LCH BUILDERS COMPANY LIMITED
(COMPANY REGISTRATION NUMBER 138173720)

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2020

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DIRECTORS' REPORT

The Directors hereby submit their annual report together with the audited financial statements for the year ended 31 December 2018, which disclose the state of financial affairs of the Company as at that date.

The financial statements for the year ended 31 December 2020 were approved and authorised for issue by directors as indicated on the statement of financial position.

1. PRINCIPAL ACTIVITIES

The Company's principal activities are construction and supply of building materials. During the year under review there was no significant changes in the company's business activities.

2. COMPOSITION OF THE BOARD OF DIRECTORS

The Directors of the Company who served during the period and up to the date of this report are:

Name	Nationality	Position
Benson Joshua Mzinga	Tanzanian	Director
Andrew Julius Chami	Tanzanian	Director

3. INCORPORATION AND REGISTERED OFFICE

The Company was incorporated in Tanzania as a private limited-liability company under the Companies Act of Tanzania, on 15 November 2018 under Certificate of Incorporation No: 138173720. Its registered office is situated on Block 45, Plot no. 588, Sayansi, Kijitonyama, P.O. Box 75548, Dar es Salaam.

4. COMPANY'S VISION AND MISSION

- We subscribe to the principle of zero harm in all facets of our business.
- We strive for effective safety and operability.
- We guarantee personal attention from the Chief Executive Officer and Senior Management Team on projects.
- We provide the best-fit process to suit both clients' requirements and the environment.
- We will always act in a transparent and ethical manner.
- Scope control and change management will be addressed using best practices and procedures.
- We aim to be cost-effective, using optimal man-hours, and are willing to share risk through incentives based on performance.

5. CORPORATE GOVERNANCE

The Board of directors ("the Board") consisted 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 Company is committed to the principles of effective corporate governance. The Directors also recognise the importance of integrity, transparency and accountability

DIRECTORS' REPORT (CONTINUED)

6. PERFORMANCE FOR THE PERIOD

The performance of the Company for the year is set out on page 11 of the financial statements.

	31 December 2020 TZS'000	31 December 2019 TZS'000
(Loss)/Profit before tax	(2,210)	(132)
(Loss)/Profit after tax	**(2,210)**	**(132)**

7. AUTHORISED AND ISSUED SHARE CAPITAL

Capital structure

The Company's capital structure for the year is shown below:

	31 December 2020 TZS'000	31 December 2019 TZS'000
Authorised, issued and fully paid-up share capital:		
100 Ordinary shares of TZS 10,000 each	1,000	1,000

Shareholding

The shares of the Company are held as follows:

Name of shareholder	No of ordinary shares	31 December 2020 TZS'000
Benson Joshua Mzinga	50	500
Andrew Julius Chami	50	500
	100	**1,000**

There were no changes in shareholding during the year.

Results and Dividends

The results of the Company for the year are set out on page 11 of these financial statements. No dividends were paid during the year ended 31 December 2020 (2019: Nil).

9. MANAGEMENT

The management of the Company is under the Chief Executive Officer and is organised in the following departments:

- Finance;
- Construction;
- Human Resources and Administration; and
- Marketing and sales.

DIRECTORS' REPORT (CONTINUED)

10. FUTURE DEVELOPMENT PLANS

To increase mobility and ease daily operations, the company has plans to invest heavily on tools, vehicles, equipment's and machineries.

The company has made a decision to own land and building that will be used as a warehouse and yard for tools & machinery and production facility to manufacture building materials, this will not only enable us to meet demand in our material distribution business but also help with storage, maintenance and repair of the company machines and tools. With a fore vision that the same facility will be a centre for research and development to enable us have a cutting edge technologies that can fit in the competitive construction industry.

11. RISK MANAGEMENT AND INTERNAL CONTROL

Internal control

The Board is responsible for maintaining a sound system of internal controls to safeguard shareholders' investment and Company assets. The Directors monitor the operation of internal controls.

The objective of the system is to safeguard Company assets and to ensure that proper accounting records are maintained, and that the financial information used within the business and for publication is reliable.
Any such system of internal control can only provide reasonable but not absolute assurance against material misstatement or loss.

Internal financial control procedures undertaken by the Board include, but are not limited to:

- Review of monthly financial reports and monitoring performance against budget;
- Review of monthly project execution and study dashboards;
- Review and approval of the annual budget;
- Prior approval of all significant expenditure including all major investment decisions;
- Review and debate of treasury policy;
- A risk register is kept and reviewed at the annual general meeting for all financial, project, operational and business risks;
- Engineering project control systems that manage project schedules and the cost efficiency of projects are reviewed and enhanced on a continuous basis; and
- The Board has reviewed the operation and effectiveness of the Company's system of internal control for the financial period.

Risk management

The key business risks to which the Company is exposed are as follows:

- Corporate development risk – any failure to effectively manage the Company's growth and development could have a material adverse effect on the Company's business, financial conditions and results.
- Operational risks – the Company's targets are subject to the completion of planned operational goals on time and within set budgets. Any failure to meet these goals, in particular through the disruption of the supply of goods and services, could have an adverse effect on the Company's financial performance.
- Financial risks – the major balances and financial risks to which the Company is exposed and the controls in place to minimise those risks are disclosed in note 13 to the financial statements.
- Key resources – whilst the Company has entered into contractual arrangements with the aim of securing the services of its executive directors and senior employees, the retention of their services cannot be guaranteed.

DIRECTORS' REPORT (CONTINUED)

12. POLITICAL AND CHARITABLE DONATIONS

The Company did not make any political and/or charitable donations during the year ended 31 December 2020. (2019: Nil)

13. GOING CONCERN AND SOLVENCY

The Company's state of affairs as at 31 December 2020 is set out on page 10 of these financial statements.

The Directors confirms that international Financial reporting standards (IFRS) have been followed and that the financial statements have been prepared on a going concern basis with a reasonable expectation that LCH Builders Company Limited has adequate resources to continue its operational existence in the foreseeable future.

The Company had a loss of TZS 2,504,000 during the year ended 31 December 2020 (2019: Loss of TZS 132,000 and as at that date, the Company's total assets exceeded total liabilities by TZS 27,364,000 (2019: 9,868,000) and current assets exceeded current liabilities by TZS 14,823,000 (2019: Current liabilities exceeded current assets by TZS 4,996,000).

The Directors regularly review cash flow forecasts of the Company to determine whether the Company has sufficient cash reserves to meet the future working capital requirements.

See Note 4 of these financial statements for detailed management assessment on entity's ability to continue as a going concern.

14. ADMINISTRATIVE MATTERS

The Company can handle all administrative matters.

17. AUDITORS

During the year Probs Associates in Tanzania was appointed as auditors for the year 2020.

Probs Associates has indicated their willingness to continue in office and are eligible for re-appointment. A resolution proposing the re-appointment of Probs Associates as auditors of the Company will be put to the Annual General Meeting.

Approved and authorised for issue by the Board of Directors on 30th June 2021 and signed by:

……………………………	……………………………
Benson Joshua Mzinga	Andrew Julius Chami
Director	Director

STATEMENT OF DIRECTORS' RESPONSIBILTIES

The Company's Directors are responsible for the preparation of financial statements that give a true and fair view of LCH Builders Company Limited set out on pages 10 to 26 comprising the statement of financial position as at 31 December 2020, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2002.

The Directors are also responsible 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, and for maintaining adequate accounting records and an effective system of risk management.

The Directors have made an assessment of the ability of the Company to continue as going concern and have no reason to believe that the business will not be a going concern for the next twelve months from the date of this statement.

On 11 March 2020, the World Health Organisation declared the Coronavirus COVID-19 outbreak to be a pandemic due to its rapid spread across the globe. As at the date of this report, based on preliminary assessment, the Directors believe the effect of the pandemic does not have a material impact on the financial statements as at 31 December 2020 based on the current information and does not result to a material uncertainty over the Company's ability to continue as a going concern.

The auditors are responsible for reporting on whether the financial statements give a true and fair view in accordance with the applicable financial reporting framework.

Approval of financial statements

The financial statements of LCH Builder Company Limited, as identified in the first paragraph, were approved and authorised for issue by the Board of Directors on **<u>30th June 2021</u>** and signed by.

…………………………	…………………
Benson Joshua Mzinga	Andrew Julius Chami
Director	Director

STATEMENT OF DECLARATION OF THE HEAD OF FINANCE

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 Statement of Declaration issued by the Head of Finance 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 position of the entity in accordance with international accounting standards and statutory reporting requirements. Full legal responsibility for financial statements rests with the Board of Directors as under Directors Responsibilities statement on an earlier page.

I, REUBEN HENRY HONGOLE being the Head of Finance of LCH Builders Company 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 comply with applicable accounting standards and statutory requirement as on that date and that they have been prepared based on properly maintained financial records.

Signed by: ____________

Position: FINANCE MANAGER

NBAA Membership No. 1474

Date: 30/06/2021

PROBS

PROBS ASSOCIATES

Certified Public Accountants

Baraka Plaza, Msasani Beach,Mwai Kibaki Road, Mikocheni Street, P.O. Box 60048 Dar es salaam.
Website: www.probs-associates.com Mail: info@probs-associates.com

INDEPENDENT AUDITORS REPORT TO THE SHAREHOLDERS' OF THE LCH BUILDERS CO. LIMITED

Report on the Financial Statements.

We have audited the financial statements of LCH Builders Co. Limited, which comprise the statement of financial position as at 31 December,2020, and the statement of Profit & Loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 10 to 26.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards for Small and Medium-sized Entities, and requirements of the Company, and for such internal control as the Members determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements of LCH Builders Co. Limited give a true and fair view of the state of the financial affairs of LCH Builders Co. Limited as at 31 December 2020 and of its financial performance and 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 LCH Builders Co. Limited 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 by the Companies Act 2002, 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.

Report on other legal requirements

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

(i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

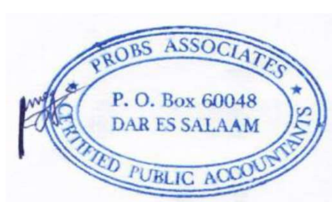
(ii) in our opinion proper books of account have been kept by LCH Builders Co. Limited, so far as appears from our examination of those books; and

(iii)LCH Builders Co. Limited statement of financial position is in agreement with the books of account.

Other information

The owners are responsible for the other information. The other information comprises owners' report but does not include the Company financial statements and our auditor's report thereon. Our opinions on the LCH Builders Co. Limited financial statements do not cover the other information and we do not provide any form of assurance conclusion thereon. In connection with our audit of the Company's financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with Company's financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information, 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.



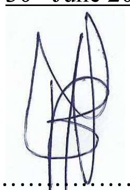
Optatus I.H.Luoga 30th June,2021

Partner
Certified Public Accountant

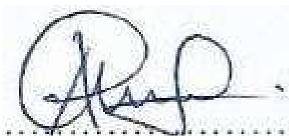
STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

	Notes	31 December 2020 TZS'000	31 December 2019 TZS'000
ASSETS			
Non-current assets	**10**	12,541	14,863
Property, Plant and Equipment			
Current assets			
Trade and other receivable	**5**	14,033	6,285
Cash and cash equivalents	**6**	13,174	6,035
		27,207	**12,320**
TOTAL ASSETS		**39,748**	**27,183**
EQUITY AND LIABILITIES			
Equity			
Share capital	**7**	1,000	1,000
Advance towards share capital		29,000	9,000
Accumulated profit / (loss)		(2,636)	(132)
		27,364	**9,868**
Liabilities			
Current liabilities			
Trade and other payable		8,754	11,280
Customer deposit		3,630	6,035
		12,384	**17,315**
TOTAL EQUITY AND LIABILITIES		**39,748**	**27,183**

Approval of the financial statements
The financial statements on pages 10 to 26 were approved and authorised for issue by the Board of Directors on 30th June 2021 and were signed by:



………………………………
Benson Joshua Mzinga
Director



Andrew Julius Chami
Director

Notes and related statements forming part of these financial statements appear on pages 14 to 26.

Report of the Auditors – pages 8-9.

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	31 December 2020 TZS'000	31 December 2019 TZS'000
Revenue		214,607	48,529
Cost of sales	8	(115,115)	(17,407)
Gross Profit		**99,492**	**31,122**
Administration expenses	9	(101,702)	(31,254)
(Loss) / profit before taxation		**(2,210)**	**(132)**
Income tax expense		(294)	-
(Loss) / profit for the period		**(2,504)**	**(132)**
Other comprehensive income		-	-
Total comprehensive (loss)/income for the year		**(2,504)**	**(132)**

Notes and related statements forming part of these financial statements appear on pages 14 to 26.

Report of the Auditors – pages 8-9

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

	Share capital TZS'000	Advance towards share capital TZS'000	(Accumulated losses) /Retained earnings TZS'000	Total TZS'000
Balance at 01 January 2019	**-**	**-**	**-**	**-**
Additions	1,000	9,000	-	10,000
Comprehensive income				
- Profit / (loss) for the year	-	-	(132)	(132)
- Other comprehensive income	-	-	-	-
Total comprehensive (loss)/income for the year	**-**	-	**(132)**	**(132)**
Balance at 31 December 2019	**1,000**	**9,000**	**(132)**	**9,868**
Balance at 01 January 2020	**1,000**	**9,000**	**(132)**	**9,868**
Additions	**-**	**20,000**	**-**	**20,000**
Comprehensive income				
- Profit / (loss) for the year	-	-	(2,504)	(2,504)
- Other comprehensive income	-	-	-	-
Total comprehensive (loss)/income for the year	**-**	-	**(2,636)**	**(2,636)**
Balance at 31 December 2020	**1,000**	**29,000**	**(2,636)**	**27,364**

Notes and related statements forming part of these financial statements appear on pages 14 to 26.

Report of the Auditors – pages 8-9.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	31 December 2020 TZS'000	31 December 2019 TZS'000
Operating activities			
Net cash (outflow)/Inflow from operating activities	11	(9,663)	14,829
Investing activities			
Purchase of property, plant and equipment		(3,198)	(18,794)
Financing activities			
Share capital Introduced		-	1,000
Advance towards Share capital		20,000	9,000
Net (decrease)/ increase in cash and cash equivalents		**7,139**	**6,035**
Cash and cash equivalents at the beginning of the year		6,035	-
Cash and cash equivalents at the end of the year		**13,174**	**6,035**

Notes and related statements forming part of these financial statements appear on pages 14 to 26.

Report of the Auditors – pages 8-10

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

1. REPORTING ENTITY

LCH Builders Company Limited ("the Company") is a limited company incorporated and domiciled in the United Republic of Tanzania in accordance with the requirements of the Companies Act, 2002. The registered office of the Company is situated on Block 45, Plot no. 588, Sayansi, Kijitonyama, P.O. Box 75548, Dar es Salaam.

2. BASIS OF PREPARATION

(a) Statement of Compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), and in the manner required by the Companies Act, 2002.

(b) Basis of measurement

These annual financial statements have been prepared in conformity with International Financial Reporting Standards (IFRS) and the Companies Act of 2002. The annual financial statements have been prepared on the historical cost basis, except for the measurement of certain financial instruments at fair value and incorporate the principal accounting policies set out below and are consistent in all material respects with those applied in the previous year; except where otherwise indicated.

The annual financial statements are prepared on the going concern basis and presented in Tanzanian Shilling.

The preparation of annual financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts in the financial statements. The areas involving a higher degree of judgement or complexity, or areas where assumptions or estimates are significant to the financial statements are disclosed in the relevant notes.

(c) Functional and Presentation Currency

These financial statements are presented in Tanzanian Shillings (TZS), which is the Company's functional currency. All financial information are presented in Tanzanian Shillings and has been rounded to the nearest thousand (TZS '000).

(d) Use of Estimate, Assumptions and Adjustment

The preparation of the financial statements in conformity with IFRSs requires management to make judgement, estimates and assumptions that affects the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

(d) Use of Estimate, Assumptions and Adjustment (continued)

Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values for financial assets and liabilities.

If third party information, such as broker quotes or pricing services, is used to measure fair value, then the management assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy which the resulting fair value estimate should be classified.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest). The Company recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied in these financial statements.

(a) Change in significant accounting policies

The Company has initially applied IFRS 9 and IFRS 15 from 1 January 2018.

Due to the transition methods chosen by the Company in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards.

IFRS 9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

IFRS 9 *Financial Instruments* sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial Instruments: Recognition and measurement.*

As a result of the adoption of IFRS 9, the Company has adopted consequential amendments to IAS 1 *Presentation of Financial Statements*, which require impairment of financial assets to be presented in a separate line item in statement of profit or loss and OCI.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Change in significant accounting policies (Continued)

IFRS 9 Financial instruments (Continued)

Recognition and derecognition

Financial instruments, comprising financial assets and financial liabilities, are recognised in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or where it neither transfers nor retains substantially all of the risks and rewards of ownership and loses control. When control is retained, the Company continues to recognise the financial asset to the extent of its continuing involvement. Assets are also de-recognised when they are written off. Assets are written off when there is no reasonable expectation of further recoveries even though there may be enforcement actions ongoing.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legally enforceable right to set off the recognised amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legally enforceable right to set off the recognised amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. The adoption of IFRS 9 had no significant effect on the Company's accounting policies related to financial liabilities.
Financial assets are held at amortised cost when they arise from contracts which give rise to contractual cash flows which are solely principal and interest and are held in a business model which mainly holds the assets to collect contractual cash flows.
These assets are measured at amortised cost using the effective interest method and are also subject to impairment losses. Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated on the amortised cost (i.e., gross carrying amount less loss allowance).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Change in significant accounting policies (Continued)

IFRS 9 Financial instruments (Continued)

Impairment of financial assets

Policy before 1 January 2018

At each reporting date the Company assesses whether there is objective evidence that financial assets not carried at fair value through profit and loss are impaired. A financial asset or a group of financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset and that the loss event has an impact on the future cash flows of the asset that can be estimated reliably.

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise.

Objective evidence that financial assets are impaired can include significant financial difficulty of the debtor, default or delinquency by a debtor.

Indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security.

The Company considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics. In assessing collective impairment the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management’s judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset’s original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Policy applicable after 1 January 2018

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 investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Change in significant accounting policies (Continued)

IFRS 9 Financial instruments (Continued)

Impairment of financial assets (Continued)

Offsetting financial instruments

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

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced *IAS 18 Revenue*, *IAS 11 Construction Contracts* and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time requires judgement.

This Standard has changed the way the Company accounts for consideration payable to customers, and requires certain payments to indirect customers, previously shown as marketing expenses, to be shown as deductions from revenue.

IFRS 15 did not have an impact on the Company's accounting policies with respect to its revenue streams.

(b) 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.

Recognition and measurement

Items of equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

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.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to the working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located. Borrowing costs related to the acquisition or construction of qualifying assets are capitalised as incurred.

Subsequent cost

Expenditure incurred subsequently for major services, additions to, major renovations or replacements of parts of property, plant and equipment are recognised in the carrying amount of the item if it is probable that future economic benefits associated with the expenditure will flow to the company and the cost can be measured reliably and are depreciated over the remaining useful life of the related asset or to the date of the next major renovation, whichever is sooner.

All other repairs and maintenance expenditure and day to day servicing costs are included in profit or loss in the year in which they are incurred.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Property, Plant and Equipment

Depreciation

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is recognised in the statement of profit or loss and other comprehensive income on a straight-line basis over the estimated useful life of each part of an item of equipment.

Depreciation is calculated using the straight-line method to allocate the cost of each asset to its residual value over its estimated useful life, as follows:

Description	Rate (%)
Machine Equipment	37.5%
Furniture and Fittings	12.5%

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.

Derecognition

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 asset is derecognised.

(c) Taxation

Income tax payable is provided on taxable profits at the current statutory rate.

The company has a taxable profit for the year of TZS 978,613 hence has a tax charge of TZS 293,584.

(d) Revenue

During the initial stages of a construction contract it is often the case that the contract outcome cannot be estimated reliably. When contract revenue and the costs to complete the contract can be measured reliably, profit is recognised by reference to the stage of completion of the activity of the contract. However, the reliability of current estimates of future revenue and expenses is a critical factor when assessing the profit to be recognised on a yet uncompleted contract.

Revenue is not recognised when it cannot be measured reliably or where there are significant uncertainties regarding the recovery of the consideration due, associated costs or continuing management involvement with the services rendered. Interest is recognised, in profit or loss, using the effective interest rate method.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Cash and Cash equivalents

For the purpose of reporting cash flows, cash and cash equivalents include cash on hand and cash balances with banks.

(e) Comparative figures

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

(f) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Foreign currency differences arising on retranslation are recognised in statement of profit or loss and other comprehensive income in the year in which they arise.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction.

4. GOING CONCERN AND SOLVENCY

The Directors confirms that international Financial reporting standards (IFRS) have been followed and that the financial statements have been prepared on a going concern basis with a reasonable expectation that LCH Builders Company Limited has adequate resources to continue its operational existence in the foreseeable future.

The Directors confirms that international Financial reporting standards (IFRS) have been followed and that the financial statements have been prepared on a going concern basis with a reasonable expectation that LCH Builders Company Limited has adequate resources to continue its operational existence in the foreseeable future.

The Company had a loss of TZS 2,504,000 during the year ended 31 December 2020 (2019: Loss of TZS 132,000 and as at that date, the Company's total assets exceeded total liabilities by TZS 27,364,000 (2019: 9,868,000) and current assets exceeded current liabilities by TZS 14,823,000 (2019: Current liabilities exceeded current assets by TZS 4,996,000).

The Directors regularly review cash flow forecasts of the Company to determine whether the Company has sufficient cash reserves to meet the future working capital requirements.

The financial statements are prepared based on accounting policies applicable to a going concern. This basis presumes that the Company will have adequate resources to meet its liabilities as and when they fall due, and the realisation of assets and settlement of liabilities will occur in the ordinary course of business.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

5. TRADE AND OTHER RECEIVABLES

	2020 TZS'000	2019 TZS'000
Trade receivable	12,791	6,285
VAT receivable	726	-
Income tax receivable	516	-
	14,033	**6,285**

6. CASH AND CASH EQUIVALENTS

	2020 TZS'000	2019 TZS'000
Cash on hand	14	-
Cash at bank	13,160	6,035
	13,174	**6,035**

7. SHARE CAPITAL

	No of shares	2020 TZS'000	2019 TZS'000
Authorised, issued and fully paid up share capital (100 Ordinary shares of TZS 10,000 each)			
Benson Joshua Mzinga	50	500	500
Andrew Julius Chami	50	500	500
Total	**100**	**1,000**	**1,000**

There were no changes in shareholding during the year.

8. COST OF SALES

	2020 TZS'000	2019 TZS'000
Project and supervision	73,819	9,693
Materials	41,296	7,803
	115,115	**17,496**

9. ADMINISTRATION EXPENSES

	2020 TZS'000	2019 TZS'000
Rent expense	13,300	6,440
Depreciation	5,520	3,930
Other operating expenses	82,882	20,884
	115,115	**31,254**

10. PROPERTY, PLANT AND EQUIPMENT

Year 2020

Cost	Furniture and fittings TZS' 000	Machine and equipment TZS' 000	Total TZS'00
At 1 January	7,860	10,934	18,794
Additions	1,651	1,546	3,198
Disposals	-	-	-
31 December	**9,511**	**12,480**	**21,992**
Accumulated amortization			
At 1 January	701	3,230	3,931
Charge for the year	1,075	4,444	5,520
Disposal	-	-	-
31 December	**1,776**	**7,674**	**9,451**
Net carrying amount	**7,735**	**4,806**	**12,541**

Year 2019

Cost	Furniture and fittings TZS' 000	Machine and equipment TZS' 000	Total TZS'000
At 1 January			
Additions	7,860	10,934	18,794
Disposals	-	-	
31 December	**7,860**	**10,934**	**18,794**
Accumulated amortization			
At 1 January	-	-	-
Charge for the year	701	3,230	3,931
Disposal	-	-	-
31 December	**701**	**3,230**	**3,931**
Net carrying amount	**7,159**	**7,704**	**14,863**

11. CASH USED IN OPERATIONS

	2020 TZS'000	2019 TZS'000
Net (loss)/profit before taxation	(2,504)	132
Adjustments for:		
Depreciation	5,520	3,931
Tax paid	(810)	-
Changes in working capital:		
Trade and other receivables	(6,938)	(6,285)
Trade and other payables	(2,526)	17,315
Customer deposit	(2,405)	-
Net cash (outflow)/Inflow from operating activities	**(9,663)**	**14,829**

12. FINANCIAL RISK MANAGEMENT

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Market risk; and
- Liquidity risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Company's Directors have overall responsibility of the establishment and oversight of the Company's risk management framework.

The Directors are responsible for monitoring and compliance with the risks management policies and procedures, and for reviewing the adequacy of the risks management framework in relation to the risks faced by the Company. The Directors assisted in these functions by the management.

a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables.

Exposure to credit risk
The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2020 TZS'000	2019 TZS'000
Trade receivable	12,791	6,285
	12,791	**6,285**
Impairment losses on trade receivables	-	-
Net carrying amount	**12,791**	**6,285**

11. FINANCIAL RISK MANAGEMENT (CONTINUED)

Trade receivable impairment losses
The assessment of impairment and determination of ECL is done on individual outstanding balance. Management assesses each balance due from receivable individually in calculating ECLs. The impairment recognised in the accounting record depends on management assessment of the specific receivable and the factors surrounding the increased credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort applicable for the Company. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information where applicable.

Movement on impairment losses in respect of trade receivables during the year were as follows:

	2020 TZS'000	2019 TZS'000
Balance at 1 January	-	-
Impairment charge / (release)	-	-
Balance at 31 December	-	-

b) Market risk

Market risk is the risk that changes in market prices- such as foreign exchange rates, interest rates and equity prices- will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Market risk can further be divided into currency risk and interest rate risk.

(i) Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates.

The Company is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currency of the Company; the functional currency is Tanzania Shillings (TZS). The currencies in which Company's transactions are primarily denominated in TZS.

The Company strategy towards managing its foreign currency exposure is through transacting in TZS.

The Company has no exposure to currency risks as at 31 December 2020 (2019: Nil).

(ii) Interest rate risk

The Company has no exposure to interest rate risks as at 31 December 2018 (2017: Nil).

11. FINANCIAL RISK MANAGEMENT (CONTINUED)

c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. All liquidity policies and procedures are subject to review and approval by the Board of Directors.

Maturity profile of non-derivative financial liabilities based on the contractual cash flows, "undiscounted" including interest and excluding impact of netting is as follows:

	Carrying amount TZS'000	Contractual cash flows TZS'000	Within 1 year TZS'000
2020			
Trade and other payables	8,754	8,754	8,754
Customer deposit	3,630	3,630	3,630
	12,384	**12,384**	**12,384**
2019			
Trade and other payables	11,280	11,280	11,280
Customer deposit	6,035	6,035	6,035
	17,315	**17,315**	**17,315**

The Directors believe that the Company will have sufficient funds available to meet its liabilities as and when they fall due.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Board of Directors monitors the return on capital which is defined as net operating loss divide by the shareholder's equity.

	2020 TZS'000	2019 TZS'000
Net operating (loss) / profit	(2,210)	(132)
Shareholder's equity	27,364	27,658
Return on capital	**(8.08%)**	**(0.47%)**

14. FAIR VALUE INFORMATION AND CLASSIFICATION

The Company does not have a very accurate basis for calculating the fair value of other financial instruments carried at amortized cost. However, its overall assessment is that their fair values would not be significantly different from the amortized cost at which they are stated because the majority are short term.

	Carrying amount	Fair value	Financial assets at amortised cost	Financial liabilities at amortised cost
	TZS'000	**TZS'000**	**TZS'000**	**TZS'000**
2020				
Trade and other receivables	14,033	14,033	14,033	-
Cash and cash equivalents	13,174	13,174	13,174	-
Trade and other payables	(8,754)	8,754	-	(8,754)
Customer deposit	(3,630)	3,630	-	(3,630)
	14,823	**14,823**	**27,501**	**(12,384)**
2019				
Trade and other receivables	6,285	6,285	6,285	-
Cash and cash equivalents	6,035	6,035	6,035	
Trade and other payables	(11,280)	(11,280)	-	(11,280)
Customer deposit	(6,035)	(6,035)	-	(6,035)
	(4,995)	**(4,995)**	**12,320**	**(17,315)**

15. SUBSEQUENT EVENTS

With the outbreak of third wave, the COVID-19 pandemic continued to affect the country and businesses. At the time of issuing these financial statements, the directors have assessed it is impracticable to quantitatively determine and disclose the extent of the possible effects of the third wave of pandemic on the Company's operation.

Directors of the Company are not aware of any other events since the date of the end of the reporting period not otherwise dealt with in these financial statements.

16. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

The Directors confirm that there are no capital commitments or contingent liabilities against the Company as at 31 December 2020 (2019: Nil).