024.

Teresia J. Lyimo	Director	Tedatu
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MSHALE TANZANIA LIMITED

DECLARATION OF HEAD OF FINANCE

FOR THE YEAR ENDED 31 DECEMBER 2023

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

It is the duty of a professional accountant to assist the Board of Directors to discharge the responsibility of preparing financial statements of an entity showing true and fair view position of the entity in accordance with international accounting standards and statutory reporting requirements. Full legal responsibility for financial statements rests with the Board of Directors as under Directors' Responsibilities statement on an earlier page

I, Elizabeth Mewe being the Head of Finance of Mshale Tanzania Limited hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31 December 2023 have been prepared in compliance with applicable accounting standards and statutory requirements.

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

Signed by: Elizabeth Mewe, ~~Mewe~~

Position: Accountant

NBAA Membership No... ACPA 3434

Date: 20 March 2024



DIAMOND FINANCIAL SERVICES
Certified Public Accountants

Pamba House 2nd Floor, Suite 218/19
Pamba Road/ Garden Avenue
12482 DSM
+255 22 2124339 2124339
0754 310 065/ 0784 864 888
0754 119 310
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INDEPENDENT AUDITOR'S REPORT

To:

Shareholders
Mshale Tanzania Limited
P.O.Box 15005
DAR ES SALAAM

**RE: REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF
M/s MSHALE TANZANIA LIMITED FOR THE YEAR ENDED 31 DECEMBER 2023**

Opinion

In our opinion, the financial statements of Mshale Tanzania Limited, have been properly prepared based on IFRS present fairly, in all material respects, a true and fair view of the state of affairs of the company as at 31st December 2023, the revenues and expenses and the cash flows (FRS for MSE's), and comply with the provisions of the Companies Act No.12 of 2002 and NBAA.

We have audited the accompanying financial statements of Mshale Tanzania Limited which comprise the Statement of Financial Position as at 31st December 2023, the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash flows for the year ended and a Summary of Significant Accounting Policies and other explanatory notes as set out on pages 15 to 22 of this report.

Basis for Opinion

We conducted our audit in accordance with international Standards on Auditing (ISAs), Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the international Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), together with the ethical requirements that are part of the Byelaws of the Tanzania National Board of Accountants and Auditors (NBAA). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statement of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

There were no matters qualifying as Key Audit Matters during this audit.

Responsibilities of Management and Those Charged with Governance

Mshale Tanzania Limited directors and management are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and for such internal control as management determines 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 and management are responsible for assessing the Company's ability to continue as a going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is included on an appendix to this report on page 10 herein.

DIAMOND FINANCIAL SERVICES
Certified Public Accountants



Octavian Stephen Kessy ACPA 1809
Managing Partner

Date: 01.05.2024.



APPENDIX TO INDEPENDENT AUDITOR'S REPORT

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:-

- 1) **Identify and assess to 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, international omissions, misrepresentations, or the override of internal control.**
- 2) **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.**
- 3) **Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.**
- 4) **Conclude on the appropriateness of management's 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.**
- 5) **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.**
- 6) **We communicate with those charged with governance 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 our audit.**
- 7) **We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.**
- 8) **From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matter in our auditor's unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.**

END OF APPENDIX

MSHALE TANZANIA LIMITED
 STATEMENT OF COMPREHENSIVE INCOME
 FOR THE YEAR ENDED 31ST DECEMBER, 2023

		2023	2022 TZS
Revenue	NOTE 5	14,487,960,764	5,525,515,531
Less: Cost of Sales	6	<u>14,085,653,916</u>	<u>5,428,941,551</u>
Gross Profit		402,306,848	96,573,980
Less:			
Administrative Expenses	7	345,143,207	45,492,847
Depreciation	8	<u>17,722,749</u>	<u>25,121,398</u>
		362,865,956	70,614,245
		<u>39,440,892</u>	<u>25,959,735</u>
Net profit for the year			

THE NOTES ON PAGES 14 TO 19 FORM PARTS OF THESE FINANCIAL STATEMENTS.

I, the undersigned director hereby declare that the above statement of Comprehensive Income is correct and that the books of accounts, information and explanation given to the auditors for this audit are true and correct to the best of my knowledge and belief.

Testino
 MANAGING DIRECTOR

DATE: 26 March 2024

MSHALE TANZANIA LIMITED
 STATEMENT OF FINANCIAL POSITION
 FOR THE YEAR ENDED 31ST DECEMBER, 2023

	NOTE	2023 TZS	2022 TZS
ASSETS			
Non-Current Assets			
Property and Equipment	8	47,279,582	65,002,331
Current Assets			
Stock in trade		1,733,826,193	1,155,943,189
Receivables and Prepayments		2,171,443,631	1,343,005,780
Cash and Cash Equivalent		15,416,196	5,020,500
Vat		80,035,876	182,042,091
		<u>4,000,721,896</u>	<u>2,686,011,560</u>
		<u>4,048,001,478</u>	<u>2,751,013,891</u>
Total Assets			
EQUITY AND CURRENT LIABILITIES			
Share Capital		1,000,000,000	1,000,000,000
Net profit for the year		39,440,892	25,959,735
		<u>1,039,440,892</u>	<u>1,025,959,735</u>
Current Liabilities			
Creditors and Accruals		826,612,543	1,725,054,156
Bank overdraft		2,181,948,043	-
		<u>4,048,001,478</u>	<u>2,751,013,891</u>

THE NOTES ON PAGES 14 TO 19 FORM PARTS OF THESE FINANCIAL STATEMENTS.

I, the undersigned director hereby declare that the above statement of Financial Position is correct and that the books of accounts, information and explanation given to the auditors for this audit are true and correct to the best of my knowledge and belief.


 MANAGING DIRECTOR

DATE: 26 March 2024

MSHALE TANZANIA LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST DECEMBER, 2023

	2023 TSHS	2022 TSHS
CASH FLOW OPERATING ACTIVITIES		
Profit/ (Loss) for the year Before Tax	39,440,892	25,959,735
Adjustment: Items not involving movement of cash		
Depreciation	<u>17,722,749</u>	<u>25,121,398</u>
Changes in Working Capital Items	57,163,641	51,081,133
Decrease/(increase)in Reveivables	- 828,437,851	(1,336,005,780)
Decrease/(increase)in Inventories	- 577,883,004	(1,155,943,189)
Increase/(Decrease)in trade Payable	- 898,441,613	1,725,054,156
Decrease/(increase)in VAT Reveivables	102,006,215	(182,042,091)
Less: Tax paid	- 25,959,735	<u>(7,000,000)</u>
Net Cash Flow Operating Activities After Tax (A)	- 2,171,552,347	(904,855,771)
Cash Flow from Investing Activites		
Purchase of Fixed Assets	-	(90,123,729)
Loss on Disposal of Fixed Asset		-
Proceeds sale of Fixed Asset		<u>-</u>
Net Cash Flow from Investing Activities After Tax (B)	-	(90,123,729)
Net cash flow from Financing Activities		
Advance towards Share Capital	-	1,000,000,000
Bank loan and others	<u>2,181,948,043</u>	-
Net Cash flows from Financing Activities (C)	<u>2,181,948,043</u>	<u>1,000,000,000</u>
Cash and cash equivalent (used)/generated (A+B+C)	10,395,696	5,020,500
Opening Cash Balances as 01.01.2023	<u>5,020,500</u>	<u>-</u>
Closing Cash Balances as at 31.12.2023	<u>15,416,196</u>	<u>5,020,500</u>

THE NOTES ON PAGES 14 TO 19 FORM PARTS OF THESE FINANCIAL STATEMENTS.

I, the undersigned director hereby declare that the above statement of Cash Flow is correct and that the books of accounts, information and explanation given to the auditors for this audit are true and correct to the best of my knowledge and belief.

Teatumo
 MANAGING DIRECTOR

DATE: 26 March 2024

MSHALE TANZANIA LIMITED
 STATEMENT OF CHANGES IN EQUITY
 FOR THE YEAR ENDED 31ST DECEMBER, 2023

DESCRIPTIONS:	CAPITAL TZS	ACCUMULATED PROFIT/LOSS TZS	TOTAL
Balance 1st January 2022	1,000,000,000	-	1,000,000,000
Profit/Loss)for the year befor Tax	-	25,959,735	25,959,735
Balance 31st December 2022	<u>1,000,000,000</u>	<u>25,959,735</u>	<u>1,025,959,735</u>
Balance 1st January 2023	1,000,000,000	25,959,735	1,025,959,735
Profit/Loss)for the year befor Tax	-	39,440,892	-
Balance 31st December 2023	1,000,000,000	65,400,627	1,065,400,627

THE NOTES ON PAGES 14 TO 19 FORM PARTS OF THESE FINANCIAL STATEMENTS.

I, the undersigned director hereby declare that the above statement of change of equity is correct and that the books of accounts, information and explanation given to the auditors for this audit are true and correct to the best of my knowledge and belief.

T. J. M. M.
 MANAGING DIRECTOR

DATE: 26 March 2024

SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and the Companies Act of 2002. The financial statements have been prepared on the historical cost basis except where otherwise stated, and incorporate the principal accounting policies set out below. The historical cost convention is generally based on the fair value of the consideration given in exchange of assets.

Going concern

The financial performance of the company is set out in the Director's report and in the statement of comprehensive income. The financial position of the company is set out in the statement of financial position. Disclosures in respect of risk management are set out in Note 1.

Based on the financial performance and position of the company and its risk management policies, the directors are of the opinion that the company is well placed to continue in business for the foreseeable future and as a result the financial statements are prepared on a going concern basis.

These financial statements comply with the requirements of the Tanzanian Companies Act 2002. The statement of comprehensive income represents the profit and loss account referred to in the Act. The statement of financial position represents the balance sheet referred to in the Act.

New and amended standards adopted by the company

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous year except for the adoption of new standards and interpretations which were effective for annual periods beginning on or after 1 January 2023. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Changes resulting from the following new or revised standards and interpretations, amendments to existing standards and interpretations and improvements to IFRS that were effective for the current reporting period did not have any impact on the accounting policies, financial position or performance of the Company.

The new standards or amendments are listed below:

- a) Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets
- b) Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants
- c) Amendments to IAS 27: Equity Method in Separate Financial Statements
- d) Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests
- e) IFRS 14 Regulatory Deferral Accounts
- f) Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception
- g) Amendments to IAS 1 Disclosure Initiative
- h) Annual Improvements 2012-2014 Cycle
 - IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
 - IFRS 7 Financial Instruments: Disclosures
 - Servicing contracts
 - IAS 34 Interim Financial Reporting
 - IAS 34 Interim Financial Reporting

Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the company's financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when applicable as they become effective.

The company expects that adoption of these standards, amendments and interpretations in most cases not to have any significant impact on the company's financial position or performance in the period of initial application. In cases where it will have an impact, the Company is still assessing the possible impact.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12	
IAS 7 Disclosure Initiative – Amendments to IAS 7	
IFRS 15 Revenue from Contracts with Customers	
IFRS 9 Financial Instruments	
IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4)	
IFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)	
IFRS 16 Leases	

b) Critical accounting estimates, judgments and assumptions

In the application of the accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other relevant factors. Such estimated and assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

The directors have made the following assumptions that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(i) Operating lease commitments

The company has entered into leases over its fixed asset, motor vehicles, office premises, warehouses and furnish residential premises for its chief officers. Management has determined that the company has not obtained substantially all the risks and rewards of ownership of these premises, therefore the leases have been classified as operating leases and accounted for accordingly.

(ii) Impairment of non - financial assets

The company reviews its non financial assets to assess the likelihood of impairment on an annual basis. In determining whether such assets are impaired, management makes judgments as to whether there are any conditions that indicate potential impairment of such assets.

(iii) Revenue recognition

In making their judgement, the directors considered the detailed criteria for the recognition of revenue from the performance of services set out in IAS 11 and IAS 18 and, in particular, whether the company had transferred to the buyer the significant risks and rewards of ownership of the goods and services. Following the detailed quantification of the company's liability in respect of the customers ability to require the rectification of the services performed, the directors are satisfied that the significant risks and rewards have been transferred.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Critical accounting estimates, judgments and assumptions (continued)

(iv) Taxes

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

(v) Provision for doubtful debts

Provision is made against accounts that in the estimation of management may be impaired. The management assess the recoverability of the accounts receivable based on a range of factors including the age of the receivable and the creditworthiness of the customer. The management on a regular basis estimates the likely financial condition of the customer and their ability to subsequently make payment.

c) Translation of foreign currencies

A foreign currency transaction is recorded, on initial recognition in US Dollars, 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.

The resulting differences from conversion and translation are dealt with in the statement of comprehensive income in the period in which they arise.

d) Revenue Recognition

Revenue comprise the fair value of the consideration received or receivable for the performance of services, in the ordinary course of business and is stated net of Value Added Tax (VAT), rebates and discounts.

The company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when the specific criteria have been met for the company's activity as described below. The amount of revenue is not considered to be reliably measured until all contingencies relating to the sale have been resolved.

Contract revenue is calculated on the basis of the value of work completed during the period. It comprises the initial amount of revenue agreed in the contract as well as variations in contract work, claims and incentive payments, to the extent that it is probable they will result in revenue and can be reliably measured.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Financial Instruments

- Financial assets

The company's financial assets which include trade and other receivables, tax recoverable and cash and cash equivalents which fall into the following category:

- **Loans and receivables:** Financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are classified as current assets where maturities are within 12 months of the statement of financial position date. All assets with maturities greater than 12 months after the statement of financial position date are classified as non-current assets. Changes in the carrying amount are recognised in the statement of comprehensive income.

- Financial liabilities

The company's financial liabilities which include trade and other payables and tax payable fall into the following category:

Financial liabilities measured at amortised cost: These are initially measured at fair value and subsequently measured at amortised cost, using the effective interest rate method.

Initial recognition and measurement

Financial instruments are recognised initially when the company becomes a party to the contractual provisions of the instruments.

The company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost.

For financial instruments which are not at fair value through profit or loss, transaction costs are recognised in profit or loss.

Subsequent measurement

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in equity until the asset is disposed of or determined to be impaired.

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

Offsetting financial instruments

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

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled or expired.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Financial Instruments (continued)

Impairment of financial assets

At each reporting date the company assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the company, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in profit or loss.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in profit or loss within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

f) Cost of sales

Contract costs comprise:

- * costs that relate directly to the specific contract;
- * costs that are attributable to contract activity in general and can be allocated to the contract; and
- * such other costs as are specifically chargeable to the customer under the terms of the contract.

g) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand, deposits held at call with banks and other short-term highly liquid investments that net of bank overdrafts.

Cash and cash equivalents are classified as Current assets.

h) 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
- * a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

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.

If the company has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 Risk management objectives and policies

Financial risk management

The business's activities expose it to a variety of financial risks: market risk (including foreign exchange risk), credit risk and liquidity risk.

The business's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the business's financial performance. Risk management is carried out by the management under policies approved by the board of proprietor.

(i) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the business's treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The business's risk to liquidity is a result of the funds available to cover future commitments. The business manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasting is performed by the finance department of the business by monitoring the business's liquidity requirements to ensure it has sufficient cash to meet operational needs.

(ii) Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions as well as credit exposures to customers including outstanding receivables.

Management assesses the credit quality of the customer, taking into account their financial position, past experience and other factors.

Exposure to this risk has been quantified in each financial asset note in the financial statements along with any concentration of risk.

(iii) Market risk

- Foreign exchange risk

The business is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollars. Foreign exchange risk arises from future transactions, assets and liabilities in the statement of financial position.

The business does not hedge foreign exchange fluctuations.

- Interest rate risk

The business has no significant interest bearing assets and as a result its cashflows are substantially independent of changes in market interest rates.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 Capital management

Internally imposed capital requirements

The business's objectives when managing capital are to safeguard the business's ability to continue as a going concern in order to provide returns for shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the business monitors capital on the basis of the gearing ratio.

This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3 Presentation currency

The financial statements are presented in thousands of Tanzanian Shillings (TShs),

4 Going concern

We draw attention to the fact that as at 31st December, 2023, the business has reported a Profit amounting to TShs 39,440,892

The annual financial statements have been prepared on the basis of accounting policies applicable to going concern. The basis presumes that funds will be available to finance future operations and that the realization of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of the business

Mshale Tanzania Limited confirmed its willingness to provide continued financial support to the business and shall not demand repayment until the business improves its profitability. On this basis, the proprietor consider it appropriate to prepare the financial statements on a going concern basis, which assumes that the business will be in operational existence for the foreseeable future.

MSHALE TANZANIA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Cont')
FOR THE YEAR ENDED 31ST DECEMBER, 2023

5. INCOME	2023	2022
	TZS	TZS
Sales	14,487,960,764	<u>5,525,515,531</u>
	<u>14,487,960,764</u>	<u>5,525,515,531</u>
6. COST OF SALES		
Opening Stocks	1,155,943,189	-
Purchases	14,260,194,686	6,468,938,892
Less Closing Stock	<u>1,733,826,193</u>	<u>1,155,943,189</u>
Hired professional & Casual Labour	13,682,311,682	5,312,995,703
	403,342,234	<u>115,945,848</u>
TOTAL	<u>14,085,653,916</u>	<u>5,428,941,551</u>
7. ADMINISTRATIVE EXPENSES		
Salaries	143,937,441	8,235,700
NSSF Employers Contribution	14,393,744	-
City levy and other statutory charges	43,463,882	16,825,413
SDL	21,891,187	2,477,834
Bookeeping and Audit Fees	3,000,000	2,000,000
Bank interest and Charges	92,948,043	-
Motorvehicle running expenses	15,185,910	10,260,750
Registration and Trading Licence	1,480,600	1,350,000
Communication and ICT charges	3,013,500	2,150,000
Printing and Stationaries	128,000	1,729,350
Water and Electricity	5,700,900	463,800
TOTAL	<u>345,143,207</u>	<u>45,492,847</u>

MSHALE TANZANIA LIMITED
 NOTES TO THE FINANCIAL STATEMENTS (Cont')
 FOR THE YEAR ENDED 31ST DECEMBER, 2023

8. PROPERTY, PLANT AND EQUIPMENT

	PLANT & MACHINERY	MOTOR VEHICLES	FURNITURE AND FITTINGS	OFFICE EQUIPMENT	TOTAL
	TZS	TZS	TZS	TZS	TZS
Depreciation rates	37.50%	25.00%	12.50%	12.50%	
Cost valuation	15,889,831	45,000,000	1,487,500	2,625,000	65,002,331
Balance as at 31-12-2023	15,889,831	45,000,000	1,487,500	2,625,000	65,002,331
DEPRECIATIONS:-					
Depreciation Charge for the year	5,958,687	11,250,000	185,938	328,125	17,722,749
As at 31-12-2023					
Net Book Value as at 31-12-2023	9,931,144	33,750,000	1,301,563	2,296,875	47,279,582

MSHALE TANZANIA LIMITED
TAX COMPUTATION
FOR THE YEAR ENDED 31ST DECEMBER, 2023

PARTICULARS	AMOUNT
Profit(Loss) for the year	39,440,892
Add: Depreciation	<u>17,722,749</u>
	57,163,641
Less: Depricable allowance	<u>17,722,749</u>
Taxable Income	39,440,892
30% of Taxable Income	11,832,268
Less: Provision for the year	<u>2,000,000</u>
Tax Payables	<u>9,832,268</u>