M/S SHAMBANI MILK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

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COMPANY INFORMATION

BOARD OF DIRECTORS:

Name	Nationality	Remarks
Victor Gilbert Mfinanga	Tanzanian	Chairman
Elibariki Emmanuel Msuya	Tanzanian	Board Director
Florent Aristarick Nguma	Tanzanian	Board Director
Neema Geofrey Mori	Tanzanian	Board Director

COMPANY SECRETARY

Marwa Masanda Wambura	Tanzanian	Company Secretary

NATURE OF BUSINESS:

Sourcing, processing and marketing of milk and milk products in Tanzania.

REGISTERED ADDRESS	Plot 205 Block "E" Tungi P.O. Box 2185 Morogoro, Tanzania. www.shambani.co.tz
AUDITORS	Shepherd Consulting 25 Mkadini Road, Oysterbay P.O. Box 20751 Dar es Salaam, Tanzania info@shepherd.co.tz
TAX CONSULTANTS	Shepherd Consulting Limited 25 Mkadini Road, Oysterbay P.O. Box 20751 Dar es Salaam, Tanzania info@shepherd.co.tz
BANKERS	CRDB Bank PLC Mandela Branch P.O. Box 352 Morogoro NMB Bank PLC Morogoro Business Centre P.O. Box 84 Morogoro

DIRECTOR'S REPORT

1. PREAMBLE

The Directors submit their report together with the audited financial statements for the year ended 31 DECEMBER 2020, which disclose the state of affairs of Shambani Milk Limited (The "Company").

2. INCORPORATION AND REGISTRATION

The company was incorporated and registered on 6th of February 2013 with registration number 96950.

3. COMPANY VISION

Shambani Milk in every household.

4. COMPANY MISSION

We exist to make the luxury of dairy accessible.

5. PRINCIPAL ACTIVITIES

Shambani Milk Limited was formed to takeover milk processing business of Shambani Graduates Enterprises Limited that remains the majority owner (80% of shares). The remaining 20% of the company is owned by East African Foods AB. The business involves purchase, processing and sale of milk and milk products in Tanzania.

6. RESULTS AND DIVIDENDS

The Company made a loss before taxation of TZS 228 million during the financial period ended 31 December 2020 (2019: TZS 225.4 Million). The directors do not recommend payment of dividend (2020: Nil).

7. SOLVENCY

The Board confirms that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis. The Board has reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company's state of affairs at 31 December 2020 is set out on page 9 of these financial statements.

8. EMPLOYEE WELFARE

Management/employee relationship continued to be good during the period. There were no unresolved complaints by the employees at the end of the period.

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

The average number of employees during the period was 17.

9. 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:

DIRECTORS' REPORT (CONTINUED)

9. RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

- 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 behaviors 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's system is designed to provide the Board with reasonable assurance that the procedures in place are operating effectively.

The Board assessed the internal control systems throughout the financial year ended 31 December 2020 and is of the opinion that they met accepted criteria.

10. CORPORATE GOVERNANCE

The Company has a Board of Directors who holds no executive position in the Company. They take 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 Directors are also responsible for ensuring that 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 recognize the importance of integrity, transparency and accountability.

11. DIRECTORS

The Directors who served the Company during the period and up to the date of this report are shown on page 1.

12. CAPITAL STRUCTURE AND SHAREHOLDING

The shareholding of the Company and capital structure is respectively described in Note 15 to these financial statements.

13. AUDITORS

Shepherd Consulting have expressed their willingness to continue in office and are eligible for re-appointment. A resolution proposing the re-appointment of Shepherd Consulting as auditors of the Company will be put to the Annual General Meeting.

BY ORDER OF THE BOARD

Director: .... **Date:** 18 MAR 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Company's Directors are responsible for the preparation of financial statements that give a true and fair view of SHAMBANI MILK LIMITED comprising the statement of financial position as at 31 December 2020, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the Directors' Report, 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 in the year ahead.

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 SHAMBANI MILK LIMITED, as identified in the first paragraph, were approved by the board of directors on ……………………. and signed by:

Director: ………………………………….. **Date:** 18 MAR 2021 ………………………………………

DECLARATION OF THE ACCOUNTANT

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

It is the duty of a Professional Accountant to assist the Board of Directors to discharge the responsibility of preparing financial statements of an entity showing true and fair view of the entity position and performance in accordance with applicable International Accounting Standards and statutory financial reporting requirements. Full legal responsibility for the preparation of financial statements rests with the Board of Directors as under Directors Responsibility statement on page 4.

I Emmanuel Mbasha Mushi .... being the Accountant of **SHAMBANI MILK LIMITED** hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31 December 2020 have been prepared in compliance with applicable accounting standards and statutory requirements. I thus confirm that the financial statements give a true and fair view position of **SHAMBANI MILK LIMITED** as on that date and that they have been prepared based on properly maintained financial records.

Signed by: ....

Position: Senior Accountant ....

NBAA Membership No.: GA 4349 ....

Date: 18 MAR 2021 ....

Shepherd Consulting
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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF

SHAMBANI MILK LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of SHAMBANI MILK LIMITED ("the Company"), set out on pages 9 to 30 which comprise the statement of financial position as at 31 December 2020, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of SHAMBANI MILK LIMITED as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act, 2002

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF

SHAMBANI MILK LIMITED (CONTINUED)

Responsibilities of Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Shepherd

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF

SHAMBANI MILK LIMITED (CONTINUED)

Report on other legal and regulatory requirements

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

- in our opinion, proper accounting records have been kept by Shambani Milk Limited;
- the individual accounts are in agreement with the accounting records of the company; and
- we obtained all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

Signed by: CPA Jerome Cosmas Mroso (ACPA 3308)
For and on Behalf of Shepherd Consulting
Certified Public Accountants in Public Practice
Dar es Salaam, Tanzania

18/03/2021
Date

SHEPHERD CONSULTING
CERTIFIED PUBLIC ACCOUNTANTS
NBAA REG: # PF410
P. O. Box 20751
DAR ES SALAAM

FINANCIAL STATEMENTS

BALANCE SHEET
AS AT 31 DECEMBER 2020

	Notes	31-Dec-20 TZS	31-Dec-19 TZS
ASSETS			
Current Assets			
Inventory	10	18,070,127	13,101,788
Accounts and other receivable	11	118,871,619	136,677,096
Cash at the bank and in hand	12	10,572,252	21,541,754
		147,513,999	**171,320,638**
Non-current Assets			
Property plant and equipment	13	1,018,279,420	1,061,359,265
Deferred tax asset	9	229,865,611	161,668,484
Net property plant and equipment		**1,248,145,031**	**1,223,027,749**
TOTAL ASSETS		**1,395,659,030**	**1,394,348,386**
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts and other payable	14	58,813,692	15,667,231
Corporate tax payable	9	6,454,648	9,703,077
Interest free loan from SGE		262,841,425	184,060,097
		328,109,765	**209,430,405**
Non-Current Liabilities			
Directors Loan		50,000,000	-
		50,000,000	**-**
TOTAL LIABILITIES		**378,109,765**	**209,430,405**
Owner's equity			
Share capital	15	1,575,127,809	594,210,000
SGE capital infusion		-	980,917,809
Retained loss b/f		(557,578,544)	(390,209,827)
TOTAL CAPITAL		**1,017,549,265**	**1,184,917,982**
LIABILITIES AND OWNER'S EQUITY		**1,395,659,030**	**1,394,348,386**

The notes on pages 13 to 30 form an integral part of these financial statements.

Director: .... **Date:** 18 MAR 2021 ....

FINANCIAL STATEMENTS

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	31-Dec-20 TZS	31-Dec-19 TZS
Sales	6	1,477,759,912	1,276,441,925
Cost of sales	7	(1,009,361,312)	(744,324,828)
Gross profit		**468,398,600**	**532,117,097**
Other Income		13,169,774	1,451,962
Total Income		**481,568,374**	**533,569,059**
Operating Expenses	8	(569,930,150)	(594,002,479)
Depreciation	13	(138,061,921)	(165,008,484)
Total operating costs		**(707,992,071)**	**(759,010,963)**
Finance Costs		(1,687,499)	-
Total expenses		**(709,679,570)**	**(759,010,963)**
Profit/(Loss) before taxation		**(228,111,196)**	**(225,441,904)**
Income tax recovery/(charge)	9	60,742,479	61,250,262
Profit/(Loss) for the period		**(167,368,717)**	**(164,191,642)**

The notes on pages 13 to 30 form an integral part of these financial statements.

Director: .... **Date:** 18 MAR 2021

FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020 IN TZS

For the year ended 31 December 2020

	Share capital	SGE capital infusion	Retained loss	Total
As at 1st Jan 2020	594,210,000	980,917,809	(390,209,827)	**1,184,917,982**
Transfer to share capital	980,917,809	(980,917,809)	-	**-**
Loss during the period	-	-	(167,368,717)	**(167,368,717)**
As at 31st Dec 2020	**1,575,127,809**	**-**	**(557,578,544)**	**1,017,549,265**

For the year ended 31 December 2019

	Share capital	SGE capital infusion	Retained loss	Total
As at 1st Jan 2019	594,210,000	980,917,809	(226,018,185)	**1,349,109,624**
Loss during the period	-	-	(164,191,642)	**(164,191,642)**
As at 31st Dec 2019	**594,210,000**	**980,917,809**	**(390,209,827)**	**1,184,917,982**

FINANCIAL STATEMENTS

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020 IN TZS

	Notes	31-Dec-20	31-Dec-19
Cash from Operating Activities			
Loss before tax		(228,111,196)	(225,441,904)
Add: Depreciation expense	13	138,061,921	165,008,484
Less: Profit on disposal of fixed assets		(3,468,927)	-
Income tax paid	9	(10,703,077)	(600,000)
		(104,221,279)	**(61,033,420)**
Changes in working capital			
Inventory		(4,968,340)	7,932,829
Trade and other receivable		17,805,477	(76,842,861)
Trade and other payable		43,146,461	(8,815,872)
Total changes in operating assets and liabilities		**55,983,598**	**(77,725,904)**
Net cash flow from operating activities		**(48,237,681)**	**(138,759,324)**
Cash flow from Investing Activities			
Purchase of fixed assets		(111,004,674)	(367,667,694)
Proceeds on disposal of fixed assets		19,491,525	-
Cash flow from investing activities		**(91,513,149)**	**(367,667,694)**
Cash flow from Financing Activities			
Proceeds from directors loan		50,000,000	-
Proceeds from parent company		78,781,328	405,182,377
Cash flow from financing activities		**128,781,328**	**405,182,377**
Cash & cash equivalents			
Net change in cash and cash equivalent		(10,969,502)	(101,244,641)
Beginning cash and cash equivalent		21,541,754	122,786,395
Ending cash and cash equivalent		**10,572,252**	**21,541,754**

The notes on pages 13 to 30 form an integral part of these financial statements.

Director: .... **Date:** 18 MAR 2021 ....

NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

SHAMBANI MILK LIMITED (the "Company") is a company domiciled in Tanzania. The financial statements of the Company are for the year ended 31 December 2020. The Company's registered office is as stated on page 1. The principal activities of the company are disclosed in the Directors' report.

2. BASIS OF PREPARATION

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and in the manner required by the Companies Act, 2002.

(b) Basis of measurement

The financial statements are prepared on the historical cost basis except for the financial instruments at fair value through profit or loss which are measured at fair value. The methods used to measure fair value are discussed further in Note 4.

3. FUNCTIONAL AND PRESENTATION CURRENCY

The financial statements are presented in Tanzanian Shillings (TZS), which is the Company's functional currency.

4. USE OF ESTIMATE AND JUDGEMENT

The preparation of the financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect 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 recognized in the period in which the estimate is revised if the revision affects only that period. A revision to accounting estimate is however recognized in future periods if the revision also affects future periods.

(a) Judgments

Information about judgements in applying accounting policies that have the significant effect on amounts recognized in the financial statements is summarized below.

(b) Assumptions and estimation uncertainties

The key assumptions concerning the future and other key sources of estimation uncertainty at the **r**eporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below

i) Impairment of non-financial assets

The Company assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. USE OF ESTIMATE AND JUDGEMENT (CONTINUED)

(b) Assumptions and estimation uncertainties (continued)

i) Impairment of non-financial assets (continued)

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

ii) Useful life of assets

Critical estimates are made by the Directors in determining depreciation rates for property and equipment. The rates used are set out in note 5(e) (iii) on page 16.

iii) Measurement of fair value

The Company has an established control framework with respect to the measurement of fair value. This include a management team that monitors need for fair valuation and sources for experts that will perform the valuation.

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

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observed for the assets or liabilities, 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 (unobserved inputs)

If the input used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

5. SIGNIFICANT ACCOUNTING POLICIES

(a) Foreign currency

Transactions in foreign currencies are translated to the functional currency (Tanzania shillings) 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

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 that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognized in profit or loss.

(b) Revenue recognition

Revenue represents the invoiced value of goods and services rendered net of VAT, which is recognized in the statement of profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. SIGNIFICANT ACCOUNTING POLICIES (COUNTINUED)

(c) Financial instruments

i) Non derivative financial instruments – Recognition and de-recognition

The Company initially recognizes loans and receivable and debt receivable issued on date that they are originated. All other financial assets and liabilities are initially recognized on the trade date.

The Company derecognizes financial assets when the contractual rights to the cash flow from the asset expire, or it transfers in 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 it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognized financial asset that is created or retained by the Company is recognized as a separate asset or liability.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and financial liabilities are offset and the amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously

ii) Non-derivative financial assets – measurement

Non derivative financial assets are classified into either of the four categories that are financial assets at fair value through profit or loss, held to maturity financial assets, loans and receivables and available for sale financial assets.

Financial assets at fair value through profit or loss

A financial asset is classified as at fair value through profit or loss if it is classified as held for trading or is designated as such on initial recognition. Directly attributable transaction cost is recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, including any interest or dividend income, are recognized in profit or loss.

Held to maturity financial assets

These assets are initially recognized at fair value plus any direct attributable transaction cost. Subsequent to initial recognition, they are measured at amortized cost sing effective interest rate.

Loans and receivables

These assets are initially recognized at fair value plus any direct attributable transaction cost. Subsequent to initial recognition, they are measured at amortized cost using effective interest rate.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits. Bank overdrafts (if any) that are repayable on demand and form an integral part of the Company's cash management are included as component of cash and cash equivalents for the purpose of the statement of cash flows.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. SIGNIFICANT ACCOUNTING POLICIES (COUNTINUED)

(c) Financial instruments (Continued)

iii) Non-derivative financial assets – measurement (Continued)

Available for sale financial assets

These assets are initially recognized at fair value plus any direct attributable transaction cost. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on debt instruments are recognized in OCI and accumulated in the fair value reserve. When these assets are derecognized, the gain or loss accumulated in equity is reclassified to profit or loss.

iv) Non-derivative financial liabilities – recognition

Non derivative financial liabilities are initially recognized at fair value less any direct attributable transaction cost. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method

v) Share capital

Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity. Income tax relating to transaction costs of an equity transaction are accounted for in accordance with IAS 12.

(d) Property and equipment

i) Recognition and measurement

Items of property and equipment are stated at re-valued amount/cost less accumulated depreciation and impairment losses.

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 is recognised in profit or loss as incurred.

When parts of an item of motor vehicles and equipment have different useful lives, they are accounted for as separate items (major components) of motor vehicles and equipment.

Gains and losses on disposal of an item of motor vehicles and equipment are determined by comparing the proceeds from disposal with the carrying amount of motor vehicles and equipment and are recognized net within the income statement.

ii) Subsequent expenditure

The cost of replacing part of an item of motor vehicles and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its costs can be measured reliably. The carrying amount of the replaced part is derecognized. The cost of day to day servicing of motor vehicles and equipment are recognized in the income statement as incurred.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure including internally generated brands is recognized in profit or loss as incurred.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property and equipment (continued)

iii) Depreciation

Depreciation is recognized in the income statement on a straight-line basis over the estimated useful lives of each part of an item of motor vehicles and equipment.

The annual rates for the estimated useful lives for the current and comparative periods are as follows:

Machinery & Equipment	25%
Building	5%
Motor vehicles	37.5%
Computers	37.5%
Furniture & fittings	12.5%
Office Equipment	12.5%

Leasehold improvements are depreciated based on their estimated remaining useful life (or leasehold interest, if shorter). The useful lives of those buildings have been estimated to range between 5 to 20 years.

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

(e) Intangible assets

i) Recognition and measurement

Other intangible assets that are acquired by the Company and have finite useful life are measured at cost less accumulated amortization and any accumulated impairment losses.

ii) Amortization

Intangible assets are amortized on straight line basis in profit or loss over their estimated useful lives, from the date that they are available for use.

(f) Impairment

i) Financial assets

Non derivative financial assets

A financial asset not classified as 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 there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Impairment (continued)

i) Financial assets (continued)

Financial assets measured at amortized costs

The Company considers evidence of impairment for financial assets measured at amortized cost (loans and receivables) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Company uses historical trends of the probability of default, the 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 lesser than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized 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 recognized in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. Interest on the impaired asset continues to be recognized. When an event occurring after the impairment was recognized causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted at their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely dependent of the cash inflows of other assets or group of assets (the "cash-generating unit"). An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised.

(g) Employee benefits

i) Defined contribution plans

The Company makes statutory contributions to the National Social Security Fund (NSSF). The Company's obligations in respect of contributions to such funds are 10% of the employees' gross emoluments. Contributions to these pension funds are recognised as an expense in the period the employees render the related services.

ii) Termination benefits

Termination benefits are recognised as an expense in the year when it becomes payable. Termination benefits are determined in accordance with the local labour laws.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Employee benefits (continued)

iii) Short term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(h) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(i) Operating lease payments

Lease payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

(j) Income tax

Income tax expense for the year comprises current and deferred tax. Income tax is recognised in the profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(k) Dividends

Dividends are recognised as a liability in the period in which they are declared.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) New standards, amendments and interpretations in issue

New standards, amendments and interpretations in issue and effective for the year ended 31 December 2020.

IFRS 16 – Leases: On 13 January 2016 the IASB issued IFRS 16: Leases which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties *to* a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The standard defines a lease as a contract that conveys to the customer ('lessee') the right to use an asset for a period of time in exchange for consideration. A company assesses whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time.

The standard eliminates the classification of leases as either operating leases or finance leases for a lessee and introduces a single lessee accounting model. All leases are treated in a similar way to finance leases. Applying that model significantly affects the accounting and presentation of leases and consequently, the lessee is required to recognise:

i) Assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A company recognises the present value of the unavoidable lease payments **and** shows them either as lease assets (right-of-use assets) or together with property, plant and equipment. If lease payments are made over time, a company also recognises a financial liability representing its obligation to make future lease payments;

ii) Depreciation of lease assets and interest on lease liabilities in profit or loss over the lease term; and

iii) Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (typically presented within either operating or financing activities) in the statement of cash flows.

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. However, compared to IAS 17, IFRS 16 requires a lessor to disclose additional information about how it manages the risks related to its residual interest in assets subject to leases.

The standard does not require a company to recognise assets and liabilities for:

i) Short-term leases (i.e. leases of 12 months or less), and;

ii) Leases of low-value assets (i.e. less than TZS 500,000).

The new Standard is effective for annual periods beginning on or after 1 January 2020. The company has adopted the amendment for the first time in 2020 financial statements. The impact of the amendment is not immaterial.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) New standards, amendments and interpretations in issue (continued)

Amendments ***to IAS 12 – Income taxes***: the amendment clarifies how to account for deferred tax assets related to debt instruments measured at fair value. IAS 12 provides requirements on the recognition and measurement of current or deferred tax liabilities or Assets. The amendments issued clarify the requirements on recognition of deferred tax assets for un-realized losses, to address diversity in practice.

The new Standard is effective for annual periods beginning on or after 1 January 2019. The company has adopted the amendment for the first time in 2019 financial statements. The impact of the amendment is not immaterial.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

		31-Dec-20	31-Dec-19
		TZS	TZS
6	**REVENUE**		
	Sales Inventory - Cold-room	1,477,759,912	1,276,441,925
		1,477,759,912	**1,276,441,925**
7	**COST OF GOODS SOLD**		
	Cost of materials	740,919,755	653,576,795
	Shortages & damages	30,728,595	9,229,825
	Fuel - Milk collection and production	224,479,178	65,853,476
	Cleaning	13,233,784	15,664,732
	Total	**1,009,361,312**	**744,324,828**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	31-Dec-2020	31-Dec-2019
	TZS	TZS
8 OPERATING EXPENSES		
Audit & Legal Fees	18,850,000	36,445,789
Bank & Other charges	2,776,301	3,531,677
Board Expenses	9,424,157	15,818,787
Cafeteria Services & staff welfare	42,888,776	16,972,455
Compliance & Regulatory costs	10,145,641	11,746,004
COVID-19 Expenses	1,397,164	-
Electricity, water & other utilities	33,768,270	36,401,201
Uncreditable input VAT	-	21,189,014
Fines and Penalty	189,500	40,000
General Administrative Expenses	5,919,719	1,650,287
Insurance, rates & taxes	4,744,000	-
Memberships & Training Costs	1,443,914	-
Office Amenities and Maintenance	1,907,068	347,264
Rent	4,300,000	6,685,001
Promotion & Advertisement	44,444,825	21,389,280
Repairs & Maintenance of Equipment	12,453,721	17,788,022
Repairs & Maintenance of Vehicles	3,919,797	33,599,588
Distribution Costs	8,412,083	76,847,614
Security	7,840,000	8,352,402
Staff - Travel & Accommodation	15,036,445	24,121,665
Stationery, Printing & Office Sundries	4,982,778	3,952,656
Telephone and Internet Expenses	5,979,396	4,952,545
Provision for doubtful debts	25,398,075	-
Sub Total	**266,221,630**	**341,831,251**
Salaries & Wages	254,491,709	212,751,288
NSSF- contributions	24,133,982	21,467,139
SDL Expenses	10,771,615	9,932,851
NHIF - contribution	7,037,413	5,898,278
Terminal Benefits	4,862,373	-
Workers Compensation Fund	2,411,428	2,121,672
Sub Total	**303,708,520**	**252,171,228**
TOTAL	**569,930,150**	**594,002,479**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	31-Dec-20	31-Dec-19
	TZS	TZS
9 TAXATION		
a) **Income tax expense**		
Income tax – current period	7,454,648	6,382,210
Income tax – prior periods	-	-
Deferred tax – current period	(68,197,127)	(67,632,472)
Deferred tax – prior periods	-	-
	(60,742,479)	**(61,250,262)**
Balance sheet entries		
Corporate tax payable/(recoverable) - current	(7,454,648)	(6,382,210)
Deferred tax/(Liability)	68,197,127	67,632,472
Reconciliation of effective income tax rate		
The tax provision is based on profit before tax of	(228,111,196)	(225,441,904)
Effective tax rate	26.63%	27.2%
Expected tax charge based on 30% of PBT	**(68,433,359)**	**(67,632,571)**
Difference requiring reconciliation	**7,690,880**	**6,382,309**
Explained by:		
Tax effect of income tax determined as per sect 3 ss 3	7,454,648	6,382,210
Disallowed expenses	236,232	-
	7,690,880	**6,382,210**
Difference (Immaterial due to round off)	**-**	**99**
b) **Deferred tax assets**		
Opening balance	161,668,484	94,036,012
Deferred tax credit to profit & Loss	68,197,127	67,632,472
Closing balance	**229,865,611**	**161,668,484**
Deferred tax assets is attributable to the following:		
Arising from PPE	12,888,486	14,058,526
Increase in Provisions	38,497,085	13,099,010
Trading tax losses carried forward	714,833,131	511,737,411
Total	**766,218,702**	**538,894,947**
Deferred tax asset at 30%	**229,865,611**	161,668,484
Balance at 31 December	**229,865,611**	**161,668,484**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

		31-Dec-20	31-Dec-19
		TZS	TZS
9	**TAXATION (Continued)**		
	c) **Tax payable/(recoverable)**	-	-
	Opening balance (recoverable)	9,703,077	3,920,867
	Current tax charge	7,454,648	6,382,210
	Tax paid	(10,703,077)	(600,000)
	Balance at 31 December	**6,454,648**	**9,703,077**
10	**INVENTORY**		
	Processed Milk	6,085,672	4,191,050
	Raw Milk	6,138,473	3,842,317
	Packaging Materials	5,845,982	5,068,421
	Total	**18,070,127**	**13,101,788**
11	**ACCOUNTS RECEIVABLE**		
	Staff Receivables	22,063,502	16,341,346
	Staff Loans	3,357,087	422,575
	Prepaid expenses	6,823,391	7,412,947
	Milk Customers & Dealers	59,350,789	53,904,229
	Provision for doubtful debts	(38,497,085)	(13,099,010)
	VAT refundable	65,773,935	71,695,010
	Total	**118,871,619**	**136,677,097**
12	**CASH AT BANK AND AT HAND**		
	Cash at bank	4,243,171	6,544,596
	Tigo pesa	41,710	1,942,492
	Cash in hand	6,287,371	13,054,666
	Total	**10,572,252**	**21,541,754**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13 PROPERTY AND EQUIPMENT

	Machinery & equipment	Land	Building	Motor vehicles	Computers	Furniture & fittings	Office Equipment	Total
Year Ended 31st Dec 2020								
Cost								
Balance as at 1st Jan 2020	643,191,594	62,000,000	685,285,467	140,133,886	11,165,515	14,834,061	31,395,480	1,588,006,003
Additions during the year	37,315,138	-	61,525,276	4,491,526	285,000	15,000	7,372,734	111,004,674
Disposal	-	-		(33,865,999)	-	-	-	(33,865,999)
Balance as at 31st Dec 20	**680,506,732**	**62,000,000**	**746,810,743**	**110,759,413**	**11,450,515**	**14,849,061**	**38,768,214**	**1,665,144,678**
Depreciation								
As at 1st Jan 2020	353,458,235	-	64,040,973	95,629,716	5,121,584	3,432,447	4,963,783	526,646,738
Charge for the Year	68,049,826	-	37,340,537	22,151,882	3,816,457	1,856,133	4,847,086	138,061,921
Disposal	-	-	-	(17,843,401)	-	-	-	(17,843,401)
Acum dep as at 31st Dec20	**421,508,061**	**0**	**101,381,510**	**99,938,197**	**8,938,041**	**5,288,580**	**9,810,869**	**646,865,258**
NBV as at 31 DEC 2020	**258,998,671**	**62,000,000**	**645,429,233**	**10,821,216**	**2,512,474**	**9,560,481**	**28,957,345**	**1,018,279,420**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

PROPERTY AND EQUIPMENT

	Machinery & equipment	Land	Building	Motor vehicles	Computers	Furniture & fittings	Office Equipment	Total
Year Ended 31st Dec 2019								
Cost								
Balance as at 1st Jan 2019	485,963,473	-	626,877,888	85,164,491	1,851,000	11,301,551	9,179,906	1,220,338,309
Additions during the year	157,228,121	62,000,000	58,407,579	54,969,395	9,314,515	3,532,510	22,215,574	367,667,694
Balance as at 31st Dec 19	**643,191,594**	**62,000,000**	**685,285,467**	**140,133,886**	**11,165,515**	**14,834,061**	**31,395,480**	**1,588,006,003**
Depreciation								
As at 1st Jan 2019	256,880,449	-	31,343,894	68,927,214	1,495,226	1,803,645	1,187,826	361,638,254
Charge for the Year	96,577,786	-	32,697,079	26,702,502	3,626,358	1,628,802	3,775,957	165,008,484
Acum dep.as at 31st Dec 19	**353,458,235**	**-**	**64,040,973**	**95,629,716**	**5,121,584**	**3,432,447**	**4,963,783**	**526,646,738**
NBV as at 31 DEC 2019	**289,733,358**	**62,000,000**	**621,244,494**	**44,504,170**	**6,043,930**	**11,401,614**	**26,431,698**	**1,061,359,265**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	NOTE	31-Dec-20	31-Dec-19
		TZS	TZS
14 ACCOUNTS AND OTHER PAYABLES			
Employees related liabilities		7,884,300	6,353,197
Trade creditors		27,694,565	8,411,418
Accrued expenses		23,234,827	902,616
Total		**58,813,692**	**15,667,231**
15 SHARE CAPITAL			
Authorized			
308,881 Ordinary shares of TZS 10,000/= each		**3,088,810,000**	**3,088,810,000**
Issued shares			
59,421 Ordinary shares of TZS 10,000/= each		**2,471,050,000**	**594,210,000**
SHAMBANI GRADUATE ENTERPRISES LTD			
197,684 Ordinary shares of TZS 10,000/= each		**1,976,840,000**	**100,000,000**
EAST AFRICA FOOD AB CLASS			
49,421 Ordinary shares of TZS 10,000/= each		**494,210,000**	**494,210,000**

In the year 2018, Shambani Milk issued 49,421 ordinary shares to East Africa Food AB Class, at the par value of TZS 10,000 per share, which was equivalent to a shareholding stake of 20%. In the year 2020, 187,684 additional shares were issued to Shambani Graduates Enterprises Ltd, to match their shareholding stake of 80%, and in return, the funds advanced to share capital amounting to TZS 980,917,809 was recognized as part of the issued and paid share capital.

16. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES

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

- Credit risk;
- Liquidity risk; and
- Market 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 Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risk adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered.

The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's trade and other receivables and due from related party. The Company's exposure to credit risk is influenced mainly by the individual characteristics of a particular financial asset.

Included in trade and other receivables are trade receivables, staff debts and deposits, these are not having standard credit characteristics; they differ depending on either specific terms governing the receivable or the creditworthiness of entity/person from which they are to be received.

The net carrying amount of trade receivables is TZS 28 million (2019: TZS 40 million). During the period, the company made no write-offs of trade receivables.

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.

The Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 30 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted.

All liquidity policies and procedures are subject to review and approval by the Company's board of directors.

Due to related party are payable to related companies. There is low liquidity risk as a result of these dues as they can be settled and terms of obligations re-arranged by the virtue of the relationship under arm's length.

Market risk

Market risk is the risk that changes in market factors, such as foreign exchange rates, interest rates and other 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.

Currency risk

The Company is exposed to currency risk on purchases and borrowings that are denominated in a currency other than the respective functional currency of the Company, the Tanzania shillings (TZS). The currency in which these transactions are primarily denominated is the US Dollars (USD).

All of the Company's customers are invoiced in TZS which is the Company's functional currency. No currency risk is therefore attached to trade receivable. Other receivables and cash and cash equivalents are also primarily denominated in TZS. The suppliers mainly invoice the Company in TZS and USD. Currency risk is therefore attached to trade payables.

The Company strategy towards managing its foreign currency exposure is through transacting mainly using its functional currency.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES(CONTINUED)

Capital management

The Company seeks to maintain a strong capital base so as to maintain its shareholder, creditor and market confidence and to sustain future development of the business. The Company's directors monitor the return on capital which the Company defines as net operating results for the year divided by total shareholders' equity. There were no changes in the Company's approach to capital management during the year. The Company is not subjected to externally imposed capital requirements.

Accounting classifications and fair value

The Company measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

(i) Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments. The Company does not have financial instruments under this level.

(ii) Level 2: Inputs other than quoted prices included within level 1 that are observable either directly or indirectly or other valuation techniques in which all significant inputs are directly or indirectly observable from market data. This category includes bank balances, due from related parties, trade payables and due to related party whose carrying values approximate their fair values due to their short term nature. The fair value of the borrowings is equal to its carrying amount.

(iii) Level 3: Inputs that are unobservable. This category includes instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on their valuation. The Company does not have financial instruments under this level.

17. CAPITAL COMMITMENTS

The directors confirm that the Company does not have any capital commitment that was contracted for but not provided for as at 31 December 2020.

18. SUBSEQUENT EVENTS

At the date of signing the financial statements, the Directors are not aware of any other matter or circumstance arising since the date of the end of the reporting period, not otherwise dealt in these financial statements, which significantly affected the financial position of the Company and results of its operations.

19. CONTINGENT LIABILITIES

The directors are not aware of any other contingent liabilities against the Company as at date of this report.

20. ULTIMATE HOLDING COMPANY

The Company's ultimate holding company is Shambani Graduates Enterprises Limited (SGE), a company registered and incorporated in Tanzania.

These notes form part of the financial statements.