M/S SHAMBANI GRADUATES ENTERPRISES LIMITED

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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

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

COMPANY INFORMATION

BOARD OF DIRECTORS:

NameNationalityRemarksVictor Gilbert MfinangaTanzanianChairmanElibariki Emmanuel MsuyaTanzanianBoard DirectorFlorent Aristarick NgumaTanzanianBoard Director

NATURE OF BUSINESS:

Dealership for MIC Tanzania Limited that involves managing TIGOPESA agents and distributing TIGO airtime products in Morogoro region, Tanzania.

REGISTERED ADDRESS:

Plot 409 Block "DD" Misufini

P.O. Box 2185

Morogoro, Tanzania.

AUDITORS:

Shepherd Consulting

25 Mkadini Road, Oysterbay

P.O. Box 20751

Dar es Salaam, Tanzania. info@shepherd.co.tz

BANKERS:

NMB Bank PLC Wami Branch P.O. Box 84

Morogoro, Tanzania

CRDB Bank PLC Mandela Branch P.O. Box 352

Morogoro. Tanzania

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

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 Graduates Enterprises Limited (the "Company") as at 31 December 2020 and the results of operation for the year then ended.

2. INCORPORATION AND REGISTRATION

The Company was incorporated and registered in Tanzania on 18th of December 2006 under the Companies Act, 2002 and is domiciled in Tanzania as a private limited liability company.

3. COMPANY VISION

To invest in areas that improves standard of lives.

4. COMPANY MISSION

We exist to make life easier.

5. PRINCIPAL ACTIVITIES

Effective from January 2015, the milk processing business of Shambani Graduates Enterprises Limited ("SGE Ltd") has been shifted to its sister company (Shambani Milk Limited) which involves purchase, process and sale milk and milk products in Tanzania.

Currently the SGE Ltd's major activity is dealership for MIC Tanzania Limited that involves managing TIGO PESA agents and distributing TIGO airtime products in Morogoro region.

6. RESULTS AND DIVIDENDS

The Company made an accounting profit before taxation of TZS 323 million during the financial period ended 31 December 2020 (2019: TZS 328.4 million). The directors do not recommend payment of dividend (2020: Nil).

7. ADMINISTRATIVE MATTERS

The Company is capable of handling all administrative matters.

8. DIRECTORS

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

9. CAPITAL STRUCTURE AND SHAREHOLDING

The shareholding of the Company and capital structure is respectively described in Note 18 to these financial statements.

10. SOLVENCY EVALUATION

The Company's state of affairs as at 31 December 2020 is set out on page 10 of the financial statements. The directors have reviewed the current financial position of the Company and the existing short-term borrowings. On the basis of the review together with the current business plan, the directors are satisfied that the Company is a solvent going concern within the meaning ascribed by the Companies Act, 2002 of Tanzania.

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

DIRECTORS' REPORT (CONTINUED)

11. GOING CONCERN CONSIDERATION

The director is confident that the Company will continue to operate indefinitely. The director has prepared its financial statements on a going concern basis and it has done all necessary assessment of the Company's ability to continue as a going concern. Both operational and financial strategies have potentially attributed to the current period performance.

12. ACCOUNTING POLICIES

The financial statements are prepared on the underlying assumptions of a going concern. The Accounting policies which are laid out in Note 5 to the financial statements are subject to annual review to ensure continuing compliance with International Financial Reporting Standards and the requirements of the Companies Act, 2002 of Tanzania.

13. 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 22.

14. RELATED PARTY TRANSACTIONS

Related party transactions are disclosed in Note 13 of the financial statements.

15. POLITICAL AND CHARITABLE DONATIONS

The Company did not make any donations during the year.

16. RISK MANAGEMENT AND INTERNAL CONTROL

The Board accepts final responsibility for the risk management and internal control systems of the Company. It is the task of management to ensure that adequate internal financial and operational control systems are developed and maintained on an ongoing basis in order to provide reasonable assurance regarding:

- The effectiveness and efficiency of operations;
- The safeguarding of the Company's assets;
- Compliance with applicable laws and regulations;
- The reliability of accounting records;
- · Business sustainability under normal as well as adverse conditions; and
- Responsible behaviours towards all stakeholders.

The efficiency of any internal control system is dependent on the strict observance of prescribed measures. There is always a risk of non-compliance of such measures by staff. Whilst no system of internal control can provide absolute assurance against misstatement or losses, the Company's system is designed to provide the Board with reasonable assurance that the procedures in place are operating effectively.

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



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.

17. CORPORATE GOVERNANCE

The 2/3 of members of Company's Board of Directors 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 recognise the importance of integrity, transparency and accountability.

18. AUDITORS

Shepherd Consulting were the Company's auditors for the year 2020. They have expressed their willingness to continue as auditors and are eligible for re-appointment. A resolution proposing the re-appointment of Shepherd Consulting as auditors of the Company for the year 2021 will be put to the Annual General Meeting.

BY ORDER OF THE BOARD OF DIRECTORS

Approved and authorised for issue by the Board of Directors and signed on its behalf by:

Victor G. Mfinanga

Managing Director

18 Jun 2021

Date

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



The Companies Act, 2002 of Tanzania requires the directors to prepare financial statements for each financial year that present fairly the state of the financial affairs of the Shambani Graduates Enterprises Limited as at end of the financial year and of its profit or loss. It also requires the directors to ensure that the Company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company. The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for prevention and detention of fraud, error and other irregularities.

The directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS) and in the manner required by Companies Act, 2002 of Tanzania. The directors are of the opinion that the financial statements present fairly the state of the financial affairs of the Company and of its operating results.

The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement.

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

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. The basis presumes that, adequate resources will be available to fiancé future operations and commitments will occur in the ordinary course of business.

Nothings has come to the attention of the directors to indicate that the Company will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of financial statements

Approved and authorised for issue by the Board of Directors on 18 Jun 2021 and signed on its behalf by:

Victor G. Mfinanga

Managing Director

Data

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

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's financial position and performance in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2002 of Tanzania. Full legal responsibility for the preparation of financial statements rests with the Board of Directors as under Statement of Directors' Responsibility on **page 5**.

ENTERPRISES LIMITED hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31 December 2020 have been prepared in compliance with International Financial Reporting Standards and the requirements of the Companies Act, 2002 of Tanzania.

I thus confirm that the financial statements give a true and fair view of the financial position and results of **SHAMBANI GRADUATES ENTERPRISES LIMITED** as on that date and for the year then ended, and that the financial statements have been prepared based on properly maintained financial records.

Signed by:

Position: SENIOR ACCOUNTANT

NBAA Membership No.: GA 4349

Date: 18 JUN 2021



INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Shambani Graduates Enterprises Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of SHAMBANI GRADUATES ENTERPRISES LIMITED ("the Company"), set out on **pages 10 to 35** 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 fairly, in all material respects, the financial position of SHAMBANI GRADUATES ENTERPRISES 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 the requirements of the Companies Act, 2002 of Tanzania.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Tanzania, and we have fulfilled our other ethical responsibilities in accordance with 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 of Tanzania, 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 GRADUATES ENTERPRISES 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 requirements of the Companies Act, 2002 of Tanzania, 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.

The 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 scepticism throughout the audit. We also:

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





INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF

SHAMBANI GRADUATES ENTERPRISES LIMITED (CONTINUED)

- 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

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

SHEPHERD CONSULTING CERTIFIED PUBLIC ACCOUNTANTS

P.O. BOX 20751 DAR ES SALAAM

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

26 JUNE 2021

Date

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

FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

	Notes	31-Dec-20	31-Dec-19
Assets		TZS	TZS
Non- Current Assets			
Property, Plant & Equipment	10	172 745 000	
Deferred tax asset	8	172,745,099	166,989,174
Investments	17	151,213,552	152,897,020
Total Non-Current Assets	17	1,080,917,809	1,080,917,809
		1,404,876,460	1,400,804,003
Current Assets		. 30t	
Inventory	11	170.022.652	
Accounts receivable	12	178,823,653	268,235,864
Amount due from related parties	13	180,031,380	136,566,264
Cash and cash equivalents	14	262,841,424	184,060,097
Total Current assets	14	134,184,940	79,829,805
	-	755,881,397	668,692,030
TOTAL ASSETS	-	2460 === ===	
	-	2,160,757,857	2,069,496,033
Liabilities			
Current Liabilities			
Accounts payable	16	122,754,705	200
Amount due to related parties	13	18,240,797	229,298,668
Bank Overdraft	15	488,226,345	
Long-term Loan	10		469,676,544
Total Liabilities		86,055,340	165,980,391
		715,277,187	864,955,603
Owner's equity			
Share capital	18	20.000.000	
Retained Profit	10	30,000,000	30,000,000
Total Owner's equity	_	1,415,480,670	1,174,540,430
	_	1,445,480,670	1,204,540,430
LIABILITIES AND OWNER'S EQUITY		2 140 757 077	
	-	2,160,757,857	2,069,496,033

The notes on pages 14 to 35 form an integral part of these financial statements.

Victor G. Mfinanga

Managing Director

18 Jun 2021

Date

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

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

•	<u>Notes</u>	31-Dec-20	31-Dec-19
		TZS	TZS
Revenue			
Airtime Revenue	6	144,083,158	160,950,802
Tigo Pesa Commissions		803,808,122	835,315,942
Total Revenue		947,891,280	996,266,744
Other Income		86,718,546	59,504,847
Operating Expenses	7	(563,363,186)	(565,378,895)
Depreciation	10	(36,028,692)	(38,262,471)
Interest and finance expenses	9	(112,213,428)	(123,695,534)_
Total operating expenses		(711,605,306)	(727,336,900)
Profit Before Tax		323,004,520	328,434,691
Income tax expense	8	(82,064,280)	(72,932,704)
Net Profit for the year	ar J	240,940,240	255,501,987

The notes on pages 14 to 35 form an integral part of these financial statements.

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

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2020	Share capital TZS	Retained Earnings TZS	Total TZS
At beginning of year Profit for the year	30,000,000	1,174,540,430 240,940,240	1,204,540,430 240,940,240
At end of year	30,000,000	1,415,480,670	1,445,480,670
Year ended 31 December 2019		حق.	
At beginning of year Profit for the year	30,000,000	919,038,444 25 <u>5</u> ,501,987	949,038,444 255,501,987
At end of year	30,000,000	1,174,540,430	1,204,540,430

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

CASH FLOW STATEMENT

Cash from Operating Activities	Notes	31-Dec-20	31-Dec-19
Net Income/Loss Add: Depreciation expense Gain on disposal of fixed assets	10	323,004,520 36,028,692 (9,380,698)	328,434,691 38,262,471
Changes in working capital Change in Inventory Change in Accounts Receivable Change in amount due from related parties Change in Accounts Payable Change in amount due to related parties Change in bank overdraft		349,652,514 89,412,211 (34,465,117) (78,781,327) (106,543,963) 18,240,797	247,985,354 (17,694,923) (184,060,097) (102,620,359) (221,122,281)
Total changes in operating assets and		18,549,801 (93,587,598)	(139,268,685) (416,780,991)
Less: Income tax paid Cash flow from operating activities	8	(89,380,812) 166,684,104	(83,531,599) (133,615,428)
Cash flow from Investing Activities Purchase of Fixed Assets Proceeds on disposal of Fixed Assets Cash flow from investing activities	10	(45,091,206) 12,687,288 (32,403,918)	(56,127,613) - (56,127,613)
Cash flow from Financing Activities Repayment of borrowings Cash flow from financing activities Cash & cash carried activities	_	(79,925,051) (79,925,051)	165,980,391 165,980,391
Cash & cash equivalents Net change in cash and cash equivalent Beginning cash and cash equivalent Ending cash and cash equivalent	_	54,355,135 79,829,805 134,184,940	(23,762,650) 103,592,455 79,829,805

The notes on pages 14 to 35 form an integral part of these financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

SHAMBANI GRADUATES ENTERPRISES 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 recognised 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 judgments in applying accounting policies that have the significant effect on amounts recognised in the financial statements is summarised below.

b. Assumptions and estimation uncertainties

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting 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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

- 4. USE OF ESTIMATE AND JUDGEMENT (CONTINUED)
- Assumptions and estimation uncertainties (continued)
 - 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.

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 18.

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 categorised 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 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.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

(c) Financial instruments

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

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

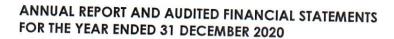
The Company derecognises financial assets when the contractual rights to the cash flow from the asset expire, or it transfers in the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or 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 derecognised financial asset that is created or retained by the Company is recognised as a separate asset or liability.

The Company derecognises 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.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ii) Non-derivative financial assets - measurement (Continued)

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 are recognised 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 recognised in profit or loss.

Held to maturity financial assets

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

Loans and receivables

These assets are initially recognised at fair value plus any direct attributable transaction cost. Subsequent to initial recognition, they are measured at amortised 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.

Available for sale financial assets

These assets are initially recognised 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 recognised in OCI and accumulated in the fair value reserve. When these assets are derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

iii) Non-derivative financial liabilities – recognition

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

(d) Share capital

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

(e) Property and equipment

Recognition and measurement

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

- 5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
- (f) Property and equipment (Continued)

ii) Recognition and measurement.

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.

iii) 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.

iv) 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%
Motor vehicles	37.5%
Computers	37.5%
Furniture & fittings	12.5%
Leasehold improvements	5%
Land	2

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.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

- 5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
- (g) 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.

- (h) 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.

Financial assets measured at amortised costs

The Company considers evidence of impairment for financial assets measured at amortised 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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

- 5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
- Financial assets (continued)
- (h) Impairment (continued)

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 amortisation, if no impairment loss had been recognised.

(i) Employee benefits

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.

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.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) 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.

(j) 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.

(k) 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.

(l) Dividends

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

- 5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
- (m) New standards, amendments and interpretations in issue
 - i) New standards, amendments and interpretations adopted by the Company

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the financial statements of the Company as it does not have any interest rate hedge relationships.

Amendments to IAS 1 and IAS 8 Definition of Material

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the financial statements of, nor is there expected to be any future impact to the Company.

Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the financial statements of the Company.

Amendments to IFRS 16 COVID-19 Related Rent Concessions

On 28 May 2020, the IASB issued COVID-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) New standards, amendments and interpretations in issue (Continued)

any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no impact on the financial statements of the Company.

ii) New standards, amendments and interpretations not yet adopted by the Company

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

The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.

Classification of Liabilities as Current or Non-current - Amendments to IAS 1

The narrow-scope amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or non- current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability. The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity.

They must be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

Property, Plant and Equipment: Proceeds before intended use - Amendments to IAS 16

The amendment to IAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment.

Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.

Annual Improvements to IFRS Standards 2018-2020

The following improvements were finalised in May 2020:

 \bullet IFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities.

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



- 5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
- (m) New standards, amendments and interpretations in issue (Continued)
 - IFRS 16 Leases amendment to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.
 - IFRS 1 First-time Adoption of International Financial Reporting Standards allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.
 - IAS 41 Agriculture removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

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

For all new standards and interpretations not yet adopted and the Company, will be adopted on the respective effective date.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6 AIRTIME REVENUE

	31-Dec-20	31-Dec-19
Airtime Sales	11,142,521,866	15,185,792,801
Distribution Commission	897,143,164	1,203,718,219
Sales - Tigo Sim Cards	16,949	136,949
Back-margin Commission	109,798,559	131,460,711
Gross Revenue from Airtime	12,149,480,538	16,521,108,680
Less: Cost of Goods Sold		
Opening Balance	268,235,864	516,221,218
Purchases - Airtime	11,915,985,169	16,112,172,524
Less Closing Stock	(178,823,653)	(268,235,864)
Cost of Sales	12,005,397,380	16,360,157,878
Net Airtime Revenue	144,083,158	160,950,802

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7 OPERATING EXPENSES

•		
	31-Dec-20	31-Dec-19
Audit, Consulting & Legal Fees	24,610,000	35,065,696
Provisional for Doubtful debt	28,712,579	-
Bank charges	8,395,286	8,858,534
Board Expenses	12,318,865	6,397,811
Cafeteria Services & Staff Welfare	19,570,984	21,144,667
Compliance & Regulatory costs	5,472,051	4,940,158
Distribution costs	20,776,539	6,882,137
Donations	-	-
Electricity (Office)	10,192,607	13,391,295
Entertainment Expenses		
Fines and Penalty	150,000	-
Fuel & hire	9,783,804	21,524,009
General Administrative Expenses	4,807,468	1,746,542
Insurance	13,909,307	13,227,672
Memberships & Training Costs	4,252,427	320,000
Office Amenities and Maintenance	3,627,773	2,135,847
Office Rent	60,595,555	64,960,000
Promotion & Advertisement	¥	3,062,182
IT expenses	-	665,000
Property tax	471,217	450,500
Repairs & maintenance Equipment	3,571,227	6,388,496
Repairs & maintenance Vehicles	8,315,586	7,704,391
Security	12,049,322	16,262,542
Staff - Travel & Accommodation	626,000	4,755,676
Stationery, Printing & Office Sundries	2,759,088	2,899,044
Telephone and Internet Expenses	16,114,715	16,572,317
Water	721,461	734,100
	271,803,861	260,088,616
Employee related costs:		
Salaries	248,352,898	257,195,956
Wages	1,206,000	-
NSSF- contributions	21,050,176	25,847,799
SDL Expenses	11,301,809	11,917,613
NHIF - contribution	7,064,518	7,696,278
Workers Compensation Fund	2,583,924	2,632,633
	291,559,325	305,290,279
		000 270 277
	563,363,186	565,378,895

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8 INCOME TAX

a) Income tax expense	31- Dec-2020 TZS	31-Dec-2019 TZS
Income tax – current period	80,380,812	84,336,348
Income tax - prior periods	-	04,550,540
Deferred tax - current period	1,683,468	(11,403,644)
Deferred tax - prior periods	_	(,100,011)
	82,064,280	72,932,704
Balance sheet entries		. = ,
Corporate tax payable/(recoverable) - current	80,380,812	84,336,348
Deferred tax provision/(asset) - non current	1,683,468	(11,403,644)
		(11,403,044)
Reconciliation of effective income tax rate	390	
The tax provision is based on profit before tax of	323,004,520	328,434,691
Effective tax rate	25.41%	22.21%
Expected tax charge based on 30% of PBT	(96,901,356)	98,530,407
Difference requiring reconciliation	(14,837,076)	(14,194,059)
Explained by:		(,)
Disallowed expenses		
Net Income not subject to 30% tax rate	(95,217,888)	<u>.</u>
Final withholding payment tax	80,380,812	-
	(14,837,076)	
Difference - NONE		-
b) Deferred tax assets		
Opening balance	152,897,020	141,493,376
Deferred tax credit to profit & Loss	(1,683,468)	11,403,644
Closing balance	151,213,552	152,897,020
Deformed to a control of the little of the l		
Deferred tax assets is attributable to the following:	40.00	
Arising from PPE Increase in Provisions	5,559,273	(57,597,500)
	(86,310,079)	(990,823)
Trading tax losses carried forward	(423,294,366)	(451,068,410)
Total	(504,045,172)	(509,656,733)
Deferred tax asset at 30%	(151,213,552)	(152,897,020)
Balance at 31 December	(151,213,552)	(152,897,020)

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

) T	31-Dec-2020	31-Dec-2019
	c) Tax payable /(recoverable)		
	Opening balance (recoverable)	(22,775,246)	(16,290,000)
	Current tax charge	80,380,812	84,336,348
	Tax paid	(89,380,812)	(90,821,594)
		(31,775,246)	(22,775,246)
	Classified in the Balance Sheet As:		
	Prepaid taxes	(31,775,246)	(22,775,246)
	Corporate tax payable		(==,/)=10j
		(31,775,246)	(22,775,246)
		, \$9°.	
9	FINANCE COSTS		
	Fees on Loans	21,466,809	19,878,739
	Interest - Bank Overdraft	69,492,858	76,591,310
	Interest - Long term Loans	21,253,761	27,225,485
	Total	112,213,428	123,695,534

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

PROPERTY, PLANT AND EQUIPMENT (PPE)

10

GRAND	425,085,987	447,223,982	258,096,813 36,028,692	(19,646,622) 274,478,883	9,565,906 19,098,976 19,516,189 27,553,536 50,900,000 172,745,099
Leasehold land	50,900,000	50,900,000	r r		50,900,000
Leasehold improvem ent	20,548,916	48,166,192 27,012,661 32,056,012 50,900,000	3,615,376 887,100	4,502,476	27,553,536
Office Equipment	27,012,661	27,012,661	6,331,092	7,496,472	19,516,189
Furniture & fittings	44,639,670 3,526,522	48,166,192	26,665,464 2,401,752	50,074,430 29,067,216 7,496,472	19,098,976
Computers	51,176,133 8,464,203	59,640,336	41,633,510 8,440,920		9,565,906
Motor vehicles	8 162,963,319 - 21,593,385 - (22,953,211)	161,603,49	51,154,272 128,697,099 16,691,016 6,442,524 - (19,646,622)	115,493,00	- 46,110,491
Plant, Mach. & Equip.	67,845,288	67,845,288 161,603,49 59,640,336	51,154,272 16,691,016	67,845,288 115,493,00	
Year ended 31 December 2020 Cost	At 01 Jan 2020 Additions Disposal	Total Assets for Year 2020 Accumulated Depreciation	At 01 Jan, 2020 Charge for the year Disposal	At 31 Dec, 2020	Net Book Value at 31 Dec 2020

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

PROPERTY, PLANT AND EQUIPMENT (PPE) - (CONTINUED)

10

GRAND	368,958,374 56,127,613 425,085,987	219,834,343 38,262,471 258,096,814	16,691,016 34,266,220 9,542,623 17,974,206 20,681,569 16,933,539 50,900,000 166,989,174
Leasehold land	57,702,152125,317,41945,614,43843,311,70427,012,66119,100,00050,900,00010,143,13637,645,9005,561,6951,327,966-1,448,91667,845,288162,963,31951,176,13344,639,67027,012,66120,548,91650,900,000	,	50,900,000
Leasehold improvem ent	19,100,000 1,448,916 2 0,548,916	2,724,138 891,239 3,615,376	۶ 16,933,539
Office Equipment	27,012,661	3,376,583 2,954,510 6,331,092	20,681,569
Furniture & fittings	43,311,704 1,327,966 44,639,670	24,097,720 2,567,744 26,665,464	17,974,206
Computers	45,614,438 5,561,695 51,176,133	35,907,936 5,725,574 41,633,510	9,542,623
Motor vehicles	125,317,419 37,645,900 162,963,319	45,590,600108,137,36635,907,93624,097,7205,563,67220,559,7325,725,5742,567,74451,154,272128,697,09941,633,51026,665,464	34,266,220
Plant, Mach. & Equip.	57,702,152 10,143,136 67,845,288	45,590,600 5,563,672 51,154,272	16,691,016
Year ended 31 December 2019 Cost	At 01 Jan 2019 Additions At 31 Dec 2019 Accumulated Depreciation	At 01 Jan, 2019 Charge for the year At 31 Dec, 2019	Net Book Value at 31 Dec 2019

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11	INVENTORY .	Note 31-Dec-20	31-Dec-19
	Inventory - Vouchers Inventory - Sim Cards	177,672,190	267,846,033
	Total	1,151,463	389,831
		178,823,653	268,235,864
12	ACCOUNTS AND OTHER RECEIVABLES		
	Accounts receivables	10 604 204	
	Accrued Revenue	10,684,301	31,163,750
	Float Receivables (Wakala)	85,109,504	72,603,010
	Staff Loan	14,979,108	2,986,863
	Prepayments (Rent, Insurance)	9,311,012	3,740,756
	Prepaid Taxes - Note 8 (c)	22,049,328	1,291,683
	Staff Imprest	31,775,246	22,775,246
	Total	6,122,881 180,031,380	2,004,956
		·	136,566,264
13	RELATED PARTY TRANSACTIONS AND BA a) Amount due from related parties	LANCES	
	Shambani Milk Limited	262,841,424	184,060,097
	b) Amount due to related parties		
	Shambani Properties Limited	18,240,797	-
14 (CASH AND CASH EQUIVALENT		
	Cash at bank	61,523,487	
	Cash at hand		31,965,747
	E-MONEY	1,036	5,704,826
	Sub-Total	72,660,417	42,159,232
		134,184,940	79,829,805
15 B	ANK OVERDRAFT FACILITY		8
	NMB BANK Over draft	488,226,345	469,676,544

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



300 ordinary shares of TZS 100,000 each

Total

16	ACCOUNTS PAYABLE .		
	Employee related liabilities Trade creditors Accruals Tax payables Other payables Total	31-Dec-2020 12,295,394 52,859,195 11,372,222 10,081,647 36,146,247 122,754,705	31-Dec-2019 15,301,572 85,831,253 51,094,563 37,701,851 39,369,429 229,298,668
17	INVESTMENTS		
	Shambani Milk Ltd Opening balance Additions (net assets transfer) Reduced (net funds repaid) Closing balance Total	1,080,917,809 - - 1,080,917,809	1,080,917,809 - - 1,080,917,809
18	SHARE CAPITAL		1,000,917,809
	Owners' Equity Authorized, issued and fully paid		

30,000,000

30,000,000

30,000,000

30,000,000

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





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.

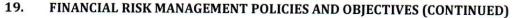
Included in trade and other receivables are trade receivables, staff debts and deposits, these are not having standard credit characteristics; they differ depending on either specific terms governing the receivable or the creditworthiness of entity/person from which they are to be received.

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.

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Liquidity risk (continued)

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.

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.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (CONTINUED)

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.

20. 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.

21. 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.

22. CONTINGENT LIABILITIES

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

These notes form part of the financial statements.