

**THREE STAR TANZANIA LIMITED
P.O. BOX 67321
KIBAHA COAST REGION.**

**AUDITED FINANCIAL STATEMENT FOR THE YEAR ENDED
31ST DECEMBER, 2022.**

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LIST OF ABBREVIATIONS

CPA	Certified Public Accountant
ICT	Information Communication Technologies
IFRS	International Financial Reporting Standards
ISAs	International Standards on Auditing
NBAA	National Board of Accountants and Auditors
TIN	Tax Identification Number
TZS	Tanzania Shillings

CORPORATE INFORMATION

Country of incorporation	United Republic of Tanzania
Nature of business	Carry on Business of Production, distribution and selling of steel Bars.
Bankers	CRDB Bank PLC, Tower Branch, Dar es Salaam NMB Bank, Dar es Salaam
Auditors	Networth and Tax Accountants, Certified Public Accountant, Tax and Management Consultant, Dar es Salaam, Tanzania

THREE STAR TANZANIA LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31ST DECEMBER, 2022.

The directors submit their annual management report together with the financial statements for the year ended 31st December, 2022, which disclose the state of affairs of the Company.

1. Incorporation:

The company is domiciled in Tanzania where it is incorporated as a private company limited by shares under the Tanzanian Companies Act 2002.

2. Principal Activities:

The principal activities of the company are to carry on Business of importers, exporters, buying, selling, dealers in hardware, building materials, sanitary ware, wall papers, roofing tiles, flooring tiles, supply of industrial equipment.

3. Financial Performance

The operating results for the period are set out on page 13 of these financial statements.

4. Solvency

The Company's state of affairs as at 31 December 2022 is set out on page 12 of these financial statements. The directors consider the company to be solvent within the meaning ascribed by the Tanzania Companies Act made there under. No matters have come to the attention of the directors to indicate that the Company will not remain a going concern for the next 12 months from the date of this report.

The company incurred a net loss for the 12-month period to 31 December 2022 amounting to **TZS 246 Million**.

The shareholders will provide the necessary financial support to enable the Company to continue its future operations. The directors are of the opinion that the Company will be a going concern in years ahead. Accordingly, the financial statements have been prepared on a going concern basis.

5. Corporate Governance

The directors believe that high standards of corporate governance directly influence the organisation's stakeholders and investor confidence and the directors recognise the importance of integrity, transparency and responsibility.

6. Administrative Matters

The Company is capable of handling all administrative matters.

7. Directors

Directors who held office during the period and to the date of this report are

<u>Name of Director</u>	<u>Category</u>	<u>Nationality</u>
GUO ZHAO	Director	Chinese
MURAD SAID SALIM	Director	Tanzania

THREE STAR TANZANIA LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31ST DECEMBER, 2022. (Continue)

8. Capital Structure and Shareholders of the Company

The shareholders' interests in the issued and fully paid-up share capital of the company as at 31 December 2022 were as follows:

S/No.	Name	No of Shares	Shareholding Percentage	Nationality
1.	GUO ZHAO	70	70%	Chinese
2.	MURAD SAID SALIM	20	20%	Tanzanian
3.	DENG XIAO JUAN	10	10%	Chinese

9. Employee's welfare:

The Company's employment terms are reviewed annually to ensure that they meet statutory and market conditions.

10. Disabled persons:

It remains the company's policy to accept disabled persons for employment for those vacancies that they are able to fill.

11. Auditors

The Company's auditors, NETWORTH AND TAX ACCOUNTS Certified Public Accountants were appointed as the company's auditors and are eligible for re-appointment. A resolution to reappoint NETWORTH AND TAX ACCOUNTS as auditors will be put to the Annual General Meeting.

12. Approval of The Financial Statements

The financial statements of THREE STAR TANZANIA LIMITED, as indicated above, were approved by the Board of Directors on and are signed on its behalf by:


.....
Managing Director


.....
Date



THREE STAR TANZANIA LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED
31ST DECEMBER, 2022

The Companies Act, 2002 requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of its profit or loss. It also requires the directors to ensure that the company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the company. They are also responsible for safeguarding the assets of the company.

The directors accept responsibility for the annual 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 and the requirements of the Companies Act, 2002. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company and of its profit or loss in accordance with International Financial Reporting Standards.

The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement. To enable the directors to meet these responsibilities they set 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 risks across the Company. While operating risk cannot be fully eliminated, the Company endeavours to minimise it by ensuring the appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

THREE STAR TANZANIA LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED
31ST DECEMBER, 2022 (Continue)

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

The external auditors are responsible for independently auditing and reporting on the Company's financial statements. The financial statements have been examined by the external auditors and their report is presented on pages 9 and 10.

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.



.....
Managing Director

.....
Date



THREE STAR TANZANIA LIMITED

DECLARATION OF THE ACCOUNTANT TO THE MEMBERS OF THREE STAR TANZANIA LIMITED

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

It is the duty of a Professional Accountant to assist the Board of Directors/Governing Body/Management to discharge the responsibility of preparing financial statements of an entity showing true and fair view of the entity's financial 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 shown under Directors' Responsibility statement on an earlier page.

I **CPA. TUNOHAN LONDA** being the Accountant of THREE STAR TANZANIA LIMITED hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31 December 2022 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 of the financial position of THREE STAR TANZANIA LIMITED as at 31st December, 2022 and its financial performance and cash flow for the year then ended and that they have been prepared based on properly maintained financial records.

Signature: 

Position: **ACCOUNTANT**

NBAA Membership No. **ACPA UNOR**

Date: **23/06/2023**



etworth & Tax Accountants

Certified Public Accountants in Public Practice - P7 336

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF THREE STAR TANZANIA LIMITED

Report on the Audit of the Financial Statements for the year ended 31 December 2022

Opinion

We have audited the financial statements of THREE STAR TANZANIA LIMITED ("the Company"), set out on pages 11 to 31 which comprise the statement of financial position as at 31 December 2022 the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, 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 THREE STAR TANZANIA LIMITED as at 31 December 2022, and of its financial performance and 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 are independent of the Company in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Other Information's

The directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act, 2002, Statements of Directors' responsibilities and Declaration of Accountant/ Head of Finance. The other information does not include the financial statements and our auditors' report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If,

based on the work we have performed; we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

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 determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
THREE STAR TANZANIA LIMITED (Continue)**

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 intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 scepticism throughout the audit.

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 and Regulatory Requirements

As required by the Companies Act, 2002 we report that:

- in our opinion, proper accounting records have been kept by THREE STAR TANZANIA 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.



Kishimba.J. Shadrack. ACPA 1649
Net Worth & Tax Accountants
Certified Public Accountant in Public Practice
P.O. Box 63360
Dar es Salaam

Date..... 23/06/23

THREE STAR TANZANIA LIMITED


STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2022.

		AS AT	AS AT
		31.12.2022	31.12.2021
	NOTES	TZS.	TZS.
ASSETS:			
NON-CURRENT ASSETS			
Property, Plant and Equipment	7	1,464,886,038	1,344,587,731
Total Non- Current Assets		<u>1,464,886,038</u>	<u>1,344,587,731</u>
CURRENT ASSETS:			
Inventory	13	123,547,450	28,703,500
Trade Receivable	8	45,107,149	-
Income Tax Recoverable	18(a)	20,000,000	14,000,000
Unclaimed VAT on Import		32,345,989	-
Goods in Transit		156,874,131	-
Cash and Cash Equivalent	9	223,703,914	212,538,227
Total Current Assets		<u>601,578,633</u>	<u>255,241,727</u>
TOTAL ASSETS		<u>2,066,464,671</u>	<u>1,599,829,458</u>
EQUITY AND LIABILITIES:			
Share Capital	10	416,134,362	416,134,362
Advance Towards Share capital		1,451,449,315	1,451,449,315
Retained Earnings/(Loss)		(943,028,440)	(696,978,982)
		<u>924,555,237</u>	<u>1,170,604,695</u>
LAIBILITIES			
CURRENT LIABILITIES			
Trade and other payable	11	1,141,909,435	429,224,764
		<u>1,141,909,435</u>	<u>429,224,764</u>
TOTAL EQUITY AND LIABILITIES		<u>2,066,464,672</u>	<u>1,599,829,459</u>

The notes on page 15 to 31 form an integral part of these financial statements



 Managing Director.



 Date.



THREE STAR TANZANIA LIMITED
STATEMENT OF PROFIT/ (LOSS) AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER, 2022.

		31 Dec 2022	31 Dec 2021
	Note	TZS	TZS
Revenue	12	3,273,693,154	4,098,222,146
Cost of Sales	13	(3,074,353,328)	(3,790,197,848)
Gross Profit		199,339,826	308,024,297
Expenses			
Administrative and Operational	15	(422,568,963)	(568,722,786)
Employment Expenses	14	(16,640,801)	(21,017,264))
Financial Costs	16	(6,179,519)	(4,439,479)
		<u>(445,389,284)</u>	<u>(594,179,529)</u>
Profit/ (Loss) before taxation		(246,049,458)	(286,155,231)
Taxation		-	-
Profit/(loss) for the year		(246,049,458)	(286,155,231)

The notes on page 15 to 31 form an integral part of these financial statements



Managing Director.



Date.



THREE STAR TANZANIA LIMITED
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

	Share capital TZS	Advance Towards Share Capital TZS	Retained earnings TZS	Total TZS
At 1 January 2022	416,134,362	1,451,449,315	(696,978,982)	1,170,604,695
Additions	-	-	-	-
Profit/(Loss) for the year			(246,049,458)	(246,049,458)
As at 31 December 2022	416,134,362	1,451,449,315	(943,028,440)	924,555,237
At 1 January 2021	416,134,362	1,451,449,315	(410,823,751)	1,456,759,926
Additions	-	-	-	-
Profit/(Loss) for the year			(286,155,231)	(286,155,231)
As at 31 December 2021	416,134,362	1,451,449,315	(696,978,982)	1,170,604,695

The notes on page 15 to 31 form an integral part of these financial statements

THREE STAR TANZANIA LIMITED
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST DECEMBER 2022.

	2022	2021
	TZS.	TZS.
A. Cash Flows from Operating Activities		
Net Profit/ (Loss) Before Taxation	(246,049,458)	(286,155,231)
Adjustment for items not involving movement of funds:	=	=
Depreciation	335,107,438	204,294,847
Operating profit before change in working capital	<u>89,057,979</u>	<u>(81,860,384)</u>
Changes in Working Capital items:		
(Increase)/Decrease in Inventory	(94,843,950)	83,612,220
(Increase)/Decrease in Trade and Other receivables	(45,107,149)	282,302,028
Increase/(Decrease) in Sundry creditors and Accruals	712,684,671	362,376,217
(Increase)/Decrease in Unclaimed VAT on imports	(32,345,989)	-
(Increase)/Decrease in Goods in Transit	(156,874,131)	-
Net changes in working capital	(728,290,465)	(728,290,465)
Cash Utilized from Operating activities	<u>472,571,432</u>	<u>646,430,081</u>
Tax paid	<u>(6,000,000)</u>	<u>(6,000,000)</u>
Net Cash Flows from operating activities	<u>466,571,432</u>	<u>640,430,081</u>
B. Cash Flows from Investing Activities:		
Acquisition of PPE	(455,405,745)	(513,275,679)
Net Cash Flow from investing activities	<u>(455,405,745)</u>	<u>(513,275,679)</u>
C. Cash Flows from Financing Activities:		
Capital contributed	-	-
Net cash flows from financing activities	=	=
Net increase/(Decrease) in Cash and Cash Equivalent	11,165,687	127,154,402
Cash and Cash Equivalent at the beginning of the year	<u>212,538,228</u>	<u>85,383,826</u>
Cash and Cash Equivalents at the end of the year	<u>223,703,915</u>	<u>212,538,228</u>

The notes on page 15 to 31 form an integral part of these financial statements



Managing Director.

.....
 23/06/2022
Date.



THREE STAR TANZANIA LIMITED
NOTES TO THE FINANCIAL STATEMENTS - 2022

1. GENERAL INFORMATION:

THREE STAR TANZANIA LIMITED (the Company) is incorporated in Tanzania under the Companies Act, 2002 as a private company limited by shares, and is domiciled in Tanzania. The principal activity of the company is engaging itself in Business of importers, exporters, buying, selling, dealers in hardware, building materials, sanitary ware, wall papers, roofing tiles, flooring tiles, supply of industrial equipment.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

a) New standards, amendments and interpretations adopted by the Organization for year ended 31December 2022

The following new and revised IFRSs have been applied in the current year and had no material impact on the amounts reported in these financial statements, except where stated.

Covid-19-Related Rent Concessions (Amendment to IFRS 16)

The amendments to Covid-19-Related Rent Concessions (Amendment to IFRS 16) in IFRS Standards was done to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification.

The changes in Covid-19-Related Rent Concessions (Amendment to IFRS 16) amend IFRS 16 to:

- i. Provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification.
- ii. Require lessees that apply the exemption to account for COVID-19-related rent concessions as if they were not lease modifications.
- iii. require lessees that apply the exemption to disclose that fact; and
- iv. Require lessees to apply the exemption retrospectively in accordance with IAS 8, but not require them to restate prior period figures.

The main change from the proposal in the exposure draft is that the IASB had proposed that the practical expedient should only be available for lease payments originally due in 2020. However, after having considered the feedback to the exposure draft, the IASB decided to extend this period to June 2021 to also capture rent concessions granted now and lasting for 12 months.

The IASB considered but decided not to provide any additional relief for lessors as the current situation is not as equally challenging for them and the required accounting is not as complicated.

Interest Rate Benchmark Reform -- Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

Amendments to Interest Rate Benchmark Reform Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) was done to address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. The amendments are effective for annual periods beginning on or after 1 January 2021, with earlier application permitted.

THREE STAR TANZANIA LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 2022. (Continued)

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUE)

The changes in Interest Rate Benchmark Reform Phase 2 (Amendments to IFRS 9, AS 39, IFRS 7, IFRS 4 and IFRS 16) relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements, and disclosure requirements applying IFRS. 7 to accompany the amendments regarding modifications and hedge accounting.

Modification of financial assets, financial liabilities and lease liabilities. The IASB introduces a practical expedient for modifications required by the reform (modifications required as a direct consequence of the IBOR reform and made on an economically equivalent basis). These modifications are accounted for by updating the effective interest rate. All other modifications are accounted for using the current IFRS requirements. A similar practical expedient is proposed for lessee accounting applying IFRS 16.

a) New standards, amendments and interpretations adopted by the Organization for year ended 31 December 2022

Interest Rate Benchmark Reform --Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) (continued)

Hedge accounting requirements. Under the amendments, hedge accounting is not discontinued solely because of the IBOR reform. Hedging relationships (and related documentation) must be amended to reflect modifications to the hedged item, hedging Instrument and hedged risk. Amended hedging relationships should meet all qualifying criteria to apply hedge accounting, including effectiveness requirements.

Disclosures. In order to allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition, the amendments require that an entity discloses information about;

- How the transition from interest rate benchmarks to alternative benchmark rates is managed, the progress made at the reporting date, and the risks arising from the transition.
- Quantitative information about non-derivative financial assets, non-derivative financial liabilities and derivatives that continue to reference interest rate benchmarks subject to the reform, disaggregated by significant interest rate benchmark.
- To the extent that the IBOR reform has resulted in changes to an entity's risk management strategy, a description of these changes and how the entity is managing those risks.

The IASB also amended IFRS 4 to require insurers that apply the temporary exemption from IFRS 9 to apply the amendments in accounting for modifications directly required by IBOR reform.

The IASB has come to the conclusion that the application of all proposed amendments is mandatory. It also assessed that the nature of the proposed amendments is such that they can

THREE STAR TANZANIA LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 2022. (Continued)

only be applied to modifications of financial instruments and changes to hedging relationships that satisfy the relevant criteria and, as such, no specific end of application requirements needed to be specified.

b) New and amended standards and interpretations in issue but not yet effective in the year ended 31 December 2022

Definition of Accounting Estimates (Amendments to IAS 8): Effective for accounting period beginning on or after 1 January 2023

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2): Effective for accounting periods beginning on or after 1 January 2023

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1): Effective for accounting periods beginning on or after 1 January 2023

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12} IFRS 17 Insurance Contracts: Effective for accounting periods beginning on or after 1 January 2023

Reference to the Conceptual Framework (Amendments to IFRS 3): Effective for accounting periods beginning on or after 1 January 2022

Property, Plant and Equipment Proceeds before Intended Use (Amendments to IAS 16): Effective for accounting periods beginning on or after 1 January 2022

Onerous Contracts Cost of Fulfilling a Contract (Amendments to IAS 37): Effective for accounting periods beginning on or after 1 January 2022

Annual Improvements to IFRS Standards 2018-2020: Effective for accounting periods beginning on or after 1 January 2022

Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16): Effective for accounting periods beginning on or after 1 April 2021

c) Impact of new and amended standards and interpretations in issue but not yet effective for the year ended 31 December 2022

Definition of Accounting Estimates (Amendments to IAS 8)

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.

The amendment is effective for accounting periods beginning on or after 1 January 2023 and is not expected to have any impact on the financial statements.

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

THREE STAR TANZANIA LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 2022. (Continued)

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUE)

The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement

The amendment is effective for accounting periods beginning on or after 1 January 2023 and is not expected to have any impact on the financial statements.

3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and its interpretations adopted by International Accounting Standards Board (IASB).

For the Companies Act, 2002 reporting purposes, in these financial statements, the balance sheet is represented by / is equivalent to the statement of financial position and the profit and loss account is presented in the statement of profit or loss and other comprehensive income.

(b) Basis of preparation

The financial statements are prepared in compliance with International Financial Reporting Standards ("IFRS").

The Financial Statements have been prepared on the historical cost basis except for the following:

- financial instruments at fair value through profit or loss are measured at fair value
- Financial assets are classified into the following specified categories: financial assets 'at amortized cost', 'at fair value through other comprehensive income', and 'at fair value through profit or loss (FVTPL)'.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 3. Disclosures on risk management are disclosed in Note 4 of these financial statements.

These financial statements have been prepared on a going concern basis and in compliance with the International Financial Reporting Standard for Small and Medium sized Entities (IFRS for SMEs) issued by the International Accounting Standards Board. They are presented in Tanzania Shillings (TShs). The measurement basis used is the historical cost basis except where otherwise stated in the accounting policies below.

The transition to IFRS for SMEs has no significant effect on the statement of financial position and statement of comprehensive income

THREE STAR TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS – 2022. (Continued)

(c) **Revenue recognition**

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Company and the revenue can be reliably measured. The company's turnover is in respect of performance of services less discounts, allowances and value added tax.

(d) **Foreign currencies**

(i) **Functional currencies**

Items included in the financial statements of the Company are measured using the currency of primary economic environment in which the Company operates ("the functional currency"). The financial statements are presented in Tanzania Shilling which is the Company's functional and presentation currency.

(ii) **Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date the fair value was determined.

(e) **Changes in accounting policies**

A number of new standards, amendments to standards and interpretations, relevant to the company, were effective for the year ended 31 December 2021, and have been applied in preparing these financial statements. These standards are summarised below:

The Company has adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition of 1 January 2021, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements.

As permitted by the transitional provisions of IFRS 9, the company elected not to restate comparative figures. Any adjustments to the carrying amount of financial assets and financial liabilities at the date of transition were recognised in the opening retained earnings and other reserves of the current period.

Consequently, for notes disclosures, the consequential amendments to IFRS 7 disclosures have also only been applied to the current period. The comparative period notes disclosures repeat those disclosures made in the year.

The adoption of IFRS 9 has resulted in changes in our accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 'Financial Instruments: Disclosures'.

THREE STAR TANZANIA LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 2022. (Continued)

IFRS 15, 'Revenue from contracts with customers', which replaces IAS 11, IAS 18 and their interpretations (SIC 13 and IFRIC 13, 15 and 18). The IFRS specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers in recognising revenue being: Identify the contract(s) with a customer; Identify the performance obligations in the contract; Determine the transaction price; Allocate the transaction price to the performance obligations in the contract; and Recognise revenue when (or as) the entity satisfies a performance obligation.

Based on the assessment done by the Company for the year ended 31 December 2021, there were no material impacts on adoption of this standard to the Company because revenue is the result of contract with customers and are adequately recognised when the entity has satisfied a performance obligation.

IFRS 16 Leases

The scope of the new standard includes leases of all assets, with certain exceptions. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. The key features of the new standard are:

- The new standard requires lessees to account for all leases under a single on-balance sheet model (subject to certain exemptions) in a similar way to finance leases under IAS 17.
- Lessees recognize a liability to pay rentals with a corresponding asset, and recognize interest expense and depreciation separately.
- The new standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computer) and short-term leases (i.e., leases with a lease term of 12 months or less).
- Reassessment of certain key considerations (e.g., lease term, variable rents based on an index or rate, discount rate) by the lessee is required upon certain events.
- Lessor accounting is substantially the same as today's lessor accounting, using IAS 17's dual classification approach.

The new standard is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. The new standard permits a lessee to choose either a full retrospective or a modified retrospective transition approach. The new standard's transition provisions permit certain reliefs. The new standard requires lessees and lessors to make more extensive disclosures than under IAS 17.

The application of the standard will primarily affect the accounting for the Company's operating leases. The Company is still assessing to what extent the current operating leases will result in the recognition of an asset and a liability for future payments and how this will affect the Company's results and classification of cash flows.

(f) Property, Plant and Equipment:

All categories of furniture and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

THREE STAR TANZANIA LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 2022. (Continued)

Subsequent costs are included in the asset's carrying value only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. Repairs and maintenance is charged to the statement of comprehensive income in the year to which it relates.

Depreciation is calculated using the straight line method. The following are the depreciation annual rates:

Description	%
Land	
Building	5
Plant & Machinery	25
Motor Vehicles	25
Computer and Accessories	37.5

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

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other income in the profit and loss account.

(g) Intangible Assets:

Intangible assets are purchased computer software that is stated at cost less accumulated depreciation and any accumulated impairment losses. It is amortised over its estimated life of three years using the reducing balance method. If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new expectations.

(h) Accounting for leases

Leases under which the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Obligation incurred under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease, except when an alternative method is more representative of the time pattern from which benefits are derived.

THREE STAR TANZANIA LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 2022. (Continued)

(i) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised costs using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is

Established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of a provision account, and the amount of the loss is recognised in the profit and loss account within the cost of sales.

When a trade receivable is uncollectible, it is written off against the provision account for trade receivables. Subsequent recoveries of amounts previously written off are credited against the cost of sales in the profit and loss account.

(j) Employment benefits

Retirement benefits

The company is registered and contributes employee's retirement benefits to the National Social Security Fund (NSSF) which is defined contribution scheme. It contributes 10% of the required of the gross emoluments to the scheme and the contributions are recognised as an expense in the period to which they relate. The remaining 10% is deducted from employees' emoluments. The organization has no further payment obligations once the contributions have been paid. The contributions are recognised as employee's benefit expense when they are due.

(k) Income tax

Income tax expense is the aggregate of the charge to the profit and loss account in respect of current income tax and deferred income tax. Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the Tanzania Income Tax Act, 2004.

(l) Trade payables

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

(m) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

(n) Dividends

Dividends on ordinary shares are charged to equity in the year in which they are declared. Proposed dividends are shown as a separate component of equity until declared.

THREE STAR TANZANIA LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 2022. (Continued)

(o) Cash and cash equivalents

Cash on hand, demand and time deposits with banks whose original maturities do not exceed three months are classified as cash and cash equivalents in the statement of cash flows. Bank overdrafts are shown within

(p) Non derivative financial liabilities

The Company has the following non-derivative financial liabilities: accrued expenses, and other payables.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

(q) Finance income and expenses

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Dividend income is recognised in profit or loss on the date the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expenses comprise interest expense on borrowings, changes in fair value of financial assets at fair value through profit or loss. Borrowing costs relating to qualifying assets are capitalised. All other borrowing costs are recognised in profit or loss using the effective interest method.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances.

(i) Critical accounting estimates and assumptions

Property, plant and equipment

Critical estimates are made by the Directors in determining depreciation rates for property, plant and equipment and their residual values. The rates used are set out in Note 2 (e) above.

Receivables

Critical estimates are made by the Directors in determining the recoverable amount of impaired receivables.

(ii) Critical judgements in applying the entity's accounting policies

In the process of applying the company's accounting policies, management has made judgements in determining whether assets are impaired or not.

THREE STAR TANZANIA LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 2022. (Continued)

5. RISK MANAGEMENT

(a) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions,

without incurring unacceptable losses or risking damage to the Company's reputation. Liquidity is further managed by monitoring forecast cash flows to ensure that the company has adequate cash resources to meet its short-term commitments.

The Company ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted.

All liquidity policies and procedures are subject to review and approval by the Company's board of directors. The major portion of borrowings relates to a loan from the company's shareholders and is long-term in nature.

(b) Interest rate risk

Currently the company has no significant interest-bearing assets, and therefore, the company's income and operating cash flows are substantially independent of changes in market interest rates.

(c) Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the company's trade and other receivables. The company's principal financial assets are cash and cash equivalents and accounts receivables. The credit risk on cash transactions in liquid fund is limited because the company banks with established and well recognised banking institutions. Trade receivables comprise a limited customer base. Management evaluated credit risk relating to customers on an ongoing basis.

(d) Foreign exchange risk

The company operates and receives funding both locally and internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investment in foreign operations. The company does not hedge foreign exchange fluctuations.

6. GOING CONCERN STATUS

The company made loss after tax for the period ended 31 December 2022 amounting to TZS 246 million and (2021: Loss of TZS 286.1 Million) and as of that date its total assets exceeded its total liabilities by TZS 924 Million and in 2021 by TZS 1.1 billion. The shareholders will provide the necessary financial support to enable the Company to continue its future operations. Accordingly, these financial statements have been prepared on the basis of accounting policies applicable to a going concern.

THREE STAR TANZANIA LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 2022. (Continued)

7. PROPERTY, PLANT AND EQUIPMENT:

	Land	Buildings	Plant & Machinery	Motor Vehicles	Computer & Accessories	Furniture & Fittings	Equipment & Tools	Electrical Transformer	TOTAL
	TZS.	TZS.	TZS.	TZS.	TZS.				TZS.
Cost at 1 st January, 2022	90,000,000	729,459,291	826,860,762	96,500,000	912,882	32,763,434	97,723,818	23,948,128	1,898,168,315
Additions	-	-	405,565,317	33,000,000	-	-	16,840,428	-	455,405,745
At 31.12.2022	90,000,000	729,459,291	1,232,426,079	129,500,000	912,882	32,763,434	114,564,246	23,948,128	2,353,574,060
DEPRECIATION:									
At 1 st January, 2022	-	156,505,594	239,765,107	69,500,000	359,749	14,333,348	61,142,721	11,974,064	553,580,583
Charge for the year	-	36,472,965	232,063,023	32,604,167	342,331	4,095,429	26,536,008	2,993,516	335,107,439
At 31.12.2022	-	192,978,559	471,828,130	102,104,167	702,080	18,428,777	87,678,729	14,967,580	888,688,022
Net Book Value at 31st December, 2022	90,000,000	536,480,732	760,597,949	27,395,833	210,802	14,334,657	26,885,517	8,980,548	1,464,886,038
Net Book Value as at 31st December 2021	90,000,000	572,953,697	587,095,655	27,000,000	553,133	18,430,086	36,581,097	11,974,064	1,344,587,732

THREE STAR TANZANIA LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 2022. (Continued)

8. TRADE AND OTHER RECEIVABLES:

	2022	2021
	TZS.	TZS.
Advance Payment to Creditors	45,107,149	-
TOTAL	<u>45,107,149</u>	<u>-</u>

9. CASH AND CASH EQUIVALENT:

	2022	2021
	TZS.	TZS.
Bank Balances	185,748,576	175,650,662
Cash in hand	37,955,338	36,887,565
TOTAL	<u>223,703,914</u>	<u>212,538,227</u>

10. SHARE CAPITAL:

	2022	2021
	TZS.	TZS.
Issued and Paid Up share capital	416,134,362	416,134,362
Total	<u>416,134,362</u>	<u>416,134,362</u>

11. TRADE AND OTHER PAYABLES

	2022	2021
	TZS.	TZS.
Accrual City Service Levy	7,875,039	9,299,719
Accrual WCF	38,695	-
NSSF Payable	1,547,810	3,106,920
PAYE Payable	471,013	843,464
SDL Payable	309,562	621,384
VAT Payable	9,632,821	37,268,080
Consultancy Fee	900,000	900,000
Sundry Creditors	1,121,134,494	377,185,197
TOTAL	<u>1,141,909,434</u>	<u>429,224,764-</u>

THREE STAR TANZANIA LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 2022. (Continued)

12. REVENUE

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Organization and that it can be reliably measured.

Analysis of Revenue

	2022 TZS.	2021 TZS
Sales Before EFD Cancellation	3,317,965,612	4,098,222,146
Cancellation EFD	(44,272,458)	
Net Sales	<u>3,273,693,154</u>	<u>4,098,222,146</u>

13. COST OF SALES

	2022	2021
Opening stock of raw materials	28,703,500	112,315,720
Add:		
<i>Purchase Import</i>	1,402,418,533	1,631,260,033
<i>Purchase local</i>	537,957,890	798,007,027
Add: Direct Cost (Note 17)	1,228,820,856	1,277,318,568
<i>Less: Closing stock of raw materials</i>	<i>(123,547,450)</i>	<i>(28,703,500)</i>
Cost of Sales	<u>3,074,353,328</u>	<u>3,790,197,848</u>
	<u>3,074,353,328</u>	<u>3,790,197,848</u>

14. EMPLOYMENT EXPENSES

	2022 TZS	2021 TZS
NSSF Contribution	11,398,160	10,443,511
PAYE	-	1,261,313
SDL	4,547,262	8,055,058
WCF Contribution	695,379	1,257,382
	<u>16,640,801</u>	<u>21,017,264</u>

THREE STAR TANZANIA LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 2022. (Continued)

15. ADMINISTRATIVE EXPENSES:

	2022 TZS.	2021 TZS
Fine Interest and penalties	5,000,000	18,132,491
Tax Expenses	336,000	-
Consultancy Fees	900,000	900,000
Air time & internet facility	-	3,858,000
Annual Certification fees	3,400,000	8,127,000
Annual Fee	750,000	-
Depreciation on Fixed Assets	76,508,407	88,067,589
Fuel Expense	53,477,614	16,611,040
Inspection fees	365,800	2,556,706
fire safety inspection fee	3,000,000	-
Land Fee	1,687,300	-
License and other fee	1,501,000	2,036,000
Generator Fuel	20,240,550	15,689,592
Environmental Management Fee	6,500,000	-
OSHA Inspection and other Fee	2,622,000	3,180,460
Parking Charges	105,000	-
Postage Expenses	-	969,382
Prior Year Corporate Tax Expenses	59,101,616	151,414,604
Prior year Expense	33,312,187	8,982,000
Prior year PAYE Expense	-	22,345,197
Prior year SDL Expense	-	30,024,607
Prior year VAT Expense	-	29,811,129
Prior year Withholding Tax Expense	-	10,270,577
Repair and maintenance Building	20,223,254	22,020,265
Resident Permit	7,743,129	-
Motor Vehicle Repair	25,673,488	17,988,760
Salary and Wages Admin.	46,300,000	60,000,000
Sanitary Expenses	5,048,000	-
Staff Medical Examination Expenses	-	1,955,000
Staff Welfare	1,947,139	8,789,568
Stationaries	21,241,000	16,733,170
Working Permit	2,589,400	2,309,240
Working Tools Expenses	10,975,000	10,173,937
City Service Levy	9,821,079	12,294,667
Weight Measurement of Goods	2,200,000	2,100,000
Packaging Material Expense	-	1,381,805
	<u>422,568,963</u>	<u>568,722,786</u>

THREE STAR TANZANIA LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 2022. (Continued)

16. FINANCIAL EXPENSES:

Bank charges	5,215,702	4,439,479
Loss on Foreign Exchange fluctuation	963,817	
TOTAL	<u>6,179,519</u>	<u>4,439,479</u>

17. DIRECT EXPENSES

	2022	2021
	TZS	TZS
Agency Fees	5,232,500	2,070,000
Casual Labour	260,467,000	214,000,000
Clearing and forwarding charges	5,900,600	7,805,000
Corridor Levy	28,440	2,500,818
Custom Handling & verification Charges	19,904,468	20,499,004
Custom Processing Fees	7,665,737	8,746,907
depreciation on plant and EQUIPMENTS	258,599,031	116,227,258
Documentation Charges	250,700	
Drop off Fee	200,000	100,000
Factory Gas	26,250,000	20,027,119
ICD Charges	24,568,072	1,319,854
Import Duty	143,595,416	165,880,280
Import Permits Fees	637,854	501,270
Movement Charges	426,600	6,782,204
Other Importation Charges	39,814,790	4,200,000
Railway Development Levy	23,135,269	25,053,037
Repair and maintenance Plant & Machinery	8,637,759	5,837,314
Salary and Wages Production	67,681,604	138,056,854
Service Fees	22,261	219,306
Shipping Fee	21,310,119	145,613,798
Storage/ imports	10,569,765	3,538,082
Stripping Charges	331,800	-
Transfer Inn Or Out Charges	308,100	-
Verification Fee	480,000	-
Transportation charges	44,048,120	95,671,160
Electricity & Water	216,302,041	255,304,086
Wharfage	42,452,810	37,365,219
	<u>1,228,820,856</u>	<u>1,277,318,570</u>

THREE STAR TANZANIA LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 2022. (Continued)

	2022
	TZS
18. TAXATION	
Profit before tax (as per accounts)	(246,049,458)
Add back:	
Depreciation	335,107,438
Amortization	-
Items permanently disallowed	107,440,071
Deductions:	
Depreciation allowance	(322,483,818)
Low Value Pool	(345,708)
Tax loss brought Forward	-
Adjusted Taxable Profit/(loss)	(126,331,476)
Income tax rate (30%)	-
Less: Tax payments by way of instalments	
First	(1,500,000)
Second	(1,500,000)
Third	(1,500,000)
Fourth	(1,500,000)
Total	(6,000,000)
Less Withholding Tax at source	-
Tax paid for prior year	-
Tax Payable Amount	<u>(6,000,000)</u>

THREE STAR TANZANIA LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 2022. (Continued)

18 a) Tax Payable/(Recoverable) Amount

	2022 TZS.
Opening balance 1st January 2022	(14,000,000)
Current tax expense	-
Tax Paid During the year	(6,000,000)
TOTAL	<u>(20,000,000)</u>

19. CONTINGENCIES

There are no material contingencies as at 31 December 2022, which may possibly result in a loss or gain to the Company or in commitments which it cannot meet, and for which no provision is considered necessary or only partial provision has been made.

20. EVENTS SUBSEQUENT TO THE YEAR END DATE

The Directors are not aware of any other events (as defined per IAS 10 Events after the Reporting Period) after the reporting date of 31 December 2022.

21. COMPARATIVE

Previous year's figures have been re-arranged whenever considered necessary in order to make them comparable with the current year's figures.

22. CURRENCY

The financial statements are presented in Tanzania Shillings (TZS). Average exchange rate as at 31 December 2022 as per Bank of Tanzania Published rates was TZS 2,308 per 1 USD