
Sinotan Truck Company Limited

Draft Financial Statements

Year ended 31 December 2024



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REPORT OF THE DIRECTORS

1 INTRODUCTION

The Board of Directors submit their report together with the audited financial statements for the year ended 31 December 2024, which disclose the state of affairs of Sinotan Truck Company Limited (herein referred to as “the Company”).

2 INCORPORATION

The Company is incorporated in Tanzania under the Tanzanian Companies Act of 2002 as a private company limited by shares.

3 MISSION OF THE COMPANY

To provide a sustainable financial return above shareholders’ expectations through leveraging on the Company’s financial strength.

4 PRINCIPAL ACTIVITY

The Company is engaged in the business of importation and sale of motor vehicle spares, accessories and building materials.

5 RESULTS FOR THE YEAR

The operating results of the Company for the year ended 31 December 2023 is set out on page number 6.

6 BOARD OF DIRECTORS

The Board of Directors comprise of the following:

<u>Name</u>	<u>Position</u>	<u>Nationality</u>
Mr. Yongwei Wang	Director	Chinese
Mr. Liang Gao	Director	Chinese

7 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

To ensure financial stability and profitability, the Directors have implemented policies and practices for a sound and prudent management and control of the principal financial risks to which the Company is exposed. The Company’s overall risk management programme focuses on the identification and management of risks and seeks to minimize potential adverse effects on its financial performance.

8 RISK MANAGEMENT AND INTERNAL CONTROL

The Directors accept 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 on-going basis in order to provide reasonable assurance regarding:

- i) the effectiveness and efficiency of operations;
- ii) the safeguarding of the Company’s assets;
- iii) compliance with applicable laws and regulations;
- iv) business sustainability under normal as well as adverse conditions; and
- v) responsible behaviors towards all stakeholders.

The efficiency of any internal control system is dependent on the strict observance of prescribed measures. Whilst no system of internal control can provide absolute assurance against misstatement or losses, the Company’s 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 year and is of the opinion that they met accepted criteria.

REPORT OF THE DIRECTORS (CONTINUED)

9 EMPLOYEE WELFARE

There were continued good relation between employees and management for the year under review. A healthy relationship continues to exist between management and trade union.

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

a) Industrial safety

The Company continued to comply with the standards of industrial safety established by various authorities.

b) Health safety

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

c) Employee benefit plan

The Company's employment terms are reviewed annually to ensure that they meet statutory and market conditions. The Company contributes 10% of the employee's salary to the National Social Security Fund (NSSF).

BY ORDER OF THE BOARD OF DIRECTORS

Director

Director

Date.....2025

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are required in terms of the Tanzanian Companies Act of 2002 to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the 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 (IFRS) and the requirements of the Tanzanian Companies Act of 2002.

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Tanzanian Companies Act of 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 management meet these responsibilities, the Directors 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 minimize it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and

The Directors aknowledge that they are responsible for establishing appropriate policies and procedures to prevent Non - Compliance with Laws and Regulations, including whistleblowing procedures as a necessary part of good internal governance.

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 Directors have reviewed the Company's cash flow forecast for the year to 31 December 2025 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.

The financial statements set out on pages 6 to 18 were authorised and approved by the Board of Directors on _____2025 and were signed on its behalf by:

.....
Director

.....
Director

DECLARATION OF THE HEAD OF FINANCE / ACCOUNTING

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 to discharge the responsibility of preparing financial statements of an entity showing true and fair view of the entity position and performance in accordance with applicable International Financial Report Standards (IFRS) and statutory financial reporting requirements.

Full legal responsibility for the preparation of financial statements rests with the Board of Directors as under Statement of Directors Responsibility on page 3.

I being an outsourced consultant of Sinotan Truck Company Limited hereby acknowledge my responsibility of reviewing and confirming that financial statements for the year ended 31 December 2024 have been prepared in compliance with applicable accounting standards and statutory requirements.

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

Signed by:

Position:

NBAA Membership No.:

Date: 2025

STATEMENT OF PROFIT OR LOSS

	Notes	2024 Tshs	2023 Tshs
Revenue	1 (a)	4,786,799,352	5,432,604,904
Cost of sales	2	<u>(4,221,478,088)</u>	<u>(4,794,975,673)</u>
Gross profit		565,321,264	637,629,231
Other income	1 (b)	19,200,000	-
Administrative and other operating expenses	3(a)	<u>(968,936,708)</u>	<u>(664,210,216)</u>
Operating loss		(384,415,444)	(26,580,986)
Finance costs	3(b)	<u>(23,461,081)</u>	<u>(17,137,208)</u>
Loss before tax		(407,876,525)	(43,718,193)
Tax charge for the year	4	<u>-</u>	<u>-</u>
Loss for the year		<u>(407,876,525)</u>	<u>(43,718,193)</u>

STATEMENT OF FINANCIAL POSITION

	Notes	2024 Tshs	2023 Tshs
ASSETS			
Non-current assets			
Property, plant and equipment	9	54,442,745	68,028,838
Current assets			
Inventories	5	666,620,450	89,089,900
Trade and other receivables	6	6,215,360,238	4,947,026,969
Cash and cash equivalents	7	169,302,671	125,580,782
		<u>7,051,283,360</u>	<u>5,161,697,652</u>
TOTAL ASSETS		<u>7,105,726,105</u>	<u>5,229,726,490</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	Page 8	794,985,600	794,985,600
Retained earnings	Page 8	(322,069,575)	85,806,950
		<u>472,916,025</u>	<u>880,792,550</u>
LIABILITIES			
Non-current liabilities			
Deferred tax liability		1,416,037	2,854,950
Current liabilities			
Trade and other payables	8	6,647,782,980	4,358,078,990
Current tax payable	4	(16,388,937)	(12,000,000)
		<u>6,631,394,043</u>	<u>4,346,078,990</u>
TOTAL EQUITY AND LIABILITIES		<u>7,105,726,105</u>	<u>5,229,726,490</u>

STATEMENT OF CHANGES IN EQUITY

	<u>Share capital</u>	<u>Retained earnings</u>	<u>Total</u>
<u>Year ended 31 December 2024</u>			
At start of the year	794,985,600	85,806,950	880,792,550
Loss for the year	-	(407,876,525)	(407,876,525)
At end of the year	<u>794,985,600</u>	<u>(322,069,575)</u>	<u>472,916,025</u>
<u>Year ended 31 December 2023</u>			
At start of the year	794,985,600	129,525,143	924,510,743
Loss for the year	-	(43,718,193)	(43,718,193)
At end of the year	<u>794,985,600</u>	<u>85,806,950</u>	<u>880,792,550</u>

SIGNIFICANT ACCOUNTING POLICIES

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

1 General information

Sinotan Truck Company Limited is a limited liability company incorporated in Tanzania and bearing Tax Identification Number (TIN) 135-129-410. The Company's registered office is located at Plot No. 15, Bungoni, Uhuru Street, Temeke at Dar Es Salaam, Tanzania.

2(a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Tanzanian companies Act of 2002. The measurement basis applied is the historical cost basis unless otherwise stated.

Going concern

The Directors have reviewed the Company's subsequent financial performance and position and are of the opinion that the Company is financially well placed to continue in existence for the foreseeable future. In this regard, these financial statements have been prepared on a going concern basis.

New standards, amendments and interpretations issued but not effective

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous year except for the adoption of new standards and interpretations which were effective for annual periods beginning on or after 1 January 2020. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

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

The new standards or amendments are listed below:

- a) Annual Improvements 2014-2016 Cycle
 - IFRS 1 - First-time Adoption of International Financial Reporting Standards
 - IAS 28 - Investments in Associates and Joint Ventures
- b) IFRS 15 Revenue from Contracts with Customers
- c) IFRS 9 (2014) Financial Instruments
- d) IAS 40 Transfers of Investment Property
- e) Amendments to IFRS 4 - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
- f) Amendments to IFRS 2 - IFRS 2 Classification and Measurement of Share-based Payment Transactions

Standards issued but not yet effective

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

The Company expects that adoption of these standards, amendments and interpretations in most cases not to have any significant impact on the Company's financial position or performance in the period of initial application.

Standard issued but not yet effective	Effective date on or before
IFRS 16 Leases	01-Jan-19
Amendments to IFRS 9 - IFRS 9 Prepayment Features with Negative Compensation	01-Jan-19
Amendments to IAS 28 - IAS 28 Long-term Interests in Associates and Joint Ventures	01-Jan-19
IFRS 17 Insurance Contracts	01-Jan-21

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Key sources of estimation uncertainty

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) Useful life of property, plant and equipment - Directors review the useful lives and residual values of the items of property, plant and equipment on a regular basis. During the financial year, the Directors determined no significant changes in the useful lives and residual values.

(ii) 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) Revenue

Revenue comprises the fair value of the consideration received or receivable from sale of motor vehicle spare parts, accessories and building materials in the ordinary course of business and is stated net of rebates and discounts.

The Company recognizes 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 of the Company's activities. The Company bases its estimates on results, taking into consideration the type of customer, type of transaction and specifics of each arrangement. The amount of revenue is not considered to be reliably measured until all contingencies relating to the sale have been resolved.

d) Translation of foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency of the respective entity using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within 'finance income or cost'. All other foreign exchange gains and losses are presented in profit or loss within 'other income' or 'other expenses'.

e) Property, plant and equipment

These are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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 of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Property, plant and equipment (continued)

Depreciation on assets is calculated using the following rates and methods:

	Rate	Method
Furniture and fittings	12.50%	Reducing balance
Office equipment	12.50%	Reducing balance
Computers and accessories	25.00%	Reducing balance
Motor vehicle	25.00%	Reducing balance
Software	5 years	Straight line

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are included in profit or loss.

f) Trade and other receivables

Trade and other receivables are amounts due from customers for goods supplied in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. An allowance 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 recognised in profit or loss.

g) Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

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

h) Share capital

Ordinary shares are classified as equity.

i) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand and cash at bank.

j) Employee benefits

(i) Retirement benefit obligations

The Company and all its employees contribute to the appropriate National Social Security Fund (NSSF), which are defined contribution plan.

A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Company's contributions to the defined contribution schemes are recognised as an employee benefit expense when they fall due. The Company has no further payment obligations once the contributions have been paid.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) Current tax

The tax expense for the year comprises of current income tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or in equity. In this case, the tax is also recognised in other comprehensive income and directly in equity. The current income tax charge is calculated on the basis of the tax rates and the laws that have been enacted or substantively enacted at the reporting date.

l) Inventories

Inventories are measured at the lower of cost and net realisable value on weighted average basis.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories comprises of all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

NOTES TO FINANCIAL STATEMENTS	2024	2023
	Tshs	Tshs
1 Income		
(a) Income from sale of motor vehicle spare parts and accessories	4,786,799,352	5,432,604,904
(b) Rental income	19,200,000	-
	<u>4,805,999,352</u>	<u>5,432,604,904</u>
2 Cost of sales		
Opening stock	89,089,900	41,123,630
Purchases and direct costs	4,799,008,639	4,842,941,944
Closing stock	(666,620,450)	(89,089,900)
	<u>4,221,478,088</u>	<u>4,794,975,673</u>
3 Administrative and other operating expenses		
3(a) <u>Administrative and other operating expenses</u>		
Accounting fees	15,000,000	9,250,000
Airtime expenses	7,795,636	2,185,471
Alarm monitoring charges	890,000	660,800
Audit fees	3,500,000	3,500,000
Carriage outwards	1,395,600	878,800
City service levy	14,360,398	16,297,815
Cleanliness and waste disposal expenses	2,072,000	1,210,000
Courier and postage charges	1,521,100	1,214,800
Depreciation and amortization charges (Note 9)	13,586,093	17,463,150
Domain renewal charges	25,000	25,000
Directors allowances	18,000,000	18,000,000
Financial consultancy charges	590,000	980,000
Fire inspection charges	100,000	600,000
Generator running expenses	3,113,730	1,772,000
Legal fees	8,935,000	8,491,119
Licenses, levies and other related fees	1,939,287	3,096,220
Marketing, advertising and promotional expenses	32,401,804	1,489,763
Medical charges	762,100	3,161,229
Motor vehicle fuel, oil and lubricants	33,453,465	40,002,157
Motor vehicle inspection and insurance charges	1,054,500	6,056,807
National social security fund	30,438,090	15,084,529
Office repairs and maintenance	14,420,615	29,956,458
Office supplies	15,815,603	11,708,359
Parking fees	100,142	176,800
Permit and visa expenses	38,148,211	48,262,585
Printing and stationery	3,582,463	1,810,576
Professional fees	4,140,000	3,600,000
Recruitment expenses	4,800,000	456,300
Registration fees	1,402,500	1,045,715
Rental charges	244,360,000	179,575,326
Repairs and maintenance - spares and tyres	11,457,776	2,269,263
Safety expenses	819,700	504,937
Salaries and wages	304,380,899	150,845,285
Security charges	22,000,000	3,944,475
Staff training	750,000	1,109,876
Staff welfare	96,949	2,855,283
Stamp duty	2,945,286	1,795,753
Skills and development levy	10,653,331	6,073,846
Telecommunication and internet charges	16,139,288	12,280,984
Transportation and travelling expenses	57,717,278	37,617,786
Utilities - Electricity and water charges	22,750,960	16,141,385
Workers compensation fund	1,521,904	759,566
	<u>968,936,708</u>	<u>664,210,216</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

	2024	2023
	Tshs	Tshs
3(b) <u>Finance costs</u>		
Bank charges	5,286,646	8,937,418
Unrealized foreign exchange loss	18,174,436	8,199,790
	<u>23,461,081</u>	<u>17,137,208</u>
4 Current tax (recoverable) / payable		
At start of the year	(12,000,000)	5,164,219
Charge for the year	-	-
Tax paid during the year	(12,000,000)	(17,164,219)
Withholding tax deducted at source	(4,388,937)	
Tax audit adjustment	12,000,000	-
At end of the year	<u>(16,388,937)</u>	<u>(12,000,000)</u>
5 Inventories		
Closing stock	666,620,450	89,089,900
	<u>666,620,450</u>	<u>89,089,900</u>
6 Trade and other receivables		
Trade and other receivables	6,215,360,238	4,947,026,969
	<u>6,215,360,238</u>	<u>4,947,026,969</u>
The carrying amounts of the above trade and other receivables approximate their fair values.		
7 Cash and cash equivalents		
Cash in hand and bank	169,302,671	125,580,782
	<u>169,302,671</u>	<u>125,580,782</u>
For purpose of the cashflow statement, cash and cash equivalents comprises of cash in hand, cash : overdrafts.		
8 Trade and other payables		
Trade and other payables	6,647,782,980	4,358,078,990
	<u>6,647,782,980</u>	<u>4,358,078,990</u>

The carrying amounts of the above trade and other payables approximate their fair values.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

9 Property, plant and equipment

	Furniture and fittings	Office equipment	Computers and accessories	Motor vehicle	Software	Total
<u>Year ended 31 December 2024</u>						
Cost						
At start of the year	20,596,483	31,143,315	25,761,272	107,530,678	61,315,000	246,346,748
Additions during the year	-	-	-	-	-	-
Disposals during the year	-	-	-	-	-	-
At end of the year	<u>20,596,483</u>	<u>31,143,315</u>	<u>25,761,272</u>	<u>107,530,678</u>	<u>61,315,000</u>	<u>246,346,748</u>
Accumulated depreciation and amortization						
At start of the year	9,769,946	14,600,922	19,387,440	73,244,602	61,315,000	178,317,910
Charge for the year	<u>1,353,317</u>	<u>2,067,799</u>	<u>1,593,458</u>	<u>8,571,519</u>	-	<u>13,586,093</u>
At end of the year	<u>11,123,263</u>	<u>16,668,721</u>	<u>20,980,898</u>	<u>81,816,121</u>	<u>61,315,000</u>	<u>191,904,003</u>
Carrying amounts						
As at 31 December 2024	<u><u>9,473,220</u></u>	<u><u>14,474,594</u></u>	<u><u>4,780,374</u></u>	<u><u>25,714,557</u></u>	<u><u>-</u></u>	<u><u>54,442,745</u></u>

	Furniture and fittings	Office equipment	Computers and accessories	Motor vehicle	Software	Total
<u>Year ended 31 December 2023</u>						
Cost						
At start of the year	20,596,483	31,143,315	25,761,272	107,530,678	61,315,000	246,346,748
Additions during the year	-	-	-	-	-	-
Disposals during the year	-	-	-	-	-	-
At end of the year	<u>20,596,483</u>	<u>31,143,315</u>	<u>25,761,272</u>	<u>107,530,678</u>	<u>61,315,000</u>	<u>246,346,748</u>
Accumulated depreciation and amortization						
At start of the year	8,223,298	12,237,723	17,262,829	61,815,910	61,315,000	160,854,760
Charge for the year	<u>1,546,648</u>	<u>2,363,199</u>	<u>2,124,611</u>	<u>11,428,692</u>	-	<u>17,463,150</u>
At end of the year	<u>9,769,946</u>	<u>14,600,922</u>	<u>19,387,440</u>	<u>73,244,602</u>	<u>61,315,000</u>	<u>178,317,910</u>
Carrying amounts						
As at 31 December 2023	<u><u>10,826,537</u></u>	<u><u>16,542,393</u></u>	<u><u>6,373,832</u></u>	<u><u>34,286,076</u></u>	<u><u>-</u></u>	<u><u>68,028,838</u></u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10 Financial risk management objectives and policies

Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance. The Company does not hedge any of its risk exposures. Financial risk management is carried out by the finance department under policies approved by the Board of Directors.

Market risk

(i) Foreign exchange risk

The Company 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 and recognized assets and liabilities.

(ii) Price risk

The Company does not hold any financial assets subject to price risk.

Credit risk

For banks, only reputable well established financial institutions are accepted. The management assesses the credit quality of each customer, taking into account its financial position, past experiences and other factors. Individual risk limits are set based on internal ratings in accordance with limits set by management. The utilization of credit limits is regularly monitored.

Credit risk arises from cash and deposits with banks and financial institutions as well as credit exposures to customers, including outstanding receivables and committed transactions. Credit risk is the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. Credit risk is managed by the finance department headed by the Managing Director.

The amount that best represents the company's maximum exposure to credit risk at 31 December 2024 is the carrying value of its financial assets in the statement of financial position. No collateral is held for any of the assets.

There is no independent credit rating for banks operating in Tanzania. However, the Company's bankers are either large and reputable banks or subsidiaries of reputable international banks.

None of the financial assets that are fully performing has been renegotiated.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management includes maintaining sufficient cash balances, and the availability of funding from an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the finance department maintains flexibility in funding by maintaining availability under committed credit lines.

Management perform cash flow forecasting and monitor rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet its operational needs. The Company's approach when managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Company's reputation.

11 Comparative figure

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

12 Capital management

Internally imposed capital requirements

The Company's objectives when managing capital are:

- to provide an adequate return to shareholders by pricing products commensurate with the level of risk;
- to comply with the capital requirements set out by the company's bankers;
- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- to maintain a strong asset base to support the development of business and;
- to maintain an optimal capital structure to reduce the cost of capital.

The Company sets the amount of capital in proportion to risk. The company manages the capital structure and makes adjustment to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

13 Presentation currency

These financial statements are presented in Tanzanian Shillings (Tshs).