

**LYAWERE COMPANY LIMITED**  
**ANNUAL REPORTS AND FINANCIAL STATEMENTS**  
**31 DECEMBER 2022**

LYAWERE COMPANY LIMITED  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2022

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**COMPANY INFORMATION**

<b>DIRECTORS</b>	<b>Name</b>	<b>Position</b>	<b>Nationality</b>
	Gasper E. Tesha	Chief Executive Officer	Tanzanian
	Gloria E. Tesha	Executive director	Tanzanian
	Mercy R. Koka	Director	Tanzanian
	Godhelp E. Tesha	Director	Tanzanian
	Diana E. Tesha	Director	Tanzanian

**REGISTERED OFFICE** : Bains Avenue off Chole Road,  
**AND PRINCIPAL PLACE OF BUSINESS** : Masaki, Msasani Peninsula  
: Dar es Salaam  
: P.O. Box 6290  
: Tanzania

**COMPANY SECRETARY** : Gasper E Tesha  
: Dar es Salaam  
: P.O. Box 6290  
: Tanzania

**INDEPENDENT AUDITOR** : Sibe Financial Services  
: Certified Public Accountants (Tanzania)  
: P.O. Box 62951  
: Dar es Salaam

**PRINCIPAL BANKERS** : Eco Bank  
: Dar Es Salaam

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**REPORT OF THE DIRECTORS**

The Directors present their report together with the audited financial statements of Lyawere Company Limited (the “Company”) for the year ended 31 December 2022 which disclose the state of affairs of the Company as at that date.

**INCORPORATION**

Lyawere Company Limited is a limited liability company which was incorporated in the United Republic of Tanzania on 21st April 2012 under the Companies Act, 2002 with certificate of incorporation number 87645 as a company limited by shares.

**COMPANY'S VISION**

To be the leading provider of end-to-end logistics and supply chain solutions in Tanzania and beyond.

**COMPANY'S MISSION**

To deliver high-quality, customized and cost-effective services in haulage and logistics, mining and industrial supplies, forwarding, and fuel and gas to our clients across various sectors.

**PRINCIPAL ACTIVITIES**

The principal activity of the company is that of import and trading oil, haulage and logistics, mining industrial supplies.

**FINANCIAL RESULTS**

During the year the company had a net loss for the year of TShs 2,091,610,133 (previous year profit - TShs 90,468,823).

**DIVIDEND**

The Board of Directors did not declare dividend during the year ended 31st December 2022.

**SOLVENCY**

The state of affairs of the Company as at 31 December 2022 are set out on page 11 of the financial statements. The Board of Directors confirms that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis. The Board of Directors has reasonable expectation that the Company will have adequate resources to continue in operational existence for the foreseeable future.

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**COMPOSITION OF THE BOARD OF DIRECTORS**

The directors who held office during the year and at the date of this report are shown as follows:

<b>Name</b>	<b>Nationality</b>	<b>Position</b>	<b>Age</b>	<b>Appointment</b>
Gaspar E. Tesha	Tanzanian	CEO	38	21.04.2012
Gloria E. Tesha	Tanzanian	Director	36	21.04.2012
Mercy R. Koka	Tanzanian	Director	65	21.04.2012
Godhelp E. Tesha	Tanzanian	Director	40	21.04.2012
Diana E. Tesha	Tanzanian	Director	34	21.04.2012

In accordance with the company's Articles of Association, no director is due for retirement by rotation.

**DIRECTOR'S INTEREST**

The directors hold a direct interest in the issued and paid up share capital of the company as disclosed below.

**CAPITAL STRUCTURE AND SHAREHOLDING**

The authorised share capital of the company is 2,000 shares of TShs 1,000,000 each. The issued and fully paid up share capital is 1,000 shares at discount rate of TZS 5,000 each. The shareholders of the company with their respective shareholdings is as follows:

<b>Name of shareholders</b>	<b>2022</b>	<b>2021</b>
	Number of ordinary shares	Number of ordinary shares
Gaspar E. Tesha	400	400
Gloria E. Tesha	100	100
Mercy R. Koka	200	200
Godhelp E. Tesha	200	200
Diana E. Tesha	100	100
	<b>1000</b>	<b>1000</b>

**CORPORATE GOVERNANCE**

The Board of Lyawere Company Limited consists of 5 Director, Chief Executive Officer, and the other directors who holds an executive position in the Company. The Board takes overall responsibility for the Company, including responsibility for identifying key risk areas, considering and monitoring investment decisions, considering significant financial matters, and reviewing the performance of management business plans and budgets. The Board is also responsible for ensuring that a comprehensive system of internal control policies and procedures is operative, and for compliance with sound corporate governance principles.

The Board is required to meet at least four times a year. The Board delegates the day to day management of the business to Managing Director assisted by senior management. Senior Management is invited to attend board meetings and facilitates the effective control of all the Company's operational activities, acting as a medium of communication and coordination between all the various business units.

The company is committed to the principles of effective corporate governance .The directors also recognize the importance of integrity, transparency and accountability. During the year the Board of Lyawere Company Limited has the following board sub-committees to ensure a high standard of corporate governance throughout the company.

## **RISK MANAGEMENT AND INTERNAL CONTROL**

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

- The effectiveness and efficiency of operations;
- The safeguarding of the Company's assets;
- Compliance with applicable laws and regulations;
- The reliability of accounting records;
- Business sustainability under normal as well as adverse conditions; and
- Responsible behaviours towards all stakeholders.

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

The Board assessed the internal control systems throughout the financial year ended 2022 and is of the opinion that they met accepted criteria.

## **EMPLOYEES' WELFARE**

### **Management and employees' relationship**

There were continued good relation between employees and management for the year 2022. There were no unresolved complaints received by Management from the employees during the year. A healthy relationship continues to exist between management and trade union.

The company is 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.

### **Health and safety**

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

It has certificate of compliance from the Ministry of Home Affairs on fire and safety regulations whose primary objective is to ensure creation and maintenance of ideal work environment which are free from occupational hazards that may cause injuries or illness to all employees.

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**Employee benefit plan**

The company pays contributions to a publicly administered pension plan on mandatory basis which qualifies to be a defined contribution plan. The company contributes 10% of the employee's salary to National Social Security Fund (NSSF).

**RELATED PARTY TRANSACTIONS**

All related party transactions and balances are disclosed in note..... to these financial statements.

**AUDITORS**

The company's auditors, Sibe Financial Services have expressed their willingness to start audit engagement in accordance with Section 170 of the Companies Act 2002 and are eligible for re-appointment. A resolution proposing the re-appointment as auditors of the company for the year ended 31 December 2022 will be tabled in the Annual General Meeting.

**BY ORDER OF THE BOARD**



\_\_\_\_\_  
Gasper E. Tesha  
Chief Executive Officer

24/07/ 2023



\_\_\_\_\_  
Gloria E. Tesha  
Executive Director

24/07/ 2023

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**STATEMENT OF DIRECTOR'S RESPONSIBILITIES**

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

The annual report and financial statements are prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act 2002 and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

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

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

The directors have reviewed the company's cash flow forecast for the year to 31 December 2023 and, in the light of this review and the current financial position, they are satisfied that the company has access to adequate resources to continue in operational existence for the foreseeable future.

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**STATEMENT OF DIRECTOR'S RESPONSIBILITIES CONT...**

The external auditors are responsible for independently reviewing and reporting on the company's annual report and financial statements. The annual report and financial statements have been examined by the company's external auditors and their report is presented on page 10.

The annual report and financial statements set out on pages 11 to 23, which have been prepared on the going concern basis, were authorised and approved by the board on **24/07/2023** and were signed on its behalf by:



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**Gasper E. Tesha**  
Chief Executive Officer

**BOARD OF DIRECTORS,  
LYAWERE COMPANY LIMITED,  
DAR ES SALAAM.**

**Dear Chairperson,**

**REF: INDEPENDENT AUDITORS' REPORT**

We have audited the accompanying financial statements of **LYAWERE COMPANY LIMITED**, which comprise the statement of financial position as at 31<sup>st</sup> December 2022, 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 a summary of significant accounting policies and other explanatory notes.

**Basis for opinion**

We have conducted our audit in accordance with International Standards on Auditing (ISAs) and such other audit procedures we considered necessary in the circumstances. Our responsibility is to express an independent opinion on the financial statements based on the audit. The standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider the internal controls relevant to the financial institution's preparation and fair presentation of the financial statements 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 financial institution's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

**Independence**

We are independent of the company in accordance with the National Board of Accounts and Auditors code of ethics is consistent with international ethical standards Board for Accountants' code of Ethics for Professional Accountants (IESBA Code), together with other ethical requirements that are relevant to our audit of the financial statements in Tanzania. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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

The directors are responsible for the other information and report of directors.

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

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

### **Responsibilities of management and those charged with Governance for the financial statements**

The Directors of **LYAWERE COMPANY LIMITED**, are responsible for the preparation presentation of these financial statements that give a true and fair view of in accordance with International Financial Reporting Standards and the requirements of the companies ACT, 2002, and for such internal controls as directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statement the directors are responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances and assessing the company's ability to continue as going concern, disclosing, as applicable, the 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.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the Company's 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 judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Group and Company 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 Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on financial statements. We are responsible for the direction, supervision and performance of the company audit. We remain responsible for our audit opinion.

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 on Other Legal 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, CAP 212 Act No.12 of 2002 and for no other purposes.

As required by the Companies Act, CAP 212, Act No.12 of 2002, we are also required to report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if the financial statements are not in agreement with the accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company is not disclosed. In respect of the foregoing requirements, we have no matter to report.



**Benard King'unza**  
**ACPA-PP-1946**  
**Audit Partner**



30/07/2023  
**Date**

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**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	Notes	2022 Tshs	2021 Tshs
Revenue	1.	69,289,661,227	45,711,201,199
Cost of sales	2.	(68,225,064,186)	(43,661,301,394)
<b>Gross profit</b>		<b>1,064,597,041</b>	<b>2,049,899,805</b>
Administrative expenses	3.	(826,729,449)	(608,593,195)
Operating expenses	4.	(1,930,535,462)	(978,447,304)
Selling and distribution expenses		-	-
<b>Operating profit/(loss)</b>		<b>(1,692,667,870)</b>	<b>462,859,305</b>
Finance costs	5.	(374,800,724)	(333,618,130)
<b>Profit/(loss) before tax</b>		<b>(2,067,468,595)</b>	<b>129,241,175</b>
Tax charge	10.	(29,750,995)	(38,772,353)
<b>Profit/(loss) for the year</b>		<b>(2,097,219,589)</b>	<b>90,468,823</b>

The significant accounting policies on pages 15 to 21 and the notes on pages 22 to 26 form an integral part of these financial statements.

Report of the independent auditor - [page 10](#).

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**STATEMENT OF FINANCIAL POSITION**

	Notes	2022 Tshs	2021 Tshs
<b>Assets</b>			
<b>Non current assets</b>			
Plant, property and equipment	6.	1,429,650,629	1,912,751,997
Intangible Asset	7.	76,668,970	95,836,213
PPE in Transit	13.	1,093,600,000	
		<b>2,599,919,599</b>	<b>2,008,588,210</b>
<b>Current assets</b>			
Inventories	8.	583,472,646	112,320,900
Trade and other receivables	9.	2,493,684,178	-
Current tax	10.	10,252,558	-
Cash and cash equivalents		641,681,859	118,484,142
		<b>3,729,091,241</b>	<b>230,805,042</b>
<b>Total assets</b>		<b>6,329,010,840</b>	<b>2,239,393,251</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	11.	5,000,000	5,000,000
Retained profit		(2,071,155,925)	26,063,665
<b>Shareholders' funds</b>		<b>(2,066,155,925)</b>	<b>31,063,665</b>
<b>Current liabilities</b>			
Trade and other payables	12.	6,640,591,999	819,193,769
Current tax	10.	-	21,472,349
		<b>6,640,591,999</b>	<b>840,666,118</b>
<b>Non current liabilities</b>			
Borrowings	14.	1,754,574,766	1,367,663,469
		<b>1,754,574,766</b>	<b>1,367,663,469</b>
<b>Total equity and liabilities</b>		<b>6,329,010,840</b>	<b>2,239,393,251</b>

The financial statements on pages 11 to 26 were authorized and approved for issue by the Board of Directors on 24/07/2023 and were signed on its behalf by:



\_\_\_\_\_  
Gasper E. Tesha  
Chief Executive Officer

The significant accounting policies on pages 15 to 21 and the notes on pages 22 to 26 form an integral part of these financial statements.

Report of the independent auditor - page 10.

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**STATEMENT OF CHANGES IN EQUITY**

	Share capital Tshs	Retained earnings Tshs	Total Tshs
<b>Year ended 31 December 2022</b>			
At start of year	5,000,000	26,063,665	31,063,665
Advance towards share capital	-	-	-
Total comprehensive income for the year		(2,097,219,589)	(2,097,219,589)
<b>At end of year</b>	<b>5,000,000</b>	<b>(2,071,155,925)</b>	<b>(2,066,155,925)</b>
<b>Year ended 31 December 2021</b>			
At start of year	5,000,000	(64,405,158)	(59,405,158)
Advance towards share capital	-	-	-
Total comprehensive income for the year		90,468,823	90,468,823
<b>At end of year</b>	<b>5,000,000</b>	<b>26,063,665</b>	<b>31,063,665</b>

The significant accounting policies on pages 15 to 21 and the notes on pages 22 to 26 form an integral part of these financial statements.

Report of the independent auditor - page 10.

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**STATEMENT OF CASH FLOWS**

	Notes	2022 Tshs	2021 Tshs
<b>Cash generated from/(used in) operations</b>			
Profit/(loss) before tax		(2,067,468,595)	129,241,175
<b>Adjustments for:</b>			
Depreciation on equipment	7.	476,569,852	634,286,904
Amortisation of intangible assets		19,167,243	-
(profit)/loss on disposal of equipment		-	-
Interest paid	5.	374,800,724	333,618,130
Changes in working capital:			
- inventories		(471,151,746)	59,777,051
- trade and other receivables		(2,493,684,178)	-
- trade and other payables		5,821,398,230	6,428,803
<b>Cash generated from/(used in) operations</b>		<b>1,659,631,529</b>	<b>1,163,352,064</b>
Interest paid	5.	(374,800,724)	(333,618,130)
Tax paid and withholding tax suffered	10.	(61,475,901)	(51,605,457)
<b>Net cash generated from/(used in) operating activities</b>		<b>1,223,354,904</b>	<b>778,128,477</b>
<b>Investing activities</b>			
Proceeds from disposal of equipment		44,000,000	-
Purchase of equipment	7.	(1,131,068,484)	-
Purchase of intangibles		-	-
Work in progress		-	-
<b>Net cash used in investing activities</b>		<b>(1,087,068,484)</b>	<b>-</b>
<b>Financing activities</b>			
Advance Towards Share Capital		-	-
Dividend		-	-
Proceeds from borrowings	13.	1,656,211,666	-
Loan Repayment	13.	(1,269,300,369)	(1,164,711,300)
<b>Net cash (used in)/generated from financing activities</b>		<b>386,911,297</b>	<b>(1,164,711,300)</b>
<b>(Increase)/decrease in cash and cash equivalents</b>		<b>523,197,717</b>	<b>(386,582,823)</b>
<b>Movement in cash and cash equivalents</b>			
At start of year		118,484,142	505,066,965
Effect of exchange rate changes - realised		-	-
(Increase)/decrease		523,197,717	(386,582,823)
<b>At end of year</b>		<b>641,681,859</b>	<b>118,484,142</b>

## **SIGNIFICANT ACCOUNTING POLICIES**

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

### **a) Basis of preparation**

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

#### **Going concern**

The financial performance of the company is set out in the Director's report and in the statement of comprehensive income. The financial position of the company is set out in the statement of financial position.

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

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

### **b) Critical accounting estimates, judgements and assumptions**

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

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

#### **(i) Equipment**

Critical estimates are made by the directors in determining depreciation rates for equipment. The rates used are set out in the accounting policy under equipment.

#### **(ii) Useful lives of equipment**

Management reviews the useful lives and residual values of the items of equipment on a regular basis. During the financial period, the directors determined no significant changes in the useful lives and residual values.

#### **(iii) Impairment of trade receivables**

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

## **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **b) Critical accounting estimates, judgements and assumptions (continued)**

#### **(iv) Operating lease commitments**

The company has entered into lease over its office premises. Management has determined that the company has not obtained substantially all the risks and rewards of ownership of these premises, therefore the leases have been classified as operating leases and accounted for accordingly.

#### **(v) Non financial assets**

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

#### **(vi) Revenue recognition**

In making their judgement, the directors considered the detailed criteria for the recognition of revenue from the performance of services set out in IFRS 15 by reference to the stage of completion of the transaction at the end of the reporting period.

#### **(vii) Taxes**

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

### **c) New and amended standards adopted by the company**

There are no IFRS's or IFRIC interpretations that are effective or adopted in advance for the first time for the financial year beginning on or after 1 January 2018 that would be expected to have a material impact on the company.

### **d) Equipment**

All equipment is initially recorded at cost and thereafter stated at historical cost less depreciation. Historical cost comprises expenditure initially incurred to bring the asset to its location and condition ready for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost can be reliably measured. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation is calculated on straight line basis to write down the cost of each asset, to its residual value over its estimated useful life using the following annual rates:

**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**d) Equipment (continued)**

Useful lives of items of plant and equipment have been assessed as follows:

<b>Item</b>	<b>Rate %</b>
Motor vehicles	0.250
Computer & Office Equipment	0.125

The assets residual values and useful lives are reviewed and adjusted if appropriate, at each statement of financial position date.

An assets carrying amount is written down immediately to its recoverable amount if the assets carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal of equipment are determined by comparing the proceeds with the carrying amount and are taken into account in determining loss before tax.

**e) Revenue recognition**

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

The company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when the specific criteria have been met for the company's activity as described below. The amount of revenue is not considered to be reliably measured until all contingencies relating to the sale have been resolved. The company bases its estimates on historical results, taking into consideration the type of customer, type of transaction and specifics of each arrangement.

Sales of service are recognised upon performance of the services rendered. Revenue accruals are included on the recognition date and are based on actual known revenue expected to be issued at a future date.

**f) Financial instruments**

**Classification**

The company classifies financial assets and financial liabilities into the following categories:

- Loans and receivables
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition.

**- Financial assets**

The company's financial assets which include trade and other receivables and cash and cash equivalents fall in the following category:

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

## **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **f) Financial instruments (continued)**

Management classify the fair value of financial assets based on the qualitative characteristics of the fair valuation as at the financial year end. Hierarchy Level 1 was used by the management where by the fair values are based on non-adjusted quoted process on active markets for identical financial assets.

#### **- Financial liabilities**

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

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

Borrowings are initially recognised at fair value, net of transaction costs incurred and are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income.

Fees associated with the acquisition of borrowing facilities are recognised as transaction costs of the borrowing to the extent that it is probable that some or all of the facilities will be acquired.

All financial liabilities are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

#### **Offsetting financial instruments**

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

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

#### **Loans to /(from) related party companies**

These include loans to and from the related party companies, fellow subsidiaries, joint ventures and associates and are recognised initially at fair value plus direct transaction costs.

Loans to related party companies are classified as loans and receivables.

Loans from related party companies are classified as financial liabilities measured at amortised cost.

#### **Trade and other receivables**

Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

## **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **Trade and other receivables (continued)**

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in the statement of comprehensive income.

### **Trade and other payables**

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Trade and other payables are classified as financial liabilities at amortised costs.

### **Cash and cash equivalents**

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash in hand, demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value, net of bank overdrafts. These are initially and subsequently recorded at fair value.

Restricted cash balances are those balances that the company cannot use for working capital purposes as they have been placed as a lien to secure borrowings.

## **g) Taxation**

### **Current tax assets and liabilities**

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

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

### **Deferred tax assets and liabilities**

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

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

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

## **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **Tax expenses**

Current and deferred taxes are recognised as income or an expense and included in the statement of comprehensive income for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

### **h) Leases**

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

#### **Operating leases – lessee**

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. Lease incentives received are recognised as a liability and reduction of rental expense on a straight line basis. This liability is not discounted. Any contingent rents are expensed in the period they are incurred.

#### **Finance leases – lessee**

Finance leases are capitalised at cost. Each lease payment is allocated between the liability and finance charges. The interest element is charged to the statement of comprehensive income over the lease period and is included under finance costs. Such plant and equipment is depreciated over its useful life.

### **i) Share capital**

Ordinary shares are classified as equity.

### **j) Provisions and contingencies**

Provisions are recognised when:

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

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

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

Provisions are not recognised for future operating losses.

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

**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**k) Translation of foreign currencies**

**Foreign currency transactions**

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

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

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

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

**l) Comparatives**

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

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**NOTES TO THE FINANCIAL STATEMENTS**

	<b>2022</b>	<b>2021</b>
	<b>Tshs</b>	<b>Tshs</b>
<b>1. Revenue</b>		
Revenue	69,289,661,227	45,711,201,199
	<b>69,289,661,227</b>	<b>45,711,201,199</b>
<b>2. Cost of sales</b>		
Opening inventory	112,320,900	172,097,951
Add: Purchases	65,317,411,951	38,660,761,449
Less: Closing inventory	583,472,646	112,320,900
Add: Direct costs 2 (a)	3,378,803,981	4,940,762,894
	<b>68,225,064,186</b>	<b>43,661,301,394</b>
<b>2(a). Direct cost</b>		
Stock loss(normal)	-	202,630,794
Fuel and Lubricants	2,525,982,183	4,210,500,800
Milleage Expenses	53,790,772	12,400,500
Transportation	43,709,868	515,230,800
Subcontract costs	231,344,926	-
Margin recall and discount sharing	427,372,326	-
Boarder charges	96,603,905	-
	<b>3,378,803,981</b>	<b>4,940,762,894</b>
<b>3. Administrative expenses</b>		
Employment costs {Note 3(a)}	509,117,525	555,245,328
Licence and permits	71,619,135	1,550,000
Office Rent	204,032,200	19,386,227
Stamp Duty	5,234,976	1,011,640
Yard rent	-	28,800,000
Management fees	30,725,613	-
Auditing Fee	6,000,000	2,600,000
	<b>826,729,449</b>	<b>608,593,195</b>
<b>3(a). Employment costs</b>		
Basic salary	401,941,227	483,656,808
NSSF	39,258,172	47,405,680
SDL	16,077,649	19,346,272
WCF	2,258,978	4,836,568
	<b>509,117,525</b>	<b>555,245,328</b>

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**NOTES TO THE FINANCIAL STATEMENTS**

	<b>2022</b>	<b>2021</b>
	<b>Tshs</b>	<b>Tshs</b>
<b>4. Operating expenses</b>		
Electricity expenses	49,311,816	9,722,350
Stationary & Printing	25,719,481	18,340,700
Telephone, internet, postage and stamps	8,915,355	5,220,900
Handling and parking charges	38,649,242	85,200,800
Software subscription	37,107,940	-
Weight and measurement expenses	6,470,953	-
Waste and disposal Cost	7,236,520	-
Car wash and bridge Charges	8,913,000	-
Air Freight	-	17,230,900
Staff uniforms	6,293,060	15,320,800
Insurance	106,949,652	70,890,400
Security	68,414,938	13,200,000
City services levy	299,249,805	20,500,700
Amortization	19,167,243	-
Depreciation	476,569,852	634,286,904
	<b>1,930,535,462</b>	<b>978,447,304</b>
<b>5. Finance costs</b>		
Loan processing fees	23,042,373	-
Bank Charges	28,134,171	12,340,955
Interest on loan	323,624,180	321,277,175
	<b>374,800,724</b>	<b>333,618,130</b>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**6. Equipment**

	<b>Computer &amp; Other devices</b>	<b>Motor Vehicle</b>	<b>Office Equipment</b>	<b>Total</b>
	<b>TZS</b>	<b>TZS</b>	<b>TZS</b>	<b>TZS</b>
<b>Year ended 31 December 2022</b>				
	CLASS I	CLASS II	CLASS III	
<b>Cost</b>				
At start of year	-	5,347,391,350	24,825,424	5,372,216,774
Additions	27,448,044	-	10,020,440	37,468,484
Disposal	-	(44,000,000)	-	(44,000,000)
At end of year	<b>27,448,044</b>	<b>5,303,391,350</b>	<b>34,845,864</b>	<b>5,365,685,258</b>
<b>Depreciation</b>				
At start of year	-	3,451,949,101	7,515,676	3,459,464,777
Charge for the period	10,293,017	462,860,562	3,416,273	476,569,852
Disposal				-
At end of period	<b>10,293,017</b>	<b>3,914,809,663</b>	<b>10,931,950</b>	<b>3,936,034,629</b>
<b>Net book value</b>	<b>17,155,028</b>	<b>1,388,581,687</b>	<b>23,913,914</b>	<b>1,429,650,629</b>
<b>Year ended 31 December 2021</b>				
<b>Cost</b>				
At start of year		5,347,391,350	24,825,424	5,372,216,774
Additions	-	-	-	-
Disposal				-
At end of year	<b>-</b>	<b>5,347,391,350</b>	<b>24,825,424</b>	<b>5,372,216,774</b>
<b>Depreciation</b>				
At start of year	-	2,820,135,018	5,042,855	2,825,177,873
Charge for the year	-	631,814,083	2,472,821	634,286,904
Disposal				-
At end of year	<b>-</b>	<b>3,451,949,101</b>	<b>7,515,676</b>	<b>3,459,464,777</b>
<b>Net book value</b>	<b>-</b>	<b>1,895,442,249</b>	<b>17,309,748</b>	<b>1,912,751,997</b>

In the opinion of directors, there is no impairment in the value of equipment.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

	<b>2022</b>	<b>2021</b>
	<b>Tshs</b>	<b>Tshs</b>
<b>7. Intangible asset</b>		
At start of year	95,836,213	95,836,213
Addition	-	-
At end of year	<u>95,836,213</u>	<u>95,836,213</u>
<b>Amortization</b>		
At start of year	-	-
Charge for the year	19,167,243	-
At end of year	<u>19,167,243</u>	<u>-</u>
<b>Net book value</b>	<b><u>76,668,970</u></b>	<b><u>95,836,213</u></b>
<b>8. Inventories</b>		
Stock	583,472,646	112,320,900
	<b><u>583,472,646</u></b>	<b><u>112,320,900</u></b>
<b>9. Trade and other receivables</b>		
Trade receivables	2,173,184,178	-
	<b><u>2,493,684,178</u></b>	<b><u>-</u></b>
<b>10. Tax</b>		
Taxable (loss)/Income for the year	(2,067,468,595)	129,241,175
Current tax (30%)	-	38,772,353
Penalties/interest	1,381,880	-
Prior year tax assessment	28,369,115	-
	<b><u>29,750,995</u></b>	<b><u>38,772,353</u></b>
<b>Tax movement - (recoverable)/payable</b>		
At start of year	21,472,349	34,305,453
Charge for the year	29,750,995	38,772,353
Provision Tax paid	(17,700,000)	(17,300,004)
Previous year corporate tax paid	(21,472,349)	(34,305,453)
Previous year additional tax assessments paid	(22,303,552)	-
	<b><u>(10,252,558)</u></b>	<b><u>21,472,349</u></b>

The normal procedure for agreeing final income tax liability in Tanzania involves the company filing its final income tax returns with the Tanzania Revenue Authority (TRA) followed by TRA performing their own review of the company's submissions and issuing their notice of income tax assessments to the company. The final income tax liability as determined by TRA after their review may differ from the liability determined by the company and procedures are in place for the company to object and appeal against such assessments. It is common that a timeframe from the company's own submission of its final tax returns and for TRA performing their review and issuing of notice of final tax assessment may take several months or years.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

	2022 Tshs	2021 Tshs		
<b>11. Share capital</b>				
Authorized share capital:				
1000 shares of Tshs 5,000 each	5,000,000	5,000,000		
Issued and fully paid:				
1000 shares at Tshs 5,000 each	5,000,000	5,000,000		
<b>12. Trade and other payables</b>				
Short term loans (ECO Bank)	30,058,053	-		
Trade payables	6,523,706,474	-		
Payroll Payable	6,224,671	-		
Accrued Expenses	63,809,243	-		
VAT	16,793,558	-		
Other payable	-	819,193,769		
	<b>6,640,591,999</b>	<b>819,193,769</b>		
<b>13. PPE in transit</b>				
	<b>Opening Bal</b>	<b>Addition</b>	<b>Trans to PPE</b>	<b>Closing Bal</b>
FAW Trucks	-	1,093,600,000	-	1,093,600,000
	<b>-</b>	<b>1,093,600,000</b>	<b>-</b>	<b>1,093,600,000</b>
<b>14. LOANS</b>				
	<b>Opening Bal</b>	<b>Addition</b>	<b>Repayment</b>	<b>Closing Bal</b>
ECO Bank (778m)	977,773,369	-	(691,935,113)	285,838,256
ECO Bank (599m)	-	599,411,666	(164,865,277)	434,546,389
CRDB Bank (750m)	-	750,000,000	(94,278,247)	655,721,753
Scania Finance	292,605,446	-	(220,937,078)	71,668,368
Director's loan	-	306,800,000	-	306,800,000
AML	45,686,716	-	(45,686,716)	-
Radiance Finance Ltd	51,597,938	-	(51,597,938)	-
	<b>1,367,663,469</b>	<b>1,656,211,666</b>	<b>(1,269,300,369)</b>	<b>1,754,574,766</b>