

PRANCE INTERNATIONAL TRADE CO. LIMITED

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

PRANCE INTERNATIONAL TRADE CO. LIMITED

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

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PRANCE INTERNATIONAL TRADE CO. LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

COMPANY'S INFORMATION

A: Board of directors

The directors of the Company at the date of this report who held office since 1st January 2021 are:-

Name	Position	Nationality	
Mr. Lixin Wang	Chairman	Chinese	Appointed 4-Jan-2021
Mr. Zhang Long	Director	Chinese	
Mr. Sun Shaohua	Director	Chinese	

B: Company secretary

Ms. Miriam E. A. Chellangwa
House 25, Plot 41, Kinondoni
Dar es Salaam

C: Registered office

Plot 578, Swami Street, Block 15
P.O. Box 38009
Dar es Salaam

D: Independent auditors

Philip & Co.
Certified Public Accountants,
NIC Life House, Sokoine Drive/ Ohio Street
P.O. Box 12884
Dar es Salaam

E: Principal Bankers

CRDB Bank Plc	Azikiwe Branch
Diamond Trust Bank Limited	
Equity Bank Tanzania Limited	
National Bank of Commerce	
Standard Chartered Bank Tanzania Limited	International House Branch

PRANCE INTERNATIONAL TRADE CO. LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2021

1. The Directors present their report together with the audited financial statements for the year ended 31 December 2021 which disclose the state of affairs of the Company.

2. INCORPORATION

Prance International Trade Co. Limited is incorporated in Tanzania under the Tanzanian Companies Act as a private company limited by shares, and is domiciled in Tanzania. The address of the registered office is set out on page 1.

3. PRINCIPAL ACTIVITIES

The Company's planned principal activity is of manufacturing, import and export of building materials (nails and wires) and detergents.

4. OPERATIONAL RESULTS AND DIVIDENDS

The Company suffered a loss after tax of Tshs 256 million (2020: Tshs 223 million). The directors do not recommend the declaration of dividend for the year.

5. ADMINISTRATIVE MATTERS

The directors are capable of handling all administrative matters.

6. RELATED PARTY TRANSACTIONS

Related party transactions are disclosed in note 8 to these financial statements.

7. SOLVENCY

The Company's state of affairs as at 31 December 2021 is set out on page 9 of these financial statements. The directors consider the company to be solvent within the meaning ascribed by the Companies Act 12.

8. DIRECTORATE

The directors of the Company who held office during the year and to the date of this report are set out on page 1.

9. DIRECTORS' INTERESTS IN THE COMPANY

Mr Zhang Long and Mr Sun Shaohua hold 360 shares (0.02%) and 240 shares (0.01%), respectively, interests in the issued shares of the Company.

PRANCE INTERNATIONAL TRADE CO. LIMITED

**REPORT OF THE DIRECTORS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2021**

10. AUTHORIZED AND ISSUED SHARE CAPITAL

The authorized share capital of the Company is Tshs. 10,000,000,000 and the issued share capital is Tshs. 10,000,000,000. The face value of each ordinary share is Tshs. 5,000.

11. SHAREHOLDING

Shareholding in the Company's issued share capital is as follows:

Name	P'age	No of shares	Value in Tshs'000
Mr Zhang Long	0.02%	360	1,800
Mr Sun Shaohua	0.01%	240	1,200
Bordar Group Limited	99.97%	1,999,400	9,997,000
	<u>100%</u>	<u>2,000,000</u>	<u>10,000,000</u>

12. DIRECTORS' EMOLUMENTS

There are no any emoluments in form of salaries, directors' fees nor were board expenses paid to the directors during the year.

13. POLITICAL AND CHARITABLE DONATIONS

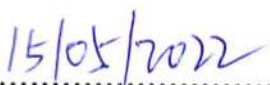
The Company had not made any political donations during the year.

14. AUDITORS

The auditors, Philip & Co, have expressed their willingness to continue in office and are eligible for re-appointment.

BY ORDER OF THE BOARD


.....
DIRECTOR


.....
DATE

PRANCE INTERNATIONAL TRADE CO. LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31 DECEMBER 2021

The Company's directors are responsible for the preparation of financial statements that give a true and fair view of Prance International Trade Co. Limited comprising the statement of financial position as at 31 December 2021, statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2002.

The Company's directors are also responsible for such internal controls 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, and for maintaining adequate accounting records and an effective system of risk management.

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

The Directors have made an assessment of the Company's ability to continue as a going concern, in the light of this review and the current financial position, they are satisfied that the company has or has access to adequate resources to continue in operational existence for the foreseeable future.

The auditors are responsible for reporting on whether the financial statements give a true and fair view in accordance with the applicable financial reporting framework.

Approval of the financial statements

The financial statements of Prance International Trade Co. Limited as identified in the first paragraph were approved by the Board of Directors on ...15/05/2022... and were signed on its behalf by:



Zhang Long
Director

PRANCE INTERNATIONAL TRADE CO. LIMITED

**DECLARATION OF THE ACCOUNTANT ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

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 Directors 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 Directors as under Directors Responsibility statement on an earlier page.

I, Sigfrid Kayouba, having reviewed the financial statements of Prance International Trade Co. Limited hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31 December 2021 have been prepared in compliance with applicable accounting standards and statutory requirements.

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

Signed by: Sigfrid Kayouba

Position: Accountant

NBAA Membership No.: ACPA 1739

Date: 19/5/2022

**REPORT OF THE AUDITORS
TO THE MEMBERS OF PRANCE INTERNATIONAL TRADE CO. LIMITED**

Report on the Financial Statements

Opinion

We have audited the financial statements of Prance International Trade Co. Limited ("the Company"), set out on pages 9 to 24 which comprise the statement of financial position as at 31 December 2021, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Prance International Trade Co. Limited as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act, 2002.

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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report.

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

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the financial statements. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Responsibilities of Directors for the Financial Statements

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

In preparing the financial statements, 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 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 financial reporting process

**REPORT OF THE AUDITORS (CONTINUED)
TO THE MEMBERS OF PRANCE INTERNATIONAL TRADE CO. LIMITED**

Auditors' Responsibilities for the Audit of the financial Statements

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

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

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

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

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

**REPORT OF THE AUDITORS (CONTINUED)
TO THE MEMBERS OF PRANCE INTERNATIONAL TRADE CO. LIMITED**

Report on Other Legal and Regulatory Requirements

As required by the Companies Act, CAP 212 Act No. 12 of 2002, we report that:

- In our opinion, proper accounting records have been kept by Prance International Trade Co. Limited;
- the individual accounts are in agreement with the accounting records of the Company;
- and
- we obtained all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.



Lukonge G Mhandagani ACPA 0343
For and on behalf of **Philip & Co.**
Certified Public Accountants
Dar es Salaam

Date: 21/05/2022

PRANCE INTERNATIONAL TRADE CO. LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Notes	2021 TShs '000	2020 TShs '000
ASSETS			
Property, plant and equipment	2	37,004,998	29,735,744
Current assets			
Stocks	3	6,200,533	3,843,236
Debtors	4	5,195,134	2,818,291
Cash and cash equivalents	5	446,365	501,685
Total current assets		<u>11,842,032</u>	<u>7,163,212</u>
Total assets		<u>48,847,030</u>	<u>36,898,956</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	6	10,000,000	5,003,000
Accumulated losses		(3,011,545)	(2,755,382)
Total equity		<u>6,988,455</u>	<u>2,247,618</u>
Non-current liabilities			
Term loan	7 (a)	4,670,888	7,779,302
Current liabilities			
Term loan – current maturities	7 (a)	3,240,924	3,397,833
Short term loan	7 (b)	2,288,134	2,198,142
Creditors	8	20,609,649	7,388,190
Related party – directors' current account	13	11,048,979	13,887,871
Total current liabilities		<u>37,187,687</u>	<u>26,872,035</u>
Total equity and liabilities		<u>48,847,030</u>	<u>36,898,956</u>

The financial statements on pages 9 to 24 were approved by the Board of Directors on... 15/05/2022 and were signed on its behalf by:

.....
Director

Report of the auditors – pages 6 to 8.

PRANCE INTERNATIONAL TRADE CO. LIMITED

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME FOR THE YEAR ENDED 31 DECEMBER 2021**

	Notes	2021 TShs '000	2020 TShs '000
Revenue		33,001,201	22,165,481
Cost of sales	10	(28,219,815)	(18,202,835)
Gross profit / (loss)		4,781,386	3,962,646
Operating costs	11	(3,952,892)	(3,268,876)
Finance charges	12	(992,625)	(916,917)
Profit /(loss) from operations		(164,131)	(223,147)
Other income / (loss on asset disposal)		(48,946)	-
Profit /(loss) before tax		(213,077)	(223,147)
Taxation	9	(43,086)	-
Profit /(loss) for the year		(256,163)	(223,147)
Earnings / (loss) per share		(0.1)	(0.22)

The notes on pages 13 to 24 form part of these financial statements.

PRANCE INTERNATIONAL TRADE CO. LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Share capital TShs '000	Retained earnings/(loss) TShs '000	Total TShs '000
At 1 January 2020	3,000	(2,493,883)	(2,490,883)
Allotment of shares	5,000,000	-	5,000,000
Prior year adjustment	-	(38,352)	(38,352)
Profit / (loss) for the year	-	(223,147)	(223,147)
At 31 December 2020	<u>5,003,000</u>	<u>(2,755,382)</u>	<u>2,247,618</u>
At 1 January 2021	5,003,000	(2,755,382)	2,247,618
Allotment of shares	4,997,000	-	4,997,000
Profit / (loss) for the year	-	(256,163)	(256,163)
At 31 December 2021	<u>10,000,000</u>	<u>(3,011,545)</u>	<u>6,988,455</u>

The notes on pages 13 to 24 form part of these financial statements.

FRANCE INTERNATIONAL TRADE CO. LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021**

	2021	2020
	TShs '000	TShs '000
Cash flow from operating activities		
Profit / (loss) for the year	(213,077)	(223,147)
Adjustment for non-cash items: depreciation	3,776,282	3,204,931
: loss on asset disposal	48,946	(38,352)
Operating loss before changes in working capital items	3,612,151	2,943,433
Working capital changes		
Increase in stocks	(2,357,298)	(1,341,678)
Decrease /(increase) in debtors	(2,307,543)	(505,446)
(Increase)/decrease in directors' account	(2,838,892)	(797,590)
(Decrease) / increase in creditors	13,221,460	(17,769,772)
	9,329,879	(17,471,054)
Tax paid	(112,386)	(4,800)
Net cash flows from / (used)operating activities	9,217,493	(17,475,854)
Cash flows used investing activities		
Purchase of fixed assets	(11,148,059)	(537,242)
Proceeds from sale of assets	54,338	-
	(11,094,482)	(537,242)
Cash flows from financing activities		
Allotment of shares	4,997,000	5,000,000
Long and short term loans	(3,175,331)	13,375,277
	1,821,669	18,375,277
Net cash flows movement for the year	(55,320)	362,180
Cash and cash equivalent as at 1 January	501,685	139,505
Cash and cash equivalents as at 31 December	446,365	501,685

The notes on pages 13 to 24 form part of these financial statements.

PRANCE INTERNATIONAL TRADE CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES

1.1 Reporting entity

Prance International Trade Co. Limited (the 'Company') is a Company domiciled in Tanzania. The financial statements of the Company are for the year ended 31st December 2021.

The principal accounting policies adopted in the preparation of these financial statements are set out below:

1.2 Significant accounting policies

(a) Basis of preparation

The financial statements of Company have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS.

The financial statements of the Company have been prepared in accordance with IFRS. These financial statements have been prepared under the historical cost basis except where otherwise stated in the accounting policies below. The financial statements are presented in Tanzania Shillings (TZS), rounded to the nearest thousand.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements.

(b) Changes in accounting policies and disclosures

International Financial Reporting Standards and amendments effective for the first time for December 2019 year-end

AMENDMENTS TO IFRS 9 – 'Financial instruments' on prepayment features with negative compensation and modification of financial liabilities.

The narrow-scope amendment covers two issues:

PRANCE INTERNATIONAL TRADE CO. LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in accounting policies (continued)

AMENDMENTS TO IFRS 9 – CONTINUED

The amendments allow companies to measure particular prepayment financial assets with so-called negative compensation at amortised cost or at fair value through other comprehensive income if a specified condition is met—instead of at fair value through profit or loss. It is likely to have the biggest impact on banks and other financial services entities.

How to account for the modification of a financial liability. The amendment confirms that most such modifications will result in immediate recognition of a gain or loss. This is a change from common practice under IAS 39 today and will affect all kinds of entities that have renegotiated borrowings.

Annual periods beginning on or after 1 January 2019.

AMENDMENTS TO IFRS 9, FINANCIAL INSTRUMENTS.

IAS 39, Financial Instruments: Recognition and Measurement and IFRS 7, Financial Instruments: Disclosure – Interest rate benchmark reform

These amendments provide certain reliefs in connection with interest rate benchmark reform (IBOR). The reliefs relate to hedge accounting and have the effect that IBOR should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement.

Annual periods beginning on or after 1 January 2020 (early adoption is permitted) (Published September 2019).

IFRS 16 – LEASES

This standard replaces the current guidance in IAS 17 and is a far-reaching change in accounting by lessees in particular.

Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a ‘right-of-use asset’ for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees.

For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard.

PRANCE INTERNATIONAL TRADE CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

1'. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in accounting policies (continued)

At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

IFRS 16 supersedes IAS 17, 'Leases', IFRIC 4, 'Determining whether an Arrangement contains a Lease', SIC 15, 'Operating Leases – Incentives' and SIC 27, 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'.

Annual periods beginning on or after 1 January 2019 – earlier application permitted if IFRS 15 is also applied. (published January 2016)

AMENDMENTS TO IAS 19, 'EMPLOYEE BENEFITS' ON PLAN AMENDMENT, CURTAILMENT OR SETTLEMENT.

These amendments require an entity to:

Use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and

Recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus (recognized or unrecognized). This reflects the substance of the transaction, because a surplus that has been used to settle an obligation or provide additional benefits is recovered. The impact on the asset ceiling is recognized in other comprehensive income, and it is not reclassified to profit or loss the impact of the amendments is to confirm that these effects are not offset.

Annual periods on or after 1 January 2019 (issued February 2018)

ANNUAL IMPROVEMENTS CYCLE 2015-2017

These amendments include minor changes to:

- IFRS 3, 'Business combination' - a company re-measures its previously held interest in a joint operation when it obtains control of the business.
- IFRS 11, 'Joint arrangements', - a company does not re-measure its previously held interest in a joint operation when it obtains joint control of the business.
- IAS 12, 'Income taxes' - The amendment clarified that the income tax consequences of dividends on financial instruments classified as equity should be recognized according to where the past transactions or events that generated distributable profits were recognized.
- IAS 23, 'Borrowing costs' - a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

PRANCE INTERNATIONAL TRADE CO. LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

1'. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in accounting policies (continued)

IFRIC 23, 'UNCERTAINTY OVER INCOME TAX TREATMENTS'

IFRIC 23 provides a framework to consider, recognise and measure the accounting impact of tax uncertainties. The Interpretation provides specific guidance in several areas where previously IAS 12 was silent. The Interpretation also explains when to reconsider the accounting for a tax uncertainty. Most entities will have developed a model to account for tax uncertainties in the absence of specific guidance in IAS 12. These models might, in some circumstances, be inconsistent with IFRIC 23 and the impact on tax accounting could be material. Management should assess the existing models against the specific guidance in the Interpretation and consider the impact on income tax accounting.

Annual periods beginning on or after 1 January 2019 (Published 7 June 2017).

AMENDMENT TO IAS 1, 'PRESENTATION OF FINANCIAL STATEMENTS' AND IAS 8, 'ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS' ON THE DEFINITION OF MATERIAL.

These amendments to IAS 1 and IAS 8 and consequential amendments to other IFRSs:

- use a consistent definition of materiality through IFRSs and the Conceptual Framework for Financial Reporting;
- clarify the explanation of the definition of material; and
- incorporate some of the guidance in IAS 1 about immaterial information.

The amended definition is:

"Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

Annual periods beginning on or after 1 January 2020.

1.3 Revenue recognition

Sales are recognized to the extent that it is probable that economic benefits will flow to the company and sales can be reliably measured. Sales are recognized when goods leave the factory, go-downs and/or shops, and they are reported net of output vat and trade discounts.

PRANCE INTERNATIONAL TRADE CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

1'. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.4 Plant and equipment

Plant and equipment are initially recorded at cost and thereafter stated at historical cost less depreciation, less any cumulative assets impairment. Depreciation is calculated on a straight-line basis, at annual rates estimated to write off the assets over their expected useful lives at the following annual rates:-

Land	none
Buildings	5%
Motor vehicles	25%
Plant and machinery	12.5%
Computers	37.5%
Furniture & fittings	12.5%

Depreciation is charged from the date an asset is put into use and cease from the date an asset is de-recognized from the books of account.

1.5 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at face value. Cash and cash equivalents include cash in hand and demand and term deposits, with maturities of three months or less from the date of acquisition, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts.

1.6 Translation of currencies

(i) *Functional and presentation currency*

The financial statements are presented in Tanzanian Shillings, which is the Company's functional, and presentation currency.

(ii) *Transaction balances*

Transactions during the year, which are denominated in foreign currencies, are translated into Tanzanian Shillings at the rates of exchange ruling on the transaction date. Monetary assets and liabilities at the balance sheet date, which are expressed in foreign currency, are translated into Tanzanian Shillings at the exchange rate ruling on the Balance Sheet date. The resulting differences from conversion and translation are dealt with in the income statement in the year in which they arise.

PRANCE INTERNATIONAL TRADE CO. LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

1'. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.7 Stocks

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw material, direct labour, other direct costs and related production overheads based on normal operating capacity, but exclude borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

1.8 Impairment of financial assets

At the balance sheet date an assessment is made of whether there is any evidence of impairment of financial assets. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss recognized in the income statement for the difference between the recoverable amount and the carrying amount.

1.9 Income tax

Income tax expense is the aggregate amount charged / (credited) in respect of current income tax and deferred income tax in determining the profit or loss for the year. Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the Tanzanian Income Tax Act.

1.10 Comparative figures

Where necessary comparative figures have been adjusted/reclassified to conform with changes in presentation in the current year

PRANCE INTERNATIONAL TRADE CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

2. PROPERTY, PLANT AND EQUIPMENT

	Land Tshs'000	Buildings Tshs'000	Machinery & equipment Tshs'000	Motor vehicles Tshs'000	Furniture & fittings Tshs'000	Total Tshs'000
Cost						
At 1 January 2021	1,780,737	10,145,078	20,604,553	311,317	354,416	33,196,101
Additions	-	-	11,111,956	36,864	-	11,148,820
Disposals	-	-	(102,542)	(11,780)	(6,983)	(121,305)
At 31 December 2021	1,780,737	10,145,078	31,613,967	336,401	347,433	44,223,615
Depreciation						
At 1 January 2021	-	543,526	2,785,239	83,598	47,994	3,460,357
Charge for the year	-	507,254	3,141,499	84,100	43,429	3,776,282
Disposals	-	-	(13,886)	(3,190)	(945)	(18,022)
At 31 December 2021	-	1,050,780	5,912,852	164,508	90,477	7,218,617
At 31 December 2021	1,780,737	9,094,298	25,701,114	171,893	256,955	37,004,998
At 31 December 2020	1,780,737	9,601,552	17,819,314	227,718	306,422	29,735,744

PRANCE INTERNATIONAL TRADE CO. LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

3. STOCKS

	2021	2020
	TShs '000	TShs '000
Raw materials	5,033,490	3,843,236
Finished goods / products	1,119,954	-
Goods in transit (prepaid duties/wharfage)	47,090	-
	<u>6,200,533</u>	<u>3,843,236</u>

4. DEBTORS

Trade debtors	1,924,130	-
Trade creditors (with Dr balances)	1,445,549	989,907
Corporation tax – recoverable (note 9)	84,875	15,575
Vat receivable	1,739,590	1,812,810
Prepaid expenses - vat	990	-
	<u>5,195,134</u>	<u>2,818,291</u>

5. CASH AND CASH EQUIVALENTS

Cash	17,415	12,949
Bank balances	77,914	137,736
Fixed deposit (\$150,000)	351,000	351,000
	<u>446,365</u>	<u>501,685</u>

6. SHARE CAPITAL

Authorized share capital: 2,000,000 Ordinary shares of TShs 5,000 each	<u>10,000,000</u>	<u>10,000,000</u>
Issued and fully paid: 2,000,00 Ordinary shares of TShs 5,000 each	<u>10,000,000</u>	<u>5,003,000</u>

PRANCE INTERNATIONAL TRADE CO. LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

7. TERM LOANS

(a) Term loan

	2021	2020
	TShs '000	TShs '000
Standard Chartered Bank Tanzania Ltd – 1 st Tranche	5,804,245	8,223,914
Standard Chartered Bank Tanzania Ltd – 2 nd Tranche	1,953,236	2,740,500
Standard Chartered Bank Tanzania Ltd – 3 rd Tranche	154,330	212,718
	<u>7,911,812</u>	<u>11,177,135</u>
Term loan current maturities – payable within one year	<u>(3,240,924)</u>	<u>(3,397,302)</u>
	<u>4,670,888</u>	<u>7,779,302</u>

Standard Chartered Bank Tanzania Limited granted a loan facility of US\$ 5,600,000 in April 2020. The loan was drawn down in 3 tranches consisting of: 1st tranche of US\$ 4,150,000; 2nd tranche of US\$ 1,350,000; and 3rd tranche of US\$ 100,000 in May – June 2020. The loan bears an annual 5% over LIBOR interest and the principal drawdown sums are repayable in 48 equal monthly instalments of US\$116,667 consisting of 1st tranche US\$ 86,458.33, 2nd tranche US\$ 28,125; and 3rd tranche US\$ 2,083.33 with effect from June 2020 through to February 2024. The loan facility is secured by a debenture over all assets of the Company and by a joint legal mortgage over the Company's Industrial property located on plots 1, 2, and 3, Block 'A' Zagowali, Kibaha Township.

(b) Short term financing facility

	2021	2020
	TShs '000	TShs '000
Standard Chartered Bank Tanzania Limited	<u>2,288,134</u>	<u>2,198,142</u>

The Standard Chartered Bank Tanzania Limited availed an import letter of credit (and import invoice financing) facility, combined not to exceed US\$ 3,000,000 to the Company in April 2020. The credit facilities bear 6.5% per annum interest over libor. The credit facilities are secured by a debenture over company's assets and by a joint legal mortgage over the Company's Industrial property located on plots 1, 2, and 3, Block 'A' Zagowali, Kibaha Township.

8. CREDITORS

	2021	2020
	TShs '000	TShs '000
Trade creditors	20,527,459	6,009,134
Trade debtors (with credit balances)	79,517	1,379,056
Taxes payable (PAYE)	2,674	-
	<u>20,609,649</u>	<u>7,388,190</u>

PRANCE INTERNATIONAL TRADE CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

9. TAXATION

	2021	2020
	TShs '000	TShs '000
At 1 January	(15,575)	(10,775)
Corporate tax – for previous years	43,086	-
Current year tax	-	-
Tax paid	<u>(112,386)</u>	<u>(4,800)</u>
At 31 December (note 4)	<u>(84,875)</u>	<u>(15,575)</u>

10. COST OF SALES

Opening stock	3,843,236	2,501,557
Purchases and related costs	<u>24,081,450</u>	<u>11,500,973</u>
	27,924,686	14,002,530
Closing stock - materials	<u>(5,003,490)</u>	<u>(3,843,236)</u>
Raw materials consumed and factory overhead cost	22,891,196	10,159,294
Production (factory) -energy and water	1,599,583	4,672,371
Factory staff salaries and labour costs	1,707,490	795,624
Depreciation – plant & machinery	<u>3,141,449</u>	<u>2,575,546</u>
Cost of goods produced	29,339,769	18,202,835
Closing stock	<u>(1,119,954)</u>	<u>-</u>
Cost of sales / goods produced & sold	<u>28,219,815</u>	<u>18,202,835</u>

Cost of sales include the cost of stock of raw materials consumed and related costs, as well as factory overhead incurred in bringing such stocks to their final state and location.

II. OPERATING COSTS

Administrative and office supplies	23,831	41,218
Advertising	9,085	56,510
Agency fee	-	25,529
Consulting and audit fee	57,165	10,998
Authorities (OSHA & TBS) inspection	41,028	32,184
Canteen expenses	<u>432,341</u>	<u>252,334</u>
Sub-total balance carried forward to page 23	<u>563,450</u>	<u>418,733</u>

PRANCE INTERNATIONAL TRADE CO. LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

11 OPERATING COSTS (continued)

	2021	2020
	TShs '000	TShs '000
Sub-total balance brought forward from page 22	563,450	418,733
City service levy	86,437	65,342
Consulting	-	8,706
Depreciation – on buildings, vehicles, furniture	634,783	629,385
Factory daily maintenance	369,878	251,193
Fines and penalties	99,988	-
General expenses	-	3,357
Industry (factory) general running expenses	343,621	638,718
Insurance - factory	166,476	42,747
Land rent	13,681	12,146
License, permits, certificates / regulations fee	8,919	134,053
Loading expenses	-	95,573
Machine repairs	132,294	93,055
Medical expenses / first aid kits	13,571	9,962
Motor vehicle running expenses	181,593	33,592
Piece work - wages for casual labourers	-	295,081
Skills and development levy	35,265	30,749
Security guard expenses	61,692	60,641
Staff welfare	21,822	1,666
Telephone and internet	56,362	45,691
Transport expenses	877,161	194,462
Travelling and accommodation	69,786	2,746
Visa and permits	180,143	84,454
Waste disposal	29,172	118,840
Workers Contribution Fund	6,798	4,943
	<u>3,952,892</u>	<u>3,268,876</u>

FRANCE INTERNATIONAL TRADE CO. LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

12. FINANCE CHARGES

	2021	2020
	TShs '000	TShs '000
Bank charges	14,218	11,885
Discounts received	-	(50)
Finance cost – interest on loans	939,468	761,430
Foreign currency exchange (gain) / loss	38,940	143,652
	<u>992,625</u>	<u>916,917</u>

13. RELATED PARTY DISCLOSURES

The following transactions were carried out with related parties

Directors' current account: due (from)/to	<u>11,048,979</u>	<u>13,887,871</u>
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14. CAPITAL COMMITMENTS

In the opinion of the directors there were no capital commitments at 31 December 2021.

15. CONTINGENT LIABILITIES

In the opinion of the directors there were no contingent liabilities as at 31 December 2021.