

SIMBA PIPE INDUSTRIES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2022



Assad
ASSOCIATES

Certified Public Accountants and Tax Consultants

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COMPANY INFORMATION

Board of Directors	:	Names	Nationality
	:	General Motors Investment Limited	Tanzania
	:	Super Oils Petroleum Limited	Tanzania
Registered Office	:	Plot No. 68, 69 and 70	
	:	Chang'ombe Industrial Area	
	:	Migeyo Road	
	:	Dar es Salaam	
	:	Tanzania.	
Independent Auditor	:	Assad Associates	
	:	Certified Public Accountants	
	:	Mansfield / Bridge street	
	:	P.O.Box 7286	
	:	Dar es Salaam	
	:	Tanzania	
Company Secretary	:	Upendo Philbert Ngaponda	
	:	Plot No. 2269, Block No. D	
	:	Matosa Street, Goba Road	
	:	Dar es Salaam	
	:	Tanzania	
Principal Bankers	:	Azania Bank Tanzania Limited	
	:	Mawasiliano Tower	
	:	P.O. Box 32089	
	:	Dar es salaam	
	:	Tanzania.	
	:	National Bank of Commerce Tanzania Limited	
	:	P.O. Box 9062	
	:	Dar es salaam	
	:	Tanzania.	
	:	Standard Chartered Bank Tanzania Limited	
	:	P.O. Box 9011	
	:	Dar es salaam	
	:	Tanzania.	

REPORT BY THOSE CHARGED WITH GOVERNANCE

The directors submit their annual report and the audited financial statements for the year ended 31 December 2022, which disclose the state of affairs of the company.

INCORPORATION

Simba Pipe Industries Limited is domiciled in Tanzania where it is incorporated as a private company limited by shares under the Tanzania Companies Act, 2002. The address of the registered office is set out on page 1.

PRINCIPAL ACTIVITIES

The principal activity of the company is manufacturing and trading of PVC and HDPE pipes and fittings.

COMPANY'S MISSION

The Company's mission is to be the leading solution provider for piping systems in East Africa by providing high quality products to cater to the needs of water mains reticulation, sewerage, gas transportation, telecommunications and electrical conduits.

COMPANY'S VISION

The Company's vision is to be the leader in our business by delivering quality products and services through continuous innovation without compromising our core values of trust, respect, integrity, passion, humility, excellence and team work.

COMPOSITION OF THE BOARD OF DIRECTORS

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

Names	Position	Nationality	Appointed
General Motors Investment Limited	Director	Tanzania	01/07/2021
Super Oils Petroleum Limited	Director	Tanzania	01/07/2021

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

DIRECTORS EVALUATION AND TRAINING

The board itself regularly undergoes self-assessment and evaluation in order to improve the internal governance of the board.

RESULTS

	2022	2021
	TShs '000'	TShs '000'
Profit before tax	6,715,201	2,274,513
Tax charge for the year	(1,939,817)	(878,188)
Profit for the year	4,775,384	1,396,325

CORPORATE GOVERNANCE

The Board of Simba Pipe Industries Limited consists of two directors. The Board takes overall responsibility for the Company, including responsibility for identifying key risk areas, considering and monitoring significant 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.

REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

CORPORATE GOVERNANCE (continued)

The company is committed to the principles of effective corporate governance. The directors also recognise the importance of integrity, transparency and accountability to ensure high standards of corporate governance throughout the company.

SHARE CAPITAL

Details of authorised and issued share capital have been disclosed in Note 15 of the financial statement.

Name of the Shareholders	% Shareholding	No of shares held
General Motors Investment Limited	99%	554,400
Super Oils Petroleum Limited	1%	5,600
	<u>100%</u>	<u>560,000</u>

DIVIDEND

The directors do not recommend the declaration of dividend for the current year (2021: TShs. 465,000,000).

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 31 December 2022 and is of the opinion that they met the expected criteria.

GOING CONCERN

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 Simba Pipe Industries Limited has adequate resources to continue in operational existence for the foreseeable future.

EMPLOYEES' WELFARE

Management and employees' relationship.

There was continued good relationship between employees and management for the year ended 31 December 2022. There were no unresolved complaints received by Management from the employees during the year. A healthy relationship continues to exist between management and employees.

The company 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.

REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

EMPLOYEES BENEFIT PLAN

The company pays contributions to National Social Security Fund in Tanzania on mandatory basis which qualifies to be a defined contribution plan.

The details of employees of the company are set out below;

	2022	2021
Total number of employees at the beginning of the year	79	91
Number of employees engaged	6	1
Number of employees who left	(9)	(13)
	76	79

Financial assistance to staff

Salary advances are available to all confirmed employees during depending on the assessment of and the discretion of management as to the need and circumstances. All salaries advances are recovered at the month end from employees' salaries.

Persons with disabilities

Applications for employment by disabled persons are always considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and appropriate training is arranged. It is the policy of the company that training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Medical assistance

All members of staff with maximum number of four beneficiaries (dependents) are guaranteed with medical services. Medical services are provided by approved medical centres proposed by the National Health Insurance Fund (NHIF).

Health and Safety

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

FUTURE PLANS

Simba Pipe Industries Limited's focus for the year 2023 and 2024 is bidirectional as we wish to "improve our capacity utilization" together with "improving the current capacities to the optimum levels" within the constraints of current location of our operations.

Meanwhile, we shall be keenly observing the process of global geopolitics situations and its impact on the global as well as local economies including our own in Tanzania with a special focus on the progress of "infrastructure development sector".

Simba Pipe Industries Limited's is planning to have multiple capex during 2023 and 2024 mainly towards improving the capacities and improving the efficiency and effectiveness.

LIQUIDITY

The company is financed from it's reserves, bank overdraft and loans.

CORPORATE SOCIAL RESPONSIBILITY

The company continues to provide support to the community in which it operates.

REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

RELATED PARTY BALANCES

There are no related party balances for the year of income 2022.

INDEPENDENT AUDITOR

The company's auditor, Assad Associates has been appointed as new auditors. A resolution proposing their re-appointment as auditors of the company for the year ended 31 December 2023 will be tabled in the Annual General Meeting.

BY ORDER OF THE BOARD OF THOSE CHARGED WITH GOVERNANCE



Soud Bargash Hamoud
For and on behalf of General Motors
Investment Limited
Director

12th June 2023

STATEMENT OF RESPONSIBILITIES BY THOSE CHARGED WITH GOVERNANCE

The directors are required in terms of the Tanzania Companies Act, 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 and the requirements of the Tanzania Companies Act, 2002. The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with International Financial Reporting Standards and the requirements of the Tanzania 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 minimize 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 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.

The members also confirm compliance with the provision of the requirements of TFRS 1 and all other statutory legislations relevant to the company.

The external auditors are responsible for independently reviewing and reporting on the company's financial statements. The financial statements have been examined by the company's external auditors and their report is presented on pages 8 and 9.

The financial statements and notes on pages 2 to 35 were authorised and approved for issue by the Board of Directors on 12th June 2023 and were signed on its behalf by:

Soud Bargash Hamoud
For and on behalf of General Motors
Investment Limited
Director

DECLARATION OF THE HEAD OF FINANCE OF SIMBA PIPE INDUSTRIES 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 to discharge the responsibility of preparing financial statements of an entity showing true and fair view of the entity position and performance in accordance with applicable International Accounting Standards and statutory financial reporting requirements. Full legal responsibility for the preparation of financial statements rests with the Board of Directors as under statement of responsibilities of those charged with governance on an earlier page.

I CECILIA D. LUSSA being the Head of Finance of Simba Pipe Industries 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 position of Simba Pipe Industries Limited as on that date and that they have been prepared based on properly maintained financial records.

Signed by: CECILIA DAVID LUSSA 

Position: Finance Manager

NBAA Membership No: GA 9564

Date: 13th June 2023

**REPORT OF THE INDEPENDENT AUDITOR
TO THE SHAREHOLDERS OF SIMBA PIPE INDUSTRIES LIMITED**

Opinion

We have audited the financial statements of Simba Pipe Industries Limited, which comprise the statement of financial position as at December 31, 2022, the statement of profit or loss, statement of changes in equity, statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes.

In our opinion the accompanying financial statements present fairly, in all material respects, the financial position of Simba Pipe Industries Limited as at December 31, 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirement of Tanzania 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of International Financial Reporting Standards (IFRS) and the requirements of Tanzania Companies Act, and for such internal control as management determines it necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

REPORT OF THE INDEPENDENT AUDITOR (CONTINUED)
TO THE SHAREHOLDERS OF SIMBA PIPE INDUSTRIES LIMITED

Report on Other Legal and Regulatory Requirements

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

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

- We have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit.
- In our opinion, proper books of accounts have been kept by the Company, so far as it appears from our examination of those books.
- The Company's Statement of Profit or Loss and Statement of Financial Position are in agreement with the books of accounts.

FOR : ASSAD ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

Signed by: **Sajjad Jusab**
FCPA 216

Place: **Dar es Salaam** and Tax Consultants

12.06.2023

Date

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

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

We communicate with those charged with governance 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.

STATEMENT OF PROFIT OR LOSS

	Notes	2022 TShs '000'	2021 TShs '000'
Revenue	1	55,348,565	23,288,651
Cost of sales	2	(43,756,078)	(16,928,464)
Gross profit		11,592,487	6,360,187
Other income	3	70,704	7,449
Gross income		11,663,191	6,367,636
Other operating losses	4	(21,982)	(230,659)
Administrative costs	5	(4,460,682)	(3,479,070)
Finance costs	7	(465,326)	(383,394)
Profit before tax		6,715,201	2,274,513
Tax charge for the year	8	(1,939,817)	(878,188)
Profit for the year		4,775,384	1,396,325


The significant accounting policies on pages 14 to 25 and the notes on pages 26 to 35 form an integral part of these financial statements.

Report of the independent auditor - pages 8 - 9.

STATEMENT OF FINANCIAL POSITION

	Notes	2022 TShs '000'	2021 TShs '000'
ASSETS			
Non-current assets			
Property, plant and equipment	9	7,240,094	5,138,123
Intangible assets	9a	10,211	18,960
		7,250,305	5,157,083
Current assets			
Inventory	11	5,408,749	5,413,568
Trade and other receivables	12	16,593,874	7,704,366
Cash and cash equivalents	13	1,935,266	465,431
Tax recoverable	14	54,711	38,499
		23,992,601	13,621,864
TOTAL ASSETS		31,242,906	18,778,946
EQUITY AND LIABILITIES			
Share capital	15	560,000	560,000
Retained earnings		9,655,228	4,879,844
		10,215,228	5,439,844
Non current liabilities			
Other financial liabilities	16	964,516	1,607,527
Deferred tax	10	360,726	311,106
		1,325,243	1,918,633
Current liabilities			
Other financial liabilities	16	-	6,114,398
Trade and other payables	17	19,301,524	3,968,438
Bank overdraft	17	400,913	1,337,633
		19,702,437	11,420,469
TOTAL EQUITY AND LIABILITIES		31,242,906	18,778,946

The financial statements and notes on pages 2 to 35 were authorised and approved for issue by the Board of Directors on ^{15th June} 2023 and were signed on its behalf by:


Soud Bargash Hamoud
For and on behalf of General Motors
Investment Limited
Director

The significant accounting policies on pages 14 to 25 and the notes on pages 26 to 35 form an integral part of these financial statements.

Report of the independent auditor - pages 8 - 9.

STATEMENT OF CHANGES IN EQUITY

	Share capital TShs '000'	Retained earnings TShs '000'	Total TShs '000'
Year ended 31 December 2022			
At start of year	560,000	4,879,844	5,439,844
Total profit for the year	-	4,775,384	4,775,384
At end of year	560,000	9,655,228	10,215,228
Year ended 31 December 2021			
At start of year	560,000	3,948,519	4,508,519
Dividends	-	(465,000)	(465,000)
Total profit for the year	-	1,396,325	1,396,325
At end of year	560,000	4,879,844	5,439,844

The significant accounting policies on pages 14 to 25 and the notes on pages 26 to 35 form an integral part of these financial statements.

Report of the independent auditor - pages 8 - 9.

STATEMENT OF CASH FLOWS		2022	2021
	Notes	TShs '000'	TShs '000'
Cash flows from operating activities			
Profit before tax		6,715,201	2,274,513
Adjustment for:			
Gain on disposal		(323,817)	(27,045)
Depreciation	9	1,069,506	1,125,660
Profit before changes in working capital		7,460,890	3,373,128
Changes in working capital			
Inventories		4,819	(2,619,760)
Trade and other receivables		(8,889,508)	402,070
Trade and other payable		15,333,086	1,111,404
<i>Cash generated from operations</i>		13,909,287	2,266,842
Withholding tax suffered		(525,116)	-
Tax paid		(1,353,513)	(1,002,209)
Net cash generated from operating activities		12,030,658	1,264,633
Investing activities			
Purchase of property, plant and equipment and intangible	9	(3,244,846)	(169,418)
Proceeds from disposal of property, plant and equipment		399,468	89,200
Net cash used in from investing activities		(2,845,378)	(80,218)
Financing activities			
Dividends paid		-	(1,596,661)
Movement in other financial liabilities		(6,757,409)	1,880,270
Movement in contract liabilities		-	(26,371)
Net cash (used in)/generated from financing activities		(6,757,409)	257,238
Increase in cash and cash equivalents		2,427,870	1,441,653
Cash at the beginning of the year		(872,202)	(2,313,855)
Cash at the end of the year	13 & 17	1,555,668	(872,202)

The significant accounting policies on pages 14 to 25 and the notes on pages 26 to 35 form an integral part of these financial statements.

Report of the independent auditor - pages 8 - 9.

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 the years presented, unless otherwise stated.

1a) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and Companies Act 2002.

The financial statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. They are presented in Tanzanian Shillings and rounded off to the nearest thousands, which is the company's functional currency.

i) New and amended standards adopted by the company

The Company has applied the following standards and amendments for the first time for its annual reporting period commencing 1 January 2022:

- 1) Onerous contracts - Cost of fulfilling a contract Amendments to IAS 37
- 2) Annual improvement to IFRS Standards 2018-2020
- 3) Property, Plant and Equipment: Proceeds before intended use - Amendments to IAS 16
- 4) Reference to the conceptual framework - Amendments to IFRS 3

The adoption of these amendments did not have any impact on the amounts recognised in the accounting policy, financial position or performance of the Company.

ii) New standards and interpretations not yet adopted by the company.

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting period and have not been early adopted by the Company. The Company's assessment of the impact of these new standards and interpretations is set out below.

Standard issued but not effective	Effective date on or after
IFRS 17 Insurance Contracts	01-Jan-2023 (deferred from 1 Jan 2021)
Classification of liabilities as current or non-current - Amendments to IAS 1	01-Jan-2023 (deferred from 1 Jan 2022)
Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2	01-Jan-23
Definition of Accounting Estimates – Amendments to IAS 8	01-Jan-23
Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	01-Jan-23

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

b) Critical accounting estimates, judgements and assumptions

In the process of applying the company's accounting policies, the company's management makes certain estimates, judgements and assumptions. These are based on the management's past experience and other determinants that under the circumstances are deemed to be reasonable. In practice, the estimated and assumed results would differ from the actual results.

(i) Impairment of 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.

(ii) Provision for doubtful debts - The company has not impaired any of its trade and other receivable balances as at the end of the year.

SIGNIFICANT ACCOUNTING POLICIES

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

(iii) **Useful life of property, plant and equipment** - Management reviews the useful lives and residual values of the items of equipments on a regular basis. During the financial year, the directors determined no significant changes in the useful lives and residual values.

(iv) **Revenue recognition** - In making their judgement, the directors considered the detailed criteria for the recognition of revenue from the provision of goods and services.

(v) **Taxation** - Estimates made in determining the income tax expense for transactions for which the ultimate determination of the income tax expense is uncertain in the ordinary course of business.

1b) Property, plant and equipment

Property, plant and equipment are tangible items that:

- i) Are held for use in the supply of services and for administrative purpose.
- ii) Are expected to be used for more than one period.

Items of property, plant and equipment are initially recognised at cost. Costs include all costs incurred to bring the asset to the condition necessary for it to be capable of operating in the manner intended by management.

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 profit or loss in the year to which it relates.

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the company. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecongised.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation Method	Average useful life
Buildings	Straight Line	20 years
Plant and Machinery	Straight Line	8 years
Furniture and Fixtures	Straight Line	8 years
Motor Vehicles	Straight Line	4 years
IT Equipment	Straight Line	3 years
Leasehold improvements	Straight Line	50 years

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

The depreciation charge for each year is recongnised in profit or loss unless it is included in the carrying amount of another asset.

Impairment test are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recongnised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

An item of assets is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the depreciation of an item of assets, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

SIGNIFICANT ACCOUNTING POLICIES

1c) Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the assets will flow to the entity; and
- the cost of the asset can be measured reliably.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation Method	Average useful life
Computer Software	Straight Line	3 years

1d) Financial Instruments

Financial instruments held by the company are classified in accordance with the provisions of IFRS 9 Financial Instruments.

Broadly, the classification possibilities, which are adopted by the company, as applicable, are as follows:

Financial assets which are equity instruments:

- Mandatorily at fair value through profit or loss; or
- Designated as at fair value through other comprehensive income. (This designation is not available to equity instruments which are held for trading or which are contingent consideration in a business combination).

Financial assets which are debt instruments:

- Amortised cost. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows); or
- Fair value through other comprehensive income. This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by both collecting contractual cash flows and selling the instruments); or

SIGNIFICANT ACCOUNTING POLICIES

1d) Financial Instruments (continued)

- Mandatory at fair value through profit or loss. (This classification automatically applies to all debt instrument which do not qualify as at amortised cost or at fair value through other comprehensive income); or
- Designated at fair value through profit or loss. (This classification option can only be applied when it eliminates or significantly reduces an accounting mismatch).

Financial Liabilities:

- Amortised cost; or
- Mandatorily at fair value through profit or loss. (This applies to contingent consideration in a business combination or to liabilities which are held for trading); or
- Designated at fair value through profit or loss. (This classification option can be applied when it eliminates or significantly reduces an accounting mismatch; the liability forms part of a group of financial instruments managed on a fair value basis; or it forms part of a contract containing an embedded derivative and the entire contract is designated as at fair value through profit or loss).

Financial instruments and risk management presents the financial instruments held by the company based on their specific classifications.

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the company are presented below:

Trade and other receivables

Classification

Trade and other receivables, excluding, when applicable, VAT and prepayments, are classified as financial assets subsequently measured at amortised cost (note 12).

They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the company's business model is to collect the contractual cash flows on trade and other receivables.

Recognition and measurement

Trade and other receivables are recognised when the company becomes a party to the contractual provisions of the receivable. They are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Balance due within 12 months equal their carrying balances as the impact of discounting is not significant.

SIGNIFICANT ACCOUNTING POLICIES

1d) Financial instruments (continued)

Application on the effective interest method

For receivables which contain a significant financing component, interest income is calculated using the effective interest method, and is included in profit or loss in investment income.

The application of the effective interest method to calculate interest income on trade receivables is dependent on the credit risk of the receivable as follows;

- The effective interest rate is applied to the gross carrying amount of the receivable, provided the receivable is not credit impaired. The gross carrying amount is the amortised cost before adjusting for a loss allowance.
- If a receivable is purchased or originated as credit-impaired, then a credit-adjusted effective interest rate is applied to the amortised cost in the determination of interest. This treatment does not change over the life of the receivable, even if it is no longer credit-impaired.
- If a receivable was not purchased or originally credit-impaired, but it has subsequently become credit-impaired, then the effective interest rate is applied to the amortised cost of the receivable in the determination of interest. If, in subsequent periods, the receivable is no longer credit impaired, then the interest calculation reverts to apply the effective interest rate to the gross carrying amount.

Trade and other receivables denominated in foreign currencies

When trade and other receivables are denominated in a foreign currency, the carrying amount of the receivables are determined in the foreign currency. The carrying amount is then translated to the Tanzanian Shillings equivalent using the BOT mean rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in profit or loss in other operating gains (losses) (note 5)

Impairment

The company recognises a loss allowance for expected credit losses on trade and other receivables, excluding VAT and prepayments. The amount of expected credit losses is updated at each reporting date.

The company measures the loss allowance for trade and other receivables at an amount equal to lifetime expected credit losses (lifetime ECL), which represents the expected credit losses that will result from all possible default events over the expected life of the receivable.

Measurement and recognition of expected credit losses

The company makes use of a provision matrix as a practical expedient to the determination of expected credit losses on trade and other receivables. The provision matrix is based on historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date, including the time value of money, where appropriate.

An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of trade and other receivables, through use of a loss allowance account. The impairment loss is included in other operating expenses in profit or loss as a movement in credit loss allowance (Note 12).

SIGNIFICANT ACCOUNTING POLICIES

1d) Financial instruments (continued)

Writte off policy

The company writes off a receivable when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Receivables written off may still be subject to enforcement activities under the company recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Trade and other Payables

Classification

Trade and other payables (note 17), excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

Recongnition and measurement

They are recongnised when the company becomes a party to the contractual provisions, and are measured, at initial recongnition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

If trade and other payables contain a significant financing component, and the effective interest method results in the recongnition of interest expense, then it is included in profit or loss in finance costs (note 7).

Trade and other payables expose the company to liquidity risk and possibly to interest rate risk. Refer to note 21 for details of risk exposure and management thereof.

Balance due within 12 months equal their carrying balances as the impact of discounting is not significant.

Trade and other payables denominated in foreign currencies

When trade payables are denominated in a foreign currency, the amount of the payables are determined in the foreign currency. The carrying amount is then translated to the Tanzanian Shilling equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in profit or loss in the other operating gains/ losses (note 5).

Derecognition

An entity shall derecognise a trade and other payables from its statement of financial position when, and only when, it is extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expires.

Cash and cash equivalents

Cash and cash equivalents are stated at carrying amount which deemed to be fair value less bank overdraft.

SIGNIFICANT ACCOUNTING POLICIES

1d) Financial instruments (continued)

Bank Overdrafts

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

1e) Tax

Current Tax assets and liabilities

Current tax for the current and prior periods 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 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).

A deferred tax asset is recognised for the carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised.

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.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss 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, or
- A business combination.

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.

SIGNIFICANT ACCOUNTING POLICIES

1f) Leases

The company assesses whether a contract is, or contains a lease, at the inception of the contract.

A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as lessee

A lease liability and corresponding right-of-use asset are recognised at the lease commencement date, for all lease agreements for which the company is a lessee, except for short-term leases of 12 months or less, or leases of low value assets. For these leases, the company recognises the lease payments as an operating expense (note 6) on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The various lease and non-lease components of contracts containing leases are accounted for separately, with consideration being allocated to each lease component on the basis of the relative stand-alone prices of the non-lease components (where non-lease components exists).

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed lease payments, including in-substance fixed payments, less any lease incentives;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the company under residual value guarantees;
- The exercise price of purchase options, if the company is reasonably certain to exercise the option;
- Lease payment is an optional renewal period if the company is reasonably certain to exercise an extension option; and
- Penalties for early termination of a lease, if the lease terms reflects the exercise of an option to terminate the lease.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability (or right-of-use asset). The related payments are recognised as an expense in the period incurred and are included in operating expenses (page 27)

The lease liability is presented as a separate line item on the Statement of Financial Position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect lease payments made. Interest charged on lease liability is included in finance costs (note 7)

SIGNIFICANT ACCOUNTING POLICIES

1f) Leases (continued)

Right-of-use assets

Right-of-use assets are presented as a separate line item on the Statement of Financial Position.

Lease payments included in the measurement of the lease liability comprise the following:

- The initial amount of the corresponding lease liability;
- Any lease payments made at or before the commencement date;
- Any initial direct costs incurred;
- Any estimated costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, when the company incurs an obligation to do so, unless these costs are incurred to produce inventories; and
- Less any lease incentives received.

When the company incurs an obligation for the costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying assets to the condition required by the terms and conditions of the lease, a provision is recognised in the Statement of Financial Position in note Provisions.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

As an exception, when the underlying assets are land and buildings, the company adopts the revaluation model consistent with the accounting policy for land and buildings which are owned by the company. The accounting policy for the revaluation model is explained in the property, plant and equipment account policy.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

1g) Inventories

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

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the entity,

When inventories are sold, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The company's inventory includes raw materials, packing materials and finished goods.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1h) Impairment of assets

The company assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the company also;

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.
- tests goodwill acquired in a business combination for impairment annually.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset, if it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1i) Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of any entity after deducting all of its liabilities.

Ordinary shares are recognised at par value and classified as 'share capital' in equity. Any amounts received from the issue of shares in excess of par value is classified as 'share premium' in equity. Dividends are recognised as a liability in the company in which they are declared.

1j) Employee benefits

Shorter term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payment is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1j) Employee benefits (continued)

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payment made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the company's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan. The company contributes to National Social Security Fund (NSSF) which is considered to be defined retirement contribution plan.

1k) 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.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 23.

1l) Revenue from contracts with customers

The company recognises revenue from the following major sources:

- Sale of manufactured goods
- Sale of trading goods.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The company recognises revenue when it transfers control of a product or service to a customer.

1m) Cost of Sales

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1n) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1n) Borrowing costs (continued)

The capitalisation of borrowings costs commences when;

- expenditures for the asset have occurred;
- borrowing costs have been incurred, and
- activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1o) Transaction of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Tanzanian Shillings, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date 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 transactions; and
- Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

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.

When a gain or loss on a non-monetary item is recognised to other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised to other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Cash flows arising from transactions in a foreign currency are recorded in Tanzanian Shillings by applying to the foreign currency amount the exchange rate between the Tanzanian Shilling and the foreign currency at the date of cash flow.

1p) Comparative figures

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

NOTES TO THE FINANCIAL STATEMENTS

	2022 TShs '000'	2021 TShs '000'
1 Revenue		
Sales of goods	55,348,565	23,288,651
	55,348,565	23,288,651
2 Cost of sales		
Sale of goods	41,970,575	15,134,562
Manufactured goods:		
Employee costs	841,326	769,078
Depreciation and impairment	944,176	1,024,824
	43,756,078	16,928,464
3 Other income		
Bad debts	70,704	-
Interest Income	-	7,449
	70,704	7,449
4 Other operating gains / (losses)		
Gain on property, plant and equipment	323,817	27,045
Foreign exchange loss	(345,799)	(257,704)
	(21,982)	(230,659)
5 Administrative costs		
Administration and management fees	-	172,457
Auditor's remuneration	26,000	26,150
Bad debts	-	158,899
Bank charges	278,793	178,607
Cleaning	2,285	2,835
System audit fees	-	5,721
Consulting and professional fees	25,793	28,721
Depreciation and amortisation	134,079	100,836
Delivery expenses	5,281	3,968
Employment costs (Note 6)	1,164,018	1,028,167
Donation	2,655	300
Other expenses	-	5,661
Canteen expenses	93,479	93,818
Fines and penalties	1,376	995
Miscellaneous expenses	15,879	9,215
Fumigation expenses	1,000	500
Tender fees	15,304	9,329
Uniform, books and periodicals	27,137	8,181
Gemba Kaizen Expenses	6,738	6,538
OSHA expenses	8,692	9,017
Insurance	148,159	128,599
Employee mobile expenses	4,876	4,585
Employee incentives	-	310
Software expenses	2,961	40,028
Casual labour	35,428	15,394
City service levy	167,203	69,866

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2022 TShs '000'	2021 TShs '000'
5 Administrative costs (continued)		
Medical expenses	13,787	9,935
Motor vehicle expenses	44,482	34,796
Lease rentals on operating lease	33,524	36,834
License and renewals	17,001	18,464
Printing, postage and stationery	17,932	18,144
Advertisements and promotions	61,010	18,720
Repair and maintenance	22,393	32,993
Stamp duty	-	343
Permit expenses	29,819	16,983
Recruitment expenses		800
Security	54,392	44,566
Tax assessments	6,519	98,698
Subscription and membership fees	2,343	2,418
Telephone, fax, postage and internet	21,157	24,991
Training	1,570	1,353
Transport and freight	1,865,446	907,645
Domestic travel expenses	37,817	57,126
Foreign travel expenses	38,603	45,564
Property tax and land rent	25,751	-
Total administrative costs	4,460,682	3,479,070
6 Employment costs		
Salaries and wages	920,200	808,139
Workers compensation fund	8,472	11,904
Skills and development levy	71,641	62,041
National social security fund	153,705	146,083
NHIF - Company contribution	10,000	-
Total employment costs	1,164,018	1,028,167
7 Finance costs		
Interest on bank overdraft	100,565	101,382
Interest on bank loans	364,761	282,012
Total finance costs	465,326	383,394

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2022 TShs '000'	2021 TShs '000'
8 Tax		
Current tax	1,890,197	660,301
Deferred tax charge (Note 10)	49,620	217,887
Tax charge	1,939,817	878,188
Reconciliation of tax expense		
Profit before tax	6,715,201	2,274,513
Tax calculated at a tax rate of 30% (2021: 30%)	2,014,560	682,354
Tax effect of: expenses not deductible for tax purposes	(74,743)	195,834
Tax charge	1,939,817	878,188

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9 Property, plant and equipment

Year ended 31 December 2022	Building TShs '000'	Plant and Machinery TShs '000'	Motor vehicles TShs '000'	Furniture and fixtures TShs '000'	IT Equipment TShs '000'	Leasehold Improvements TShs '000'	Total TShs '000'
Cost							
As start of year	945,553	12,557,816	267,411	140,530	243,275	2,126,440	16,281,025
Additions	-	2,773,751	290,403	37,286	143,405	-	3,244,846
Disposal	(55,073)	(807,915)	(76,040)	-	(1,627)	-	(940,656)
At end of year	890,480	14,523,652	481,774	177,816	385,053	2,126,440	18,585,215
Accumulated Depreciation							
As start of year	670,498	9,465,178	228,222	122,500	225,689	430,815	11,142,902
Disposal	(23,865)	(766,080)	(76,040)	-	(1,302)	-	(867,287)
Charges for the year	47,278	896,899	29,475	6,498	24,241	65,115	1,069,506
At end of year	693,911	9,595,997	181,657	128,998	248,628	495,930	11,345,121
Net book value as at 31.12.2022	196,569	4,927,655	300,117	48,818	136,425	1,630,510	7,240,094
Year ended 31 December 2021							
Cost							
As start of year	945,553	12,520,270	245,378	135,429	226,943	2,126,440	14,073,573
Additions	-	99,701	22,033	5,101	16,332	-	143,167
Disposal	-	(62,155)	-	-	-	-	(62,155)
At end of year	945,553	12,557,816	267,411	140,530	243,275	2,126,440	16,281,025
Accumulated Depreciation							
As start of year	623,220	8,487,632	213,782	116,697	217,502	365,700	9,658,833
Disposal	-	-	-	-	-	-	-
Charges for the year	47,278	977,546	14,440	5,803	8,187	65,115	1,118,369
At end of year	670,498	9,465,178	228,222	122,500	225,689	430,815	10,777,202
Net book value as at 31.12.2021	275,055	3,092,638	39,189	18,030	17,586	1,695,625	5,138,123

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	Software TShs '000'	Total TShs '000'
9a) Intangible assets		
Year ended 31 December 2022		
Cost		
As start of year	202,668	202,668
Addition	-	-
At end of year	202,668	202,668
Accumulated Depreciation		
As start of year	183,708	183,708
Charges for the year	8,749	8,749
At end of year	192,457	192,457
Net book value as at 31.12.2022	10,211	10,211
Year ended 31 December 2021		
Cost		
As start of year	176,417	176,417
Addition	26,251	26,251
At end of year	202,668	202,668
Accumulated Depreciation		
As start of year	176,417	176,417
Disposal	-	-
Charges for the year	7,291	7,291
At end of year	183,708	183,708
Net book value as at 31.12.2021	18,960	18,960

10 Deferred tax

Deferred tax is calculated, in full, on all temporary timing differences under the liability method using a principal tax rate of 30% (2021: 30%). The movement on the deferred tax account is as follows:

At start of year	311,106	244,629
Deferred tax charge (Note 8)	49,620	66,477
	360,726	311,106

Deferred tax (asset), deferred tax (credit) in the statement of profit or loss are attributable to the following items:

	At start of year T.SHS. '000	Credit to SPL T.SHS. '000	At end of year T.SHS. '000
Year ended 31 December 2022			
Deferred tax asset			
Excess depreciation over capital allowances	311,106	49,620	360,726
Net deferred tax asset	311,106	49,620	360,726

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2022 TShs '000'	2021 TShs '000'
11 Inventory		
Raw material	4,843,964	3,683,446
Work in progress	3,505	11,726
Finished goods	288,554	1,578,511
Trading goods	713,807	585,451
Spare parts	87,308	82,821
	<u>5,937,137</u>	<u>5,941,955</u>
Inventories (write-downs)	(528,388)	(528,388)
	<u>5,408,749</u>	<u>5,413,568</u>
12 Trade and other receivables		
Trade receivables	15,930,674	5,790,923
Advances and prepayments	220,897	2,286,536
Other receivables	3,794	3,371
VAT	1,975,230	1,230,961
Loss allowance	(1,536,721)	(1,607,425)
	<u>16,593,874</u>	<u>7,704,366</u>
13 Cash and cash equivalents		
Cash in hand	16,036	36,363
Cash at bank	1,919,230	429,068
	<u>1,935,266</u>	<u>465,431</u>
For the purpose of statement of cashflows, cash and cash equivalents comprise of cash and cash equivalent (note 13) and bank overdrafts (note 18).		
14 Taxation		
Balance at beginning of the year	(38,499)	(66,279)
<u>Less: Tax paid as per accounts</u>	<u>(27,780)</u>	<u>-</u>
	(66,279)	(66,279)
Tax payable for the year	11,568	27,780
	<u>(54,711)</u>	<u>(38,499)</u>
15 Share capital		
Authorised:		
5,000,000 (2021: 5,000,000) shares of TShs 1,000/- each	<u>5,000,000</u>	<u>5,000,000</u>
Issued and fully paid:		
560,000 (2021: 560,000) ordinary shares of TShs. 1,000/- each	<u>560,000</u>	<u>560,000</u>
16 Other Financial Liabilities		
Held at amortised cost		
a. Standard chartered bank limited	-	765,000
b. Standard chartered bank limited - Import invoice financing	-	403,863
c. Standard chartered bank limited - Import loan	-	4,945,535
d. Standard chartered bank limited - Long term loan	964,516	1,607,527
	<u>964,516</u>	<u>7,721,925</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2022 TShs '000'	2021 TShs '000'
16 Other Financial Liabilities (continued)		
Split between non-current and current portions		
Non-current Liabilities	964,516	1,607,527
Current Liabilities	-	6,114,398
	964,516	7,721,925

a. Standard Chartered Bank Tanzania Limited - Short Term Loan

Facility - TZS 1,000,000,000 (Inner to facility below)

Purpose: For general corporate purposes and/or working capital requirements.

Interest: 182 days T-bills + 4% per annum (To be fixed at 10.5% per annum and repriced annually)

Tenor: 180 Days renewable.

b. Standard Chartered Bank Tanzania Limited - Import Invoice Financing

Facility - USD 3,967,700

Purpose: For financing of goods purchased by the borrower from its seller, as evidenced by the seller's invoice.

Interest: 6 months SOFR + 4.344% per annum and repriced annually

Tenor: 180 Days renewable.

c. Standard Chartered Bank Tanzania Limited - Import Loan

Facility - TZS 6,900,000,000 (inner to facility above).

Purpose: to cover the release of goods imported by the borrower under and in relation to letters of credit issued by the bank / import bills for collection handled by the bank.

Interest: 182 days T-Bills + 4% per annum (To be fixed at 10.5% per annum and repriced annually).

Tenor: 180 Days renewable.

d. Standard Chartered Bank Tanzania Limited - Long Term Loan

Facility - TZS 964,516,129

Purpose: For financing purchase of machinery which will be used in manufacturing of pipes as the borrower has won tenders which require additional machinery in order to meet capacity.

Interest: Fixed rate of 12.3%

Tenor: 17 months.

Securities for the above mentioned facilities:

A first ranking debenture charge over the company's fixed and floating assets registered to secure the sum of USD 6,860,075.

* First Ranking legal charge over the property located on Plot No. 68, 69 and 70 situated at Mbozi road in Dar es Salaam to be registered to secure the sum of USD 6,860,075.

* Specific charge over plant and machinery located on Plot No. 68, 69 and 70 situated at Mbozi Road in Dar es Salaam to secure the sum of TZS 1,800,000,000.

* Corporate guarantee by General Motors Investment Limited.

* Personal guarantee by Nassor Ally Seif.

	2022 TShs '000'	2021 TShs '000'
17 Trade and other payables		
Trade payables	17,531,634	2,252,499
Amount received in advance	1,283,014	1,198,108
Accruals and other payables	486,877	517,831
	19,301,524	3,968,438

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2022 TShs '000'	2021 TShs '000'
17 Trade and other payables (continued)		
Financial instrument and non-financial instrument components of trade and other payables		
At amortised cost	18,018,510	2,770,330
Non-financial instruments	1,283,014	1,198,108
	<u>19,301,524</u>	<u>3,968,438</u>
18 Bank overdraft		
Standard Chartered Bank Tanzania Limited	400,913	1,337,633
	<u>400,913</u>	<u>1,337,633</u>
<p>The following are the overdraft facilities obtained by the Company: Overdraft facility - TZS 3,500,000,000. Purpose: For general corporate purposes and/or working capital requirements. Interest 182 days T-bills +4.5% per annum (To be fixed at 10.5% per annum and repriced annually). Interest payments: Monthly in arrears. Availability period: From the date of acceptance until 31 July 2023 and further renewed. Security: Inline with that for other bank facilities, detail in note 16.</p>		
19 Related party balances		
Balances with related parties as at the year end is as follows:		
i) Compensation to directors and other key management		
Key staff remuneration	994,351	230,524
	<u>994,351</u>	<u>230,524</u>
ii) Technical fees paid to (received from) related parties		
Sumaria Group Tanzania Limited	-	194,876
	<u>-</u>	<u>194,876</u>
iii) Purchases from related parties		
Silafrica Tanzania Limited	-	4,212
	<u>-</u>	<u>4,212</u>
iv) Sales to related parties		
Silafrica Tanzania Limited	-	177
	<u>-</u>	<u>177</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20 Risk management objectives and policies

Financial risk management

The company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk), credit risk and liquidity risk.

The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance. Risk management is carried out by the management under policies approved by the board of directors.

21 Risk management objectives and policies

(i) 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.

(ii) Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions as well as credit exposures to customers including outstanding receivables.

Management assesses the credit quality of the customer, taking into account their financial position, past experience and other factors.

The amount that best represents the Company's maximum exposure to credit risk at 31 December 2022 is the carrying value of its financial assets in the statement of financial position.

Financial risk management

(iii) Market risk

- Foreign exchange risk

The company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollars. Foreign exchange risk arises from future transactions, assets and liabilities in the statement of financial position.

The company does not hedge foreign exchange fluctuations.

- Interest rate risk

As at 31 December 2022, the company is not exposed to the interest rate risk as the rate is fixed.

22 Capital management

Internally imposed capital requirements

The company's objectives when managing capital are:

- to provide an adequate return to shareholders by pricing its brokering services commensurate with the
- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide
- 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22 Capital management (continued)

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.

23 Provisions, contingent liability and contingent assets

There is an ongoing TRA audit for the year of income 2020 and 2021 whose tax liability is yet to be established by the tax authorities.

24 Subsequent event

There were no subsequent events after the year end, which requires adjustments or disclosures in the financial statements.

25 Capital Commitments

As at 31 December 2022, the Company had no capital expenditure contracted or accrued.

TAX COMPUTATION

	2022
	T.SHS '000'
Profit before tax as per accounts	6,715,201
<u>Add: Non-allowable expenses</u>	
Unrealised Exchange Loss	48,565
Realised exchange gain - Previous year	44,724
Donations	2,655
Tax assessments	6,519
Employee awards	950
Depreciation and amortisation	1,078,255
	7,896,869
<u>Less: Allowable deductions</u>	
Wear and tear allowance	(537,538)
Initial allowance	(706,119)
Gain on disposal of property, plant and equipment	(323,817)
Realised exchange loss - Previous Year	(28,740)
Adjusted taxable income for the year	6,300,656
<u>POSITION OF TAXATION:</u>	
Corporation tax at 30%	1,890,197
<u>Less:</u> Provisional tax paid for the year	(1,353,513)
<u>Less:</u> Withholding tax paid for the year	(525,116)
Tax payable	11,568

WEAR AND TEAR ALLOWANCES SCHEDULE FOR THE YEAR 2022

REDUCING BALANCE METHOD:

	CLASS I	CLASS II	CLASS III	TOTAL
	RBM	RBM	RBM	
	37.5%	25%	12.5%	
	T.SHS "000"	T.SHS "000"	T.SHS "000"	T.SHS "000"
WDV as at 01.01.2022	35,937	1,569,693	48,110	1,653,739
Additions	143,405	290,403	37,286	471,095
	179,342	1,860,096	85,396	2,124,834
Sale proceeds	(1,356)	(340,756)	-	(342,112)
	177,986	1,519,340	85,396	1,782,722
Wear & Tear allowances	(66,745)	(379,835)	(10,674)	(457,254)
	111,241	1,139,505	74,721	1,325,468
Qualifying expenditure	-	1,386,876	-	1,386,876
WDV as at 31.12.2022	111,241	2,526,381	74,721	2,712,343

TAX COMPUTATION (Continued)

STRAIGHT LINE METHOD:

	CLASS VI COST 5% T.SHS "000"	TOTAL WDV 5% T.SHS "000"
WDV as at 01.01.2022	1,485,736	322,903
Additions	-	-
	1,485,736	322,903
Sale proceeds	(55,073)	(55,073)
	1,430,663	267,830
Wear & Tear allowances	-	(71,533)
WDV as at 31.12.2022	1,430,663	196,297

INTANGIBLE ASSET:

	CLASS VII Useful life T.SHS "000"	TOTAL WDV T.SHS "000"
WDV as at 01.01.2022	26,251	17,501
Additions	-	-
	26,251	17,501
Disposal	-	-
	26,251	17,501
Wear & Tear allowances	-	(8,750)
WDV as at 31.12.2022	26,251	8,751

INITIAL ALLOWANCE:

	<u>AT COST</u> TShs '000'	<u>INITIAL</u> <u>ALLOWANCE</u> TShs '000'	<u>QUALIFYING</u> <u>EXP C/F</u> TShs '000'
Paint and machinery	2,773,751	1,386,876	1,386,876
Summary of initial allowance claim			1,386,876
<u>Less: 50% to be claimed in 2023</u>			(693,438)
50% to be claimed in the current year			693,438
<u>Add: 50% claim to be claimed in the current year from 2021</u>			<u>12,681</u>
Total claim for the year			<u>706,119</u>

Simba Pipe Industries Limited
(Registration number 41028)
Financial statements
for the year ended 31 December 2021

Simba Pipe Industries Limited

(Registration number 41028)

Financial Statements for the year ended 31 December 2021

General Information

Country of incorporation and domicile	United Republic of Tanzania
Nature of business and principal activities	Manufacturing and trading of PVC and HDPE pipes and fittings
Directors	General Motors Investment Limited Super Oils Petroleum Limited
Registered office	Plot No. 68, 69 and 70 Chang'ombe Industrial Area Migeyo Road Dar es Salaam Tanzania
Postal address	Chang'ombe Industrial Area Migeyo Road P.O Box 46259 Dar es Salaam Tanzania
Bankers	National Bank of Commerce Limited P.O. Box 9062 Dar es Salaam Tanzania Standard Chartered Bank Tanzania Limited P.O. Box 9011 Dar es Salaam Tanzania Azania Bank Limited Mawasiliano Tower P.O. Box 32089 Dar es Salaam Tanzania
Auditors	Crowe Tanzania Certified Public Accountants in Public Practice Dar es salaam
Company registration number	41028

Simba Pipe Industries Limited

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Financial Statements for the year ended 31 December 2021

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Simba Pipe Industries Limited

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Financial Statements for the year ended 31 December 2021

The Report by Those Charged with Governance

The members charged with governance (directors) have pleasure in submitting their report on the audited financial statements for the year ended 31 December 2021 which disclose the state of affairs of Simba Pipe Industries Limited (the company).

1. Incorporation

The company is domiciled in United Republic of Tanzania where it is incorporated as a private company limited by share under the Companies Act 2002. The address of the registered office is set out on page 1.

2. Nature of business

The principal activity of the company is that of manufacturing and marketing of plastic piping systems and components. The company has ventured into new business initiative of trading in imported pipe fittings to provide a solution for total piping requirements to its customers.

There have been no material changes to the nature of the company's business from the prior year.

Company's mission

To be one of the most respected and successful business groups in East Africa and sub Saharan region, contributing significantly to the growth and development of the region.

Company's vision

Our vision is to be a leader in our business by delivering quality products and services through continuous innovation without compromising our core values of trust, respect, integrity, passion, humility, excellence and team work.

3. Review of financial results and activities

The operating results and state of affairs of the company are fully set out in the attached financial statements and do not in our opinion require any further comment.

Net profit of the company was TZS 1,396,325,000 (2020: profit TZS 1,676,535,000), after taxation of TZS 878,188,000 (2020: TZS 1,254,669,000).

4. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The directors believe that the company has adequate financial resources to continue in operation for the foreseeable future and accordingly the financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the company is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the company. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the company.

The board of directors has reasonable expectation that the company has adequate resources to continue in operational existence for the next twelve months. The impact of COVID-19 has been taken into consideration in the going concern assessment.

Simba Pipe Industries Limited

(Registration number 41028)

Financial Statements for the year ended 31 December 2021

The Report by Those Charged with Governance

5. Directors

The directors of the company during the year and to the date of this report are as follows:

Name	Position	Nationality	Changes
General Motors Investment Limited	Director	Tanzania	Appointed 1 July 2021
Super Oils Petroleum Limited	Director	Tanzania	Appointed 1 July 2021
Jayesh G. Shah	Director	British	Resigned 1 July 2021
Ankush K. Shah	Director	British	Resigned 1 July 2021

Changes to the directorate for the year under review are detailed above.

6. Events after the reporting period

The directors are not aware of any material event which occurred after the reporting date and up to the date of this report.

7. Share capital

Authorised	2021		2020	
Ordinary shares	Number of shares		Number of shares	
	5,000,000	5,000,000	5,000,000	5,000,000
Issued	2021	2020	2021	2020
Ordinary shares	TZS '000	TZS '000	Number of shares	Number of shares
	560,000	560,000	560,000	560,000

There have been no changes to the authorised or issued share capital during the year under review.

8. Dividends

The board of directors approved payment of dividend to shareholders of TZS 465,000,000 (2020:TZS 1,257,401,000). The amount has been provided and adjusted through equity.

Simba Pipe Industries Limited

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Financial Statements for the year ended 31 December 2021

The Report by Those Charged with Governance

9. Shareholders

The total number of shareholders during the year are 2 shareholders (previous year: 2 shareholders).

The shares of the company are held as follows:

	Number of shares	
	2021	2020
	Direct	Direct
General Motors Investment Limited	554,400	-
Super Oils Petroleum Limited	5,600	-
Gulabchand Punamchand Shah	-	280,000
DSL International Limited	-	280,000
	560,000	560,000

Directors' holding shares of the company are as follows:

Name	2021	2020
	Direct	Direct
General Motors Investment Limited	554,400	-
Super Oils Petroleum Limited	5,600	-
	560,000	-

During the year General Motors Investment Limited and Super Oils Petroleum Limited purchased, 554,400 and 5,600 respectively, the ordinary shares which were initially subscribed, issued and paid up equally by Gulabchand Punamchand Shah and DSL International Limited.

10. Secretary

The company secretary is Upendo Philbert Ngaponda.

Simba Pipe Industries Limited

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Financial Statements for the year ended 31 December 2021

The Report by Those Charged with Governance

11. Corporate governance

The board of directors consists of 2 directors. 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 two times a year. The board delegates the day to day management of the business to the 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.

12. 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 31 December 2021 and is of the opinion that they met accepted criteria.

13. Development programme

During the year, the company continued with improvements to its manufacturing and marketing strategies in order to improve on its competitive advantages through the adoption of Balanced Scorecard and Gemba Kaizen initiatives. The company's products are certified by Tanzania Bureau of Standards. The company is ISO9001 2015 Certified. Furthermore, the company organizes external and internal training programs for the employees development.

Simba Pipe Industries Limited

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Financial Statements for the year ended 31 December 2021

The Report by Those Charged with Governance

14. Employees' welfare

Management and employees' relationship

The relation between employees and management continued to be cordial during the year. There were no unresolved complaints received by management from the employees during the year.

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.

Health and safety

The company has a strong health and safety ethic which ensures 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. The company complies with all occupational safety and health principles at workplace.

Financial assistance to staff

Salary advances are available to all confirmed employees depending on the assessment of and the discretion of management as to the need and circumstances. All salaries advances are recovered at the month end from employees' salaries.

Persons with disabilities

Applications for employment by disabled persons are always considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and appropriate training is arranged. It is the policy of the company that training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Medical assistance

All members of staff with maximum number of four beneficiaries (dependents) are guaranteed with medical services. Medical services are provided by approved medical centres proposed by the National Health Insurance Fund (NHIF).

Employees benefit plan

The company pays contributions to National Social Security Fund in Tanzania on mandatory basis which qualifies to be a defined contribution plan.

The details of employees of the company are set out below;

	2021	2020
Total number of employees at the beginning of the year	91	82
Number of employees engaged	1	17
Number of employees who left	(13)	(8)
Total number of employees at year end	79	91

Simba Pipe Industries Limited

(Registration number 41028)

Financial Statements for the year ended 31 December 2021

The Report by Those Charged with Governance

15. Future plans

Simba Pipe Industries Limited's focus for year 2022 and 2023 is bidirectional as we wish to "improve our capacity utilization" together with "improving the current capacities to the optimum levels" within the constraints of current location of our operations.

Meanwhile, we shall be keenly observing the progress of global geopolitical situations and its impact on the global as well as local economies including our own in Tanzania with a special focus on the progress of "infrastructure development sector".

Simba Pipe Industries Limited's is planning to have multiple capex during 2022 and 2023 mainly towards Improving the capacities and Improving the efficiency and effectiveness.

16. Corporate social responsibility

The company continues to provide support to the community in which it operates.

17. Political and charitable donation

The company did not make any political and charitable donation during the year.

18. Related parties transactions

Related party transactions and balances are disclosed in note 27 to these financial statements.

19. Statement of disclosure to the company's auditors

With respect to each person who is a director on the day that this report is approved:

- There is, so far as the person is aware, no relevant audit information of which the company's auditors are unaware; and
- The person has taken all the steps that he/she ought to have taken as a director to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.


20. Responsibility of those charged with governance

It is directors' 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 period then ended, in conformity with International Financial Reporting Standard and applicable rules, regulations and legal provisions. The directors also confirm compliance with the provisions of the requirements of Tanzania Financial Reporting Standard 1 (TFRS 1) and all other statutory legislation relevant to the company.

21. Auditors

The auditors, Crowe Tanzania have expressed their willingness to continue in office and will be recommended for re-appointment in accordance with the Companies Act 2002.

The financial statements set out on pages 14 to 50, which have been prepared on the going concern basis, were approved by the board of directors on the date of this report, and were signed on its behalf by:



Soud Bargash Hamoud
For and on behalf of General Motors
Investment Limited
Director
Date: 30 June 2022

Simba Pipe Industries Limited

(Registration number 41028)

Financial Statements for the year ended 31 December 2021

Statement of Directors' Responsibilities

The directors are required in terms of the Companies Act 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 period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements 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 of 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 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 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 2022 and, in light of this review and the current financial position, they are satisfied that the company has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the company's financial statements. The financial statements have been examined by the company's external auditors and their report is presented on pages 11 to 13.

The financial statements set out on pages 14 to 50, which have been prepared on the going concern basis, were approved by the board of directors on the date of this statement and were signed on their behalf by:



Soud Bargash Hamoud
For and on behalf of General Motors
Investment Limited
Director

Date: 30 June 2022

Simba Pipe Industries Limited

(Registration number 41028)

Financial Statements for the year ended 31 December 2021

Declaration of the Head of Finance and Accounting

Declaration of the Head of Finance and Accounting of Simba Pipe Industries 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 and 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 position and performance in accordance with applicable International Accounting Standards and statutory financial reporting requirements.

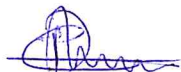
Full legal responsibility for the preparation of financial statements rests with the board of directors/governing body as stated under the statement of directors' responsibilities on an earlier page.

I, Cecilia David Lussa being the head of finance/accounting of Simba Pipe Industries Limited at 31 December 2021 and for the year then ended hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31 December 2021 have been prepared in compliance with applicable accounting standards and statutory requirements.

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

Name: Cecilia David Lussa

Signature:



Position: Assistant Finance Manager

NBAA Membership No: GA9564

Date: 30 June 2022

Report of the Independent Auditor

To the Shareholders of Simba Pipe Industries Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Simba Pipe Industries Limited (the company) set out on pages 14 to 50, which comprise the statement of financial position as at 31 December 2021, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Simba Pipe Industries Limited as at 31 December 2021, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act 2002.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. 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 the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (Parts 1, 3 and 4A) (IESBA Code) and other independence requirements applicable to performing audits of financial statements in United Republic of Tanzania. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits in United Republic of Tanzania. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The directors are responsible for the other information. The other information comprises the report by those charged with governance, statement of directors' responsibilities and the declaration of the head of finance and accounting as required by The National Board of Accountants and Auditors, which we obtained prior to the signing of this report. 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 an audit opinion or 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 the directors for the financial statements

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

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Report of the Independent Auditor

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 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 International Standards on Auditing 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 International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

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

Report of the Independent Auditor

Report on other legal and regulatory requirements

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

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

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



CPA Christopher Msuya
For and on behalf of Crowe Tanzania
Certified Public Accountants in Public Practice
Dar es Salaam

Date: 30 June 2022

Simba Pipe Industries Limited


(Registration number 41028)

Financial Statements for the year ended 31 December 2021

Statement of Financial Position as at 31 December 2021

	Note(s)	2021 TZS '000	2020 TZS '000
Assets			
Non-Current Assets			
Property, plant and equipment	3	5,138,123	6,175,480
Intangible assets	4	18,960	-
		5,157,083	6,175,480
Current Assets			
Inventories	7	5,413,567	2,793,807
Trade and other receivables	5	7,704,366	8,106,436
Current tax receivable		38,499	-
Cash and cash equivalents	8	465,431	42,687
		13,621,863	10,942,930
Total Assets		18,778,946	17,118,410
Equity and Liabilities			
Equity			
Share capital	9	560,000	560,000
Retained income		4,879,844	3,948,519
		5,439,844	4,508,519
Liabilities			
Non-Current Liabilities			
Other financial liabilities	10	1,607,527	-
Deferred tax	6	311,106	244,629
		1,918,633	244,629
Current Liabilities			
Trade and other payables	12	3,968,438	2,857,034
Other financial liabilities	10	6,114,398	5,841,655
Current tax payable		-	151,999
Dividend payable		-	1,131,661
Contract liabilities	11	-	26,371
Bank overdraft	8	1,337,633	2,356,542
		11,420,469	12,365,262
Total Liabilities		13,339,102	12,609,891
Total Equity and Liabilities		18,778,946	17,118,410

The financial statements and the notes on pages 3 to 50, were approved by the board of directors on the 27 June 2022 and were signed on its behalf by:



Soud Bargash Hamoud
For and on behalf of General Motors Investment
Limited
Director

Date: 30 June 2022

The accounting policies on pages 20 to 32 and the notes on pages 33 to 50 form an integral part of the financial statements.

Simba Pipe Industries Limited

(Registration number 41028)

Financial Statements for the year ended 31 December 2021

Statement of Profit or Loss and Other Comprehensive Income

	Note(s)	2021 TZS '000	2020 TZS '000
Revenue	13	23,288,651	24,875,133
Cost of sales	14	(16,928,464)	(17,057,379)
Gross profit		6,360,187	7,817,754
Other operating income	15	7,449	163,011
Other operating gains (losses)	16	(230,659)	(216,216)
Operating expenses (Refer to page 16)		(3,479,070)	(4,238,474)
Operating profit (loss)	17	2,657,907	3,526,075
Finance costs	18	(383,394)	(594,871)
Profit (loss) before taxation		2,274,513	2,931,204
Taxation	19	(878,188)	(1,254,669)
Total comprehensive income (loss) for the year		1,396,325	1,676,535

Simba Pipe Industries Limited

(Registration number 41028)

Financial Statements for the year ended 31 December 2021

Statement of Profit or Loss and Other Comprehensive Income

	Note(s)	2021 TZS '000	2020 TZS '000
Other operating expenses			
Administration and management fees		(172,457)	(183,276)
Amortisation		(7,291)	-
Auditors' remuneration	17	(26,150)	(26,000)
Bad debts		(158,899)	(228,037)
Bank charges		(178,607)	(202,630)
Cleaning		(2,835)	(2,971)
System audit fees		(5,721)	(9,893)
Consulting and professional fees		(28,721)	(103,610)
Delivery expenses		(3,518)	(3,689)
Depreciation		(93,545)	(81,100)
Donations		(300)	-
Employee costs		(1,028,167)	(1,336,283)
Employee mobile expenses		(4,585)	-
Other expenses		(5,661)	(39,613)
Recruitment expenses		(800)	(1,050)
Canteen expenses		(93,818)	(87,986)
Fines and penalties		(995)	-
SAP support expenses		-	(13,580)
Miscellaneous expenses		(9,215)	(1,982)
Employees incentives		(310)	(1,650)
Fumigation expenses		(500)	(1,730)
Leave travel reimbursement		-	(930)
Loading expenses		(450)	(10,900)
Tender fees		(9,329)	(5,994)
Uniform expenses		(8,181)	(1,171)
Gemba Kaizen expenses		(6,538)	(345)
OSHA expenses		(9,017)	-
Land rent and property tax		-	(7,174)
Insurance		(128,599)	(105,466)
Software expenses		(40,028)	(1,013)
City Service Levy		(69,866)	(74,654)
Medical expenses		(9,935)	(10,020)
Motor vehicle expenses		(34,796)	(34,420)
Lease rentals on operating lease		(36,834)	(38,980)
Lincense and renewal		(18,464)	(24,296)
Local conveyance		(1,940)	(3,114)
Internet expenses		(21,371)	(18,659)
Postage and courier expenses		(2,596)	(5,599)
Printing and stationery		(15,548)	(18,347)
Advertisements and promotions		(18,720)	(19,804)
Casual labour		(15,394)	(73,551)
Repairs and maintenance		(32,993)	(24,909)
Stamp duty		(343)	-
Permit expenses		(16,983)	(45,924)

Simba Pipe Industries Limited

(Registration number 41028)

Financial Statements for the year ended 31 December 2021

Statement of Profit or Loss and Other Comprehensive Income

	2021	2020
	Note(s) TZS '000	TZS '000
Security	(44,566)	(45,396)
Tax assessments	(98,698)	(163,139)
Subscriptions and membership fees	(2,418)	(2,343)
Telephone and fax	(3,620)	(401)
Training and seminars	(1,353)	(11,908)
Transport and freight	(907,645)	(1,103,372)
Domestic travel expenses	(55,186)	(30,928)
Foreign travel expenses	(45,564)	(30,637)
	(3,479,070)	(4,238,474)

The accounting policies on pages 20 to 32 and the notes on pages 33 to 50 form an integral part of the financial statements.

Simba Pipe Industries Limited

(Registration number 41028)

Financial Statements for the year ended 31 December 2021

Statement of Changes in Equity

	Share capital	Retained income	Total equity
	TZS '000	TZS '000	TZS '000
Balance at 01 January 2020	560,000	3,529,385	4,089,385
Total comprehensive income for the year	-	1,676,535	1,676,535
Dividends	-	(1,257,401)	(1,257,401)
Total changes	-	(1,257,401)	(1,257,401)
Balance at 01 January 2021	560,000	3,948,519	4,508,519
Total comprehensive income for the year	-	1,396,325	1,396,325
Dividends	-	(465,000)	(465,000)
Total changes	-	(465,000)	(465,000)
Balance at 31 December 2021	560,000	4,879,844	5,439,844

Note(s)

9

The accounting policies on pages 20 to 32 and the notes on pages 33 to 50 form an integral part of the financial statements.

Simba Pipe Industries Limited

(Registration number 41028)

Financial Statements for the year ended 31 December 2021

Statement of Cash Flows

	Note(s)	2021 TZS '000	2020 TZS '000
Cash flows from operating activities			
Cash generated from operations	22	2,400,128	7,752,764
Tax paid	23	(1,002,209)	(1,125,095)
Tax assessments	24	250,108	163,023
Net cash from operating activities		1,648,027	6,790,692
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(143,167)	(2,503,485)
Sale of property, plant and equipment	3	89,200	11,682
Purchase of other intangible assets	4	(26,251)	-
Net movement in other financial assets		-	100
Net cash from investing activities		(80,218)	(2,491,703)
Cash flows from financing activities			
Movement in other financial liabilities		1,880,270	298,868
Movement in contract liabilities		(26,371)	(1,295,683)
Dividends paid	25	(1,596,661)	(825,740)
Finance costs		(383,394)	(594,871)
Net cash from financing activities		(126,156)	(2,417,426)
Total cash movement for the year		1,441,653	1,881,563
Cash at the beginning of the year		(2,313,855)	(4,195,418)
Total cash at end of the year	8	(872,202)	(2,313,855)

The accounting policies on pages 20 to 32 and the notes on pages 33 to 50 form an integral part of the financial statements.

Simba Pipe Industries Limited

(Registration number 41028)

Financial Statements for the year ended 31 December 2021

Accounting Policies

Corporate information

Simba Pipe Industries Limited is a private limited company incorporated and domiciled in United Republic of Tanzania.

The financial statements for the year ended 31 December 2021 were authorised for issue in accordance with a resolution of the directors on the date of the signature of these financial statements.

1. Significant accounting policies

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

1.1 Basis of preparation

The financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and the Companies Act 2002.

The financial statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. They are presented in Tanzanian Shillings, which is the company's functional currency.

These accounting policies are consistent with the previous period.

1.2 Property, plant and equipment

Property, plant and equipment are tangible assets which the company holds for its own use or for rental to others and which are expected to be used for more than one year.

An item of property, plant and equipment is recognised as an asset 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.

Property, plant and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets and adjustments in respect of hedge accounting, where appropriate.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the company. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Buildings	Straight line	20 years
Plant and machinery	Straight line	8 years
Furniture and fixtures	Straight line	8 years
Motor vehicles	Straight line	4 years
Office equipment	Straight line	8 years
IT equipment	Straight line	3 years
Leasehold improvements	Straight line	50 years

Simba Pipe Industries Limited

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Financial Statements for the year ended 31 December 2021

Accounting Policies

1.2 Property, plant and equipment (continued)

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

1.3 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software	Straight line	3 years

Simba Pipe Industries Limited

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Financial Statements for the year ended 31 December 2021

Accounting Policies

1.4 Financial instruments

Financial instruments held by the company are classified in accordance with the provisions of IFRS 9 Financial Instruments.

Broadly, the classification possibilities, which are adopted by the company, as applicable, are as follows:

Financial assets which are equity instruments:

- Mandatorily at fair value through profit or loss; or
- Designated as at fair value through other comprehensive income. (This designation is not available to equity instruments which are held for trading or which are contingent consideration in a business combination).

Financial assets which are debt instruments:

- Amortised cost. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows); or
- Fair value through other comprehensive income. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is achieved by both collecting contractual cash flows and selling the instruments); or
- Mandatorily at fair value through profit or loss. (This classification automatically applies to all debt instruments which do not qualify as at amortised cost or at fair value through other comprehensive income); or
- Designated at fair value through profit or loss. (This classification option can only be applied when it eliminates or significantly reduces an accounting mismatch).

Financial liabilities:

- Amortised cost; or
- Mandatorily at fair value through profit or loss. (This applies to contingent consideration in a business combination or to liabilities which are held for trading); or
- Designated at fair value through profit or loss. (This classification option can be applied when it eliminates or significantly reduces an accounting mismatch; the liability forms part of a group of financial instruments managed on a fair value basis; or it forms part of a contract containing an embedded derivative and the entire contract is designated as at fair value through profit or loss).

Note 30 Financial instruments and risk management presents the financial instruments held by the company based on their specific classifications.

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the company are presented below:

Simba Pipe Industries Limited

(Registration number 41028)

Financial Statements for the year ended 31 December 2021

Accounting Policies

1.4 Financial instruments (continued)

Trade and other receivables

Classification

Trade and other receivables, excluding, when applicable, VAT and prepayments, are classified as financial assets subsequently measured at amortised cost (note 5).

They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the company's business model is to collect the contractual cash flows on trade and other receivables.

Recognition and measurement

Trade and other receivables are recognised when the company becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Balance due within 12 months equal their carrying balances as the impact of discounting is not significant.

Application of the effective interest method

For receivables which contain a significant financing component, interest income is calculated using the effective interest method, and is included in profit or loss in investment income.

The application of the effective interest method to calculate interest income on trade receivables is dependent on the credit risk of the receivable as follows:

- The effective interest rate is applied to the gross carrying amount of the receivable, provided the receivable is not credit impaired. The gross carrying amount is the amortised cost before adjusting for a loss allowance.
- If a receivable is purchased or originated as credit-impaired, then a credit-adjusted effective interest rate is applied to the amortised cost in the determination of interest. This treatment does not change over the life of the receivable, even if it is no longer credit-impaired.
- If a receivable was not purchased or originally credit-impaired, but it has subsequently become credit-impaired, then the effective interest rate is applied to the amortised cost of the receivable in the determination of interest. If, in subsequent periods, the receivable is no longer credit impaired, then the interest calculation reverts to applying the effective interest rate to the gross carrying amount.

Simba Pipe Industries Limited

(Registration number 41028)

Financial Statements for the year ended 31 December 2021

Accounting Policies

1.4 Financial instruments (continued)

Trade and other receivables denominated in foreign currencies

When trade and other receivables are denominated in a foreign currency, the carrying amount of the receivables are determined in the foreign currency. The carrying amount is then translated to the Tanzanian Shilling equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in profit or loss in other operating gains (losses) (note 16).

Impairment

The company recognises a loss allowance for expected credit losses on trade and other receivables, excluding VAT and prepayments. The amount of expected credit losses is updated at each reporting date.

The company measures the loss allowance for trade and other receivables at an amount equal to lifetime expected credit losses (lifetime ECL), which represents the expected credit losses that will result from all possible default events over the expected life of the receivable.

Measurement and recognition of expected credit losses

The company makes use of a provision matrix as a practical expedient to the determination of expected credit losses on trade and other receivables. The provision matrix is based on historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date, including the time value of money, where appropriate.

An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of trade and other receivables, through use of a loss allowance account. The impairment loss is included in other operating expenses in profit or loss as a movement in credit loss allowance (note 17).

Write off policy

The company writes off a receivable when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Receivables written off may still be subject to enforcement activities under the company recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Simba Pipe Industries Limited

(Registration number 41028)

Financial Statements for the year ended 31 December 2021

Accounting Policies

1.4 Financial instruments (continued)

Trade and other payables

Classification

Trade and other payables (note 12), excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

They are recognised when the company becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

If trade and other payables contain a significant financing component, and the effective interest method results in the recognition of interest expense, then it is included in profit or loss in finance costs (note 18).

Trade and other payables expose the company to liquidity risk and possibly to interest rate risk. Refer to note 30 for details of risk exposure and management thereof.

Balance due within 12 months equal their carrying balances as the impact of discounting is not significant.

Simba Pipe Industries Limited

(Registration number 41028)

Financial Statements for the year ended 31 December 2021

Accounting Policies

1.4 Financial instruments (continued)

Trade and other payables denominated in foreign currencies

When trade payables are denominated in a foreign currency, the carrying amount of the payables are determined in the foreign currency. The carrying amount is then translated to the Tanzanian Shilling equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in profit or loss in the other operating gains (losses) (note 16).

Derecognition

An entity shall derecognize a trade and other payables from its statement of financial position when, and only when, it is extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expires.

Cash and cash equivalents

Cash and cash equivalents are stated at carrying amount which is deemed to be fair value.

Bank overdrafts

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

1.5 Tax

Current tax assets and liabilities

Current tax for current and prior periods 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).

A deferred tax asset is recognised for the carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised.

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.

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Accounting Policies

1.5 Tax (continued)

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss 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, or
- a business combination.

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.

1.6 Leases

The company assesses whether a contract is, or contains a lease, at the inception of the contract.

A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

In order to assess whether a contract is, or contains a lease, management determine whether the asset under consideration is "identified", which means that the asset is either explicitly or implicitly specified in the contract and that the supplier does not have a substantial right of substitution throughout the period of use. Once management has concluded that the contract deals with an identified asset, the right to control the use thereof is considered. To this end, control over the use of an identified asset only exists when the company has the right to substantially all of the economic benefits from the use of the asset as well as the right to direct the use of the asset.

In circumstances where the determination of whether the contract is or contains a lease requires significant judgement, the relevant disclosures are provided in the significant judgments and sources of estimation uncertainty section of these accounting policies.

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Accounting Policies

1.6 Tax (continued)

Company as lessee

A lease liability and corresponding right-of-use asset are recognised at the lease commencement date, for all lease agreements for which the company is a lessee, except for short-term leases of 12 months or less, or leases of low value assets. For these leases, the company recognises the lease payments as an operating expense (note 17) on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The various lease and non-lease components of contracts containing leases are accounted for separately, with consideration being allocated to each lease component on the basis of the relative stand-alone prices of the lease components and the aggregate stand-alone price of the non-lease components (where non-lease components exist).

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed lease payments, including in-substance fixed payments, less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the company under residual value guarantees;
- the exercise price of purchase options, if the company is reasonably certain to exercise the option;
- lease payments in an optional renewal period if the company is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease, if the lease term reflects the exercise of an option to terminate the lease.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability (or right-of-use asset). The related payments are recognised as an expense in the period incurred and are included in operating expenses (page 15).

The lease liability is presented as a separate line item on the Statement of Financial Position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect lease payments made. Interest charged on the lease liability is included in finance costs (note 18).

Right-of-use assets

Right-of-use assets are presented as a separate line item on the Statement of Financial Position.

Lease payments included in the measurement of the lease liability comprise the following:

- the initial amount of the corresponding lease liability;
- any lease payments made at or before the commencement date;
- any initial direct costs incurred;
- any estimated costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, when the company incurs an obligation to do so, unless these costs are incurred to produce inventories; and
- less any lease incentives received.

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Accounting Policies

1.6 Tax (continued)

When the company incurs an obligation for the costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying assets to the condition required by the terms and conditions of the lease, a provision is recognised in the Statement of Financial Position in note Provisions.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

As an exception, when the underlying assets are land and buildings, the company adopts the revaluation model consistent with the accounting policy for land and buildings which are owned by the company. The accounting policy for the revaluation model is explained in the property, plant and equipment accounting policy.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. However, if a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Depreciation starts at the commencement date of a lease.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

1.7 Inventories

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

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

When inventories are sold, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.8 Impairment of assets

The company assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the company also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.
- tests goodwill acquired in a business combination for impairment annually.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

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Accounting Policies

1.8 Impairment of assets (continued)

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.9 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares are recognised at par value and classified as 'share capital' in equity. Any amounts received from the issue of shares in excess of par value is classified as 'share premium' in equity. Dividends are recognised as a liability in the company in which they are declared.

1.10 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the company's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

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Accounting Policies

1.11 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.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 26.

1.12 Revenue from contracts with customers

The company recognises revenue from the following major sources:

- Sale of manufactured goods
- Sales of trading goods.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The company recognises revenue when it transfers control of a product or service to a customer.

1.13 Cost of sales

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

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Accounting Policies

1.14 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when:

- expenditures for the asset have occurred;
- borrowing costs have been incurred, and
- activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.15 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Tanzanian Shillings, 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; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

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.

When a gain or loss on a non-monetary item is recognised to other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised to other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Cash flows arising from transactions in a foreign currency are recorded in Tanzanian Shillings by applying to the foreign currency amount the exchange rate between the Tanzanian Shilling and the foreign currency at the date of the cash flow.

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2021	2020
TZS '000	TZS '000

2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the company has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 7

The amendment sets out additional disclosure requirements related to interest rate benchmark reform.

The effective date of the company is for years beginning on or after 01 January 2021.

The company has adopted the amendment for the first time in the 2021 financial statements.

The impact of the amendment is not material.

Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 9

When there is a change in the basis for determining the contractual cash flows of a financial asset or financial liability that is required by interest rate benchmark reform then the entity is required to apply paragraph B5.4.5 as a practical expedient. This expedient is only available for such changes in basis of determining contractual cash flows.

Additional temporary exemptions from applying specific hedge accounting requirements as well as additional rules for accounting for qualifying hedging relationships and the designation of risk components have been added to hedge relationships specifically impacted by interest rate benchmark reform.

The effective date of the company is for years beginning on or after 01 January 2021.

The company has adopted the amendment for the first time in the 2021 financial statements.

The impact of the amendment is not material.

Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 16

If there is a lease modification as a result of the interest rate benchmark reform, then as a practical expedient the lessee is required to apply paragraph 42 of IFRS 16 to account for the changes by remeasuring the lease liability to reflect the revised lease payment. The amendment only applies to modifications as a result of the interest rate benchmark reform.

The effective date of the company is for years beginning on or after 01 January 2021.

The company has adopted the amendment for the first time in the 2021 financial statements.

The impact of the amendment is not material.

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Notes to the Financial Statements

2. New Standards and Interpretations (continued)

Interest Rate Benchmark Reform - Phase 2: Amendments to IAS 39

Temporary exemptions from applying specific hedge accounting requirements as well as additional rules for accounting for qualifying hedging relationships and the designation of financial items as hedged items have been added to hedge relationships specifically impacted by interest rate benchmark reform.

The effective date of the company is for years beginning on or after 01 January 2021.

The company has adopted the amendment for the first time in the 2021 financial statements.

The impact of the amendment is not material.

COVID-19 - Related Rent Concessions - Amendment to IFRS 16

The COVID-19 pandemic has resulted in an amendment to IFRS 16 Leases. Lessees may elect not to assess whether a rent concession that meets the conditions in paragraph 46B is a lease modification. If this election is applied, then any change in lease payments must be accounted for in the same way as a change would be accounted for if it were not a lease modification. This practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payment affects only payments originally due on or before 30 June 2022 and
- there is no substantive change to other terms and conditions of the lease.

The effective date of the amendment is for years beginning on or after 01 June 2020.

The company has adopted the amendment for the first time in the 2021 financial statements.

The impact of the amendment is not material.

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Notes to the Financial Statements

2. New Standards and Interpretations (continued)

2.2 Standards and interpretations not yet effective

The company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company's accounting periods beginning on or after 01 January 2022 or later periods:

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

If a parent loses control of a subsidiary which does not contain a business, as a result of a transaction with an associate or joint venture, then the gain or loss on the loss of control is recognised in the parents' profit or loss only to the extent of the unrelated investors' interest in the associate or joint venture. The remaining gain or loss is eliminated against the carrying amount of the investment in the associate or joint venture. The same treatment is followed for the measurement to fair value of any remaining investment which is itself an associate or joint venture. If the remaining investment is accounted for in terms of IFRS 9, then the measurement to fair value of that interest is recognised in full in the parents' profit or loss.

The effective date of the amendment is to be determined by the IASB.

It is unlikely that the amendment will have a material impact on the company's financial statements.

Disclosure of accounting policies: Amendments to IAS 1 and IFRS Practice Statement 2.

IAS 1 was amended to require that only material accounting policy information shall be disclosed in the financial statements. The amendment will not result in changes to measurement or recognition of financial statement items, but management will undergo a review of accounting policies to ensure that only material accounting policy information is disclosed.

The effective date of the amendment is for years beginning on or after 01 January 2023.

It is unlikely that the amendment will have a material impact on the company's financial statements.

Definition of accounting estimates: Amendments to IAS 8

The definition of accounting estimates was amended so that accounting estimates are now defined as "monetary amounts in financial statements that are subject to measurement uncertainty."

The effective date of the amendment is for years beginning on or after 01 January 2023.

It is unlikely that the amendment will have a material impact on the company's financial statements.

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Financial Statements for the year ended 31 December 2021

Notes to the Financial Statements

2. New Standards and Interpretations (continued)

Classification of Liabilities as Current or Non-Current - Amendment to IAS 1

The amendment changes the requirements to classify a liability as current or non-current. If an entity has the right at the end of the reporting period, to defer settlement of a liability for at least twelve months after the reporting period, then the liability is classified as non-current.

If this right is subject to conditions imposed on the entity, then the right only exists, if, at the end of the reporting period, the entity has complied with those conditions.

In addition, the classification is not affected by the likelihood that the entity will exercise its right to defer settlement. Therefore, if the right exists, the liability is classified as non-current even if management intends or expects to settle the liability within twelve months of the reporting period. Additional disclosures would be required in such circumstances.

The effective date of the amendment is for years beginning on or after 01 January 2023.

It is unlikely that the amendment will have a material impact on the company's financial statements.

Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS 1

A subsidiary that uses the cumulative translation differences exemption, may elect in its financial statements, to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary.

The effective date of the company is for years beginning on or after 01 January 2022.

It is unlikely that the amendment will have a material impact on the company's financial statements.

Reference to the Conceptual Framework: Amendments to IFRS 3

The amendment makes reference to the Conceptual Framework for Financial Reporting issued in 2018 rather than to the IASC's Framework for the Preparation and Presentation of Financial Statements. The amendment specifically points to the treatment of liabilities and contingent liabilities acquired as part of a business combination, and which are in the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies. It clarifies that the requirements of IAS 37 or IFRIC 21 should be applied to provisions, contingent liabilities or levies to determine if a present obligation exists at the Acquisition date. The amendment further clarifies that contingent assets of acquirees share not be recognised as part of the business combination.

The effective date of the company is for years beginning on or after 01 January 2022.

It is unlikely that the amendment will have a material impact on the company's financial statements.

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Notes to the Financial Statements

2. New Standards and Interpretations (continued)

Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS 9

The amendment concerns fees in the '10 per cent' test for derecognition of financial liabilities. Accordingly, in determining the relevant fees, only fees paid or received between the borrower and the lender are to be included.

The effective date of the company is for years beginning on or after 01 January 2022.

It is unlikely that the amendment will have a material impact on the company's financial statements.

Property, Plant and Equipment: Proceeds before Intended Use: Amendments to IAS 16

The amendment relates to examples of items which are included in the cost of an item of property, plant and equipment. Prior to the amendment, the costs of testing whether the asset is functioning properly were included in the cost of the asset after deducting the net proceeds of selling any items which were produced during the test phase. The amendment now requires that any such proceeds and the cost of those items must be included in profit or loss in accordance with the related standards. Disclosure of such amounts is now specifically required.

The effective date of the company is for years beginning on or after 01 January 2022.

It is unlikely that the amendment will have a material impact on the company's financial statements.

Onerous Contracts - Cost of Fulfilling a Contract: Amendments to IAS 37

The amendment defined the costs that are included in the cost of fulfilling a contract when determining the amount recognised as an onerous contract. It specifies that the cost of fulfilling a contract comprises the costs that relate directly to the contract. These are both the incremental costs of fulfilling the contract as well as an allocation of other costs that relate directly to fulfilling contracts (for example depreciation allocation).

The effective date of the company is for years beginning on or after 01 January 2022.

It is unlikely that the amendment will have a material impact on the company's financial statements.

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	2021			2020		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Buildings	945,553	(670,498)	275,055	945,553	(623,220)	322,333
Plant and machinery	12,325,942	(9,233,304)	3,092,638	12,520,270	(8,487,632)	4,032,638
Furniture and fixtures	46,822	(45,877)	945	46,822	(45,720)	1,102
Motor vehicles	267,412	(228,223)	39,189	245,378	(213,782)	31,596
Office equipment	93,707	(76,622)	17,085	88,607	(70,977)	17,630
IT equipment	239,404	(221,818)	17,586	226,943	(217,502)	9,441
Leasehold improvements	2,126,440	(430,815)	1,695,625	2,126,440	(365,700)	1,760,740
Total	16,045,280	(10,907,157)	5,138,123	16,200,013	(10,024,533)	6,175,480

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Depreciation	Total
Buildings	322,333	-	-	(47,278)	275,055
Plant and machinery	4,032,638	99,701	(62,155)	(977,546)	3,092,638
Furniture and fixtures	1,102	-	-	(157)	945
Motor vehicles	31,596	22,033	-	(14,440)	39,189
Office equipment	17,630	5,101	-	(5,646)	17,085
IT equipment	9,441	16,332	-	(8,187)	17,586
Leasehold improvements	1,760,740	-	-	(65,115)	1,695,625
	6,175,480	143,167	(62,155)	(1,118,369)	5,138,123

4. Intangible assets

	2021			2020		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software	202,668	(183,708)	18,960	176,417	(176,417)	-

Reconciliation of intangible assets - 2021

	Opening balance	Additions	Amortisation	Total
Computer software	-	26,251	(7,291)	18,960

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Notes to the Financial Statements

	2021 TZS '000	2020 TZS '000
5. Trade and other receivables		
Financial instruments:		
Trade receivables	5,790,923	8,412,363
Trade receivables - related parties	-	8,422
Loss allowance	(1,607,425)	(1,448,527)
Trade receivables at amortised cost	4,183,498	6,972,258
Other receivables	3,371	3,057
Non-financial instruments:		
VAT	1,230,961	997,762
Advance to suppliers	2,219,991	53,283
Prepayments and deposits	66,545	80,076
Total trade and other receivables	7,704,366	8,106,436
Split between non-current and current portions		
Current assets	7,704,366	8,106,436
Financial instrument and non-financial instrument components of trade and other receivables		
At amortised cost	4,186,870	6,975,316
Non-financial instruments	3,517,497	1,131,121
	7,704,367	8,106,437
6. Deferred tax		
Deferred tax liability		
Deferred tax liability	(311,106)	(244,629)
The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction, and the law allows net settlement. Therefore, they have been offset in the statement of financial position as follows:		
Deferred tax liability	(311,106)	(244,629)
Reconciliation of deferred tax asset / (liability)		
At beginning of year	(244,629)	(413,112)
Taxable / (deductible) temporary difference movement on tangible fixed assets	(43,089)	(49,481)
Taxable / (deductible) temporary difference on cumulative unrealized forex gains and losses	(3,488)	12,083
Taxable / (deductible) temporary difference on provisions	(19,900)	205,881
	(311,106)	(244,629)

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	2021 TZS '000	2020 TZS '000
7. Inventories		
Raw materials, components	3,683,446	1,727,044
Work in progress	11,726	5,088
Finished goods	1,578,511	884,058
Trading goods	585,173	621,617
Packing materials	-	2,200
Spare parts	83,099	60,522
Operating supplies	-	21,666
	<u>5,941,955</u>	<u>3,322,195</u>
Inventories (write-downs)	(528,388)	(528,388)
	<u>5,413,567</u>	<u>2,793,807</u>

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	36,363	4,674
Bank balances	429,068	38,013
Bank overdraft	(1,337,633)	(2,356,542)
	<u>(872,202)</u>	<u>(2,313,855)</u>
Current assets	465,431	42,687
Current liabilities	(1,337,633)	(2,356,542)
	<u>(872,202)</u>	<u>(2,313,855)</u>

Standard Chartered Bank Tanzania Limited - Terms and conditions

Overdraft facility - TZS 3,500,000,000.

Purpose: For general corporate purposes and/or working capital requirements.

Interest: 182 days T-bills + 4.5% per annum (To be fixed at 10.5% per annum and repriced annually).

Interest payments: Monthly in arrears.

Availability period: From the date of acceptance until 31 July 2021 and further renewed.

Security: Inline with that for other bank facilities, detailed in note 10.

9. Share capital

Authorised

5,000,000 ordinary shares of TZS 1,000/ each	5,000,000	5,000,000
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Issued

560,000 ordinary shares of TZS 1,000/ each	560,000	560,000
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Simba Pipe Industries Limited

(Registration number 41028)

Financial Statements for the year ended 31 December 2021

Notes to the Financial Statements

	2021 TZS '000	2020 TZS '000
10. Other financial liabilities		
Held at amortised cost		
Standard Chartered Bank Limited - Short term loan Terms and conditions: refer to note below	765,000	413,500
Standard Chartered Bank Limited - Import invoice financing Terms and conditions: refer to note below	403,863	5,428,155
Standard Chartered Bank Limited - Import loan Terms and conditions: refer to note below	4,945,535	-
Standard Chartered Bank Limited - Long term loan Terms and conditions: refer to note below	1,607,527	-
	7,721,925	5,841,655

Split between non-current and current portions

Non-current liabilities	1,607,527	-
Current liabilities	6,114,398	5,841,655
	7,721,925	5,841,655

1) Standard Chartered Bank Tanzania Limited - Short term loan

Facility - TZS 1,000,000,000 (Inner to facility 2 below).

Purpose: For general corporate purposes and/or working capital requirements.

Interest: 182 days T-bills + 4% per anum (To be fixed at 10.5% per anum and repriced annually).

Tenor: 180 days renewable.

2) Standard Chartered Bank Limited - Import invoice financing

Facility - USD 3,967,700

Purpose: For financing for goods purchased by the borrower from its seller, as evidenced by the seller's invoice.

Interest: 6 monts LIBOR + 4% per anum.

Tenor: 180 days renewable.

3) Standard Chartered Bank Limited - Import loan

Facility - TZS 6,900,000,000 (Inner to facility 2 above).

Purpose: To cover the release of goods imported by the borrower under and in relation to letters of credit issued by the bank / import bills for collection handled by the bank.

Interest: 182 days T-bills + 4% per anum (To be fixed at 10.5% per anum and repriced annually).

Tenor: 180 days renewable.

4) Standard Chartered Bank Limited - Long term loan

Facility - TZS 1,553,942,660

Purpose: For financing purchase of machinery which will be used in manufacturing of pipes as the borrower has won tenders which require additional machinery in order to meet capacity..

Interest: Fixed rate of 12.3%.

Tenor: 29 months.

Securities for the above mentioned facilities:

- A first ranking debenture charge over the company's fixed and floating assets registered to secure the sum of USD 6,860,075.
- First ranking legal charge over the property located on Plot No. 68, 69 and 70 situated at Mbozi road in Dar es Salaam to be registered to secure the sum of USD 6,860,075.

Simba Pipe Industries Limited

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Financial Statements for the year ended 31 December 2021

Notes to the Financial Statements

	2021 TZS '000	2020 TZS '000
10. Other financial liabilities (continued)		
<ul style="list-style-type: none">Specific charge over plant and machinery located on Plot No. 68, 69 and 70 situated at Mbozi road in Dar es Salaam to secure the sum of TZS 1,800,000,000.All monies corporate guarantee by General Motors Investment Limited.All monies personal guarantee by Nassoro Ally Seif.All monies personal guarantee by Seif Ally Seif.		
11. Contract liabilities		
Contract liabilities represent amount received in advance from customers.		
12. Trade and other payables		
Financial instruments:		
Trade payables	2,252,499	2,110,121
Trade payables - related parties	-	35,468
Accrued expenses	274,687	206,128
Other payables	243,144	505,317
Non-financial instruments:		
Amounts received in advance	1,198,108	-
	3,968,438	2,857,034
Financial instrument and non-financial instrument components of trade and other payables		
At amortised cost	2,770,330	2,857,034
Non-financial instruments	1,198,108	-
	3,968,438	2,857,034
13. Revenue		
Revenue		
Manufactured goods	22,489,279	13,708,291
Traded goods	799,372	11,172,350
Returns from sales	-	(5,508)
	23,288,651	24,875,133
14. Cost of sales		
Sale of goods	15,134,562	14,981,742
Write down of inventories to net realisable value	-	528,388
Manufactured goods:		
Employee costs	769,078	627,664
Depreciation and impairment	1,024,824	919,585
	16,928,464	17,057,379

Simba Pipe Industries Limited

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Financial Statements for the year ended 31 December 2021

Notes to the Financial Statements

		2021 TZS '000	2020 TZS '000
15. Other operating income			
Freight income		-	54,944
Interest income		7,449	108,067
		7,449	163,011
16. Other operating gains (losses)			
Gains (losses) on disposals, scrappings and settlements			
Property, plant and equipment	3	27,045	10,442
Foreign exchange gains (losses)			
Net foreign exchange loss		(257,704)	(226,658)
Total other operating gains (losses)		(230,659)	(216,216)
17. Operating profit (loss)			
Operating profit (loss) for the year is stated after charging (crediting) the following, amongst others:			
Auditors' remuneration			
Audit fees		26,000	26,000
Adjustment for previous year		150	-
		26,150	26,000
Employee costs			
Salaries and wages		1,496,152	1,586,217
Workers Compensation Fund		11,904	15,811
Other allowances		17,583	48,688
Skills and Development Levy		62,041	72,133
Other short-term costs		63,482	-
National Social Security Fund		146,083	240,074
Termination benefits		-	1,024
Total employee costs		1,797,245	1,963,947
Less: Employee costs included in cost of sales		(769,078)	(627,664)
Total employee costs expensed		1,028,167	1,336,283
Depreciation and amortisation			
Depreciation of property, plant and equipment		1,118,369	1,000,685
Amortisation of intangible assets		7,291	-
Total depreciation and amortisation		1,125,660	1,000,685
Less: Depreciation and amortisation included in cost of sales		(1,024,824)	(919,585)
Total depreciation and amortisation expensed		100,836	81,100

Simba Pipe Industries Limited

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Financial Statements for the year ended 31 December 2021

Notes to the Financial Statements

	2021 TZS '000	2020 TZS '000
18. Finance costs		
Interest on bank overdraft	101,382	222,494
Interest on bank loans	282,012	372,377
Total finance costs	383,394	594,871
19. Taxation		
Major components of the tax expense		
Current		
Local income tax - current period	660,301	1,102,967
Local income tax - recognised in current tax for prior periods	-	211,896
Local income tax - prior year tax after TRA audit	151,410	108,289
	811,711	1,423,152
Deferred		
Originating and reversing temporary differences	66,477	(168,483)
	878,188	1,254,669
Reconciliation of the tax expense		
Reconciliation between accounting profit and tax expense.		
Accounting (loss) profit	2,274,513	2,931,204
Tax at the applicable tax rate of 30% (2020: 30%)	682,354	879,361
Tax effect of adjustments on taxable income		
Permanent difference	44,424	55,123
Prior year tax charge	-	211,896
Local income tax - recognised in current tax for prior periods	151,410	108,289
	878,188	1,254,669
20. Employee costs		
Direct employee costs		
Salaries and wages	688,013	506,944
Workers Compensation Fund	-	5,053
Other allowances	17,583	15,888
Skills and Development Levy	-	23,053
Other short-term costs	63,482	-
National Social Security Fund	-	76,726
	769,078	627,664

Simba Pipe Industries Limited

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Financial Statements for the year ended 31 December 2021

Notes to the Financial Statements

	2021 TZS '000	2020 TZS '000
20. Employee costs (continued)		
Indirect employee costs		
Salaries and wages	808,139	1,079,273
Workers Compensation Fund	11,904	10,758
Other allowances	-	32,800
Skills and Development Levy	62,041	49,080
National Social Security Fund	146,083	163,348
Termination benefits	-	1,024
	1,028,167	1,336,283
Total employee costs		
Direct employee costs	769,078	627,664
Indirect employee costs	1,028,167	1,336,283
	1,797,245	1,963,947
21. Depreciation, amortisation and impairment losses		
Depreciation		
Property, plant and equipment	93,545	81,100
Amortisation		
Intangible assets	7,291	-
Total depreciation, amortisation and impairment		
Depreciation	93,545	81,100
Amortisation	7,291	-
	100,836	81,100
22. Cash generated from operations		
(Loss) profit before taxation	2,274,513	2,931,204
Adjustments for:		
Depreciation and amortisation	1,125,660	1,000,685
Gains on disposals, scrappings and settlements of assets and liabilities	(27,045)	(10,442)
Losses on foreign exchange	257,704	226,658
Finance costs	383,394	594,871
Inventory write down	-	528,390
Losses on foreign exchange	(257,704)	(226,658)
Tax assessments	(250,108)	(163,023)
Changes in working capital:		
Inventories	(2,619,760)	2,597,003
Trade and other receivables	402,070	586,145
Trade and other payables	1,111,404	(312,069)
	2,400,128	7,752,764

Simba Pipe Industries Limited

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Financial Statements for the year ended 31 December 2021

Notes to the Financial Statements

	2021 TZS '000	2020 TZS '000
23. Tax paid		
Balance at beginning of the year	(151,999)	146,058
Current tax for the year recognised in profit or loss	(811,711)	(1,423,152)
Balance at end of the year	(38,499)	151,999
	(1,002,209)	(1,125,095)
24. Tax assessments		
VAT	79,000	163,023
Withholding Tax	9,796	-
Skills and Development Levy	4,117	-
Stamp Duty	122	-
Corporate Tax	157,073	-
	250,108	163,023
Taxes related to prior years after Tanzania Revenue Authority tax assessment.		
25. Dividends paid		
Balance at beginning of the year	(1,131,661)	(700,000)
Dividends declared during the year	(465,000)	(1,257,401)
Balance at end of the year	-	1,131,661
	(1,596,661)	(825,740)
26. Contingencies		
The directors are of the opinion that there are no contingent liabilities as at year end.		

Simba Pipe Industries Limited

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Financial Statements for the year ended 31 December 2021

Notes to the Financial Statements

	2021 TZS '000	2020 TZS '000
27. Related parties		
Msalala Gold Limited		Sister company
Sumaria Group Tanzania Limited		Sister company
Silafrica Tanzania Limited		Sister company
Nyanza Bottling Company Limited		Sister company
Members of key management		Jitin Singh
<p>The above mentioned sister companies were no longer related parties as at year end since the company's shares were sold to other parties during the year under review.</p>		
Related party balances		
Amounts included in trade and other receivable (trade and other payable) regarding related parties		
Msalala Gold Limited	-	17,305
Sumaria Group Tanzania Limited	-	(35,468)
Nyanza Bottling Company Limited	-	8,422
Related party transactions		
Purchases from related parties		
Silafrica Tanzania Limited	4,212	3,288
Sales to related parties		
Silafrica Tanzania Limited	177	925
Nyanza Bottling Company Limited	-	7,137
Msalala Gold Limited	-	2,796
Technical fees paid to (received from) related parties		
Sumaria Group Tanzania Limited	194,876	183,276
Compensation to directors and other key management		
Key staff remuneration	230,524	1,227,313

28. Directors' emoluments

No emoluments were paid to the directors or any individuals holding a prescribed office during the year.

29. Comparative figures

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

Simba Pipe Industries Limited

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Financial Statements for the year ended 31 December 2021

Notes to the Financial Statements

	2021	2020
	TZS '000	TZS '000

30. Financial instruments and risk management

Financial risk management

Overview

The company is exposed to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk (currency risk, interest rate risk and price risk).

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.

The maximum exposure to credit risk is presented in the table below:

		2021			2020		
		Gross carrying amount	Credit loss allowance	Amortised cost / fair value	Gross carrying amount	Credit loss allowance	Amortised cost / fair value
Trade and other receivables	5	5,794,295	(1,607,425)	4,186,870	8,423,843	(1,448,527)	6,975,316
Cash and cash equivalents	8	465,431	-	465,431	42,687	-	42,687
		6,259,726	(1,607,425)	4,652,301	8,466,530	(1,448,527)	7,018,003

Simba Pipe Industries Limited

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Financial Statements for the year ended 31 December 2021

Notes to the Financial Statements

	2021 TZS '000	2020 TZS '000
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30. Financial instruments and risk management (continued)

Liquidity risk

Liquidity risk is the risk that the company will not have sufficient funds to meet liabilities. The company manages liquidity risk through an on going review of future commitments and credit facilities.

The table below analyses the company's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

2021

		Less than 1 year	More than 1 year	Total	Carrying amount
Non-current liabilities					
Other financial liabilities	10	-	1,607,527	1,607,527	1,607,527
Current liabilities					
Trade and other payables		2,770,331	-	2,770,331	2,770,330
Other financial liabilities	10	6,114,398	-	6,114,398	6,114,398
Bank overdraft	8	1,337,633	-	1,337,633	1,337,633
		(10,222,362)	(1,607,527)	(11,829,889)	(11,829,888)

2020

		Less than 1 year	Total	Carrying amount
Current liabilities				
Trade and other payables	12	2,857,034	2,857,034	2,857,034
Other financial liabilities	10	5,841,655	5,841,655	5,841,655
Dividend payable		1,131,661	1,131,661	1,131,661
Bank overdraft	8	2,356,542	2,356,542	2,356,542

Foreign currency risk

The company does not hedge foreign exchange fluctuations.

Foreign currency risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the entity's functional currency. The company transacts partly in United States Dollar and its assets and liabilities are denominated in Tanzanian Shillings. The foreign exchange exposure are reviewed and controlled by management on a regular and frequent basis.

Simba Pipe Industries Limited

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Financial Statements for the year ended 31 December 2021

Notes to the Financial Statements

2021	2020
TZS '000	TZS '000

31. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The directors believe that the company has adequate financial resources to continue in operation for the foreseeable future and accordingly the financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the company is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the company. The director directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the company.

The board of directors has reasonable expectation that the company has adequate resources to continue in operational existence for the next twelve months. The impact of COVID-19 has been taken into consideration in the going concern assessment.

32. Events after the reporting period

The directors are not aware of any material event which occurred after the reporting date and up to the date of this report.



Simba Pipe Industries Limited
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Financial statements
for the year ended 31 December, 2020

Simba Pipe Industries Limited

(Registration number 41028)

Financial Statements for the year ended 31 December, 2020

General Information

Country of incorporation and domicile	United Republic of Tanzania
Nature of business and principal activities	Manufacturing and trading of PVC and HDPE pipes and fittings
Directors	Jayesh G. Shah Ankush K Shah
Registered office	Plot No. 68, 69 and 70 Chang'ombe Industrial Area Migeyo Road Ilala, Dar es Salaam, Tanzania
Postal address	Chang'ombe Industrial Area Migeyo Road P.O Box 46259 Dar es Salaam, Tanzania
Bankers	National Bank of Commerce Limited P.O Box 9062 Dar es Salaam Tanzania Standard Chartered Bank Tanzania Limited P.O Box 9011 Dar es Salaam Tanzania Azania Bank Limited Mawasiliano Tower P.O Box 32089 Dar es Salaam
Auditors	Crowe Tanzania Certified Public Accountants in Public Practice Dar es salaam
Company registration number	41028

Simba Pipe Industries Limited

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Financial Statements for the year ended 31 December, 2020

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Simba Pipe Industries Limited

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Financial Statements for the year ended 31 December, 2020

Directors' Report

The directors have pleasure in submitting their report on the financial statements of Simba Pipe Industries Limited for the year ended 31 December, 2020.

1. Incorporation

The company is domiciled in United Republic of Tanzania where it is incorporated as a private company limited by share under the Companies Act 2002.

2. Nature of business

The principal activity of the company is that of manufacturing and marketing of plastic piping systems and components. The company has ventured into new business initiative of trading in imported pipe fittings to provide a solution for total piping requirements to its customers.

There have been no material changes to the nature of the company's business from the prior year.

3. Review of financial results and activities

The operating results and state of affairs of the company are fully set out in the attached financial statements and do not in our opinion require any further comment.

Net profit of the company for the year ended 31 December 2020 was TZS 1,676,535,000 (2019: loss TZS (1,077,647,000)) after taxation of TZS 1,254,669,000 (2019: TZS 245,936,000).

4. Share capital

		2020	2019
Authorised		Number of shares	
Ordinary shares of TZS 1,000/- each		5,000,000	5,000,000
Issued		2020	2019
	TZS '000	TZS '000	Number of shares
Ordinary shares of TZS 1,000/- each	560,000	560,000	560,000

There have been no changes to the authorised or issued share capital during the year under review.

5. Shareholders

The total number of shareholders during the year is two shareholders (previous year 2 shareholders).

The shares of the company as at year end were held as follows:

	Number of Shares	
	2020	2019
Gulabchand Punamchand Shah	280,000	280,000
DSL International Limited	280,000	280,000

During the year under review it was resolved and authorized the directors and the company secretary to execute the sale of shares and claim agreement between Mr. G.P Shah, M/s DSL International Ltd (the Vendors) and M/s. Gneral Motor Investment Ltd., M/s. Super Oils Petroleum International Ltd. (the Purchasers). The procedures for the sale of share are in progress and are expected to be completed in 2021.

6. Dividends

Board of directors approved payment of dividend to shareholders of TZS1,257,401,000 (2019:TZS 951,835,000). The amount has been provided and adjusted through equity.

Simba Pipe Industries Limited

(Registration number 41028)

Financial Statements for the year ended 31 December, 2020

Directors' Report

7. Development programme

During the year, the company continued with improvements to its manufacturing and marketing strategies in order to improve on its competitive advantages through the adoption of Balanced Scorecard and Gemba Kaizen initiatives. The company's products are certified by Tanzania Bureau of Standards. The company is ISO9001 2015 Certified.

8. Directorate

The directors in office at the date of this report are as follows:

Directors	Designation	Nationality
Jayesh G. Shah	Director	British
Ankush K Shah	Director	British

9. Directors' interests in shares

The directors do not hold any direct interest in the issued and paid up share capital of the company.

10. Events after the reporting period

The directors are not aware of any material event which occurred after the reporting date and up to the date of this report.

11. Going concern

The directors confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Despite the impact of the pandemic on the company's operations, the board of directors has implemented various strategies focusing on cost cutting measures to enable the company to operate through this period. With regular assessments and implementation of various strategies, the board of directors is optimistic that the company will withstand through the pandemic.

12. Employee welfare

The details of employees of the company are set out as below:

	31 December, 2020	31 December 2019
Total number of employees at the beginning of the year	82	86
Number of employees engaged	17	18
Number of employees who left	(8)	(22)
Total number of employee at year end	91	82

13. Employees relationship

The relation between employees and management continued to be cordial during the year. There were no unresolved complaints received by management from the employees during the year. Staff welfare facilities include medical scheme for all employees and their families, provision of meals while on duty and transport to and from place of work. Training facilities are available to cater for all grades of staff.

Simba Pipe Industries Limited

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Financial Statements for the year ended 31 December, 2020

Directors' Report

14. Corporate Governance

The board of directors consists of two directors. 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 the managing director assisted by senior management. Senior management is invited to attend board meetings and facilitate 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.

15. 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 controls 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 31 December 2020 and is of the opinion that they met accepted criteria.

16. Related parties transactions

Related party transactions and balances are disclosed in note 27 of the financial statements .

17. Auditors

The auditors, Crowe Tanzania have expressed their willingness to continue in office and will be recommended for re-appointment in accordance with the Companies Act 2002.

The financial statements set out on pages 11 to 44, which have been prepared on the going concern basis, were approved by the board of directors on date of this report, and were signed on its behalf by:



Jayesh G. Shah
Director

Date: 29 JUNE 2021



Ankush K Shah
Director

Date: 29 June 2021

Simba Pipe Industries Limited

(Registration number 41028)

Financial Statements for the year ended 31 December, 2020

Directors' Responsibilities and Approval

The directors are required in terms of the Companies Act 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 period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with International Financial Reporting Standards 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 of 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 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 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, 2021 and, in light of this review and the current financial position, they are satisfied that the company has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the company's financial statements. The financial statements have been examined by the company's external auditors and their report is presented on pages 8 to 10.

The financial statements set out on pages 11 to 44, which have been prepared on the going concern basis, were approved by the board of directors on the date of this statement and were signed on their behalf by:



Jayesh G. Shah
Director

Date: 29 JUNE 2021



Ankush K Shah
Director

Date: 29 June 2021

Simba Pipe Industries Limited

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Financial Statements for the year ended 31 December, 2020

Declaration of Head of Accounting and Finance

Declaration of the Head of Finance/Accounting of Simba Pipe Industries 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 position and performance in accordance with applicable International Accounting Standards and statutory financial reporting requirements. Full legal responsibility for the preparation of financial statements rests with the Board of Directors/Governing Body as under Directors Responsibility statement on an earlier page.

I, CECILIA DAVID LUSSA, being the Head of Finance/Accounting of Simba Pipe Industries Limited hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31 December, 2020 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 Simba Pipe Industries Limited as on that date and that they have been prepared based on properly maintained financial records.

Signed by: 

Position: ASSISTANT FINANCE MANAGER

NBAA Membership No.: GA 9564

Date: 29th JUNE 2021

Report of the Independent Auditors

To the shareholders of Simba Pipe Industries Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the Financial Statements of Simba Pipe Industries Limited set out on pages 11 to 44, which comprise the Statement of Financial Position as at 31 December, 2020, and the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the Financial Statements, including a summary of significant accounting policies.

In our opinion, the Financial Statements present fairly, in all material respects, the financial position of Simba Pipe Industries Limited as at 31 December, 2020, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act 2002.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. 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 the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B) (IESBA Code) and other independence requirements applicable to performing audits of financial statements in United Republic of Tanzania. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits in United Republic of Tanzania. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act 2002 of United Republic of Tanzania, which we obtained prior to the date of this report. 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 an audit opinion or 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.

Report of the Independent Auditors

To the shareholders of Simba Pipe Industries Limited

Responsibilities of the directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the Financial Statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act 2002, and for such internal control as the directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 International Standards on Auditing 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 International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

Report of the Independent Auditors

To the shareholders of Simba Pipe Industries Limited

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

Report on other legal and regulatory requirements

This report, including opinion, has been prepared for, and only for, the company's members as a body in accordance with the Companies Act 2002 and for no other purposes. As required by the Companies Act 2002, we report to you, based on our audit, that

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



CPA Christopher Msuya
For and on behalf of Crowe Tanzania
Certified Public Accountants in Public Practice
Dar es Salaam

29 June 2021



Simba Pipe Industries Limited

(Registration number 41028)

Financial Statements for the year ended 31 December, 2020

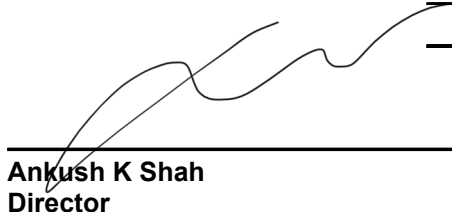
Statement of Financial Position as at 31 December, 2020

	Note(s)	2020 TZS '000	2019 TZS '000
Assets			
Non-Current Assets			
Property, plant and equipment	3	6,175,480	4,673,920
Other financial assets	5	-	100
		6,175,480	4,674,020
Current Assets			
Inventories	7	2,793,807	5,919,198
Trade and other receivables	8	8,106,436	8,692,581
Current tax receivable		-	146,058
Cash and cash equivalents	9	42,687	62,524
		10,942,930	14,820,361
Total Assets		17,118,410	19,494,381
Equity and Liabilities			
Equity			
Share capital	10	560,000	560,000
Retained income		3,948,519	3,529,383
		4,508,519	4,089,383
Liabilities			
Non-Current Liabilities			
Deferred tax	6	244,629	413,112
Current Liabilities			
Trade and other payables	13	2,857,034	3,169,103
Other financial liabilities	11	5,841,655	5,542,787
Current tax payable		151,999	-
Dividend payable		1,131,661	700,000
Contract liabilities	12	26,371	1,322,054
Bank overdraft	9	2,356,542	4,257,942
		12,365,262	14,991,886
Total Liabilities		12,609,891	15,404,998
Total Equity and Liabilities		17,118,410	19,494,381



Jayesh G. Shah
Director

Date: 29 JUNE 2021



Ankush K Shah
Director

Date: 29 June 2021

The accounting policies on pages 16 to 27 and the notes on pages 28 to 44 form an integral part of the financial statements.

Simba Pipe Industries Limited

(Registration number 41028)

Financial Statements for the year ended 31 December, 2020

Statement of Profit or Loss and Other Comprehensive Income

	Note(s)	2020 TZS '000	2019 TZS '000
Revenue	14	24,875,133	17,894,314
Cost of sales	15	(17,057,379)	(13,288,797)
Gross profit		7,817,754	4,605,517
Other operating income	16	163,011	33,462
Other operating gains (losses)	17	(216,216)	(114,175)
Expenses (Refer to page 13)		(4,238,474)	(4,783,337)
Operating profit (loss)	18	3,526,075	(258,533)
Finance costs	20	(594,871)	(573,178)
Profit (loss) before taxation		2,931,204	(831,711)
Taxation	21	(1,254,669)	(245,936)
Profit (loss) for the year		1,676,535	(1,077,647)
Other comprehensive income		-	-
Total comprehensive income (loss) for the year		1,676,535	(1,077,647)

Simba Pipe Industries Limited

(Registration number 41028)

Financial Statements for the year ended 31 December, 2020

Statement of Profit or Loss and Other Comprehensive Income

	Note(s)	2020 TZS '000	2019 TZS '000
Other operating expenses			
Administration and management fees		(183,276)	(148,916)
Auditors remuneration	18	(26,000)	(31,344)
Bad debts		(228,037)	(1,569,807)
Bank charges		(202,630)	(160,622)
Cleaning		(2,971)	(2,171)
System audit fees		(9,893)	(3,441)
Consulting and professional fees		(103,610)	(120,133)
Delivery expenses		(3,689)	(3,244)
Depreciation		(81,100)	(197,226)
Donations		-	(3,668)
Employee costs		(1,336,283)	(1,253,214)
Other expenses		(39,613)	(14,055)
Recruitment expenses		(1,050)	(850)
Canteen expenses		(87,986)	(70,372)
SAP Support Expenses		(13,580)	(13,002)
Misc Dr/Cr Bal Write		(1,982)	2,826
Employees incentives		(1,650)	(174)
Fumigation expenses		(7,724)	(3,232)
Leave Travel Reimb		(930)	(9,482)
Loading Expenses		(10,900)	(4,445)
Uniform expenses		(1,171)	(2,644)
Gemba Kaizen expenses		(345)	(582)
Land rent and property tax		(7,174)	(3,257)
Insurance		(105,466)	(77,927)
Software expenses		(1,013)	(4,449)
Lease rentals on operating lease		(38,980)	(50,379)
City Service levy		(74,654)	(50,777)
Medical expenses		(10,020)	(11,792)
Motor vehicle expenses		(34,420)	(30,725)
License and renewal		(24,296)	(4,240)
Local conveyance		(3,114)	(2,051)
Internet / E-Mail Ex		(18,659)	(19,675)
Postage and courier expenses		(5,599)	(2,432)
Printing and stationery		(18,347)	(6,656)
Advertisements and promotions		(93,355)	(52,884)
Repairs and maintenance		(24,909)	(17,431)
Permit Expenses		(45,924)	(19,221)
Security		(45,396)	(42,726)
Additional tax assessment	25	(163,139)	(260,862)
Subscriptions and membership fees		(2,343)	(6,303)
Telephone and fax		(401)	(249)
Training and seminars		(11,908)	(3,069)
Transport and freight		(1,103,372)	(404,174)
Domestic travel expenses		(30,928)	(39,531)
Foreign travel expenses		(30,637)	(62,729)
		(4,238,474)	(4,783,337)

The accounting policies on pages 16 to 27 and the notes on pages 28 to 44 form an integral part of the financial statements.

Simba Pipe Industries Limited

(Registration number 41028)

Financial Statements for the year ended 31 December, 2020

Statement of Changes in Equity

	Share capital	Retained income	Total equity
	TZS '000	TZS '000	TZS '000
Balance at 1 January, 2019	560,000	5,558,865	6,118,865
Loss for the year	-	(1,077,647)	(1,077,647)
Other comprehensive income	-	-	-
Total comprehensive Loss for the year	-	(1,077,647)	(1,077,647)
Dividends	-	(951,835)	(951,835)
Total changes	-	(951,835)	(951,835)
Balance at 1 January, 2020	560,000	3,529,385	4,089,385
Profit for the year	-	1,676,535	1,676,535
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	1,676,535	1,676,535
Dividends	-	(1,257,401)	(1,257,401)
Total changes	-	(1,257,401)	(1,257,401)
Balance at 31 December, 2020	560,000	3,948,519	4,508,519

Note(s)

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The accounting policies on pages 16 to 27 and the notes on pages 28 to 44 form an integral part of the financial statements.

Simba Pipe Industries Limited

(Registration number 41028)

Financial Statements for the year ended 31 December, 2020

Statement of Cash Flows

	Note(s)	2020 TZS '000	2019 TZS '000
Cash flows from operating activities			
Cash generated from/(used in) operations	22	7,915,787	(758,701)
Finance costs		(594,871)	(573,178)
Tax paid	23	(1,125,095)	(221,545)
Additional tax assessment	25	163,023	260,862
Net cash from operating activities		6,358,844	(1,292,562)
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(2,503,485)	(570,411)
Sale of property, plant and equipment	3	11,682	3,390
Sale of financial assets		100	-
Additional tax assessment		(163,023)	(260,862)
Net cash from investing activities		(2,654,726)	(827,883)
Cash flows from financing activities			
Movement in other financial liabilities		298,868	5,542,787
Dividend paid		-	(3,185,990)
Movement in contract liabilities		(1,295,683)	(38,229)
Dividends paid	24	(825,740)	(251,835)
Net cash from financing activities		(1,822,555)	2,066,733
Total cash movement for the year		1,881,563	(53,712)
Cash at the beginning of the year		(4,195,418)	(4,141,706)
Total cash at end of the year	9	(2,313,855)	(4,195,418)

The accounting policies on pages 16 to 27 and the notes on pages 28 to 44 form an integral part of the financial statements.

Simba Pipe Industries Limited

(Registration number 41028)

Financial Statements for the year ended 31 December, 2020

Accounting Policies

Corporate information

Simba Pipe Industries Limited is a private limited company incorporated and domiciled in United Republic of Tanzania.

1. Significant accounting policies

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

1.1 Basis of preparation

The financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and the Companies Act 2002.

The financial statements have been prepared on the historic cost convention, and incorporate the principal accounting policies set out below. They are presented in Tanzanian Shillings, which is the company's functional currency.

These accounting policies are consistent with the previous period.

1.2 Property, plant and equipment

Property, plant and equipment are tangible assets which the company holds for its own use or for rental to others and which are expected to be used for more than one year.

An item of property, plant and equipment is recognised as an asset 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.

Property, plant and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets and adjustments in respect of hedge accounting, where appropriate.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the company. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Buildings	Straight line	20 years
Plant and machinery	Straight line	8 years
Furniture and fixtures	Straight line	8 years
Motor vehicles	Straight line	4 years
Office equipment	Straight line	8 years
IT equipment	Straight line	3 years
Leasehold improvement	Straight line	50 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

Simba Pipe Industries Limited

(Registration number 41028)

Financial Statements for the year ended 31 December, 2020

Accounting Policies

1.2 Property, plant and equipment (continued)

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

1.3 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	3 years

Simba Pipe Industries Limited

(Registration number 41028)

Financial Statements for the year ended 31 December, 2020

Accounting Policies

1.4 Financial instruments

Financial instruments held by the company are classified in accordance with the provisions of IFRS 9 Financial Instruments.

Broadly, the classification possibilities, which are adopted by the company, as applicable, are as follows:

Financial assets which are equity instruments:

- Mandatorily at fair value through profit or loss; or
- Designated as at fair value through other comprehensive income. (This designation is not available to equity instruments which are held for trading or which are contingent consideration in a business combination).

Financial assets which are debt instruments:

- Amortised cost. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows); or
- Fair value through other comprehensive income. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is achieved by both collecting contractual cash flows and selling the instruments); or
- Mandatorily at fair value through profit or loss. (This classification automatically applies to all debt instruments which do not qualify as at amortised cost or at fair value through other comprehensive income); or
- Designated at fair value through profit or loss. (This classification option can only be applied when it eliminates or significantly reduces an accounting mismatch).

Derivatives which are not part of a hedging relationship:

- Mandatorily at fair value through profit or loss.

Financial liabilities:

- Amortised cost; or
- Mandatorily at fair value through profit or loss. (This applies to contingent consideration in a business combination or to liabilities which are held for trading); or
- Designated at fair value through profit or loss. (This classification option can be applied when it eliminates or significantly reduces an accounting mismatch; the liability forms part of a group of financial instruments managed on a fair value basis; or it forms part of a contract containing an embedded derivative and the entire contract is designated as at fair value through profit or loss).

Note 30 Financial instruments and risk management presents the financial instruments held by the company based on their specific classifications.

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the company are presented below:

Simba Pipe Industries Limited

(Registration number 41028)

Financial Statements for the year ended 31 December, 2020

Accounting Policies

1.4 Financial instruments (continued)

Trade and other receivables

Classification

Trade and other receivables, excluding, when applicable, VAT and prepayments, are classified as financial assets subsequently measured at amortised cost (note 5).

They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the branch's business model is to collect the contractual cash flows on trade and other receivables.

Recognition and measurement

Trade and other receivables are recognised when the branch becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Measurement of expected credit losses (ECL): ECLs are probability weighted estimates of credit losses. IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets, and debt investment at FVOCI, but not to investments in equity instruments. Under IFRS 9 credit losses are recognised earlier than under IAS 39. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instruments, and consequently, more timely information is provided about credit losses.

Balance due within 12 months equal their carrying balances as the impact of discounting is not significant.

Simba Pipe Industries Limited

(Registration number 41028)

Financial Statements for the year ended 31 December, 2020

Accounting Policies

1.4 Financial instruments (continued)

Trade and other payables

Classification

Trade and other payables (note 13), excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

They are recognised when the company becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

If trade and other payables contain a significant financing component, and the effective interest method results in the recognition of interest expense, then it is included in profit or loss in finance costs (note 20).

Trade and other payables expose the company to liquidity risk and possibly to interest rate risk. Refer to note 30 for details of risk exposure and management thereof.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and 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. These are initially and subsequently recorded at fair value.

Bank overdrafts

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the company's accounting policy for borrowing costs.

1.5 Tax

Current tax assets and liabilities

Current tax for current and prior periods 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.

Simba Pipe Industries Limited

(Registration number 41028)

Financial Statements for the year ended 31 December, 2020

Accounting Policies

1.5 Tax (continued)

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).

A deferred tax asset is recognised for the carry forward of unused tax losses and unused WHT credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused WHT credits can be utilised.

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.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss 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, or
- a business combination.

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.

Simba Pipe Industries Limited

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Financial Statements for the year ended 31 December, 2020

Accounting Policies

1.6 Leases

The company assesses whether a contract is, or contains a lease, at the inception of the contract. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

In order to assess whether a contract is, or contains a lease, management determine whether the asset under consideration is "identified", which means that the asset is either explicitly or implicitly specified in the contract and that the supplier does not have a substantial right of substitution throughout the period of use. Once management has concluded that the contract deals with an identified asset, the right to control the use thereof is considered. To this end, control over the use of an identified asset only exists when the company has the right to substantially all of the economic benefits from the use of the asset as well as the right to direct the use of the asset.

In circumstances where the determination of whether the contract is or contains a lease requires significant judgement, the relevant disclosures are provided in the significant judgments and sources of estimation uncertainty section of these accounting policies.

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the company uses its incremental borrowing rate.

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

- fixed lease payments, including in substance fixed payments, less any lease incentives
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date
- the amount expected to be payable by the company under residual value guarantees
- the exercise price of purchase options, if the company is reasonably certain to exercise the option;
- lease payments in an optional renewal period if the company is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease, if the lease term reflects the exercise of an option to terminate the lease.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability (or right of use asset). The related payments are recognised as an expense in the period incurred and are included in operating expenses.

The lease liability is presented as a separate line item on the Statement of Financial Position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect lease payments made.

Right of use asset

Right of use asset are presented as a separate line item on the Statement of Financial Position.

Lease payments included in the measurement of the lease liability comprise the following:

- the initial amount of the corresponding lease liability;
- any lease payments made at or before the commencement date;
- any initial direct costs incurred;
- any estimated costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, when the company incurs an obligation to do so, unless these costs are incurred to produce inventories; and
- less any lease incentives received.

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Accounting Policies

1.6 Leases (continued)

When the company incurs an obligation for the costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying assets to the condition required by the terms and conditions of the lease, a provision is recognised in the Statement of Financial Position.

Right of use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

As an exception, when the underlying assets are land and buildings, the company adopts the revaluation model consistent with the accounting policy for land and buildings which are owned by the company. The accounting policy for the revaluation model is explained in the property, plant and equipment accounting policy.

Right of use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. However, if a lease transfers ownership of the underlying asset or the cost of the right of use asset reflects that the company expects to exercise a purchase option, the related right of use asset is depreciated over the useful life of the underlying asset. Depreciation starts at the commencement date of a lease.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

1.7 Inventories

Inventories are measured at the lower of cost and net realisable value.

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, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

When inventories are sold, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.8 Impairment of assets

The company assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the company also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.
- tests goodwill acquired in a business combination for impairment annually.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

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Accounting Policies

1.8 Impairment of assets (continued)

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.9 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares are recognised at par value and classified as 'share capital' in equity. Any amounts received from the issue of shares in excess of par value is classified as 'share premium' in equity. Dividends are recognised as a liability in the company in which they are declared.

1.10 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the company's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

1.11 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

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Accounting Policies

1.11 Provisions and contingencies (continued)

- 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.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the business or part of a business concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 26.

1.12 Revenue from contracts with customers

The company recognises revenue from the sale of goods when the following conditions have been satisfied

- the company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the company retains neither continuing managerial involvement to the degree usually associated with the ownership nor effective control over the goods sold.
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The company recognises revenue when it transfers control of a product or service to a customer.

1.13 Cost of sales

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The related cost of providing services recognised as revenue in the current period is included in cost of sales.

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Accounting Policies

1.13 Cost of sales (continued)

Contract costs comprise:

- costs that relate directly to the specific contract;
- costs that are attributable to contract activity in general and can be allocated to the contract; and
- such other costs as are specifically chargeable to the customer under the terms of the contract.

Cost of sales is reduced by the amount recognised in inventory as a "right to returned goods asset" which represents the company right to recover products from customers where customers exercise their right of return under the company returns policy.

1.14 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when:

- expenditures for the asset have occurred;
- borrowing costs have been incurred, and
- activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

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Accounting Policies

1.15 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Tanzanian Shillings, 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; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

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.

When a gain or loss on a non-monetary item is recognised to other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised to other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Cash flows arising from transactions in a foreign currency are recorded in Tanzanian Shillings by applying to the foreign currency amount the exchange rate between the Tanzanian Shilling and the foreign currency at the date of the cash flow.

Exchange differences arising on monetary items are recognised in profit or loss in the period in which they arise.

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2020	2019
TZS '000	TZS '000

2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the company has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7

Temporary exceptions have been created by the IASB concerning the application of specific hedge accounting requirements as a result of the interest rate benchmark reform. These exceptions apply only to those hedging relationships which are directly affected by the reform, being those where the reform gives rise to uncertainties about:

- a) the interest rate benchmark (contractually or noncontractually specified) designated as a hedged risk; and/or
- b) the timing or the amount of interest rate benchmark based cash flows of the hedged item or of the hedging instrument.

The exceptions are as follows:

(a) When determining whether a forecast transaction is highly probable, it shall be assumed that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of the reform.

(b) When assessing the economic relationship between the hedged item and the hedging instrument, entities shall, in their prospective assessments, assume that the interest rate benchmark on which the hedged item, hedged risk and/or hedging instrument are based is not altered as a result of the reform.

(c) Entities applying IAS 39 for hedge accounting are not required to undertake the IAS 39 retrospective assessment for hedging relationships directly affected by the reform.

(d) For hedges of a noncontractually specified benchmark component of interest rate risk, an entity shall apply the separately identifiable requirement only at inception of such hedging relationships.

Entities shall cease applying the exceptions when the uncertainty arising from the reform is no longer present or when the hedging relationship is discontinued.

The effective date of the amendment is for years beginning on or after 01 January 2020.

The company has adopted the amendment for the first time in the 2020 financial statements.

The impact of the amendment is not material.

Definition of a business Amendments to IFRS 3

The amendment:

- confirmed that a business must include inputs and a processes, and clarified that the process must be substantive and that the inputs and process must together significantly contribute to creating outputs.
- narrowed the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; and
- added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.

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Notes to the Financial Statements

2. New Standards and Interpretations (continued)

The effective date of the amendment is for years beginning on or after 01 January 2020.

The company has adopted the amendment for the first time in the 2020 financial statements.

The impact of the amendment is not material.

Presentation of Financial Statements: Disclosure initiative

The amendment clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards.

The effective date of the amendment is for years beginning on or after 01 January 2020.

The company has adopted the amendment for the first time in the 2020 financial statements.

The impact of the amendment is not material.

Accounting Policies, Changes in Accounting Estimates and Errors: Disclosure initiative

The amendment clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards.

The effective date of the amendment is for years beginning on or after 01 January 2020.

The company has adopted the amendment for the first time in the 2020 financial statements.

The impact of the amendment is not material.

2.2 Standards and interpretations not yet effective

The company has chosen to early adopt the following standards and interpretations:

The effective date of the amendment is to be determined by the IASB.

It is unlikely that the amendment will have a material impact on the company's financial statements.

Classification of Liabilities as Current or Non Current Amendment to IAS 1

The amendment changes the requirements to classify a liability as current or noncurrent. If an entity has the right at the end of the reporting period, to defer settlement of a liability for at least twelve months after the reporting period, then the liability is classified as noncurrent.

If this right is subject to conditions imposed on the entity, then the right only exists, if, at the end of the reporting period, the entity has complied with those conditions.

In addition, the classification is not affected by the likelihood that the entity will exercise its right to defer settlement. Therefore, if the right exists, the liability is classified as noncurrent even if management intends or expects to settle the liability within twelve months of the reporting period. Additional disclosures would be required in such circumstances.

The effective date of the amendment is for years beginning on or after 01 January 2023.

The company expects to adopt the amendment for the first time in the 2023 financial statements.

It is unlikely that the amendment will have a material impact on the company's financial statements.

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Notes to the Financial Statements

2. New Standards and Interpretations (continued)

Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS 1

A subsidiary that uses the cumulative translation differences exemption, may elect in its financial statements, to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary.

The effective date of the company is for years beginning on or after 01 January 2022.

The company expects to adopt the amendment for the first time in the 2022 financial statements.

It is unlikely that the amendment will have a material impact on the company's financial statements.

Reference to the Conceptual Framework: Amendments to IFRS 3

The amendment makes reference to the Conceptual Framework for Financial Reporting issued in 2018 rather than to the IASC's Framework for the Preparation and Presentation of Financial Statements. The amendment specifically points to the treatment of liabilities and contingent liabilities acquired as part of a business combination, and which are in the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies. It clarifies that the requirements of IAS 37 or IFRIC 21 should be applied to provisions, contingent liabilities or levies to determine if a present obligation exists at the Acquisition date. The amendment further clarifies that contingent assets of acquirees share not be recognised as part of the business combination.

The effective date of the company is for years beginning on or after 01 January 2022.

The company expects to adopt the amendment for the first time in the 2022 financial statements.

It is unlikely that the amendment will have a material impact on the company's financial statements.

Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS 9

The amendment concerns fees in the '10 per cent' test for derecognition of financial liabilities. Accordingly, in determining the relevant fees, only fees paid or received between the borrower and the lender are to be included.

The effective date of the company is for years beginning on or after 01 January 2022.

The company expects to adopt the amendment for the first time in the 2022 financial statements.

It is unlikely that the amendment will have a material impact on the company's financial statements.

Onerous Contracts Cost of Fulfilling a Contract: Amendments to IAS 37

The amendment defined the costs that are included in the cost of fulfilling a contract when determining the amount recognised as an onerous contract. It specifies that the cost of fulfilling a contract comprises the costs that relate directly to the contract. These are both the incremental costs of fulfilling the contract as well as an allocation of other costs that relate directly to fulfilling contracts (for example depreciation allocation).

The effective date of the company is for years beginning on or after 01 January 2022.

The company expects to adopt the amendment for the first time in the 2022 financial statements.

It is unlikely that the amendment will have a material impact on the company's financial statements.

COVID19 Related Rent Concessions Amendment to IFRS 16

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Notes to the Financial Statements

2. New Standards and Interpretations (continued)

The COVID19 pandemic has resulted in an amendment to IFRS 16 Leases. Lessees may elect not to assess whether a rent concession that meets the conditions in paragraph 46B is a lease modification. If this election is applied, then any change in lease payments must be accounted for in the same way as a change would be accounted for if it were not a lease modification. This practical expedient only applies to rent concessions occurring as a direct consequence of the COVID19 pandemic and only if:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payment affects only payments originally due on or before 30 June 2021 and
- there is no substantive change to other terms and conditions of the lease.

The effective date of the amendment is for years beginning on or after 01 June 2020.

The company expects to adopt the amendment for the first time in the 2021 financial statements.

It is unlikely that the amendment will have a material impact on the company's financial statements.

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Financial Statements for the year ended 31 December, 2020

Notes to the Financial Statements

	2020 TZS '000	2019 TZS '000
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3. Property, plant and equipment

	2020			2019		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Buildings	945,553	(623,220)	322,333	945,553	(585,605)	359,948
Plant and machinery	12,520,270	(8,487,632)	4,032,638	10,067,400	(7,605,662)	2,461,738
Furniture and fixtures	46,822	(45,720)	1,102	46,823	(45,664)	1,159
Motor vehicles	245,378	(213,782)	31,596	262,182	(253,873)	8,309
Office equipment	88,607	(70,977)	17,630	76,466	(66,452)	10,014
IT equipment	226,943	(217,502)	9,441	221,534	(214,819)	6,715
Leasehold improvements	2,126,440	(365,700)	1,760,740	2,126,440	(300,403)	1,826,037
Total	16,200,013	(10,024,533)	6,175,480	13,746,398	(9,072,478)	4,673,920

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Depreciation	Total
Buildings	359,948	-	-	(37,615)	322,333
Plant and machinery	2,461,738	2,452,870	-	(881,970)	4,032,638
Furniture and fixtures	1,159	-	-	(57)	1,102
Motor vehicles	8,309	31,065	-	(7,778)	31,596
Office equipment	10,014	12,141	-	(4,525)	17,630
IT equipment	6,715	7,409	(1,240)	(3,443)	9,441
Leasehold improvements	1,826,037	-	-	(65,297)	1,760,740
	4,673,920	2,503,485	(1,240)	(1,000,685)	6,175,480

It was noted some assets purchased during the period between 2013 and 2018 inclusive, which were capitalized respectively in the year of purchase but were not depreciated due to accounting software error as the depreciation rule was not set to those assets in the software.

Please see note 28 for further details.

4. Intangible assets

	2020			2019		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software	176,417	(176,417)	-	176,417	(176,417)	-

5. Other financial assets

Shares in Synergy	-	100
Held at amortized cost	-	100

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Notes to the Financial Statements

	2020 TZS '000	2019 TZS '000
6. Deferred tax		
The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction, and the law allows net settlement. Therefore, they have been offset in the statement of financial position as follows:		
Deferred tax liability	(244,629)	(413,112)
Reconciliation of deferred tax asset / (liability)		
At beginning of year	(413,112)	(392,888)
Taxable / (deductible) temporary difference movement on tangible fixed assets	(49,481)	(336,324)
Taxable/(deductible) temporary difference movement on foreign exchange difference	12,083	(42,027)
Taxable/(deductible) temporary difference on movement in provisions	205,881	358,127
	(244,629)	(413,112)
7. Inventories		
Raw materials	1,727,044	3,227,404
Work in progress	5,088	41,835
Finished goods	884,058	1,910,971
Trading goods	621,617	582,421
Packaging materials	2,200	3,565
Spare parts	60,522	125,472
Operating supplies	21,666	27,530
	3,322,195	5,919,198
Inventories (write-downs)	(528,388)	-
	2,793,807	5,919,198
8. Trade and other receivables		
Financial instruments:		
Trade receivables	8,412,363	8,687,388
Trade receivables - related parties	8,422	-
Loss allowance	(1,448,527)	(1,224,961)
Trade receivables at amortised cost	6,972,258	7,462,427
Other receivables	3,057	87,252
Non-financial instruments:		
VAT	997,762	806,435
Advance to suppliers	53,283	236,634
Prepayments and deposits	80,076	99,833
Total trade and other receivables	8,106,436	8,692,581
Split between non-current and current portions		
Current assets	8,106,436	8,692,581

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	2020 TZS '000	2019 TZS '000
9. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	4,674	23,081
Bank balances	38,013	39,443
Bank overdraft	(2,356,542)	(4,257,942)
	(2,313,855)	(4,195,418)
Current assets	42,687	62,524
Current liabilities	(2,356,542)	(4,257,942)
	(2,313,855)	(4,195,418)

Standard Chartered Bank Tanzania Limited Overdraft facilities terms and conditions:

The company secured an overdraft facility at Standard Chartered Bank Tanzania Limited. The facilities attract interest at the rate of 9.72% per annum for the TZS facility and 7.2% per annum for the USD facility.

The overdraft facilities have been obtained for the purpose of working capital. Interest is payable monthly in arrears. The availability period is from the date of acceptance until 31 March 2021

The overdraft facilities are secured by:

- A first ranking debenture in favour of Standard Chartered Bank Tanzania overall all the Company's fixed and floating assets.
- Directors personal guarantee from Jayesh G Shah for all monies
- Corporate guarantee from Sumaria Group Tanzania Limited for all monies.
- First ranking legal charge over plot No. 68, 69 & 70 situated at Mbozi road in Dar es Salaam city INO DPI Simba Limited.

10. Share capital

Authorised

5,000,000 ordinary shares of TZS 1,000/ each

5,000,000 5,000,000

Issued

560,000 ordinary shares of TZS 1,000/ each

560,000 560,000

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Notes to the Financial Statements

	2020 TZS '000	2019 TZS '000
11. Other financial liabilities		
Held at amortised cost		
Standard Chartered Bank Limited-TZS- Short term loan	413,500	650,000
Standard Chartered Bank Limited-USD-Short term loan	5,428,155	4,892,787
	5,841,655	5,542,787

Standard Chartered Bank Tanzania Limited - Short term loans facility terms and conditions:

Short term loan facility: Amount USD 3,967,700 and TZS 3,500,000,000

Purpose: For working capital requirements

Pricing: For the USD 3,967,700 loan facility 6 months Libor +4% p.a

Pricing: For the TZS 3,500,000,000 loan facility 182 days T Bill +4.5% p.a (to be fixed at 10.5% p.a).

Terms and conditions

- Funds to be remitted directly to supplier account. Alternatively, loan proceeds to be disbursed to client's account on a reimbursement basis, against swift advices and invoices for paid amounts to suppliers.
- No new loan shall be allowed if the preceding loan is overdue
- Overdue loans shall attract penal interest
- Arrangement fee will be payable upon the borrower's acceptance of the agreement and thereafter on each anniversary of the date of the agreement (so long as any facility remains available to the borrower or the bank as any claim, actual or contingent against the borrower in respect of any facility. The fees will be debited to the borrower's account.

The loans are secured by:

- First ranking legal charge over the property located on Plot No. 68,69 and 70 situated at Mbozi road in Dar es Salaam to be registered to secure the sum of USD 4,545,088
- A first ranking debenture charge over the company's fixed and floating assets registered to secure the sum of USD 4,545,088
- All monies corporate guarantee by Sumaria Group Tanzania Limited
- All monies personal guarantee by Jayesh Gulabchand Shah.

12. Contract liabilities

Contract liabilities represent amount received in advance from customers.

13. Trade and other payables

Financial instruments:

Trade payables	2,110,121	2,439,657
Trade payables - related parties	35,468	49,429
Accrued expenses	206,128	355,877
Other payable	505,317	324,140
	2,857,034	3,169,103

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Notes to the Financial Statements

	2020 TZS '000	2019 TZS '000	
14. Revenue			
Manufactured goods	13,708,291	8,494,171	
Traded goods	11,172,350	9,561,559	
Returns from sales	(5,508)	(161,416)	
	24,875,133	17,894,314	
15. Cost of sales			
Sale of goods	2,278,791	4,011,356	
Raw material consumed	12,702,951	7,852,240	
Write down of inventories to net realisable value	528,388	-	
Manufactured goods:			
Employee costs	627,664	596,562	
Depreciation and impairment	919,585	828,639	
	17,057,379	13,288,797	
16. Other operating income			
Freight income	54,944	33,462	
Exchange gains	108,067	-	
	163,011	33,462	
17. Other operating gains (losses)			
Gains (losses) on disposals, scrappings and settlements			
Property, plant and equipment	3	10,442	3,390
Foreign exchange gains (losses)			
Net foreign exchange loss		(226,658)	(117,565)
Total other operating gains (losses)		(216,216)	(114,175)
18. Operating profit (loss)			
Operating profit (loss) for the year is stated after charging (crediting) the following, amongst others:			
Auditor's remuneration			
Audit fees		26,000	31,344
Employee costs			

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	2020 TZS '000	2019 TZS '000
18. Operating profit (loss) (continued)		
Salaries and wages	1,743,326	1,768,874
NSSF Contribution	725	758
Other allowances	42,022	36,224
Short term benefit	1,588	1,611
Workers compensation fund	11,914	12,734
NSSF Contributions-Employer	163,348	18,607
Termination benefits	1,024	10,968
Total employee costs	1,963,947	1,849,776
Less: Employee costs included in cost of sales	(627,664)	(596,562)
Total employee costs expensed	1,336,283	1,253,214
Leases		
Operating lease charges		
Premises-warehouse	38,980	50,379
Depreciation and amortisation		
Depreciation of property, plant and equipment	1,000,685	1,025,865
Total depreciation and amortisation	1,000,685	1,025,865
Less: Depreciation and amortisation included in cost of sales	(919,585)	(828,639)
Total depreciation and amortisation expensed	81,100	197,226
19. Employee costs		
Direct employee costs		
Wages-factory	506,944	533,166
NSSF Contribution-Employer	76,726	8,740
Workers compensation	5,053	5,323
Skills development levy	23,053	24,946
Other payroll levies	737	5,503
Employees residence electricity	725	758
Employees residence rent	11,682	15,113
Short term benefit	1,588	1,611
Car benefit	1,156	1,402
	627,664	596,562
Indirect employee costs		
Salaries	1,079,273	1,135,101
Skills and development levy	49,080	53,109
Car Benefit	2,460	2,986
Other allowances	30,340	21,111
Workers Compensation Fund	10,758	11,332
NSSF Contributions-Employer	163,348	18,607
Termination benefits	1,024	10,968
	1,336,283	1,253,214

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	2020 TZS '000	2019 TZS '000
19. Employee costs (continued)		
Total employee costs		
Direct employee costs	627,664	596,562
Indirect employee costs	1,336,283	1,253,214
	1,963,947	1,849,776
20. Finance costs		
Interest on bank overdraft	222,494	376,131
Interest on bank loan	372,377	197,047
Total finance costs	594,871	573,178
21. Taxation		
Major components of the tax expense		
Current		
Local income tax - current period	1,102,967	225,712
Local income tax - recognised in current tax for prior periods	211,896	-
Local income tax-prior year tax after TRA audit	108,289	-
	1,423,152	225,712
Deferred		
Originating and reversing temporary differences	(168,483)	20,224
	1,254,669	245,936
Reconciliation of the tax expense		
Reconciliation between accounting profit and tax expense.		
Accounting profit	2,931,204	(831,711)
Tax at the applicable tax rate of 30% (2019: 30%)	879,361	(249,513)
Tax effect of adjustments on taxable income		
Permanent difference	55,123	577,934
Prior year tax charge	211,896	-
Tax receivable write off after TRA audit	108,289	(82,485)
	1,254,669	245,936

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	2020 TZS '000	2019 TZS '000
22. Cash generated from/(used in) operations		
Profit before taxation	2,931,204	(831,711)
Adjustments for:		
Depreciation and amortisation	1,000,685	1,025,865
Gains on disposals, scrapping's and settlements of assets and liabilities	(10,442)	(3,390)
Losses on foreign exchange	226,658	117,565
Finance costs	594,871	573,178
Inventory write down	528,390	-
Non cash item-Exchange difference	(226,658)	(117,568)
Changes in working capital:		
Inventories	2,597,003	(2,560,419)
Trade and other receivables	586,145	427,243
Trade and other payables	(312,069)	610,536
	7,915,787	(758,701)
23. Tax paid		
Balance at beginning of the year	146,058	150,225
Current tax for the year recognised in profit or loss	(1,423,152)	(225,712)
Balance at end of the year	151,999	(146,058)
	(1,125,095)	(221,545)
24. Dividends paid		
Balance at beginning of the year	(700,000)	-
Dividends	(1,257,401)	(951,835)
Balance at end of the year	1,131,661	700,000
	(825,740)	(251,835)
25. Additional tax assessment		
VAT additional assessment	163,023	208,885
WHT additional assessment	-	23,773
SDL additional assessment	-	28,204
	163,023	260,862

Taxes related to prior years after Tanzania Revenue Authority tax assessment.

26. Contingencies

The directors are of the opinion that there are no contingent liabilities as at year end.

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27. Related parties		
Msalala Gold Limited		Sister company
Sumaria Group Tanzania Limited		Sister company
Silafrica Tanzania Limited		Sister company
Nyanza Bottling Company Limited		Sister company
Related party balances		
Amounts included in Trade receivable (Trade Payable) regarding related parties		
Msalala Gold Limited	17,305	-
Sumaria Group Tanzania Limited	(35,468)	(49,429)
Nyanza Bottling Company Limited	8,422	-
Related party transactions		
Purchases from related parties		
Silafrica Tanzania Limited	3,288	2,473
Sales to related parties		
Silafrica Tanzania Limited	925	63,430
Nyanza Bottling Company Limited	7,137	-
Msalala Gold Limited	2,796	-
Technical fees paid to (received from) related parties		
Sumaria Group Tanzania Limited	183,276	148,916
Compensation to directors and other key management		
Key staff remuneration	1,227,313	1,174,714
28. Prior period errors		
It was noted some assets purchased during the period between 2013 and 2018 inclusive, which were capitalized respectively in the year of purchase but were not depreciated due to accounting software error as the depreciation rule was not set to those assets in the software.		
The correction of the error(s) results in adjustments as follows:		
Statement of Financial Position		
Accumulated depreciation-Plant and machinery	(415,240)	(146,287)
Accumulated depreciation-Plant and machinery	-	(268,953)
Accumulated depreciation-IT equipments	(5,997)	(5,997)
Retained earnings	421,236	274,949
Opening retained earnings	(126,371)	-
Deferred tax	126,371	126,371
Profit or Loss		
Depreciation-Plant and Machinery	-	146,287
Deferred tax charge	-	(126,371)

29. Comparative figures

Where necessary, comparative figures have been reclassified to conform to change in presentation in the current year.

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	2020	2019
	TZS '000	TZS '000

29. Comparative figures (continued)

The effects of the reclassification are as follows:

Statement of Financial Position

Trade and other payables	-	700,000
Dividend payable	-	(700,000)

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	2020	2019
	TZS '000	TZS '000

30. Financial instruments and risk management

Financial risk management

Overview

The company is exposed to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk (currency risk, interest rate risk and price risk).

The board of directors has overall responsibility for the establishment and oversight of the company's risk management framework. The board has established the risk committee, which is responsible for developing and monitoring the company's risk management policies. The committee reports quarterly to the board of directors on its activities.

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.

The company is exposed to credit risk on loans receivable, debt instruments at fair value through other comprehensive income, trade and other receivables, contract receivables, lease receivables, cash and cash equivalents, loan commitments and financial guarantees.

Credit risk for exposures other than those arising on cash and cash equivalents, are managed by making use of credit approvals, limits and monitoring. The company only deals with reputable counterparties with consistent payment histories. Sufficient collateral or guarantees are also obtained when necessary. Each counterparty is analysed individually for creditworthiness before terms and conditions are offered. The analysis involves making use of information submitted by the counterparties as well as external bureau data (where available). Counterparty credit limits are in place and are reviewed and approved by credit management committees. The exposure to credit risk and the creditworthiness of counterparties is continuously monitored.

The maximum exposure to credit risk is presented in the table below:

		2020			2019		
		Gross carrying amount	Credit loss allowance	Amortised cost / fair value	Gross carrying amount	Credit loss allowance	Amortised cost / fair value
Trade and other receivables	8	8,423,842	(1,448,527)	6,975,315	8,774,640	(1,224,961)	7,549,679
Cash and cash equivalents	9	42,687	-	42,687	62,524	-	62,524
		8,466,529	(1,448,527)	7,018,002	8,837,164	(1,224,961)	7,612,203

Liquidity risk

The company is exposed to liquidity risk, which is the risk that the company will encounter difficulties in meeting its obligations as they become due.

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30. Financial instruments and risk management (continued)

The company manages its liquidity risk by effectively managing its working capital, capital expenditure and cash flows. The financing requirements are met through a mixture of cash generated from operations and long and short term borrowings. Committed borrowing facilities are available for meeting liquidity requirements and deposits are held at central banking institutions.

The maturity profile of contractual cash flows of non-derivative financial liabilities, and financial assets held to mitigate the risk, are presented in the following table. The cash flows are undiscounted contractual amounts.

2020

		Less than 1 year	2 to 5 years	Total	Carrying amount
Non-current liabilities					
Borrowings	11	-	-	-	-
Current liabilities					
Trade and other payables	13	2,648,935	-	2,648,935	2,857,034
Borrowings	11	5,841,655	-	5,841,655	5,841,655
Dividend payable		-	-	-	1,131,661
Bank overdraft	9	2,356,542	-	2,356,542	2,356,542

2019

			Less than 1 year	Total	Carrying amount
Current liabilities					
Trade and other payables		13	3,869,103	3,869,103	3,169,103
Borrowings		11	5,542,787	5,542,787	5,542,787
Dividend payable			-	-	700,000
Bank overdraft		9	4,257,942	4,257,942	4,257,942

Foreign currency risk

The company is exposed to foreign currency risk as a result of certain transactions and borrowings which are denominated in foreign currencies. Exchange rate exposures are managed within approved policy parameters utilising foreign forward exchange contracts where necessary. The foreign currencies in which the company deals primarily are US Dollars, Euros and Yen.

The company does not hedge foreign exchange fluctuations.

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31. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Despite the impact of the pandemic on the company's operations, the board of directors has implemented various strategies focusing on cost cutting measures to enable the company to operate through this period. With regular assessments and implementation of various strategies, the board of directors is optimistic that the company will withstand through the pandemic.

32. Events after the reporting period

There are no subsequent events which may have material impact on the financial statements.