

MABOTO ENTERPRISES LIMITED
P.O. BOX.7616, MWANZA
TANZANIA



AUDITED FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 ST DECEMBER,
2019

CMK ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS, AUDITORS AND TAX
CONSULTANTS
MWANZA BRANCH
BOX 289 MWANZA

TABLE OF CONTENTS

1. Important information about the Company	page 1
2. Report of the Directors Responsibility.....	page 2
3. Declaration of the Head of Finance.....	page 3
4. Independent Auditors Report.....	page 4 & 5
5. Statement of Financial Position.....	page 6
6. Statement of Income or Loss.....	page 7
7. Statement of Equity.....	pages 8
8. Statement of Cash Flows.....	page 9
9. Notes and Policies on Financial Statement.....	page 10 to 21

**MABOTO ENTERPRISES LIMITED
P.O.BOX 7616, MWANZA
TANZANIA.**

IMPORTANT INFORMATION ABOUT THE COMPANY

1. PRINCIPAL ACTIVITIES:

The Principal activities which were carried out during the year under review include the following:

Micro Credit Financing and allied services.

2. REGISTERED OFFICE AND PLACE OF BUSINESS:

The registered office is located at Plot no 856, Block HH Buzuruga Ilemela - Mwanza region. All transactions were conducted under the authority of Managing Director from the head office.

3. FINANCIAL POSITION, OPERATIONAL RESULTS, AND CASHFLOWS

The financial position, operational results and cash flows are set out on pages six to nine of the report.

4. ORGANISATION MANAGEMENT:

The day to day operations were conducted and controlled by the members of the board:

1. Robert Chacha Maboto - Managing Director
2. Scholastica Robert Maboto - Director
3. Mary Meshack Muniko – Company Secretary

5. BANKERS:

NMB Bank

6. AUDITORS:

M/S CMK Associates, Mwanza held the office as Auditors during the period under review, and they have expressed willingness to remain in the office for the next year. Hence, they are eligible for re appointment.



MANAGING DIRECTOR



10/04/2020

DATE

**MABOTO ENTERPRISES LIMITED
P.O.BOX 7616, MWANZA
TANZANIA.**

**STATEMENT OF RESPONSIBILITY ON THE FINANCIAL
STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2019**

These financial statements have been prepared by the management. The financial statements comply with the generally accepted accounting practices and are presented in a manner consistent with the International Financial Reporting Standards for Small and Medium entities.

The management is responsible for establishing and maintaining a system of effective internal control designed to provide reasonable assurance that the transactions recorded in the accounts are within their statutory authority and contain the receipt and use of financial resources.

To the best of my knowledge, the system of internal control has operated adequately throughout the reporting period and the accounts and underlying records provide a reasonable basis for preparation of the financial statements for the financial year then ended.

I accept responsibility for the integrity of the financial statements, the information it contains, and its compliance with the International Financial Reporting Standards for Small and Medium Entities.



MANAGING DIRECTOR



10/04/2020

DATE

MABOTO ENTERPRISES LIMITED

P.O. BOX 7616
MWANZA - TANZANIA



DECLARATION OF THE HEAD OF FINANCE

The National Board of Accountant and Auditors (NBAA) according to the powers conferred under the Auditors and Accountants (Registrations 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 the financial statements of the entity concern.

It is the duty of a Professional Accountant to assist the Advisory Board of Directors to discharge the responsibility of preparing financial statements of an entity showing true and fair view of the financial position and performance in accordance with applicable International Accounting Standards ant statutory financial reporting requirements. Full legal responsibility for the preparation of financial statements rests with the Advisory Board of Directors as under the Directors Responsibility on page 2.

I Shaaban S. Mugoo on behalf of the head of Finance of Maboto Enterprises Limited hereby acknowledge my responsibility of ensuring that the financial statements for the year ended 31st December, 2019 have been prepared in compliance with the applicable Accounting Standards and statutory requirements.

I thus confirm that the financial statements give true and fair view of the financial position for the year have ended 31st December, 2019, its results of operations and cash flows as on that date, and they have been prepared based on properly maintained financial records.

Signature [Signature]

Position Financial Consultant

NBAA membership no ACAA 2522

Date 10/04/2020

Head Office:
Plot No. 31, Maktaba / Mpetui Street Kisutu Area
P.O. Box 13077 - Dar es Salaam
Contact: +255 754 465 647 / +255 715 465 647
Email: cmkassociatestanzania@gmail.com

Branch Office:
Plot No. 75, Ibadhi Mosque Building, Block 'S', Liberty Street
P.O. Box 289 - Mwanza
Contact: +255 713 259 895 / +255 786 269 895
Email: mugoosha@yahoo.com

**TO THE MEMBERS OF MABOTO ENTERPRISES LIMITED
P.O.BOX 7616
MWANZA
TANZANIA.**

INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS OF MABOTO ENTERPRISES LIMITED FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER, 2019.

We have audited the accompanying financial statements of Maboto Enterprises Limited set out herein this report which comprise the statement of financial position as at 31st December 2019, and the Statement of Comprehensive Income, Statement of Changes Of Equity and Statement of Cash Flows for the year then ended, together with the Summary of Significant Accounting Policies and Other Explanatory Notes.

Responsibility of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Tanzanian Companies Act 2002. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we considered the internal controls relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 corporate in accordance with the Companies Act, CAP 212 Act No. 12 of 2002 and for no other purposes.

The Companies Act, CAP 212 Act No. 12 of 2002, requires us to report to you if, in our opinion, the Report of the Directors is not consistent with the financial statements, if the Company has not kept proper accounting records, if the financial statements are not in agreement with the accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

In respect of the foregoing requirements, we have no matter to report.

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company as at 31 December 2019 and its profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Companies Act, CAP 212 Act No. 12 of 2002.

CMK ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS
AUDITORS & TAX CONSULTANTS
P. O. Box 13077, DAR ES SALAAM
PARTNER

CPA Christopher M. Kazalla, ACPA - PP 945.

For and on behalf of CMK Associates
Certified Public Accountants, Auditors & Tax Consultants.
P.O. Box 13077
Dar es Salaam

MABOTO ENTERPRISES LIMITED
STATEMENT OF FINANCIAL POSITION AS AT 31 ST DECEMBER, 2019

ASSETS	note	2019 Tshs	2018 Tshs
Current assets :-			
Cash in hand and at bank		3,453,017,122	1,675,313,570
Tax claim	7	204,816,125	85,527,304
Accounts receivable	14	28,259,437,861	6,877,414,174
		31,917,271,108	8,638,255,048
Non current assets	18	163,512,362	153,007,729
TOTAL ASSETS		32,080,783,470	8,791,262,777
EQUITY AND LIABILITIES			
Current liabilities :-			
Accounts Payable		296,543,141	272,754,577
Accrued expenses	9	172,252,550	142,616,943
		468,795,691	415,371,520
Non current liabilities			
Loan from Related parties		2,691,367,738	945,473,025
Long Term Loan		2,000,000,000	1,200,000,000
		4,691,367,738	2,145,473,025
Total liabilities		5,160,163,429	2,560,844,545
EQUITY		26,920,620,041	6,230,418,231
TOTAL CAPITAL AND LIABILITIES		32,080,783,470	8,791,262,777

NOTES ONE TO EIGHTEEN FORM PART OF THESE FINANCIAL STATEMENTS



 MANAGING DIRECTOR



10/04/2020
 DATE

MABOTO ENTERPRISES LIMITED**STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 ST DECEMBER,2019**

		2019	2018
		Tshs	Tshs
REVENUE	note		
INTEREST INCOME		3,444,583,727	2,519,332,313
LESS COST OF FINANCE	2	1,804,282,621	1,510,703,848
GROSS PROFIT		1,640,301,106	1,008,628,465
LESS:- OPERATING EXPENSES			
Administration	10	1,097,671,054	626,335,289
Selling and Distribution	11	131,571,250	44,833,800
Bad debts written off	16	207,686,447	-
Provision for bad debts	16	467,274,433	-
Director's remuneration	13	60,000,000	60,000,000
Finance cost	12	71,150,734	45,827,931
Depreciation	17	53,605,367	50,055,789
TOTAL OPERATING EXPENSES		<u>2,088,959,284</u>	<u>827,052,809</u>
PROFIT/ (LOSS) BEFORE TAX		(448,658,178)	181,575,656
CORPORATION TAX	7	<u>64,816,125</u>	<u>(120,038,732)</u>
NET PROFIT FOR THE YEAR		<u>(383,842,053)</u>	<u>61,536,924</u>

NOTES ONE TO EIGHTEEN FORM PART OF THESE FINANCIAL STATEMENTS

MANAGING DIRECTOR

DATE

MABOTO ENTERPRISES LIMITED

STATEMENT OF EQUITY FOR THE YEA ENDED 31 ST DECEMBER, 2019

Equity Details

	Share Capital Tshs	R/Earnings Tshs	C/Reserve Tshs	TOTAL Tshs
Balance b /f 1/1/2019	5,000,000,000	1,119,507,486	110,910,745	6,230,418,231
Adjustment of understated accounts receivable		21,074,043,862		21,074,043,862
Add. Operating profit for the year		(383,842,053)		(383,842,053)
Issued bonus shares from R/Earnings				
Equity carried forward 31/12/2019	5,000,000,000	21,809,709,296	110,910,745	26,920,620,041
Balance b /f 1/1/2018	4,200,000,000	1,857,970,562	110,910,745	6,168,881,307
Add. Operating profit for the year		61,536,924		61,536,924
Issued bonus shares from R/Earnings		(800,000,000)		
Equity carried forward 31/12/2018	5,000,000,000	1,119,507,486	110,910,745	6,230,418,231

NOTES ONE TO EIGHTEEN FORM PART OF THESE FINANCIAL STATEMENTS


MANAGING DIRECTOR



10/04/2020
DATE

MABOTO ENTERPRISES LIMITED

STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 31 ST DECEMBER, 2019

	note	2019 shs	2018 shs
Cashflows from Operating Activities			
Profit before tax		(448,658,178)	181,575,656
Adjustments for non cash items			
Tax claim offset for the year		85,527,304	
Depreciation	15	53,605,367	50,055,789
Cashflows before movement in working capital		<u>(309,525,507)</u>	<u>231,631,445</u>
Movement in working capital			
(Increase) Decrease in accounts receivable		(21,382,023,687)	1,144,873,125
Increase Decrease in Accounts Payable		23,788,564	(941,290,179)
Increase Decrease in accrued expenses		29,635,607	142,616,943
Cashflows generated from Operating Activities		<u>(21,638,125,022)</u>	<u>577,831,334</u>
Tax paid during the year	7	<u>(140,000,000)</u>	<u>(205,566,036)</u>
Net cashflow Consumed by Operating Activities		<u>(21,778,125,022)</u>	<u>372,265,298</u>
Cashflows from Investing Activities			
Payment for motor vehicles		(13,850,000)	(12,500,000)
Payment for ICT Equipment		(33,650,000)	(25,300,000)
Payment for Furniture		<u>(16,610,000)</u>	<u>(36,500,000)</u>
Cashflows consumed by Investing Activities		<u>(64,110,000)</u>	<u>(74,300,000)</u>
Cashflows from Financing Activities			
Understated of accounts receivable	16	21,074,043,862	
Repayment of Long term borrowings		800,000,000	(653,400,000)
Increase/(Decreases) in Related party borrowings		<u>1,745,894,713</u>	<u>407,805,875</u>
Cashflow consumed by Financing Activities		<u>23,619,938,575</u>	<u>(245,594,125)</u>
Increase in cash and cash equivalents during the year		1,777,703,553	52,371,032
Cash and cash equivalent as at 01st January,		<u>1,675,313,570</u>	<u>1,622,942,537</u>
Cash and cash equivalent as at 31st December		<u><u>3,453,017,122</u></u>	<u><u>1,675,313,570</u></u>
SUMMARY			
Cash at bank		<u>3,453,017,122</u>	<u>1,675,313,570</u>
		<u><u>3,453,017,122</u></u>	<u><u>1,675,313,570</u></u>

NOTES ONE TO EIGHTEEN FORM PART OF THESE FINANCIAL STATEMENTS



 MANAGING DIRECTOR



10/04/2020
 DATE

MABOTO ENTERPRISES LIMITED.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2019.

1. **General Information:**

Maboto is a company Incorporated in the Republic of Tanzania under the Companies Act 2002. The address of the registered office is P.O. Box 7616, Mwanza. The company is expecting to change its name from Maboto Enterprises Limited to Maboto Microfinance Limited in the near future,

Principal Activities: Its Principal activity is Micro Credit.

1.2 **Going Concern:**

The financial statements have been prepared on the going concern basis. The entity to continue as a going concern is dependent upon the ability of the Director to generate profitable operations in the future and/or to obtain the necessary financing to meet its obligations and pay its liabilities arising from normal business operations as and when they come due.

1.3 **Basing of Accounting**

The Financial statements have been prepared on the accrual basis of accounting, and in accordance with International financial reporting standards. Whereby revenue is recognized when earned and expenses are recognized when incurred.

1.4 **Principal Accounting Policies:**

1.4.1 **Basis of Preparation:**

The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS). Where an International Financial Reporting Standard does not address a particular issue, the appropriate Generally Acceptable Accounting Standard and Practice has been applied.

The preparation of financial statements are in conformity with general accepted accounting Practices which requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date the financial statements and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

1.4.2 **Adoption of New and revised Standards:**

In the current year the Directors have adopted all the new and revised International Accounting Standards and the International Financial reporting Standards that are relevant to its operations, effective 1st January, 2004. The adoption of these new and revised standards and Interpretations had no material effect on how the results for the current or prior years have been prepared and presented.

1.4.3 **Functional and Presentation Currency:**

These financial statements are prepared in Tanzania Shillings.

1.4.4 **Measurement basis:**

Assets are recorded in the books of accounts at their full cost (CIF) plus other expenses which were necessarily incurred to bring the relevant asset into the place and position of use, while expenses and liabilities are recorded at their actual amounts incurred.

MABOTO ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE MONTH ENDED 31ST DECEMBER, 2019.

1.4.5 Use of estimates and Judgments:

The preparation of financial statement requires management to make judgements, estimates and assumptions that affect the application of assets 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 and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are:-

- Taxation
- Provisions
- Contingent Liabilities
- Property, Plant & Equipment
- Financial Assets/Liabilities

1.4.6 Foreign Currency Translation:

(a) Foreign currency translation:

The transaction in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the financial position date are translated to Tanzania Shillings at the foreign exchange rate ruling at that date.

(b) Financial Statements of Foreign Operations:

The assets and liabilities of foreign operations including goodwill and fair value adjustments arising on acquisition are translated to Tanzania Shillings at foreign exchange rates ruling at the financial position date. The Income and Expenses of foreign operations are translated to Tanzania Shillings at average rates. Translation differences on non-monetary financial assets such as equities classified as available for sale are included in the fair value reserve in equity.

1.4.7 Presentation of Financial Statements:

These Financial Statements are presented in accordance IAS I as follows:

- 1.4.7.1 Statement of Financial Position as at of the period.
- 1.4.7.2 Statement of Comprehensive Income for the period
- 1.4.7.3 Statement of Changes in Equity for the period.

MABOTO ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE MONTH ENDED 31ST DECEMBER, 2019.

1.4.7.4 Standard of Cash flows for the period.

1.4.7.5 Accounting Policies and notes to the financial statement.

1.4.8 **Financial Instruments:**

- (a) These financial instruments include bank accounts, certificates of Deposit, and Accounts receivables and accounts payable.

All financial instruments are recognized in the financial position at their fair value.

- (b) Non-derivative financial instruments comprise Investments in Equity and debt securities, trade and other receivables, including service concession receivables, cash and cash equivalents; loan and borrowings and trade other payables. Non derivate financial instruments are recognized initially at fair value plus for instruments not at fair value through profit and loss any directly attributable transaction costs.

(c) **Financial Assets:**

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- Loans and receivables;
- Financial assets at fair value through profit or loss;
- Held to maturity investments; and
- Available-for-sale financial assets.

(d) **Financial Liabilities:**

The financial liabilities include borrowings, trade and other payables and derivative financial instruments.

Financial liabilities are measured subsequently at amortised cost using the effective interest method, except for financial liabilities held for trading or designated at fair value through profit or loss, that are carried subsequently at fair value with against or losses recognized in profit or loss.

(e) **Offsetting:**

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

1.4.9 **Property, Plant and Equipment:**

(i) **Recognition and measurement:**

Items of property, Plant and Equipment are measured at historical cost less accumulated depreciation and accumulated impairment loss. Cost includes expenditure that direct is directly attributable to the acquisition of the asset. The cost of self-

MABOTO ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE MONTH ENDED 31ST DECEMBER, 2019.

Constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, and the costs of dismantling and removing are allocated. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, Plant and Equipment.

All other repairs and maintenance are charged to the statement of comprehensive come during the financial period in which they are incurred.

(ii) **Reclassification to Investment property:**

Property that is being constructed for future uses as Investment property is accounted for as property, Plant and equipment until construction or development is complete, at which time it is re-measured to fair value and reclassified as investment property. Any gain or loss arising on re-measurement is recognized in profit or loss.

When the use of property changes from owner occupied to instrument property, the property is measured to fair value and reclassified as investment property.

(iii) **Subsequent Costs:**

The cost of replacing party of an item of property, plant 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 and its cost can be measured reliably.

(iv) **Restoration Cost:**

Expenditure incurred on repairs or maintenance of property, plant and equipment in order to restore or maintain the future economic benefits expected from generally original assessed standard of performance, is recognized as an expense when incurred.

(v) **Depreciation:**

Depreciation is calculated on straight line basis to recognize the consumption of economic benefits of an asset over its useful life.

Depreciation assets are classified as follows: -

Motor vehicles	-	25%
Furniture and Fixture	-	12½ %

Land is not depreciated as it is deemed to have an indefinite life.

1.4.10 **Impairment:**

(i) **Financial assets:**

A financial asset is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is considered to be impaired it

MABOTO ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE MONTH ENDED 31ST DECEMBER, 2019.

Objective evidence indicates that one of more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows, discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

All impairment losses are recognized in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognized previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognized in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognized directly in equity.

1.4.11 Employee benefits:

(a) Employee entitlements to salaries, wages, annual vacation, pension costs, and other benefits are recognized when they are accrued to employees. Annual vacation and other leave has been calculated on an actual entitlement basis at current rates of pay.

(b) Termination benefits:

Termination benefits are recognized as an expense when the Director is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Director has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

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 recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation that can be estimated reliably.

MABOTO ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE MONTH ENDED 31ST DECEMBER, 2019

1.4.12 Service Revenue:

Services Revenue are recognized in the accounting period in which the services are rendered by reference to completion of specific transaction assessed on the basis of the actual services to provide as a proportion of the total services to be provided.

1.4.13 Revenue Recognition:

Revenue is generally recognized on an accrual basis.

Revenue Comprises of the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the activities. Revenue is shown net of value added tax, returns, rebates and discounts.

(a) Finance Income and Expenses

(i) Finance Income:

Finance Income Comprises Interest Income on funds invested (including available-For-Sale financial Assets), dividend income, gains on the disposal of available for-sale financial assets, changes in the value of financial assets at fair value through statement of comprehensive income, and gains on hedging instruments that are recognized in comprehensive income.

- Interest Income is recognized as it accrues in income, using the effective interest method.
- Dividend Income is recognized in the income on the date that the Director's right to receive payment is established.

(ii) Finance Expenses (Cost)

Finance Expenses Comprise Interest on borrowings unwinding of discount on provisions, dividends on preference shares classified as liabilities changes in the fair value of financial assets at the fair value through comprehensive income, impairment losses recognized on financial assets, and losses on hedging instruments that are recognized in comprehensive income.

1.4.14 Accounts Receivables & Loans:

Trade receivables are carried at original amortised amount less an estimate made for doubtful debts based on a review of all outstanding amounts at the year-end. Provision for bad and doubtful debts is made in respect of specific debts, which have been outstanding for recovery for one year and are considered doubtful of recovery.

1.4.15 Cash and cash equivalents:

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held with banks and investments in money market instruments.

1.4.16 Financial assets and liabilities:

The Director classifies its financial assets in the following categories at fair value through comprehensive income, loans and receivables, and available for sale. The

MABOTO ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE MONTH ENDED 31ST DECEMBER, 2019

classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

1.4.17 Accounts Payables & Others:

Trade payables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method.

1.4.18 Current Income Tax:

Income Tax Expenses comprises current and differed Tax Income Tax Expenses is recognized in statement of comprehensive income except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Taxable income for the year using Income Tax Act 204 rates enacted or substantively at the reporting date, and any adjustment to tax payable in respected of previous years.

1.5 Financial Risk Management:

The Entity's activities expose it to a variety of financial risks: credit risk and liquid risk. The Entity's overall risk management programmed seeks to minimize potential adverse effect of the Entity's financial performance. Risk management is carried out by the management on behalf of the board of Director.

(a) Financial Risk

(i) Credit Risk:

Concentration of credit risk with respect to trade receivable is limited due to the fact that a significant portion of the Entity's sales are on cash basis. The Entity's historical experience in collection of accounts receivable falls within the recorded allowances.

(ii) Liquid Risk:

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the Entity maintains flexibility in funding by keeping committed credit lines available in the form of short term loans and bank overdrafts.

(iii) Interest rate Risk:

The Entity's exposure to the risk of changes in market interest rates is limited as the Entity's long term loans and interest bearing deposits carry fixed interest rates.

(iv) Foreign exchange Risk:

The entity is exposed to foreign exchange risk with respect to foreign currency arising from foreign supplies and revenue. The entity mitigates part of its foreign exchange risk through hedging activities including forward contracts.

MABOTO ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE MONTH ENDED 31ST DECEMBER, 2019

(v) **Market Risk:**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the entity income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimizing the return.

(b) **Insurable Risks:**

The entity has adequate insurance cover for its properties and material contents, loss of profits and public liability. The sums insured for each insurance cover are reviewed annually in accordance with recommendations from professional advisers, where applicable.

MABOTO ENTERPRISES LIMITED**NOTES TO SUPPORT THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31/12/2019**

	2019	2018
2 DIRECT COSTS	shs	shs
Salaries and wages	1,149,930,000	994,245,070
Loan Interest - Self microfinance	158,384,566	120,471,000
Loan from related parties	17 126,051,603	26,883,358
Agency fees	369,916,452	369,104,420
	<u>1,804,282,621</u>	<u>1,510,703,848</u>
3 UTILITIES	shs	shs
Telephone & postages	33,634,910	21,244,100
Electricity charge	25,934,526	17,503,600
	<u>59,569,436</u>	<u>38,747,700</u>
4 MOTOR VEHICLES RUNNING	shs	shs
Repairs & maintenance	12,750,000	10,500,000
Fuel & lubricants	20,490,600	12,007,000
Insurance	3,560,000	3,304,000
	<u>36,800,600</u>	<u>25,811,000</u>
5 REPAIRS & MAINTENANCE	shs	shs
Office buildings	40,106,550	34,037,000
Office equipments	-	5,000,750
	<u>40,106,550</u>	<u>39,037,750</u>
6 STAFF COSTS	shs	shs
Salaries & wages	284,791,600	188,286,660
Skills and Development Levy	69,085,350	66,059,460
Pension Contributions	134,928,000	81,685,480
WCF	15,352,300	-
	<u>504,157,250</u>	<u>336,031,600</u>
7 TAXATION:	shs	shs
Net profit for the year before tax	<u>(448,658,178)</u>	<u>181,575,656</u>
Corporation Tax for the year @ 30%	-	54,472,697
Underprovision for previous years	20,711,179	65,566,035
Balance b/f	<u>(85,527,304)</u>	<u>-</u>
Tax due for the year	<u>(64,816,125)</u>	<u>120,038,732</u>
Tax paid during the year	<u>(140,000,000)</u>	<u>(205,566,036)</u>
	<u>(204,816,125)</u>	<u>(85,527,304)</u>

MABOTO ENTERPRISES LIMITED

NOTES TO SUPPORT THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31/12/2019

8	OTHER OFFICE EXPENSES	shs	shs
	Recruitment	-	4,822,553
	Accommodation for new staff	2,298,000	1,847,000
	Workmen compensation	23,997,400	14,199,430
	Office cleaning	11,647,500	12,037,500
	Fire fee	2,428,000	-
	Rent for employees	5,911,300	-
	Service Levy	10,939,192	-
	Withholding tax & stamp duty	7,264,076	-
	Staff refreshments	13,900,000	1,637,400
		<u>78,385,468</u>	<u>34,543,883</u>
9	ACCRUED EXPENSES	2019 Tshs	2018 Tshs
	Unpaid office rent	120,000,000	60,000,000
	Audit fees	6,000,000	5,000,000
	Pension contributions	17,275,200	14,981,000
	Overdeducted loans	28,977,350	45,714,208
	PAYE	-	11,383,000
	Skills and Development Levy	-	5,538,735
		<u>172,252,550</u>	<u>142,616,943</u>
10	ADMINISTRATION EXPENSES	Tshs	Tshs
	staff costs	6 504,157,250	336,031,600
	Security guard	5,313,000	3,084,000
	Stationaries and printings	32,426,850	22,815,806
	Utilities	3 59,569,436	38,747,700
	Marketing & Promotions	133,394,500	35,850,000
	Office rent	113,836,000	96,442,800
	Other office expenses	8 78,385,468	24,543,883
	Trading licence	43,000,000	32,200,000
	Repairs & maintenance -buildings& equipm	5 40,106,550	31,619,500
	donation & contribution to the public	6,700,000	-
	Data collection expenses	38,285,000	-
	office expenses	34,997,000	
	Auditors remuneration	7,500,000	5,000,000
		<u>1,097,671,054</u>	<u>626,335,289</u>
11	SELLING & DISTRIBUTION EXPENSES	Tshs	Tshs
	Travelling	94,770,650	19,022,800
	Motor vehicle running	36,800,600	25,811,000
		<u>131,571,250</u>	<u>44,833,800</u>

MABOTO ENTERPRISES LIMITED

NOTES TO SUPPORT THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31/12/2019

12	FINANCE COSTS	Tshs	Tshs
	Bank	41,150,734	45,827,931
	Loan processing fee - Self MF	30,000,000	-
		<u>71,150,734</u>	<u>45,827,931</u>

13	DIRECTOR'S REMUNERATION	Tshs	Tshs
	Robert Chacha Maboto	36,000,000	36,000,000
	Schola Robert Maboto	24,000,000	24,000,000
		<u>60,000,000</u>	<u>60,000,000</u>

14	ACCOUNTS RECEIVABLE		
	Amounts due from customers	28,238,637,861	6,856,614,174
	Prepaid rents	20,800,000	20,800,000
		<u>28,259,437,861</u>	<u>6,877,414,174</u>

15 BONUS SHARES ISSUE
The directors declared bonus issue of shares worthy tshs.800,000,000/=(eight hundred million) from the retained earnings at the end of the year.

16 CORRECTION OF ERRORS

It has been noted that accounts receivable were understated in the previous years, hence the understatement has been corrected as under:-

		shs
	Balance as at 31st December, 2018	6,856,614,174.00
	Loans issued during the year 2019	19,093,991,136.00
		<u>25,950,605,310.00</u>
	Loans recovered through bank during the year	(18,111,050,432.00)
	Balance	7,839,554,878.00
	The amount understated in previous years	21,074,043,862.37
	The actual balance as at 31/12/2019	<u>28,913,598,740</u>
	Less Bad debts	
	Deceased customers	207,686,447
	Provision for bad debts	
	Ghost workers	50% 934,548,865
		<u>467,274,432.50</u>
		<u>28,238,637,861</u>

17 INTEREST CALCULATION

		Related parties
	Loans issued during the year 2019	shs 6,302,580,156
	Interest rate	2%
	Interest Expense	<u>126,051,603</u>

NON CURRENT ASSETS AND DEPRECIATION SCHEDULE FOR THE YEAR ENDED 31 ST DECEMBER, 2019

s/n	Class of asset	C O S T			D E P R E C I A T I O N			Net book Value	
		1/1/2019 shs	Additions shs	31/12/2019 shs	Previous shs	Current shs	Rates	31/12/2019 shs	31/12/2018 shs
1	LAND House at Burunda	32,344,043	-	32,344,043	1,702,318	1,617,202	0.050	30,726,841	32,344,043
3	MOTOR HEVICLES Vehicles	11,249,828	-	11,249,828	6,749,897	4,218,686	0.375	7,031,143	11,249,828
	T 339 DHU	5,859,375	-	5,859,375	3,515,625	2,197,266	0.375	3,662,109	5,859,375
	T 178 DHP V/W	9,765,625	-	9,765,625	5,859,375	3,662,109	0.375	6,103,516	9,765,625
	T 540 DGP Almphard	7,812,500	-	7,812,500	4,687,500	2,929,688	0.375	4,882,813	7,812,500
	T 339 cxq Kluger	3,330,177	-	3,330,177	1,998,106	1,248,816	0.375	2,081,361	3,330,177
	T 642 DPC Carina	7,812,500	-	7,812,500	4,687,500	2,929,688	0.375	4,882,813	7,812,500
	Motor Cycles	-	13,850,000	13,850,000	-	5,193,750	0.375	8,656,250	-
		45,830,005	13,850,000	59,680,005	27,498,003	22,380,002		37,300,003	45,830,005
4	ICT & OTHER EQUIPMENTS CCTV Cameras	12,500,000	17,000,000	12,500,000	7,500,000	4,687,500	0.375	7,812,500	12,500,000
	System server	-	17,000,000	17,000,000	-	6,375,000	0.375	10,625,000	-
	Computers & Printers	9,735,810	16,650,000	26,385,810	5,841,486	9,894,679	0.375	16,491,131	9,735,810
		22,235,810	33,650,000	55,885,810	13,341,486	20,957,179		34,928,631	22,235,810
5	FURNITURE AND FITTINGS Furniture & fittings	52,597,870	16,610,000	69,207,870	7,513,981	8,650,984	0.125	60,556,886	52,597,870
		52,597,870	16,610,000	69,207,870	7,513,981	8,650,984		60,556,886	52,597,870
	GRAND TOTAL	153,007,729	64,110,000	217,117,728	50,055,789	53,605,367		163,512,362	153,007,729