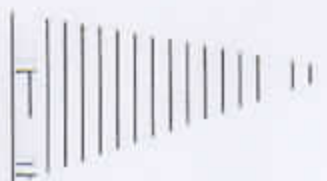


KIOO LIMITED
THE REPORT OF THOSE CHARGED WITH GOVERNANCE
AND
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2023



KIOO LIMITED
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AND
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2023



KIOO LIMITED

**THE REPORT OF THOSE CHARGED WITH GOVERNANCE
AND AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

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KIOO LIMITED

**THE REPORT OF THOSE CHARGED WITH GOVERNANCE AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

COMPANY INFORMATION

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Kioo Limited
P.O. Box 9273
Plot No. 180 Saza Road
Chang'ombe Industrial Area
Dar es Salaam

BANKERS/ FINANCIAL INSTITUTION

National Bank of Commerce Limited
Corporate Branch
P.O. Box 9062
Dar es Salaam

Standard Chartered Bank Tanzania Limited
Corporate Branch
P.O. Box 9011
Dar es Salaam

Citibank Tanzania Limited
Citibank House, Plot 1962
Toure Drive, Oysterbay
Dar es Salaam

Stanbic Bank Tanzania Limited
P.O. Box 72647
Kinondoni Road/Ali Hassan Mwinyi Road
Dar Es Salaam

The International Finance Corporation,
2121 Pennsylvania Avenue, NW,
Washington DC 20433

National Microfinance Bank
Oysterbay Branch
P.O Box 9213
Dar Es Salaam

COMPANY SECRETARY

Tanzania Registrars Limited
P.O. Box 2924
Dar es Salaam

AUDITORS

Ernst & Young, EY House
Plot No 162/1, Mzinga Way
14111, Oysterbay, P.O. Box 2475
Dar es Salaam – Tanzania

KIOO LIMITED

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

1. INTRODUCTION

The Directors present their report together with the audited financial statements for the year ended 31 December 2023, which disclose the state of affairs of the Company as at 31 December 2023 and the results of operations for the year then ended.

The financial statements for the year ended 31 December 2023 were authorized for issue in accordance with a resolution of the Directors.

2. INCORPORATION

The Company is incorporated in Tanzania under Companies Act, 2002 and domiciled in Tanzania as a limited liability private company whose shares are not publicly traded.

3. COMPANY VISION

To produce and supply Container Glass of International Quality to both Domestic and International Markets and pride ourselves with the "Made in Tanzania" mark.

4. COMPANY MISSION

- To serve our customers with timely supply of Glass Containers of International Quality and provide superior customer service;
- To ensure equal opportunities, encourage innovation and care for the environment; and
- To create value for all our stakeholders and be of service to the community around us.

5. PRINCIPAL ACTIVITIES

The principal activities during the year under review were manufacturing and sale of container glassware.

6. SHAREHOLDING

Shareholding for the Company is as below:

Name	Share (%)	No. of shares	Value (TZS)
Mr. K. M Madhvani	0.000002	24	480
Mr. S. M Madhvani	0.000002	23	460
African Developments Limited	99.999996	1,249,999,953	24,999,999,060
	100%	1,250,000,000	25,000,000,000

KIOO LIMITED

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

7. DIRECTORS

The directors of the Company who held office during the year and to the date of this report, except where otherwise stated were:

Name	Age	Qualification	Nationality	Date appointed
Mr. S. M. Madhvani Pro tem Chairman	55	Industrialist	British	14-09-09
Mr. K. M. Madhvani	69	Industrialist	British	14-09-09
Mr. Vinaykant Somaia	77	Professional Management	Tanzanian	21-06-17
Mr. Kumar Krishnan Alternate to Mr. K. M. Madhvani	59	Professional Management	Indian	14-09-09
Mr. N. M. Nsemwa	76	Financial Consultant	Tanzanian	14-09-09
Mr. N.P. Shimwela	76	Financial Consultant	Tanzanian	29-06-16
Ms Zuhura S. Muro	63	Management Consultant	Tanzanian	09-11-21

8. DIRECTOR'S INTEREST IN THE SHARES OF THE COMPANY

The Directors' interest in the shares of the Company is as follows:

Name	2023	2022
Mr. K. M Madhvani	24 shares	24 shares
Mr. S. M Madhvani	23 shares	23 shares

9. DIRECTORS' REMUNERATION

The remuneration for services rendered as non-executive directors of the Company in 2023 was TZS 78,823,531 (2022: TZS 51,604,107).

10. KEY MANAGEMENT PERSONNEL OF THE COMPANY

The key management personnel who served the Company during the year ended 31 December 2023 were:

Name	Title
Mr. Vineet Verma	General Manager
Mr. Dipen Patel	Financial Controller
Mr. Naresh Kumar	Plant Manager

KIOO LIMITED

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

11. CORPORATE GOVERNANCE

The Directors are committed to the principles of good corporate governance and recognize the need to conduct the business in accordance with generally accepted best practices. In so doing the Directors confirm that:

- The Board of Directors met regularly throughout the year. Seven meetings of the Board were held during the year 2023;
- These meetings review financial performance, corporate social responsibility, governance, strategy and budget, sales policies, health, safety and environment, Quality, Employee welfare, Capital projects and new developments among others.
- They retain full and effective control over the Company and monitor executive management;
- There are management committees in place for critical functions such as quality management, marketing and strategic planning;
- The Board accepts and exercises responsibility for strategic and policy decisions, the approval of budgets and the monitoring of performance; and
- They bring skills and experience from their own spheres of business to complement the professional experience and skills of the management team.

12. FUTURE DEVELOPMENT PLAN

The company has decided to increase its capacity to meet growing demand in the region and is investing in a third furnace. The project is expected to be completed in Q2 of 2025.

13. REVIEW OF THE BUSINESS

The company recorded a turnover of TZS 195.58 billion during 2023 compared with TZS 182.07 billion in 2022. In 2023 the company recorded the highest production and sales in its history. The company also expanded its export footprint in the region with new markets in Mozambique and South Africa.

14. GENDER PARITY

The Company is an equal opportunity employer. It gives equal access to employment opportunities and ensures that the best available person is appointed to any given position free from discrimination of any kind and without regard to factors like gender, marital status, tribes, religion and disability which does not impair ability to discharge duties. At 31 December 2023 the Company's distribution of employees by gender was:

	2023	2022
Male	529	540
Female	90	78
	619	618

KIOO LIMITED

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

15. MANAGEMENT OF THE COMPANY

The Company is under the supervision of the Board of Directors and the day to day management is entrusted to the General Manager.

The Board members comprise non-executive directors. The tenure of a Board member is three years. The members of the board are appointed by the shareholders.

The organization structure of the Company comprises the following departments which are headed by Managers:

- Sales and marketing;
- Finance and accounts;
- Plant operations and Quality Control;
- Quality Assurance;
- Administration, Human Resources, Health, Safety, Environment and Security.

16. RESULTS FOR THE YEAR

The results for the year are set out on page 16 and are summarized as follows:

	2023	2022
	TZS'000'	TZS'000'
Profit before tax	44,698,921	41,745,717
Income tax expense	(13,159,303)	(12,814,266)
Profit after tax	31,539,618	28,931,451

17. SOLVENCY EVALUATION

The directors have reviewed the current financial position of the Company and the existing long and short-term borrowings. On the basis of this review together with the current business plan, the directors are satisfied that the Company is a solvent going concern within the meaning ascribed by the Companies Act, 2002 of the laws of Tanzania and internationally accepted accounting principles.

18. GOING CONCERN CONSIDERATION

As of 31 December 2023, the Company had net current assets of TZS 3,941 million (2022: net current assets of TZS 18,438 million).

The Directors consider the Company's solvency position as shown on the statement of financial position set out on page 18 of these financial statements to be satisfactory. The financial statements have been prepared on a going concern basis which assumes that the Company will continue in operational existence for the foreseeable future.

KIOO LIMITED

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

19. CORPORATE SOCIAL RESPONSIBILITY

The Company maintains a 12 Km road at Vianzi village close to the sand mines which has assisted the villagers in the area. The company encourages supply of broken glass from local sources which is recycled. This has a positive impact on the environment. It also has a clinic at its factory premises which provides free medical services to its employees and their families. Additionally, during the year, the Company contributed.

- 65 desks of 3 seaters each for Vianzi Primary school.
- Construction of one classroom for Vianzi Primary school.
- Office chairs and tables, desktop, and printer for 29 teachers.
- Borewell pipe fitted, and pump installed for the girl's hostel for Vianzi Secondary school.
- 50 tables and 50 chairs for Vianzi Secondary school.
- Donation of 1,000 plants on world environment day.
- A Computer for patient records, Electrical wiring for 3 rooms, Borewell and Septic tank for Vianzi Dispensary.
- Assistance towards keeping Police Force Unit to help maintain security at the plant and the surrounding villages.

20. 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 behaviour towards all stakeholders.

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

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

21. RESERVES

At 31 December 2023, the Company had accumulated profits of TZS 52.82 billion compared with TZS 63.25 billion as at 31 December 2022.

KIOO LIMITED

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

22. POLITICAL AND CHARITABLE DONATIONS

During the year under review, the Company made donations and other contributions of a charitable nature valued at about TZS 7.50 million (2022: TZS 13.23 million). There were no political donations.

23. DIVIDEND

The Directors declared dividend of TZS 41.96 billion (including withholding tax) in respect of the year ended 31 December 2023 which was paid during 2023.

24. ENVIRONMENTAL MATTERS

The Company complied with standards of Industrial Safety and Environmental Regulations established by various authorities. The Company has already obtained OHSAS & FSSC Certifications.

25. EMPLOYEE WELFARE

a. Relationship between management and employees

A voluntary agreement entered into between the Tanzania Union of Industrial and Commercial Workers (TUICO) and management governs the relationship between the management and the employees.

b. Medical facilities

The Company has registered all its employees with the National Health Insurance Fund (NHIF) to avail medical treatment. It also runs a clinic 24 hours every day, open to all its employees to attend to emergencies or for minor medical issues.

c. Industrial safety

The Company has obtained OHSAS 18001:2007 certification and also OSHA compliance certification. With continuous focus on the use of protective gear and training, the Company significantly reduced the number of incidents that require medical treatment. The Company has in place firefighting equipment, health and safety policy statements, HIV/Aids policy and health and safety guidelines. All these policies meet the requirements of Occupational Health and Safety Act, 2003 and other relevant legislation concerning industrial safety.

d. Training

The Company's regular training activities continued in 2023. During 2023, 578 (2022: 321) staff members have undergone various Internal and External trainings. The Company has signed a memorandum of understanding with VETA for implementation of a technical skills program.

KIOO LIMITED

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

26. EMPLOYEE WELFARE (Continued)

e. Emoluments

Salary levels are adjusted annually within the Company's means after negotiations between TUICO and Management. During the year under review, average incomes of all permanent employees were above TZS 10 million per annum.

f. Employee benefits

All employees are members of National Social Security Fund (NSSF). The Company contributes 10% of salary of each employee to NSSF on behalf of all permanent employees. Retirement benefits payable under the National Social Security Fund are supplemented by severance allowances as per the Labour Laws.

27. DISABLED PERSONS

The Company has a policy of continued employment of employees who become disabled while in the company's service, as long as there is no danger to their life.

28. RELATED PARTY TRANSACTIONS

Details of related party transactions are as shown in Note 30 of the financial statements.

29. SUBSEQUENT EVENTS

There are no subsequent events that have occurred which are either to be disclosed or to be adjusted in the financial statements that could materially affect the financial statements.

30. CURRENT PERFORMANCE

The company's performance has been steady and it achieved its objectives for the current year in terms of sales and productivity. The company is able to deliver products which are of high quality to the satisfaction of the customers. The company has a robust management reporting system in place covering all aspects of performance.

31. BUDGET AND FORECAST FOR THE YEAR

For the year ended Dec 2023, the company has achieved sales of Tzs 195 billion against a budget of Tzs 206 billion. It has achieved a net profit after tax of Tzs 31.53 billion against the budget of Tzs 32.98 billion.

KIOO LIMITED

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

32. RESOURCES

The company's strengths and resources both tangible and intangible, available to the entity, which has assisted it in the pursuit of its objectives and which have created value over time are:

Human Resources;

The company has developed a team of skilled employees over the years through training and taking care of their well being. This has undoubtedly been a major contributor to the success of the company's performance. The relationship with the Trade Union has been cordial and the company was selected as the "Best Employer" for the year 2023 in Temeke Region by Tanzania Union Of Industrial and Commercial Workers (TUICO).

Social and Relationship Resources;

The company has excellent relationships with its customers, suppliers, government agencies and all external stakeholders. It regularly engages with all stakeholders and a grievances redressal mechanism is in place. The company is registered with the Tanzania Revenue Authority, National Environmental Management Council, Occupational Safety and Health Association, Tanzania Private Sector Foundation, Confederation of Tanzania Industries, Tanzania Bureau of Standards etc. and through them ensures the compliance of local regulations and laws.

The company also has certifications such as ISO 9001:2015 (Quality), ISO14001:2015 (Environmental management), ISO45001:2018 (Organizational Health and Safety) and FSSC22000 (Food Safety).

Natural Resources;

The company uses various natural resources to manufacture its products. The company procures its raw materials from established sources that have a credible track records in their respective countries of origin. Sand is mined by the company from licensed areas with a rehabilitation plan which is aligned with the relevant authorities.

33. KEY PERFORMANCE INDICATORS

The company has set benchmarks for productivity and daily efficiency. These are monitored daily.

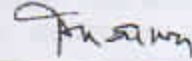

34. AUDITORS

Ernst & Young, EY House, 162/1 – Mzingo way, Oysterbay Peninsular Dar es Salaam the auditor of the Company for the financial year 2023 has expressed willingness to continue in office and is eligible for reappointment. A resolution proposing the reappointment of Ernst & Young as auditor of the Company for the year 2024 will be put to the Annual General Meeting in accordance with the provisions of the Companies Act.

KIOO LIMITED

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

BY ORDER OF THE BOARD

Name	Title	Signature
Naftal M. Nsemwa	Director	
Kumar Krishnan	Director	

Date: 20/02/ 2024

KIOO LIMITED

STATEMENT OF DIRECTOR'S RESPONSIBILITIES FOR THE YEAR ENDED 31 DECEMBER 2023

The Tanzanian Companies Act, 2002 requires the directors to prepare financial statements that present fairly, in all material respects, the state of financial affairs of the Company as at the end of the financial year and of the operating results for that year. It also requires the directors to ensure that the Company maintains proper accounting records which disclose with reasonable accuracy the financial position of the Company. The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud, error and other irregularities.

The Directors accept the responsibility for the financial statements which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS) and the manner required by the Tanzanian Companies Act, 2002. The Directors are of the opinion that the financial statements present fairly, in all material respects, the state of financial affairs of the Company and its financial results.

The Directors further accept responsibility for maintenance of accounting records which may be relied upon in the preparation of the financial statements, as well as on the adequacy of the systems of internal financial controls.

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

Name	Title	Signature
Naftal M. Nsemwa	Director	
Kumar Krishnan	Director	

Date: 20/02/ 2024

KIOO LIMITED

DECLARATION OF THE HEAD OF FINANCE ON THE FINANCIAL STATEMENTS
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 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 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 under Directors Responsibility statement on an earlier page.

I, **Dipen Patel**, being the Head of Finance of Kioo 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 give a true and fair view position of Kioo Limited as at 31 December 2023 and that they have been prepared based on properly maintained financial records.

Signature:  _____

Position: Finance Controller

NBAA Membership No.: GA 2316

Date: 20/02/2024



Ernst & Young
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Plot No. 162/1, Mzingu Way
14111 Oysterbay
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Fax: +255 22 2924043
E-mail: info.tanzania@tz.ey.com
www.ey.com
TIN: 100-149-222
VRN: 10-007372-Z

INDEPENDENT AUDITOR'S REPORT To the shareholders of Kioo Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Kioo Limited (the 'Company') set out on pages 14 to 59, which comprise the statement of financial position as at 31 December 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Kioo Limited as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2002 of Tanzania.

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 relevant to our audit of the financial statements in Tanzania, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information included in the Company's 2023 Annual Report

The other information comprises the Company Information, Directors' Report, Statement of Directors' Responsibilities and the Declaration by the Head of Finance. The other information does not include the financial statements and our auditor's report thereon. The directors are responsible for the other information.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT (Continued) **To the shareholders of Kioo Limited**

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2002 of Tanzania, 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.

The directors 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.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- 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.



INDEPENDENT AUDITOR'S REPORT (Continued)
To the shareholders of Kioo Limited

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

- We have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purpose of our audit;
- In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books;
- The Directors' Report is consistent with the financial statements;
- Information specified by law regarding directors' remuneration and transactions with the Company is disclosed; and,
- The Company's statement of financial position, statement of profit or loss and statement of comprehensive income are in agreement with the books of account.

The engagement partner on the audit resulting in this independent auditors' report is Neema Kiure Mssusa.

Signed by: Neema Kiure Mssusa (FCPA 1227)

For and on behalf of Ernst & Young
Certified Public Accountants
Dar es Salaam

Date: 23 February 2024

KIOO LIMITED

STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023	2022
		TZS' 000	TZS' 000
Revenue	7	195,589,899	182,074,686
Cost of sales	8	<u>(131,583,858)</u>	<u>(128,006,287)</u>
Gross profit		64,006,041	54,068,399
Other income	9	5,368,331	5,035,657
Selling and distribution income/(expenses)	10	(2,732,007)	430,327
Administrative expenses	11	<u>(12,915,861)</u>	<u>(12,143,890)</u>
Operating profit		53,726,504	47,390,493
Net foreign exchange gain/ (loss)	12	(3,394,688)	1,075,388
Finance cost	13	<u>(5,632,895)</u>	<u>(6,720,163)</u>
Profit before tax		44,698,921	41,745,717
Income tax expense	14	<u>(13,159,303)</u>	<u>(12,814,266)</u>
Profit after tax		<u>31,539,618</u>	<u>28,931,451</u>
Basic and diluted earnings per share (TZS)	23	<u>25</u>	<u>23</u>

KIOO LIMITED

STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023


	Notes	<u>2023</u>	<u>2022</u>
		TZS' 000	TZS' 000
Profit after tax for the year		31,539,618	28,931,451
Other comprehensive income			
		<u>-</u>	<u>-</u>
Total comprehensive income for the year, net of taxes		<u>31,539,618</u>	<u>28,931,451</u>

KIOO LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

ASSETS	Notes	2023	2022
		TZS' 000	TZS' 000
Non-current assets			
Property, plant and equipment	15	164,385,133	171,962,417
Intangible assets	16	1	1
Investment in Subsidiary	17	10,010	10,010
		<u>164,395,144</u>	<u>171,972,428</u>
Current assets			
Inventories	18	35,986,865	41,239,289
Trade and other receivables	19	43,844,382	55,970,957
Prepayments	20	7,138,826	3,296,993
Cash and cash equivalents	21	13,870,203	727,595
		<u>100,840,276</u>	<u>101,234,834</u>
Total Assets		<u>265,235,419</u>	<u>273,207,262</u>
EQUITY AND LIABILITIES			
Capital employed			
Issued share capital	22	25,000,000	25,000,000
Retained earnings		52,823,379	63,248,761
Advances from shareholders	24	24,436,833	22,093,575
Convertible equity notes	25	5,110,000	4,620,000
Total equity		<u>107,370,212</u>	<u>114,962,336</u>
Non-current liabilities			
Interest bearing loans and Supplier's credit	26	23,965,503	35,987,153
Deferred tax liability	14	37,001,037	39,461,161
		<u>60,966,540</u>	<u>75,448,314</u>
Current liabilities			
Trade and other payables	27	52,399,205	47,708,099
Due to related parties		2,986,715	2,643,853
Provisions	28	1,454,584	1,325,963
Corporate tax payable	14	2,035,700	4,856,205
Interest bearing loans and borrowings - current portion	26	38,022,464	26,262,491
		<u>96,898,667</u>	<u>82,796,612</u>
Total equity and liabilities		<u>265,235,419</u>	<u>273,207,262</u>

These financial statements were approved by the Board of Directors for issue on 20/01/2024 and signed on its behalf by:

Name: Naftal M Nsemwa Title: Director

Signature: 

Name: Kumar Krishnan Title: Director

Signature: 

KIOO LIMITED

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

	Share capital	Retained earnings	Total
	TZS' 000	TZS' 000	TZS' 000
At 1 January 2023	25,000,000	63,248,761	88,248,761
Profit for the year		31,539,618	31,539,618
Total comprehensive income		31,539,618	31,539,618
Dividends		(38,150,000)	(38,150,000)
Withholding tax paid		(3,815,000)	(3,815,000)
At 31 December 2023	25,000,000	52,823,379	77,823,379
At 1 January 2022	12,110,643	68,790,602	80,901,244
Profit for the year		28,931,451	28,931,451
Total comprehensive income	12,110,643	97,722,053	109,832,696
Dividends Paid		(18,450,000)	(18,450,000)
Withholding tax paid		(1,845,000)	(1,845,000)
Issue of Bonus shares	12,889,357	(14,178,292)	(1,288,936)
At 31 December 2022	25,000,000	63,248,761	88,248,761

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KIOO LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023

		2023	2022
		TZS' 000	TZS' 000
OPERATING ACTIVITIES			
Profit before tax		44,698,921	41,745,717
Adjustments to reconcile to profit:			
Depreciation of property, plant and equipment	8	9,795,017	10,451,243
Gain on disposal of assets	9	(25,259)	(26,074)
Working capital adjustments:			
Decrease/(Increase) in inventories		5,252,424	(7,428,792)
Decrease/(Increase) in trade and other receivables		12,126,576	(11,355,249)
(Increase)/Decrease in prepayments		(3,841,832)	2,127,913
Increase in trade and other payables		4,691,105	4,183,474
Increase in due to related parties		342,862	271,364
Increase in provisions		128,621	203,475
Cash generated from operating activities		73,168,434	40,173,070
Corporate tax paid	14 (d)	(18,439,933)	(9,247,006)
Net cash flows generated from operating activities		54,728,502	30,926,064
INVESTING ACTIVITIES			
Proceeds from sale of assets		25,259	26,074
Purchase of property, plant and equipment	15	(2,217,733)	(3,534,320)
Net cash flows used in investing activities		(2,192,474)	(3,508,246)
FINANCING ACTIVITIES			
Dividends Paid		(38,150,000)	(20,295,000)
Withholding tax paid		(3,815,000)	(1,288,936)
Repayments of Bank Loans		(261,678)	(6,848,203)
Convertible equity notes		490,000	20,000
Advances from shareholders		2,343,258	95,643
Net cash flows used in financing activities		(39,393,420)	(28,316,495)
Net decrease in cash and cash equivalents		13,142,608	(898,676)
Cash and cash equivalents at 1 January	21	727,595	1,626,271
Cash and cash equivalents at 31 December		13,870,203	727,595

KIOO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

1. CORPORATE INFORMATION

The financial statements of Kioo Limited, (the Company) for the year ended 31 December 2023 were authorised for issue by the directors. Kioo Limited is a limited liability company incorporated under the Tanzanian Companies Act, 2002 and is domiciled in Tanzania. The registered office of the company is located at Plot No. 180 Road, Chang'ombe Industrial Area in Dar es Salaam.

The Company is principally engaged in manufacturing and selling of glassware containers.

2. BASIS OF PREPARATION

These financial statements have been prepared on a historical cost basis, except property, plant and equipment, derivative financial instruments, debt and equity financial assets and contingent consideration that have been measured at fair value. The carrying values of recognised assets and liabilities that are designated as hedged items in fair value hedges that would otherwise be carried at amortised cost are adjusted to recognise changes in the fair values attributable to the risks that are being hedged in effective hedge relationships. The financial statements are presented in Tanzanian Shillings (TZS) and all values are rounded to the nearest thousands (TZS' 000) except where otherwise indicated.

Statement of Compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as Issued by the International Accounting Standards Board (IASB).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires the management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Other disclosures relating to the Company's exposure to risks and uncertainties include:

- Capital management
- Financial instruments risk management and policies
- Sensitivity analyses disclosures

Judgments

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

Operating lease commitments – Company as a lessee

The Company has entered into lease agreements for residential houses. The company has determined that it does not retain significant risks and rewards of ownership of these properties and so accounts for them as operating leases.

Valuation of cullet

Cullet is valued based on volume, height and size of the area. Management made significant judgments in the determination of the value of cullet.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as shown below.

Impairment of non-financial assets

The Company assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When the value in use calculations are undertaken, management must estimate the expected future cash flows from the assets or cash-generating unit and choose a suitable discount rate in order to calculate the present value of that cash flow.

Valuation of work in process

It is a prevalent practice not to provide for work in process. The quantity in the furnace is not material and it is not possible to estimate its state, as it is in the form of molten glass only in and around area of the throat and at different stages at different parts of the furnace. Being relatively immaterial, work in process is not accounted for.

Post-employment benefits

The Company entered into a voluntary agreement with Tanzania Union of Industrial, Commercial, Financial Institutes, Services and Consultancy workers (TUICO), in which the Company is required to pay post employment benefits to employees on retirement. Based on section 19 of the voluntary agreement, this states that "An employee who is being terminated by the employer not on disciplinary grounds will be paid all his/her legal benefits. In addition, he/she will be considered for payment of gratuity as stated in clause 3(a) at the discretion of employer". Based on clause 3(a) the directors have ascertained and provided in the books the gratuity provision only for staff who will be due to retire in year 2023.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Provision for expected credit losses of trade receivables

The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period,
Or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2023**

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Current versus non-current classification (Continued)

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period

Or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

b) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability

Or

- In the absence of a principal market, in the most advantageous market for the asset or liability the principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Fair value measurement (Continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

c) Revenue recognition

The Company is in the business of manufacturing of glassware containers. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

Revenue from sale of glassware containers is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the equipment at the customer's location.

The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, customer loyalty points). In determining the transaction price for the sale of glass containers, the Company considers the effects of variable consideration, existence of a significant financing component, noncash consideration, and consideration payable to the customer (if any).

(i) Variable consideration

If the consideration in a contract includes a variable amount, the Company estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Revenue recognition (Continued)

(ii) Significant financing component

The Company receives advance payments from some customers. There is a significant financing component for these contracts considering the length of time between the customers' payment and the transfer of the equipment, as well as the prevailing interest rate in the market.

(iii) Non-cash consideration

The fair value of non-cash consideration received from the customer is included in the transaction price and measured when the Company obtains control. The Company estimates the fair value of the non-cash consideration by reference to its market price. If the fair value cannot be reasonably estimated, the non-cash consideration is measured indirectly by reference to the stand-alone selling price.

Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

Trade receivables

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to the accounting policies on financial assets.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Company performs under the contract.

Cost to obtain a contract

The Company pays sales commission for certain contracts. These commissions are linked to the supplies made to the customer against the contract and are expensed during the year in which the supplies are made.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2023**

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Foreign currency transactions

The financial statements are presented in TZS, which is the company's functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

e) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

f) Property, plant and equipment

Property, plant and equipment are initially recognised at cost and subsequently measured at fair value less accumulated depreciation and accumulated impairment losses. Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Such cost includes the cost of replacing part of the plant and equipment when that cost is incurred, if the recognition criteria are met. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment, as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit and loss as incurred.

Any revaluation surplus is credited to the assets revaluation reserve included in the equity section of the statement of financial position, except to the extent that it reverses a revaluation decrease of the same asset previously in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

Annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to the retained earnings.

KIOO LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2023**

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Property, plant and equipment (Continued)

Depreciation is calculated on a straight-line basis over the useful life of the assets as follows:

Items	Rate
Building and structures	2%
Plant, machinery and equipment	3%
Refractories	12.5%
Motor vehicles	20%
Trucks and lorries	20%
Furniture and equipment	7.5%

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual values, useful lives and methods of depreciating property, plant and equipment are reviewed, and adjusted if appropriate, at each financial year end. When each major inspection is performed, its cost is recognised in the carrying amount of property, plant and equipment as a replacement if the recognition criteria are satisfied.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

g) Inventories

Inventories are stated at the lower of cost and net realizable value. Costs incurred in bringing each product to its present location and condition, are accounted for as follows:

Raw materials – purchase cost on first in first out basis;

Finished goods and work in progress – cost of direct materials and labour and a proportion of manufacturing overheads based on normal capacity but excluding borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

KIOO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2023

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i. Financial assets

Initial recognition and measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Financial Instruments (Continued)

Financial assets at amortised cost (debt instruments)

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

Financial assets at fair value through OCI (debt instruments)

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired

Or

- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Impairment of financial assets

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Financial Instruments (Continued)

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are 90 days past due, and have been monitored for an additional period of 275 days. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

ii. Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, and borrowings.

Subsequent measurement

After initial recognition, trade and other payables, and interest-bearing borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Financial instruments (Continued)

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

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

i) Impairment of non-financial assets

At each reporting date, the Company assesses whether there is an indication that a non-financial asset may be impaired. If any such indication exists, or when annual impairment testing for a non-financial asset is required, the Company makes an estimate of the asset's recoverable amount. The Company determines the recoverable amount based on the higher of its fair value less cost to disposal, and its value in use, for individual assets, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Where no comparable market information is available, the fair value less cost to disposal is determined based on the estimated future cash flows discounted to their present value using a discount rate that reflects current market conditions for the time value of money and risks specific to the asset.

j) Investment in subsidiary

The investment in subsidiary is measured at cost in the Company's separate financial statement. The Company determines at each reporting date whether there is any objective evidence that the investment in the subsidiary is impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the investment and its carrying value and recognises the amount in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less.

l) Operating lease

The determination of whether the arrangement is, or contains a lease is based on the substance of the arrangement at the inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

m) Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The Company uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments, as well as forward commodity contracts for its exposure to volatility in the commodity prices.

n) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

The expense relating to any provision is presented in profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

The expense relating to any provision is presented in profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2023**

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

o) Taxes

Current income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted by the reporting date. The current rate of taxation is 30%.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carry forward of unused tax credits and tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that at the time of transaction, affects neither accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2023**

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

o) Taxes (Continued)

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

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

The Company offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Value added tax

Expenses and assets are recognised net of the amount of value added tax, except:

- When the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of value added tax included

The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

p) Interest bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

KIOO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2023

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

q) Employee benefits

Defined contribution plan

The Company is registered with the Public Service Social Security Fund (PSSSF) and National Social Security Fund (NSSF) to which both employee and employer contribute. Company's contributions to the Funds are charged to income statement in the year to which they relate.

Post-employment obligations

The Company has an unfunded non-contributory employee benefit scheme (the "Arrangement") based on the terms of the joint voluntary agreement between Kioo Limited and Tanzania Union of Industrial, Commercial, Financial Institutes, Services and Consultancy workers (TUICO), which provide for following benefits on retirement for qualified employees:

- An amount equivalent to one month and a half of the basic salary for every completed year of service, this will be paid to the retiree as gratuity;
- Payment of TZS 2,000,000 as ex-gratia;
- Transport for the employee and his/her family to the place of domicile of TZS 2,000,000; and
- Transportation for employee's personal effect to the place of domicile of TZS 2,000,000.

Due to the facts stated above, provision for post-employment benefit has been made only to cover employees who will be due to retire in year 2023.

5. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Standards which became effective during the year

KIOO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2023

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023 (unless otherwise stated). The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply. The overall objective of IFRS 17 is to provide a comprehensive accounting model for insurance contracts that is more useful and consistent for insurers, covering all relevant accounting aspects. IFRS 17 is based on a general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

The new standard had no impact on the Company's financial statements.

Definition of Accounting Estimates - Amendments to IAS 8

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the Company's financial statements.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 and IFRS Practice Statement 2 *Making Materiality Judgements* provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments have had an impact on the Company's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Company's financial statements.

5. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

Standards which became effective during the year (Continued)

Deferred Tax related to Assets and Liabilities arising from a Single Transaction –

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2023**

Amendments to IAS 12

The amendments to IAS 12 *Income Tax* narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities.

The amendments had no impact on the Company's financial statements.

International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12

The amendments to IAS 12 have been introduced in response to the OECD's BEPS Pillar Two rules and

include:

- A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The mandatory temporary exception – the use of which is required to be disclosed – applies immediately. The remaining disclosure requirements apply for annual reporting periods beginning on or after 1 January 2023, but not for any interim periods ending on or before 31 December 2023.

The amendments had no impact on the Company's financial statements as the Company is not in scope of the Pillar Two model rules as its revenue is less than EUR 750 million/year.

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 of standards and interpretations issued are those that the Company reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Company intends to adopt these standards, if applicable, when they become effective. In these financial statements, the Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IFRS 16: *Lease Liability in a Sale and Leaseback*

In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16. Earlier application is permitted, and that fact must be disclosed. The amendments are not expected to have a material impact on the Company's financial statements.

5. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

Standards which are not effective (Continued)

Amendments to IAS 1: *Classification of Liabilities as Current or Non-current*

In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

In May 2023, the IASB issued amendments to IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments*:

Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted but will need to be disclosed.

The amendments are not expected to have a material impact on the Company's financial statements.

KIOO LIMITED

NOTES TO THE AUDITED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

	2023	2022
	TZS' 000	TZS' 000
7 REVENUE FROM CONTRACTS WITH CUSTOMERS		
Sale of glass containers	206,219,892	187,807,318
Less: commissions and discounts	(10,629,993)	(5,732,632)
	<u>195,589,899</u>	<u>182,074,686</u>
Revenue is recognised net of discounts, freight and rebates.		
8 COST OF SALES		
Materials consumed	60,627,466	56,439,431
Power and fuel	27,845,037	27,527,664
Direct expenses	33,316,338	33,587,949
Depreciation of property, plant and equipment	9,795,017	10,451,243
	<u>131,583,858</u>	<u>128,006,287</u>
9 OTHER INCOME		
Leasing income	5,288,485	4,958,505
Sale of Scrap	54,588	51,078
Gain on disposal of assets	25,259	26,074
	<u>5,368,331</u>	<u>5,035,657</u>
10 SELLING AND DISTRIBUTION EXPENSES/(INCOME)		
Export handling and freight outward charges	2,007,638	(1,499,537)
	<u>2,007,638</u>	<u>(1,499,536)</u>
Handling and loading expenses	693,339	1,040,475
Selling expenses	30,775	28,634
Carriage and cartage outward	255	100
	<u>2,732,007</u>	<u>(430,327)</u>
11 ADMINISTRATIVE EXPENSES		
Skills and Development Levy and gratuity	199,609	209,596
Salaries and wages	3,681,221	3,350,837
Social security contribution	353,600	322,470
Other staff costs	276,065	361,237
Administrative expenses	2,851,341	2,705,713
Rental, rates and taxes	2,963,143	2,385,053
Legal expenses	45,052	156,266
Directors' fees	78,824	51,604
Auditors' fees	65,251	86,099
Insurance cost	1,328,550	1,471,064
Vehicle maintenance cost	1,073,206	1,043,952
	<u>12,915,861</u>	<u>12,143,890</u>

KIOO LIMITED

NOTES TO THE AUDITED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

	2023	2022
	TZS' 000	TZS' 000
12 NET FOREIGN EXCHANGE LOSS/(GAIN)		
Realised exchange gain on operations	(3,398,110)	(1,316,881)
Unrealised foreign exchange loss	6,792,798	241,493
	<u>3,394,688</u>	<u>(1,075,388)</u>
13 FINANCE COST		
Interest on bank borrowings & other charges	494,313	1,209,888
Interest on term loans	2,872,208	3,380,094
Interest on shareholders loan	2,266,375	2,130,181
	<u>5,632,895</u>	<u>6,720,163</u>
14 TAXATION		
a) Current tax		
i) Statement of profit or loss		
Current income tax charge	15,826,984	12,480,286
Previous year taxes	(207,557)	277,008
Deferred tax charge/(credit)	(2,460,124)	56,974
	<u>13,159,303</u>	<u>12,814,266</u>
b) Reconciliation of tax expense to tax based on accounting profit:		
Accounting profit before taxation	44,698,921	41,745,717
Tax applicable rate of 30%	13,409,676	12,523,715
<i>Tax effect on non taxable/non deductible items:</i>		
Disallowable expenses	2,252	3,969
Prior year tax assessed	(207,557)	277,006
Under provision of deferred tax previous years	(45,068)	9,575
	<u>13,159,303</u>	<u>12,814,266</u>

KIOO LIMITED

NOTES TO THE AUDITED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

	2023	2022
	TZS' 000	TZS' 000
14 TAXATION (Continued)		
c) Deferred tax (asset)/liability		
The net deferred tax asset is attributable to the following items:-		
Accelerated depreciation for tax purposes	130,673,462	132,043,724
Revaluation of cash flow hedges		
Other timing difference	(7,336,671)	(506,520)
	<u>123,336,792</u>	<u>131,537,204</u>
Deferred tax liabilities thereon at 30%	37,001,037	39,461,161
Less: Balance as at 1 January	39,461,161	39,404,188
Net deferred tax charge/(credit) for the period	<u>(2,460,124)</u>	<u>56,974</u>
Reconciliation of deferred tax liabilities, net		
Tax expense during the year recognised on P&L	(2,460,124)	56,974
Tax income during the year recognised in Other Comprehensive Income		
	<u>(2,460,124)</u>	<u>56,974</u>
d) Tax (recoverable)/payable		
As at 1 January	4,856,205	1,345,920
Tax charged	15,826,984	12,480,286
Prior year tax assessed	(207,557)	277,006
Tax paid	(18,439,933)	(9,247,006)
	<u>2,035,700</u>	<u>4,856,205</u>

KIOO LIMITED

NOTES TO THE AUDITED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

15 PROPERTY, PLANT AND EQUIPMENT

	Buildings TZS' 000	Machinery and equipment TZS' 000	Furniture and fixtures TZS' 000	Motor vehicles TZS' 000	Capital work in progress TZS' 000	Total TZS' 000
Cost						
At 1 January 2023	34,733,723	246,791,178	1,064,851	18,752,260	82,668	301,424,681
Additions	372,100	1,221,677	76,672	13,559	533,725	2,217,733
Disposal	-	-	-	(240,602)	-	(240,602)
At 31 December 2023	35,105,823	248,012,855	1,141,523	18,525,218	616,393	303,401,811
Depreciation						
At 1 January 2023	12,251,867	101,222,616	935,008	15,052,772	-	129,462,264
Charge for the year	697,201	7,564,562	59,357	1,473,896	-	9,795,017
Disposal	-	-	-	(240,602)	-	(240,602)
At 31 December 2023	12,949,069	108,787,178	994,365	16,286,066	-	139,016,678
Carrying amount						
31 December 2023	22,156,754	139,225,676	147,158	2,239,152	616,393	164,385,133

a) Assessment of fair value of Property plant and equipment were performed by M&R Agency Limited in February 2015 and no material changes in fair value were identified, therefore no adjustment of fair value changes was made during the year.

b) All movable and immovable assets of the Company are secured by a charge ranking pari-passu and registered in favour of National Bank of Commerce , Citi Bank Tanzania Limited, Standard Chartered Bank Tanzania Limited and International Finance Corporation.

KIOO LIMITED

NOTES TO THE AUDITED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

15 PROPERTY, PLANT AND EQUIPMENT

COMPANY

	Buildings	Machinery and equipment	Furniture and fixtures	Motor vehicles	Capital work in progress	Total
	TZS' 000	TZS' 000	TZS' 000	TZS' 000	TZS' 000	TZS' 000
Cost						
At 1 January 2022	34,093,399	243,850,175	1,025,871	19,011,307	191,680	298,172,433
Additions	191,761	37,408	38,980	23,025	3,243,145	3,534,320
Transfers	448,563	2,903,594			(3,352,157)	
Disposal	-	-	-	(282,072)	-	(282,072)
At 31 December 2022	34,733,723	246,791,178	1,064,851	18,752,260	82,668	301,424,681
Depreciation						
At 1 January 2022	11,568,518	93,723,661	902,000	13,098,914		119,293,093
Charge for the year	683,349	7,498,955	33,008	2,235,930		10,451,243
Disposal	-	-	-	(282,072)	-	(282,072)
At 31 December 2022	12,251,867	101,222,616	935,008	15,052,772	-	129,462,264
Carrying amount						
31 December 2022	22,481,856	145,568,562	129,843	3,699,488	82,668	171,962,417

a) Assessment of fair value of Property plant and equipment were performed by M&R Agency Limited in February 2015 and no material changes in fair value were identified, therefore no adjustment of fair value changes was made during the year.

b) All movable and immovable assets of the Company are secured by a charge ranking pari-passu and registered in favour of National Bank of Commerce, Citi Bank Tanzania Limited, Standard Chartered Bank Tanzania Limited and International Finance Corporation.

KIOO LIMITED

NOTES TO THE AUDITED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

	2023	2022
	TZS' 000	TZS' 000
16 INTANGIBLE ASSETS		
Cost		
As at 1 January	35,715	35,715
Addition	-	-
As at 31 December	35,715	35,715
Accumulated amortisation		
As at 1 January	35,714	35,714
Charge for the year	-	-
As at 31 December	35,714	35,714
Carrying amount	1	1
17 INVESTMENT IN SUBSIDIARY		
Investment in 99.80% Share Capital of Equator Logistics Limited	10,010	10,010
	10,010	10,010
18 INVENTORIES		
Raw materials and other consumables	22,956,490	31,211,970
Stores and spare parts	9,728,808	7,873,153
Finished goods	3,301,567	2,154,165
	35,986,865	41,239,288

The inventories are valued at the lower of cost and net realisable value.

19 TRADE AND OTHER RECEIVABLES

Trade receivables	42,839,565	55,419,008
Other receivable	1,004,817	551,950
	43,844,382	55,970,957

Trade receivables are non-interest bearing and are generally on 30-95 days' credit terms.

At 31 December 2023 there were no receivables that were impaired.

KIOO LIMITED**NOTES TO THE AUDITED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2023**

	<u>2023</u>	<u>2022</u>
	TZS' 000	TZS' 000
19 TRADE AND OTHER RECEIVABLES (Continued)		
As at 31 December 2023, the aging analysis of trade receivables is as follows:		
Due for less than 30 days	18,232,393	19,871,345
30 days to 60 days	13,629,513	11,858,590
60 days to 90 days	7,356,938	10,403,571
90 days to 120 days	3,445,544	9,497,592
Due for more than 120 days	175,176	3,787,910
	<u>42,839,565</u>	<u>55,419,008</u>

Receivables which are past due but not impaired at 31 December 2023: NIL (2022: NIL). These are not impaired because in the opinion of the directors, the amount will be recoverable within a reasonable time and the effect of time value is not material.

20 PREPAYMENTS

VAT refund		347,676
Advances and deposits	7,138,826	2,949,317
	<u>7,138,826</u>	<u>3,296,993</u>

21 CASH AND CASH EQUIVALENTS

Cash at hand	36,969	42,463
Bank balances	13,833,234	685,132
	<u>13,870,203</u>	<u>727,595</u>

Cash at banks earns interest at floating rates based on daily bank deposit rates.

KIOO LIMITED

NOTES TO THE AUDITED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

	2023	2022
	TZS' 000	TZS' 000
22 ISSUED SHARE CAPITAL		
Authorised		
3,750,000,000 Ordinary shares of TZS 20 each (2022 - 1,249,525,000 Shares)	75,000,000	24,990,500
35,000 Ordinary shares of TZS 100 each		3,500
60,000 7 % Redeemable cumulative preference shares of TZS 100 each		6,000
	<u>75,000,000</u>	<u>25,000,000</u>
Issued and fully paid up		
1,250,000,000 Ordinary shares of TZS 20 each (2022 - 605,057,173 Shares)	25,000,000	12,101,143
644,467,827 Bonus Ordinary shares of TZS 20 each		12,889,357
35,000 Ordinary shares of TZS 100 each		3,500
60,000 7 % redeemable cumulative preference shares of TZS 100 each		6,000
	<u>25,000,000</u>	<u>25,000,000</u>

The 7% cumulative preference shares carried the following rights:

(i) For dividends, a right to a fixed dividend of 7 % out of the profits of any year and if there are insufficient profits in that year to pay the full amount of dividend, any arrears of dividend of a particular year shall be made up out of future profits in priority to any dividends on other classes of shares. This right has been waived.

(ii) For redemption, these shares on a winding up or repayment of capital carry a preferential right to be repaid the amount of capital have paid up or deemed to have been paid up.

(iii) For redemption, these shares shall be redeemable at the discretion of the Board of Directors of the Company.

(iv) In 2023 these shares are converted into Ordinary Share of Tzs 20/- per share

KIOO LIMITED

**NOTES TO THE AUDITED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2023**

	2023	2022
	TZS' 000	TZS' 000

23 EARNINGS PER SHARE

Basic and diluted earnings per share amounts are calculated by dividing net profit for the year attributable to Ordinary Equity holders of the company by the weighted average number of Ordinary shares outstanding during the year.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

Net profit attributable to ordinary Equity holders	31,539,618	28,931,451
Weighted average number of Ordinary shares	1,250,000,000	1,249,525,000
Basic and diluted earnings per share (TZS)	<u>25</u>	<u>23</u>

24 ADVANCES FROM SHAREHOLDER

Shareholder's Loans	24,436,833	22,093,575
	<u>24,436,833</u>	<u>22,093,576</u>

a) As at 31 December, 2023, the Company owed US \$ 9,564,318.21 as Shareholder's Loan. Date of repayment is not yet determined by the Directors.

25 CONVERTIBLE EQUITY NOTES - AFRICAN DEVELOPMENT LTD

Convertible equity notes	<u>5,110,000</u>	<u>4,620,000</u>
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a) As at 31 December, 2023, the Company owed US \$ 2,000,000 under Convertible Equity Notes. Effective 1 January 2011 the conversion and redemption dates have been extended to 1 January 2025. The Notes carry interest at the rate of 8% per annum at the option of the note holder.

KIOO LIMITED

**NOTES TO THE AUDITED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2023**

	<u>2023</u>	<u>2022</u>
	TZS' 000	TZS' 000
26 INTEREST BEARING LOANS AND SUPPLIERS CREDIT		
Term Loan (USD) International Finance Corporation	8,197,226	11,646,191
Term Loan (Tsh) International Finance Corporation	6,545,685	10,278,459
Term Loan (USD) International Finance Corporation(New)	21,291,666	23,100,000
Term Loan (USD) from Standard Chartered Bank		2,598,750
Suppliers' Credit	609,786	1,051,364
Less: Current Portion	(12,678,861)	(12,687,611)
Long term portion - Due after one year	<u>23,965,503</u>	<u>35,987,152</u>
Current portion	12,678,861	12,687,611
Import Invoice Financing	20,964,687	8,443,110
Bank Overdraft -NBC (TZS)	1,170,651	
Bank Overdraft -Stanchart (TZS)		64,996
Bank Overdraft -Stanchart (USD)	2,149,585	656,005
Bank Overdraft -Citi (TZS & USD)	430,955	3,852,708
Bill Discount- Canara Bank/BOB	627,725	558,061
	<u>38,022,464</u>	<u>26,262,491</u>

Loan from International Finance Corporation (New) : (10 million US Dollars)

- (i) The principal amount outstanding was Usd 8.33 million due as of Dec 2023
- ii) The interest on the USD 7 million loan is fixed at 4.981% and USD 3 million is fixed at 5.1945% per annum
- iii) There was a moratorium till Dec 2021 and repayment of principal started in Jan 2023 payable in quarterly instalments upto October 2028

KIOO LIMITED**NOTES TO THE AUDITED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2023****26 INTEREST BEARING LOANS AND BORROWINGS (Continued)****Loan from Standard Chartered Bank Tanzania Ltd - (1.5 million US Dollars)**

(i) The principal outstanding is NIL.

Loan from International Finance Corporation : (21 million US Dollars)

(i) The principal amount outstanding was Usd 3.20 million and TZS 6.54 billion due as of Dec 2023

ii) The interest on the USD loan is LIBOR plus 3.92% which has been fixed from Sept 2020 at 4.291% and for the TZS denominated loan it is fixed at 12.14% per annum.

iii) There was a moratorium till Dec 2020 and repayment of principal started in Dec 2020 payable in quarterly instalments upto October 2026 .

27 TRADE AND OTHER PAYABLES

Trade payables	40,556,165	25,209,712
Accruals	13,134,870	19,855,733
VAT Payable	430,234	
Advance received for forward sales	1,264,651	5,286,509
	<u>55,385,920</u>	<u>50,351,954</u>

Trade payables are non-interest bearing and are normally settled in 30-90 days' terms.

28 PROVISION FOR GRATUITY

At 1 January	1,325,963	1,122,488
Charge during the year	230,351	265,027
Paid during the year	(101,729)	(61,551)
At 31 December	<u>1,454,584</u>	<u>1,325,963</u>

The Company has ascertained and provided in the books the gratuity provision required in terms of clause 19.3 of voluntary agreement with the employees amounting to TZS 1.325 billion (2022: TZS 1.122 billion). No actuarial valuation has been performed as the directors believes that gratuity is payable within a short-term and not affected by time and demographic factors.

29 COMMITMENTS AND CONTINGENCIES**Operating leases commitments - Company as lessee**

The lease rentals for the staff houses are paid in advance for the complete lease periods. No rental payments were remaining outstanding as at 31 December 2023.

Capital commitments

The Company has entered into commercial lease of staff houses. The lease has an average life of 1 year. As at 31 December 2023, the Company had not prepaid rent of land. Rent is paid on annual basis.

Rental expenses recognised during year	<u>1,777,957</u>	<u>1,369,829</u>
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KIOO LIMITED

NOTES TO THE AUDITED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2023

30 RELATED PARTY DISCLOSURE

The ultimate holding parent company is African Developments Ltd, the Company registered and domiciled in Turks & Caicos Islands. There were no transactions between the Company and the ultimate holding company during year 2023 (2022: Nil). Equator Logistics Ltd is a subsidiary company. During the year the Company has earned lease rentals of Tzs 5,061.24 Million (2022 Tzs 5,599.55 Million) from it and has incurred expense of Tzs 16,975.49 Million (2022: Tzs 13,419.24 Million) towards transportation services rendered by it. The net amount payable at the end of the year to Equator Logistics is Tzs 2.31 Billion (2022:Tzs 1.63 Billion).

Receivables from Equator Logistics Limited		
Payable to Equator Logistics	2,986,715	2,643,853

Directors' remuneration

Non Executive Directors of the Company were paid remuneration of TZS 78,823,531.20 in year 2023. (2022: TZS 51,604,107.20)

Key management compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company.

	2023	2022
	TZS' 000	TZS' 000
Remuneration	988,539	823,853
Social Security Costs	98,854	82,385
	<u>1,087,393</u>	<u>906,238</u>

31 ASSETS PLEDGED AS SECURITY

All movable and immovable assets of the Company are secured by a charge ranking pari-passu and registered in favour of National Bank of Commerce, Citi Bank Tanzania Limited ; Standard Chartered Bank Tanzania Limited and International Finance Corporation.

KIOO LIMITED

**NOTES TO THE AUDITED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2023**

32 EMPLOYEES BENEFITS

The Company contributes to a pension scheme administered by National Social Security Fund (NSSF). The scheme are defined contribution plans.

	<u>2023</u>	<u>2022</u>
	<u>TZS' 000</u>	<u>TZS' 000</u>
The company contributions during the year are as follows:		
National Social Security Fund (NSSF)	1,414,402	1,289,878
	<u>1,414,402</u>	<u>1,289,878</u>

At year-end there was no amount payable to relevant authorities.

Average number of employees for the year	619	618
- of which females are	90	78

33 CAPITAL MANAGEMENT

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders and/or return capital to shareholders.

No changes were made in the objectives, policies or processes during the year end 31 December 2023.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company's policy is to keep the gearing ratio between 30% and 50%. The Company includes within net debt, interest bearing loans and borrowings less cash and cash equivalents.

KIOO LIMITED

NOTES TO THE AUDITED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

	2023	2022
	<u>TZS' 000</u>	<u>TZS' 000</u>
33 CAPITAL MANAGEMENT (Continued)		
Interest bearing loans and Supplier's Credit (Note 26)	48,117,763	61,522,049
Net debts	48,117,763	61,522,049
Equity and other capital employed	107,370,212	114,962,336
Capital and net debt	155,487,975	176,484,385
Gearing ratio	31%	35%

34 POST BALANCE SHEET EVENTS

There are no subsequent events that have occurred which are either to be disclosed or to be adjusted in the financial statements that could materially affect the financial statements.

KIOO LIMITED

NOTES TO THE AUDITED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

35 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company has exposure to the following risks from its use of financial instruments: Credit risk, Liquidity risk and Market risk.

a. Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a different currency from the Company's functional currency).

Foreign currency risk is managed at an operational level and monitored by the Finance division. Exposure to losses from foreign liabilities is managed through prompt payment of outstanding liabilities and forward purchase of foreign currencies.

The following table demonstrates the sensitivity to possible changes in the exchange rate between the Tanzanian Shilling and foreign currencies (mainly US dollar; other currencies are considered to be immaterial), with all other variables held constant, of the Company's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/decrease in the value of TZS vs. other currencies	Effect on profit before tax TZS'000	Effect on equity TZS'000
Net effect based on financial year end as at 31 December 2023	10%	(3,901,425)	(3,901,425)
	-10%	3,901,425	3,901,425

The Company sensitivity analysis has been determined based on net transaction exposure as at 31 December 2023, a change in 10% is used when the net foreign currency transaction risk reported internally to key management personnel to assess reasonably possible change in foreign exchange rates.

The various currencies to which the Company is exposed at 31 December 2023 are summarised.

KIOO LIMITED

NOTES TO THE AUDITED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

35 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

a. Foreign currency risk (Continued)

	Exposure in GBP	Exposure in Euro	Exposure in USD	Total Exposure
Assets				
Trade & Other Receivables			42,839,565	42,839,565
Cash and Cash equivalents	-	5,446,840	8,110,129	13,556,968
		5,446,840	50,949,694	56,396,533
Liabilities				
Term Loans			29,488,893	29,488,893
Trade and Other Payables	59,460	(2,092,488)	11,570,882	9,537,853
	59,460	(2,092,488)	41,059,774	39,026,746

	Exposure in GBP	Exposure in Euro	Exposure in USD
Exchange rate during the year were as follows			
On 1 January 2023	2,800	2,500	2,310
On 31 December 2023	3,400	2,900	2,555
On 1 January 2022	3,100	2,600	2,300
On 31 December 2022	2,800	2,400	2,310

b. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates.

The Company has adopted a non- speculative approach to the management of interest rate risk through the use of overdraft facilities and short term loans.

KIOO LIMITED

**NOTES TO THE AUDITED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2023**

35 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

c. Credit risk management

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily for trade receivables).

The Company trades only with recognised credit worthy parties. Receivables balances are monitored on an ongoing basis with the result that Company's exposure to bad debts is not significant.

Aging analysis of the receivables is shown below

Age of receivables	<30 days	30 to 60 days	60 to 90 days	90 days and above	Total
As at 31 December 2023	18,232,393	13,629,513	7,356,938	3,620,720	42,839,565
As at 31 December 2022	19,871,345	11,858,590	10,403,571	13,285,502	55,419,008

d. Liquidity risk

Liquidity risk is the risk that suitable sources of funding for the company's business activities may not be available and thus the Company being unable to fulfil its existing and future cash flow obligations. The Company has set the finance department which among other functions, monitors the maturity gap of the company's assets against maturing liabilities.

The Company's objective is to maintain a balance between continuity of fund and flexibility through the use of bank overdrafts and bank loans.

KIOO LIMITED

NOTES TO THE AUDITED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

35 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Year ended 31 December 2023	On demand	Less than 3 months	3 - 12 months	1-5 years	Total
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
Interest-bearing loans and borrowings			38,022,464	23,355,716	61,378,180
Convertible equity notes				5,110,000	5,110,000
Suppliers' term credits				609,786	609,786
Trade and other payables	-	16,029,823	3,221,611	-	19,251,434
	-	16,029,823	41,244,074	29,075,503	86,349,400
Year ended 31 December 2022	On demand	Less than 3 months	3 - 12 months	1-5 years	Total
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
Interest-bearing loans and borrowings			26,262,491	35,987,153	62,249,644
Convertible equity notes				4,620,000	4,620,000
Suppliers term credits				1,051,364	1,051,364
Trade and other payables	-	18,145,130	465,058	-	18,610,188
	-	18,145,130	26,727,548	41,658,516	86,531,195

KIOO LIMITED

**NOTES TO THE AUDITED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2023**

36 FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company adopted the amendment to IFRS 7 for financial instruments that are measured in the balance sheet at fair value; this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2);

Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair value.

Set out below is a comparison by class of the carrying amounts and fair value of the Company's financial instruments that are carried in the financial statements in 2023 and 2022.

	Carrying amount		Fair value	
	2023	2022	2023	2022
	TZS'000	TZS'000	TZS'000	TZS'000
Financial assets (Current)				
Trade and other receivables	43,844,382	55,970,957	43,844,382	55,970,957
Cash and short-term deposits	13,870,203	727,595	13,870,203	727,595
Total	57,714,585	56,698,553	57,714,585	56,698,553

KIOO LIMITED

**NOTES TO THE AUDITED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2023**

36 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

	Carrying amount		Fair value	
	2023	2022	2023	2022
	TZS'000	TZS'000	TZS'000	TZS'000
Financial liabilities (Current & Non-current)				
Interest-bearing loans and borrowings	61,987,966	62,249,644	61,987,966	62,249,644
Non-interest bearing suppliers' credits				
Trade and other payables	53,853,789	49,034,063	53,853,789	49,034,063
Total	115,841,755	111,283,707	115,841,755	111,283,707

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Cash and short-term deposits, trade receivables, trade payables, interest-bearing loans and borrowings, convertible equity notes and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

<u>Company</u>	2023	Level 2	2022	Level 2
	TZS '000	TZS '000	TZS '000	TZS '000
Financial assets:				
Trade and other receivables	43,844,382	43,844,382	55,970,957	55,970,957
Cash and bank balances	13,870,203	13,870,203	727,595	727,595
	57,714,585	57,714,585	56,698,552	56,698,552
Financial liabilities:				
Interest-bearing loans and borrowings	61,987,966	61,987,966	62,249,644	62,249,644
Non-interest bearing suppliers' credits				
Trade and other payables	53,853,789	53,853,789	49,034,063	49,034,063
	115,841,755	115,841,755	111,283,707	111,283,707