

GRAVITA TANZANIA LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

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COMPANY INFORMATION

REGISTERED OFFICE AND
PRINCIPAL PLACE OF BUSINESS

Region Pwani, District Kibaha CBD,
Ward Visiga, Postal code 61110,
Street Zegerani, Road Bagamoyo ,
Plot number 7, Block number A,
House number 1

AUDITORS

Green Mark International
Certified Public Accountants,
Urafiki Flats/ Along Morogoro Road,
Block E Room No.17, Ground Floor
P. O. Box 12172
Dar es Salaam, Tanzania.

COMPANY SECRETARY

Nareshkumar Khushalbhai Gohel,
India

BANKERS

NMB Bank Plc,
P. O. Box 9213 ,
Dar es Salaam, Tanzania.

COMPANY REGISTRATION NUMBER

139500

LIST OF ABBREVIATIONS

IAS	International Accounting Standards
IASB	International Accounting Standards Board
ICT	Information Communication Technology
IFRS	International Financial Reporting Standards
ISA	International Standard on Auditing
IT	Information Technology
USD	United States Dollar
TZS	Tanzanian Shilling

DIRECTORS REPORT

1. INTRODUCTION

The Directors present their report together with the audited financial statements of the Company for the year ended 31 March 2020.

2. PRINCIPAL BUSINESS ACTIVITIES

The principal activity of the company is to undertake recycling of lead scrap batteries, aluminium and plastic scrap for export within a standalone factory. The company has been awarded an EPZA certificate as government incentive in fulfilling its intentions.

3. INCORPORATION

The Company was incorporated in the United Republic of Tanzania under Companies Act of 2002 as a private company limited by shares with registration number 139500.

4. FINANCIAL RESULTS

The financial results for the period are set out on page 9 of the financial statements. The company made a profit of TZS 2,195 Million for the year ended 31 March 2020

5. DIRECTORS

The directors of the company at the date of this report all of whom have been in office since the beginning of the reporting period, unless otherwise stated are:

SN	Name	Nationality	Position
1	Manesh Kumar Jangir	Indian	Director
2	Naresh Kumar Khulshallbhai Gohel	Indian	Director

6. SHAREHOLDING STRUCTURE

SN	Name	Number	Percent
1	Gravita Netherland Bv (1980)	419,900	99.98%
2	Gravita Global PTE ltd	100	0.02%

7. DIVIDENDS

The Directors do not propose any payment of dividend for the year ended 31st March 2020.

8. DIRECTORS' INTEREST

During the year, no conflict of interest existed between the Directors and the Company. The details on related party transactions are disclosed in note 19 of these financial statements.

9. EMPLOYEES' WELFARE

The company communicates with its employees through regular management and staff meetings and through circulars and in-house newsletters.

A training program is drawn up every year to cater for all grades of staff. Training is mainly conducted in-house.

10. CORPORATE GOVERNANCE

The Board of Directors of the company is responsible for ensuring that the company complies with the laws of Tanzania as well as the highest standards of corporate governance and universally accepted business ethics.

11. RISK MANAGEMENT AND INTERNAL CONTROL

i) Risk and internal control assessment

The Company has an enterprise risk management procedures that outlines roles and responsibilities of various officers in the risk management process. Plans are currently underway to develop risk management operational guidelines (manual) for the day-to-day management of risks. In addition, the audit function assists management with risks assessment and mitigation.

ii) Safeguarding of Company's Assets

The Directors are responsible for safeguarding the assets of the Company. There are control documents reviewed from time to time to align them to the dynamics of the operating environment of the company. During the year under review, no incident of loss of Company's Assets was recorded.

iii) Compliance with Laws and Regulations

The principal functions and operations of the Company are governed by the Company Act 2002, the Income Tax Act 2004 and its Regulation 2004.

The Directors confirm that the activities and operations of the Company were conducted in accordance with the stipulated laws and guidelines. The Directors are not aware of non-compliance with other applicable laws and regulations that would have material impact on the Company.

iv) Reliability of Accounting Records

The Company has competent staff who have adequate experience with the financial environment. Proper books of accounts have been maintained and the financial statements are prepared and presented in compliance with the International Financial reporting Standards (IFRS).

12. ADMINISTRATIVE EFFICIENCY

The current company's management has requisite skills and competence is therefore capable of handling all administrative matters efficiently.

13. SOLVENCY

The director confirms that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis. The directors have reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company had a liability at 31st March 2020 amounting to TZS 7,560 Million and a total assets was TZS 9,874 Million.

The Company's state of affairs as at 31 March 2020 is shown in the accompanying statement of financial position. The Directors consider the Company to be solvent on the basis of the working capital position.

14. AUDITORS

The auditors, Green Mark International have expressed their willingness to continue in office and are eligible for re-appointment. A resolution proposing their re-appointment as the company's auditors for the subsequent year will be put to the Annual General Meeting.

BY ORDER OF THE BOARD



Date 18.06.2020



STATEMENT OF DIRECTORS RESPONSIBILITY

The Companies Act, 2002 requires the directors to prepare financial statements for each financial period, which give a true and fair view of the state of affairs of the company as at the end of the financial period and of its operating results for that period. It also requires the directors to ensure that the company keeps proper accounting records, which disclose with reasonable accuracy at any time the financial position of the company. The directors are also responsible for safeguarding the assets of the company.

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 the requirements of the Companies Act 2002, and for such internal controls as directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors accept responsibility for the period's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Companies Act, 2002. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company 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 adequate systems of internal financial control.

Nothing has come to the attention of the directors to indicate that the Company will not remain a going concern for at least twelve months from the date of this statement.



Date 18.06.2020

DECLARATION OF THE HEAD OF FINANCE

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

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

I Mussa Loyde, being Head of Finance of GRAVITA TANZANIA LIMITED hereby acknowledges responsibility of ensuring that financial statements for the year ended 31 December 2020 have been prepared in compliance with the International Financial Reporting Standards (IFRS) and the Companies Act No 12 of 2012.

I thus confirm that the financial statements give a true and fair view position of GRAVITA TANZANIA LIMITED as on that date and that they have been prepared based on properly maintained financial records.

Signed by:



Name: CPA Mussa Loyde
Position: Senior Accountant
NBAA Membership No: GA 4809

Date: 18.06.2020



Green Mark International

Certified Public Accountants and Auditors
Unlocking business potential

Auditing . Accounting . Tax . Management Consultancy and Assurance Services

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Tel: +255 742 208193 / 755 986589
Email: info@greenmarkinternational.com

Independent auditor's report

To the Gravita Tanzania Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of Gravita Tanzania Limited as at 31 March 2020 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act, CAP 212 Act No. 12 of 2002.

What we have audited

The financial statements of Gravita Tanzania Limited are set out on pages 9 to 26 comprise:

- the statement of financial position as at 31 March 2020;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements of the National Board of Accountants and Auditors (NBAA) that are relevant to our audit of the financial statements in Tanzania. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act, CAP 212 Act No. 12 of 2002, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the 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 financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgement 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, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's 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 the 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, CAP 212 Act No. 12 of 2002 and for no other purposes.

As required by the Companies Act, CAP 212 Act No. 12 of 2002, we are also required to report to you if, in our opinion, the Directors' Report 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.

Signed by  **Greenmark International**
Certified Public Accountants (cpa)
and Auditors
P.O. Box 12177, Dar-es-Salaam

CPA John Muyegeta

ACPA PP No 2914

For and on behalf of Green mark international

Certified Public Accountants

Date 18.06.2020

Dar es Salaam

Statement of profit or loss and other comprehensive income

		2020	2019
	Note	TZS "000"	TZS "000"
Revenue	5a	18,357,600	-
Cost of sales	6	<u>(13,225,500)</u>	-
Gross profit		5,132,100	-
Other Income	5b	-	11,636
Staff Cost	7	(853,900)	(145,292)
Administrative expenses	8	(2,012,100)	(286,355)
Finance costs	9	<u>(70,400)</u>	(54,272)
Profit before tax expense		2,195,700	(474,283)
Tax expense		<u>-</u>	
Profit for the year		<u>2,195,700</u>	(474,283)

Date 18.06.2020

The notes on pages 13 to 26 are an integral part of these financial statements.

GRAVITA TANZANIA LIMITED
REPORT AND FINANCIAL STATEMENTS
AS AT 31 MARCH 2020

Statement of financial position as at 31 March 2020

		2020 TZS"000"	2019 TZS"000"
	Note		
ASSETS			
Non-current assets			
Property, plant and equipment	10	4,649,300	3,012,702
Current assets			
Advance tax paid		-	-
Inventories	11	4,616,200	1,716,430
Trade and other receivables	12	17,600	509,841
Cash at bank and in hand	13a	517,200	197,147
Other current financial assets	13b	73,800	54,992
		5,224,800	2,478,410
Total Assets		9,874,100	5,491,113
EQUITY AND LIABILITY			
Equity			
Share capital	16	592,400	592,400
Retained earnings		1,721,417	(474,283)
		2,313,817	118,117
Liabilities			
Noncurrent liabilities			
Borrowings	17	-	1,275,565
Current liabilities			
Trade and other payables	14	7,560,283	3,636,378
Borrowings	17	-	461,053
		7,560,283	4,097,431
Total liabilities		7,560,283	5,372,996
Total Equity and Liabilities		9,874,100	5,491,113

The notes on pages 13 to 26 are an integral part of these financial statements.

GRAVITA TANZANIA LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

Statement of changes in equity

	Share capital TZS "000"	Retained earnings TZS "000"	Total TZS "000"
Capital at Incorporation	592,400	-	592,400
Loss for the year		(474,283)	(474,283)
At 31 March 2019	592,400	(474,283)	118,117
Capital at Incorporation	592,400	-	592,400
Profit for the year		(1,721,417)	(1,721,417)
At 31 March 2020	592,400	(1,721,417)	2,313,817

The notes on pages 13 to 26 are an integral part of these financial statements.

Statement of cash flow

	2020 TZS "000"	2,019 TZS "000"
Cash flow from operating activities		
Net profit for the year	2,195,700	(474,283)
Adjusted for		
Depreciation	281,200	23,562
	1,914,500	(450,721)
Cash flow from working capital		
(Increase)/decrease in stock		(1,716,430)
(Increase)/decrease in Other Current Assets	(2,899,770)	(54,992)
(Increase)/decrease in Receivables	(18,808)	(509,840)
Increase in creditor and accruals	492,241	3,636,378
Increase/(decrease) in Provision	4,120,804	-
	1,694,467	1,355,115
Cash flow generated from operation activities	220,033	904,394
Tax paid during the year	-	-
Tax adjustments in respect of prior years		
Net cash utilized in operation	220,033	904,394
Cash flow from investing activities		
Purchases of fixed assets	(1,636,598)	(3,036,266)
Cash flow from financial activities		
Unsecured loans	1,736,618	1,736,618
Equity Capital	-	592,400
	1,736,618	2,329,018
Net Charges in cash & cash equivalent	320,053	197,147
Cash and cash equivalent at 31.12.2019	197,147	-
Cash and cash equivalent at 31.12.2020	517,200	197,147

The notes on pages 13 to 26 are an integral part of these financial statements

Notes

1 General information

GRAVITA TANZANIA LIMITED is a limited liability company incorporated in Tanzania under the Companies Act 2002. The addresses of its registered office and principal place of business are disclosed in the corporate information page of this report. The principal activities of the company are described in the report of the directors.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements of GRAVITA TANZANIA LIMITED have been prepared in accordance with the International Financial Reporting Standards (IFRSs) and its interpretations adopted by the International Accounting Standard Board (IASB). The financial statements have been prepared on going concern basis under the historical cost convention except where otherwise stated in the accounting policies below. The financial statements are presented in Tanzania Shillings (TZS), rounded to the nearest thousand.

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

Changes in accounting policy and disclosures

(i) New and amended standards adopted by the company

The following standards and amendments have been applied by the company for the first time for the financial year beginning 1 January 2016:

- IFRS 13 confirms that short-term receivables and payables can continue to be measured at invoice amounts if the impact of discounting is immaterial.
- IFRS 13 – clarifies that the portfolio exception in IFRS 13 (measuring the fair value of a group of financial assets and financial liabilities on a net basis) applies to all contracts within the scope of IAS 39 or IFRS 9
- IAS 16 and IAS 38 – clarifies how the gross carrying amount and accumulated depreciation are treated where an entity measures its assets at revalued amounts
- IAS 24 – where an entity receives management personnel services from a third party (a management entity), the fees paid for those services must be disclosed by the reporting entity, but not the compensation paid by the management entity to its employees or directors.
- IAS 40 – clarifies that IAS 40 and IFRS 3 are not mutually exclusive when distinguishing between investment property and owner-occupied property and determining whether the acquisition of an investment property is a business combination.

Notes (continued)

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

(ii) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the company, except the following set out below.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The company is yet to assess IFRS 9's full impact.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The company is assessing the impact of IFRS 15.

Notes (continued)

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

(ii) New standards and interpretations not yet adopted (continued)

IFRS 16, 'Leases' sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. In the new standard, lessees will be required to recognise assets and liabilities arising from all leases (with limited exceptions) on the balance sheet. The model reflects that, at the start of a lease, the lessee obtains the right to use an asset for a period of time and has an obligation to pay for that right. Exceptions have been provided for short-term leases (less than 12 months), and leases for which the underlying asset is of low value (such as laptops and office furniture). A lessee will be required to measure lease liabilities at the present value of future lease payments and recognise an equivalent lease assets including costs directly related to entering into the lease. Lease assets will be amortised in a similar way to other assets such as property, plant and equipment. This approach will result in a more faithful representation of a lessee's assets and liabilities and, together with enhanced disclosures, will provide greater transparency of a lessee's financial leverage and capital employed. Lessor accounting has not substantially changed in the new standard. IFRS 16 supersedes IAS 17, 'Leases', IFRIC 4, 'Determining whether an Arrangement contains a Lease', SIC 15, 'Operating Leases – Incentives' and SIC 27, 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. The standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted.

IAS 1, 'Presentation of financial statements' These amendments are as part of the IASB initiative to improve presentation and disclosure in financial reports. Effective for annual periods beginning on or after 1 January 2018.

Annual improvements 2018. These set of amendments, effective 1 January 2018, impacts 4 standards:

- IFRS 5, 'Non-current assets held for sale and discontinued operations' regarding methods of disposal.
- IFRS 7, 'Financial instruments: Disclosures', (with consequential amendments to IFRS 1) regarding servicing contracts.
- IAS 19, 'Employee benefits' regarding discount rates.
- IAS 34, 'Interim financial reporting' regarding disclosure of information

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the company.

Notes (continued)

(b) Functional currency translation

(i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The financial statements are presented in Tanzania Shillings that is the company’s functional currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency of the company using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are recognized in profit or loss within ‘foreign exchange gains and losses’. All other foreign exchange gains and losses are presented in the profit or loss within ‘other income’.

(c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable from export of recycled lead scraps of batteries, aluminium and plastics, stated net of value-added tax (VAT), returns, rebates and discounts.

The company recognises revenue when the amount of revenue can be reliably estimated, with conditions that it is probable that future economic benefits will flow to the company and when specific criteria have been met for each of these activities. The company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised as follows:

Sales are recognised in the period in which the company has exported recycled scraps materials to the customer, where the outcome of transaction can be estimated reliably. The outcome of transaction can be estimated with reliably when all conditions mentioned above are met.

However, there was no output ready for exportation during the current year as it is the year of business inception.

(d) Current and deferred income tax

The tax expense comprises of deferred income tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

Notes (continued)

(d) Current and deferred income tax (Continued)

a) Current income tax

The current income tax charge is calculated on the basis of the tax enacted or substantively enacted at the reporting date. The directors periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

b) Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(e) Equipment and motor vehicles

All Properties and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation on assets is calculated using both the straight-line and reducing balance method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Item	Rates %
Building - Factory	5%
Plant and Equipments	20%
Office Machines & Equipments	12.5%
Furniture & Fittings	12.5%
Computers and Accessories	37.5%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Notes (continued)

(f) Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventory is based on the first in first out (FIFO) principle and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

(g) Employee benefits

(i) *Statutory defined contribution pension scheme*

The company also contributes to a statutory defined contribution pension scheme, the National Social Security Fund (NSSF). Contributions are determined by local statute and are currently at 20% of the basic pay per employee per month in Tanzania.

(ii) *Other employee entitlement*

Employee entitlements to annual leave are recognised when they accrue to employees. Provision is made for the estimated liability in respect of annual leave accrued at the end of the reporting year.

(h) Financial assets

(i) Recognition

A financial instrument is a contract that gives rise to both a financial asset of one enterprise and a financial liability of another enterprise. The company recognises loans and receivables on the date when they are originated. These assets are initially recognised at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

(ii) Classification and measurement

The company classifies its financial assets into loans and receivables while financial liabilities are classified into other financial liabilities. Management determines the appropriate classification of its financial instruments at the time of purchase and re-evaluates its portfolio on a regular basis to ensure that all financial assets are appropriately classified.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the statement of financial position.

Other financial liabilities

Other financial liabilities are measured at amortised cost using the effective interest method. Other financial liabilities include trade payables and bank borrowings.

(h) Financial assets (Continued)

(iii) De-recognition

A financial asset is derecognised when the company loses control over the contractual rights that comprise that asset. This occurs when the rights are realised, expire or are surrendered. A financial liability is derecognised when it is extinguished, cancelled or expires.

(iv) Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported on the statement of financial position when there is a legally enforceable right to set-off the recognised amount and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(v) Fair value of financial assets and liabilities

Fair value of financial assets and financial liabilities is the price that would be received to sell an asset or paid to transfer a liability respectively in an orderly transaction between market participants at the measurement date.

(i) Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

(j) Trade receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment.

(k) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(n) Share capital

Ordinary shares are classified as share capital in equity.

(o) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other

short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

3 Critical accounting estimates and judgements

(i) Critical accounting estimates and assumptions

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Depreciation rates

The company depreciates its assets over their estimated useful lives, as more fully described in the accounting policy for property, plant and equipment. The estimation of the useful lives of assets is based on historic performance as well as expectations about future use and therefore requires a significant degree of judgement to be applied by management. The actual lives of these assets can vary depending on a variety of factors, including technological innovation, product life cycles and maintenance programmes.

Taxation

Judgment is required in determining the provision for income taxes due to complexity of legislation.

There are many transactions and calculations for which ultimate tax determination is uncertain during the ordinary course of business. The company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded such differences will impact the income tax and deferred tax provision in the period in which such determination is made.

(ii) Critical judgements in applying accounting policies

In the process of applying the company's accounting policies, directors have made judgements in determining:

- whether financial and non-financial assets are impaired.
- determination of net realisable value of inventories

Notes (continued)

4 Financial risk management objectives and policies

The company's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance.

The finance team under policies approved by the Board of Directors carries out financial risk management.

(a) Market risk

(i) Foreign exchange risk

The company transacts with other companies in currencies other than Tanzanian shillings (TZS) and is therefore subject to foreign exchange risk.

(ii) Price risk

The company does not hold any financial instruments subject to price risk.

(iii) Cash flow and fair value interest rate risk

The company does not hold any interest-bearing instrument hence it is not faced with interest rate risks.

(b) Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions as well as credit exposures to customers, including outstanding receivables and committed transactions. Credit risk is the risk that counterparty will default on its contractual obligations resulting in financial loss to the company.

The finance team manages credit risk. Credit risk arises from cash at bank and short-term deposits with banks, as well as trade and other receivables. The Company does not have any significant concentrations of credit risk.

For banks and financial institutions, only reputable well-established financial institutions are accepted.

The following table represents a worst-case scenario of credit risk exposure to the company at 31 March 2019.

Maximum exposure to credit risk	2020 TZS"000"	2019 TZS"000"
Cash in hand and at bank	517,200	197,147
Trade and other receivables	17,600	509,841
Securities with Vendors	73,800	54,992
	608,600	761,980

Notes (continued)

4 Financial risk management objectives and policies (continued)

(c) Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

The company ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The table below analyses the company's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts, as the impact of discounting is not significant.

	2020
	TZS'000
Liabilities less than 1 year	
Trade and other payables	7,560,283

(d) Capital risk management

The Company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

Notes (continued)

	2020 TZS "000"	2019 TZS "000"
5 Revenue		
Sales from Operations	18,357,600	-
Other Income		
Exchange Gain	-	11,636
6 Cost of Sales		
Purchases	13,225,500	-
7 Staff Cost		
Salaries & Wages	7,62,300	73,792
Salary Bonus	28,800	3,661
Leave Encashment Emp.	-	3,120
NSSF employer contribution	-	1,716
SDL expenses	-	513
WCF Contribution	-	172
Work Permit Expenses	-	47,401
Medical Expense-Staff	-	273
Staff Meal	-	10,069
Staff Welfare	62,800	4,574
	853,900	145,292
8 Administration Expenses		
Audit Fees	-	160
Advertising and sales promotion	53,900	85,047
Depreciation	281,200	23,562
Electricity Expense-Guest House	174,600	2,190
Guest House Expense	-	10,794
Guest House Rent	62,100	43,237
HARDSHIP ALLOWANCE	-	2,333
Internet Exp. Site Wi-Fi	-	550
Telephone Expenses	16,000	2,107
Travelling and Conveyance	192,600	94,792
Printing and Stationery	3,900	859
Office Maintenance Exp.	-	545
Repair & Maintenances-Vehicle	265,500	465
Vehicle Expenses	26,200	9,364
Security Expenses	-	5,318
Shipping & Do Charges	-	31
Testing Expenses	-	5,000
Professional Fees	18,800	
Insurance	3,100	
Miscellaneous Expenses	914,200	
	2,012,100	286,355
9 Finance Cost		
Interest on Loan	70,400	44,582
Bank charges	-	9,690
	70,400	54,272

Notes (continued)

10. Noncurrent assets	Capital Work in Progress	Land	Buildings- factory	Plant & Machinery & Equipments	Office Equipments	Computers	Furniture & Fixtures	Vehicles	Total
Cost	2,502,044	386,361	52,285	32,501	4,081	1,531	613	33,289	3,012,702
At start of year									-
Additions		134,379	1,681,658	2,464,079	57,672	11,969	22,701	4,660	4,377,121
Disposals			(6,345)	(3,236)			(865)		(10,445,6)
At end of year	-	520,74	1,730,349	2,501,470	62,336	14,419	22,537	49,005	4,900,897
Accumulated depreciation									
At start of year									-
Annual depreciation	-	-	60,628	197,185	8,745	1,597	1,765	11,252	281,200
At 31 March 2020	<u>38,800</u>	<u>520,740</u>	<u>1,669,148</u>	<u>2,303,797</u>	<u>53,227</u>	<u>12,562</u>	<u>20,821</u>	<u>30,165</u>	<u>4,649,300</u>

Notes (continued)

	2020 TZS "000"	2019 TZS "000"
11 Inventories	4,616,200	1,716,430
12 Trade and other receivables		
Other Receivables	17,600	508,473
Prepaid Expenses	-	1,368
	17,600	509,841
13a Cash in hand and at bank		
Cash in hand	508,400	3,378
Cash at Bank	8,800	193,768
	517,200	197,147
13b Other Current Financial Assets		
Securities with Vendors	73,800	54,992
		54,992
14 Trade and other payables		
Trade payables	7,560,283	1,296,151
Staff provisions		20,174
Gravita Netherlands		81,724
Related part payables - Advance Received from Customers		2,238,329
		3,636,378
15 Borrowings		
Non current		
Unsecured Long Term Loan-Subsidiary Company		1,275,565
Current		
Unsecured Short Term Loan-Subsidiary Company		461,053
		1,736,618

Notes (continued)

16 Share capital	2020	2019
	TZS "000"	TZS "000"
Issued share Capital	<u>592,400</u>	<u>592,400</u>
17 Related Party transactions		
• Transactions and Balances		
- Advance from Customers		<u>2,238,329</u>

18 Subsequent Events

There were no significant events, which occurred subsequent to the year-end, which required disclosure in, or adjustment to the financial statements.

19 Contingent Liabilities

There was no contingent liabilities occurred during the year or subsequent to the year-end, which required disclosure or adjustment to the financial statements.

20 Capital Commitments

There were no capital commitments that existed at the year-end.