K-TREND INVESTMENT LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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FOR THE YEAR ENDED 31 DECEMBER 2018

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COMPANY INFORMATION

DIRECTORS	:	Ramadhani Amiri Mrisho
	:	Arafa Abdallah Kachenje
	:	
REGISTERED OFFICE AND	:	Plot 45, Warioba/Daima
PRINCIPAL PLACE OF BUSINESS	:	P. O. Box 61505,
	:	Mikocheni B, Kinondoni District,
	:	Dar es Salaam,
	:	Tanzania.
INDEPENDENT AUDITORS	:	MATSAB & CO,
	:	Kariakoo Area, Muhonda Street No 24,
		Butterfly Hotel 2nd Floor,
	:	P. O. Box 21987,
	:	Dar es Salaam,
	:	Tanzania.
PRINCIPAL BANKERS	:	DCB Commercial Bank,
	:	DCB House,
		Magomeni Mwebechai, Morogoro Road,
	:	P. O. Box 19798,
	:	Dar es Salaam,
	:	Tanzania.
		People Bank of Zanzibar,
		Lumumba/Mahiwa Street,
		P. O. Box 1173,
		Dar es Salaam,
		Tanzania.

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their report and the audited financial statements for the year ended 31 December 2018.

1. INCORPORATION

The company is domicile in Tanzania where it is incorporated as a private company limited by shares under the Tanzania Companies Act 2002 with certificate no. 96341 of 9th January 2013. The address of the registered office is set out on page 2.

2. PRINCIPAL ACTIVITIES

Retail sale of pharmaceutical and medical goods, cosmetic and toilet articles in specialized stores.

3. OPERATING RESULT

The operating result of the company for the year ended 31 December 2018 are set out on page 10 of this report.

4. DIRECTORS

Name	Nationality	Position	Age	Appointed
Ramadhani Amiri Mrisho	Tanzanian	Director	42	January 2013
Arafa Abdallah Kachenje	Tanzanian	Director	39	January 2013

5. SHARE CAPITAL STRUCTURE

The capital of the company is Tanzania Shillings 300,000,000/= (Three hundred Million) divided into 10,000 (Ten thousand) shares of Tanzania Shilling 30,000/= (Thirty thousand) each. The shareholder of the company during the year are;

Name of shareholder	% Shareholding	No. of ordinary shares
Ramadhani Amiri Mrisho	40%	4,000
Arafa Abdallah Kachenje	40%	4,000
	80%	**8,000**

6. DIRECTORS' INTERESTS

The directors hold a direct interest in the issued and paid-up share capital of the company. These are mentioned above.

7. DIVIDEND

The directors do not recommend the declaration of a dividend for the year (2017: Nil).

8. 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 2018 and is of the opinion that they meet accepted criteria.
The Board carries risk and internal control assessment through the Senior Management.

9. EMPLOYEES' WELFARE

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

Persons with Disabilities

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

10. FUTURE AND DEVELOPMENT PLANS

- Identifying more opportunities focusing on the products with high percentage contribution in sales turnover.
- Increase number sales personnel and focus on products' training to increase awareness.
- Engaging pharmacies in overlapping products focusing to increase the distribution channels across the country and increase products' market share.
- Opening the retail stores mainly in big cities to increase visibility
- Develop long term customer relationship to increase the retention rate

11. ENVIRONMENTAL CONTROL PROGRAMME

We, K-Trend Investment Limited are committed to preserving the environment by ensuring that we take care of the environment in areas we operate and more so going green in order to minimize waste and negative effects on the environment.

12. RELATED PARTY DISCLOSURES

12. RELATED PARTY DISCLOSURES

Related parties include entities under common ownership, directorship and or controlled by the Group. Key management personnel are also considered as related party because they are important to the successful operation of the organisation. Key management personnel are directors and any person who has authority or responsibility for running the entity's operations.

Details of transactions and balances with related parties are included in note 8 to the financial statements.

13. AUDITORS

Matsab & Co have been appointed by Directors to be Independent Auditors of the company. They have expressed their willingness to continue and are eligible for re-appointment.

BY ORDER OF THE BOARD

____
Ramadhani Amiri Mrisho

Director

May, 2019
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STATEMENT OF DIRECTORS RESPONSIBILITY ON THE FINANCIAL STATEMENTS

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 year then ended, in conformity with International Financial Reporting Standards and the requirements of the Companies Act, 2002. The external auditors are engaged to express an independent opinion on the financial statements.

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

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

The Directors acknowledge that they are responsibility for establishing appropriate policies and procedures to prevent non-compliance with laws and regulations (NOCLAR), including whistleblowing procedures as a necessary part of good internal governance.

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

The directors have reviewed the company's cash flow forecast for the year to 31 December 2018 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 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 to 9.

Ramadhani Amiri Mrisho

Director

MAY 2019

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Chartered Certified and
Authorised Accountants
Auditors and Tax Consultants

K-TREND INVESTMENT LTD
P. O. BOX 61505
DAR ES SALAAM

REPORT OF THE INDEPENDENT AUDITORS

Opinion

We have audited the financial statements of K-Trend Investment Limited (the "Entity"), which comprise the balance sheet as at 31st December 2018, the profit and loss statement, statement of comprehensive income, and the statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements gives a true and fair view of the financial position of the entity as of 31st December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. The basis for opinion is detailed in the following paragraphs;

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. There were no key audit matters to report during the year ended 31 December 2018.

Other Information included in the Company's Annual Report

The other information comprises the Company Information, Director's Report, Statement of Directors' Responsibilities and Declaration by Head of Finance. The other information does not include the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance thereon.

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Chartered Certified and
Authorised Accountants
Auditors and Tax Consultants

In connection with our audit of 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 material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines 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, management is responsible for assessing the Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's 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 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 on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Companies Act, 2002 to be kept by the Entity have not been properly kept in accordance with the provisions of the Companies Act.

MATSAB and COMPANY

HEAD OFFICE

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Chartered Certified and
Authorised Accountants
Auditors and Tax Consultants

ACPA CIMA, TAA-S18

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CERTIFIED AUTHORIZED ACCOUNTANTS
AUDITORS AND TAX CONSULTANTS
DAR ES SALAAM

P. O. Box
21987
D'SALAAM

MAY 2019

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	NOTES	2018 TZS	2017 TZS
Revenue		**1,051,406,507**	768,725,389
Cost of sales	**2**	**(720,024,363)**	(517,308,160)
Gross profit		**331,382,144**	251,417,229
Other income		**1,905,000**	-
Total Income		**333,287,144**	251,417,229
Operating expenses	**3**	**(319,677,048)**	(245,686,772)
		(319,677,048)	(245,686,772)
Profit/(Loss) before Taxation		**13,610,096**	5,730,458
Tax (charge)/credit		**(4,083,029)**	(1,719,137)
Profit/(loss) after Taxation		**9,527,067**	4,011,320
Other Comprehensive income		**-**	-
Total Comprehensive income for the year		**9,527,067**	4,011,320

K-TREND INVESTMENT LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	NOTES	2018 TZS	2017 TZS
ASSETS			
Non - current assets			
Property plant and equipment	7	91,509,715	118,283,897
		91,509,715	118,283,897
Current assets			
Inventories		342,196,971	82,998,000
Trade and other receivable	4	222,291,171	149,423,117
Cash and cash equivalent	5	65,605,085	56,833,376
Total current assets		630,093,228	289,254,492
TOTAL ASSETS		721,602,943	407,538,389
EQUITY, RESERVES AND LIABILITIES			
Equity			
Share Capital		300,000,000	240,000,000
Retained earnings		21,179,282	11,652,215
Total Equity		321,179,282	251,652,215
Liabilities			
Current Liabilities			
Trade and other payables	6	400,423,661	155,886,175
		400,423,661	155,886,175
TOTAL EQUITY AND LIABILITIES		721,602,943	407,538,390

The financial statements on pages 10 to 24 were approved by the Board of Directors on_______________ and were signed on its behalf by:

____

Ramadhani Amiri Mrisho

Director

MAY, 2019
....

K-TREND INVESTMENT LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital	Retained earning	Total
	TZS	**TZS**	**TZS**
At 1 January 2018	240,000,000	11,652,215	251,652,215
Share issued	60,000,000	-	60,000,000
Profit/(Loss) for the year	-	9,527,067	9,527,067
As at 31 December 2018	**300,000,000**	**21,179,282**	**321,179,282**
	TZS	TZS	TZS
At 1 January 2017	240,000,000	7,640,894	247,640,894
Profit/(Loss) for the year	-	4,011,320	4,011,320
As at 31 December 2017	240,000,000	11,652,215	251,652,215

K-TREND INVESTMENT LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 TZS	2017 TZS
Cash flow from operating activity		
Profit/(Loss) for the year before income tax	**13,610,096**	5,730,458
Adjusted with		
Depreciation	**26,774,182**	22,874,032
Adjusted Profit/Loss	**40,384,278**	28,604,490
Changes in working capital		
(Increase)/Decrease in trade and other receivables	**(72,868,055)**	(86,164,599)
(Increase)/Decrease in inventory	**(259,198,971)**	38,111,245
Increase /(Decrease) in trade and other payables	**244,537,486**	88,213,205
Cash inflow/(outflow) generated from operations	**(47,145,262)**	68,764,341
Income tax paid	**(4,083,029)**	(1,719,137)
Net cash inflow/(outflow) generated from operating activities	**(51,228,291)**	67,045,204
Cash Flow from investing Activities		
Acquisition of assets	**-**	(24,180,000)
Cash flow from investing activities	**-**	(24,180,000)
Cash flow from Financing activities		
Share capital issued	**60,000,000**	-
Cash flow from financing activities	**60,000,000**	-
Increase/decrease in cash and cash equivalent	**8,771,709**	42,865,204
Balance b/d of cash and cash equivalent	**56,833,376**	13,968,173
Balance c/d of cash and cash equivalent	**65,605,085**	56,833,376

K-TREND INVESTMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

1.0 COMPANY INFORMATION

The company is domicile in Tanzania where it is incorporated as a private company limited by shares under the Tanzania Companies Act 2002 with certificate no. 96341 of 9th January 2013.

Principal Activities
Retail sale of pharmaceutical and medical goods, cosmetic and toilet articles in specialized stores.

1.1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and the requirements of the Tanzanian Companies Act, 2002. The financial statements have been prepared on the historical cost basis except where otherwise stated, and incorporate the principal accounting policies set out below. The historical cost convention is generally based on the fair value of the consideration given in exchange of assets.

1.2 Going concern

The financial performance of the company is set out in the Director's report and in the statement of comprehensive income. The financial position of the company is set out in the statement of financial position. Disclosures in respect of risk management are set out in Note i.

The financial statements have been prepared on a going concern basis on the assumption that the shareholders will continue their support by providing adequate funding to finance its liabilities as they fall due.

1.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

a) New and amended standards adopted by the Company

The following standards have been adopted by the Company for the first time for the financial year beginning in 1 January 2018:

IFRIC 22 - Foreign Currency Transactions and Advance Consideration - Amendments clarifying the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The amendments are effective for annual period beginning on or after 1 January 2018. The Group and Company will adopt the standard beginning 1st January 2018.

IFRS 15, 'Revenue from contracts with customers' – The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

A new five-step process must be applied before revenue can be recognised:

- Identify contracts with customers
- Identify the separate performance obligation
- Determine the transaction price of the contract
- Allocate the transaction price to each of the separate performance obligations, and
- Recognise the revenue as each performance obligations satisfied.

Key changes to current practice are:

Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements.

- Revenue may be recognised earlier than under current standards if the consideration varies for any reasons (such as for incentives, rebates, performance fees, royalties, success of an outcome etc) – minimum amounts must be recognised if they are not at significant risk of reversal.
- The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa.
- There are new specific rules on licenses, warranties, non-refundable upfront fees and, consignment arrangements, to name a few.
- As with any new standard, there are also increased disclosures.

These accounting changes may have flow-on effects on the entity's business practices regarding systems, processes and controls, contracts, and tax. Entities will have a choice of full retrospective application, or prospective application with additional disclosures.

The standard is effective for annual period beginning on or after 1 January 2018 and earlier application is permitted.

b) 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 2018 reporting periods and have not been early adopted by the Company.

IFRS 3 Business Combination; Amendments to clarify that, when an entity gets control of a joint operation that is a business, any previously held interest is remeasured. Those amendments are effective for annual periods beginning on or after 1 January 2018. This standard does not have impact on the current entity's financial statements.

IFRS 9, 'Financial instruments' – IFRS 9 replaces the multiple classification and measurement models in IAS 39 Financial instruments: Recognition and measurement with a single model that has initially only two classification categories: amortized cost and fair value. Classification of debt assets will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

In July 2014, the IASB made further changes to the classification and measurement rules and also introduced a new impairment model. With these amendments, IFRS 9 is now complete.

The changes introduced among others include: - A simplified approach is permitted for financial assets that do not have a significant financing component (e.g. trade receivables). On initial recognition, entities will record a day-1 loss equal to the 12-month ECL (or lifetime ECL for trade receivables), unless the assets are considered credit impaired.

The standard is effective for accounting periods beginning on or after 1 January 2018. This standard does not have material impact on the current entity's financial statements.

IAS 12, 'Income tax' - IFRIC 23 Uncertainty over Income Tax Treatments clarifies that entities must assess whether it is probable that a tax authority (with full knowledge of all relevant information) will accept an uncertain tax treatment used in tax filings. If so, tax accounting should be consistent with that treatment. If not, the effect of uncertainty should be reflected in the tax accounting applied (using whichever of a 'most likely amount' or 'expected value' approach is expected to better predict the resolution of the uncertainty). IFRIC 23 is effective for annual reporting periods beginning on or after 1 January 2018.

An amendment included in the Annual Improvements Cycle 2015–2018 clarifies that all income tax consequences of dividends are classified in the same way, regardless of how the tax arises, is effective for annual reporting periods beginning on or after 1 January 2018.

IAS 19 Employee benefit; is amended to require that when a plan amendment or curtailment occurs the current service cost and net interest for the remainder of an annual period are calculated using updated assumptions. The amendments are effective for annual periods beginning on or after 1 January 2018. This standard does not have material impact on the current entity's financial statements.

IAS 23 Borrowing cost; is amended to clarify that when a qualifying asset is ready for its intended use or sale, a company treats any outstanding borrowing to obtain that qualifying asset as part of general borrowings. The amendments are effective for annual periods beginning on or after 1 January 2018.

Annual improvements 2015 - 2018 cycle – The following improvements were finalized in December 2018:

- IFRS 3 - Amendments to clarify that, when an entity gets control of a joint operation that is a business, any previously held interest is remeasured.
- IFRS 11 - Amendments to clarify that when an entity obtains joint control of a joint operation that is a business, any previously held interest in that operation is not remeasured.
- IAS 23 - amended to clarify that when a qualifying asset is ready for its intended use or sale, a company treats any outstanding borrowing to obtain that qualifying asset as part of general borrowings.

The improvements are effective for annual period beginning on or after 1 January 2018 and earlier application is permitted. This standard does not have material impact on the current entity's financial statements.

1.4 CRITICAL ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

In the application of the accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other relevant factors. Such estimates and assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.
The directors have made the following assumptions that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(i) Property and equipment

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

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

(ii) Impairment

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

(iii) Taxes

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

1.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Property and equipment

All property and equipment are initially recorded at cost and thereafter stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost comprises expenditure initially incurred to bring the asset to its location and condition ready for its intended use.
Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost can be reliably measured. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial year in which they are incurred.

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

Rate	%
Motor Vehicle	15
Plant and Equipment	20
Computer and printers	20
Furniture and Printers	20

b. Revenue recognition

Revenue from sales of goods is recognised when the goods are delivered and title has passed. Revenue from sale of services is recognised by reference to the stage of completion of the transaction at the end of reporting period. Revenue is measured at the fair value of consideration received or receivable, net of discount and sales related taxes collected on behalf of the government of Tanzania.

c. Trade receivable

Trade receivable are initially recognized at fair value and subsequently measured at their amortized costs using the effective interest method, less provision for impairment. A provision for impairment of the trade receivables is established when there is objective evidence that the company will not be able to collect all amount due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the present value of estimated future cash flows discounted at the effective interest rate. The amount of the provision is recognized in the profit and loss account.

d. Share capital

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 the par value is classified as share capital in equity.

e. Taxation

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted by the statement of financial position date. The current rate of corporate taxation is 30%.

Deferred tax

Deferred tax is provided using the liability method on temporary differences at balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with the investments in associates where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carry-forward of unused tax credits and tax losses can be utilized except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of transaction, affects neither accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with the investments in associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of the deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or liability settled, based on the tax rates that have been enacted at the balance sheet date.

f. Inventories

Inventories are measured at the lower of cost and net realisable value on the first-in-first-out basis.

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

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

g. Translation of foreign currencies

Foreign currency transactions

The financial statements are presented in Tanzania Shillings (TZS), which is the Company's functional (substantially) and presentation currency. Transactions in other currencies during the year are translated into TZS at the exchange rate ruling at the date of the transaction. Other currency monetary assets and liabilities are re-translated at the exchange rate ruling at the end of accounting period. Resulting exchange differences are recognised in the statement of comprehensive income for the year. Non-monetary assets and liabilities denominated in other currency are recorded at the exchange rate ruling at the date of transaction.

h. Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, if 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 amount of obligation. The expense relating to any provision is recognised in the statement of comprehensive income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to passage of time is recognised as a finance cost.

i. Financial Risk Management

a) Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme seeks to minimize potential adverse effects on its financial performance, but the Company does not hedge any risks. Risk management is carried out by management on behalf of Directors.

i. Market risk

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's interest rate risk arises from long term borrowings issued at variable rates exposing the Company to cash flow interest rate risk.

To mitigate the risk, the Company tries to make frequent payments of interest as it falls due to reduce the impact of interest rate changes since the interest is calculated on available balances.

In addition, at time of borrowing the Company negotiates for affordable interest rates and explore possibility of lower interest rates within its network or in comparison to other third parties.

The Company had no borrowings at variable rates as at 31 December 2017 (2016: Nil).

ii. Credit risk

Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables. The Company does not have any significant concentration of credit risk. The exposure to credit risk is monitored on an on-going basis

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

Cash at bank are with reputable banks in the country. All banks listed above are credible financial institutions operating under licensing and approval of the Bank of Tanzania which is the regulator of the banking sector in the country.

iii. Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting obligations from financial liabilities. The finance department is tasked with the responsibility of ensuring that all foreseeable funding commitments and deposits withdrawals can be met when due, and that the company will not encounter difficulty in meeting obligations from its financial liabilities as they occur. The Directors relies substantially on the company's finance department to coordinate and ensure discipline across the company and business units, certify sufficient liquidity under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation. The finance department monitors its liquidity risk using the current assets ratio.

b) Capital risk management

The Company manages its capital to ensure that entities in the Company will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the Company consists of equity attributable to equity holders of the company.

2. COST OF SALES	2018	2017
	TZS	TZS
Opening stock	82,998,000	114,302,885
Add: Purchases	979,223,334	486,003,275
Less: Closing stock	(342,196,971)	(82,998,000)
	720,024,363	517,308,160

3. OPERATING EXPENSES	2018	2017
	TZS	TZS
Transport	20,801,692	10,258,356
Staff salaries and benefit	57,600,000	50,033,094
Business license fee	12,560,000	13,127,890
Auditing and financial services	6,400,000	10,618,000
Legal services	5,360,000	700,000
Labour charges	16,545,927	23,286,317
Marketing	43,687,732	49,354,528
Communication	6,585,998	1,269,710
Stationary	5,121,312	4,815,223
TFDA	7,559,444	5,500,000
Insurance	1,732,000	-
Board meeting	5,013,200	-
Professional	2,413,757	-
Import duty	3,136,465	-
Per diem and travelling	7,320,399	-
Clearing and forwarding	6,612,868	-
Motor Vehicle fuel	10,181,682	-
Transport	45,000	-
Motor vehicle repair	15,914,940	-
Gas and electricity	2,400,220	-
Security	4,800,000	-
SDL	4,271,080	-
Bank charges	10,490,930	4,484,495
House rent	20,000,000	12,006,000
Refreshment	811,872	1,700,193
Clean and sanitation	1,557,980	1,206,000
Repair and maintenance	1,761,987	19,344,780
Equipment Hiring	5,995,000	-
Tender Document	941,382	-
Miscellaneous expenses	-	210,086
Staff training	280,000	-
Depreciation	26,774,182	22,874,032
Office expense	5,000,000	14,898,068
	319,677,048	245,686,772

4. TRADE AND OTHER RECEIVABLE	2018	2017

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	TZS	TZS
Trade Receivables	**222,291,171**	149,423,117
	222,291,171	149,423,117

5. CASH AND CASH EQUIVALENT	**2018**	2017
	TZS	TZS
DCB TZS	**-**	4,996,088
DCB USD	**560,250**	36,467,706
PBZ TZS	**22,072,106**	10,786,102
PBZ USD	**15,500,000**	4,583,480
Cash on hand	**27,472,729**	-
	65,605,085	56,833,376

6. TRADE AND OTHER PAYABLE	**2018**	2017
	TZS	TZS
Trade payable	**400,423,661**	150,673,170
NSSF	**-**	1,310,000
Staff Salaries	**-**	2,473,004
City levy	**-**	700,000
NHIF	**-**	330,000
Security	**-**	400,000
	400,423,661	155,886,174

7. PROPERTY, PLANT & EQUIPMENT

	Land	Motor Vehicle	Computers	Furniture & Equipment	Total
2018	**TZS**	**TZS**	**TZS**	**TZS**	**TZS**
Balance at 1 January 2018	52,300,000	93,252,000	14,340,000	30,091,160	189,983,160
Addition	-	14,325,000	2,034,000	6,723,000	23,082,000
Total cost at 31 December 2018	**52,300,000**	**107,577,000**	**16,374,000**	**36,814,160**	**213,065,160**
Depreciation					
Balance at 1 January 2018	-	45,413,400	7,827,167	18,458,696	71,699,263
Charge for the year	-	16,136,550	3,274,800	7,362,832	26,774,182
Accumulated depreciation at 31 December 2018	**-**	**61,549,950**	**11,101,967**	**25,821,528**	**98,473,445**
Net book value 31 December 2018	**52,300,000**	**31,702,050**	**3,238,033**	**4,269,632**	**91,509,715**
2017	TZS	TZS	TZS	TZS	TZS
Balance at 1 January 2017	52,300,000	79,252,000	8,310,000	25,941,160	165,803,160
Addition	-	14,000,000	6,030,000	4,150,000	24,180,000
Total cost at 31 December 2017	52,300,000	93,252,000	14,340,000	30,091,160	189,983,160
Depreciation					
Balance at 1 January 2017	-	31,425,600	4,959,167	12,440,464	48,825,231
Charge for the year	-	13,987,800	2,868,000	6,018,232	22,874,032
Accumulated depreciation at 31 December 2017	-	45,413,400	7,827,167	18,458,696	71,699,263
Net book value 31 December 2017	52,300,000	47,838,600	6,512,833	11,632,464	118,283,897

NOTES TO THE FINANCIAL STATEMENTS
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8. RELATED PARTY

Related parties include entities under common ownership, directorship and or controlled by the Group. Key management personnel are also considered as related party because they are important to the successful operation of the organisation. Key management personnel are directors and any person who has authority or responsibility for running the entity's operations.

i) Key management compensation

	2018	2017
	TZS	TZS
Salaries and management personnel	**57,600,000**	50,030,000
	57,600,000	50,030,000

9. CAPITAL COMMITMENT

The Company had no contract commitments for approved contracts not recorded in the books of accounts as at 31 December 2018.

10. CONTINGENCIES

As at 31 December 2018 the Company had no contingent liabilities or assets.

11. COMPARATIVE FIGURES

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

12. EVENTS AFTER REPORTING DATE

There are no any major events after the year end.