

NATIONAL INVESTMENTS PUBLIC LIMITED COMPANY
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

National Investments Public Limited Company
Annual report and financial statements
For the year ended 31 December 2020

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COMPANY INFORMATION

BOARD OF DIRECTORS	: Dr. Gideon H Kaunda	(Nationality)
	: Mrs. Joyce N Nyanza	Tanzanian
	: Eng. Ladslaus M Salema (Deceased 11 May 2020)	Tanzanian
	: Eng. Peter D Chisawillo	Tanzanian
	: Ms Anna John Baliyima	Tanzanian
MANAGEMENT	: Kinoni A. Wamunza : CEO (Retired on 2 nd February 2020)	Tanzanian
	: Arphaxad G. Masambu : CEO (Up to 31 December 2020)	Tanzanian
	: Mr. Erasto Ngamilaga : Chief Financial Officer and acting CEO	Tanzanian
REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS	: 11 Serengeti Road	
	: Mikocheni B	
	: P.O. Box 7465	
	: Dar Es Salaam	
INDEPENDENT AUDITOR	: Tanzania	
	: PKF Associates Tanzania	
	: P.O. Box 7323	
	: Dar Es Salaam	
COMPANY SECRETARY	: Tanzania	
	: Mr. Benjamin S Mwakagamba	
	: 11 Serengeti Road, Mikocheni B	
	: P.O. Box 7465	
PRINCIPAL BANKERS	: Dar Es Salaam	
	: Tanzania	
	: NMB PLC	
	: Bank House	
	: P.O. Box 9213	
	: Dar Es Salaam	
	: Tanzania	
	: Diamond Trust Bank Tanzania Limited	
	: Masaki Branch	
	: P.O. Box 115	
	: Dar Es Salaam	
	: Tanzania	

REPORT OF THE DIRECTORS

The Directors present their annual report and the audited financial statements for the year ended 31 December 2020, which discloses the state of affairs of the Company as of that date.

1. INCORPORATION

National Investments Public Limited Company (NICOL) is a publicly listed company incorporated in the United Republic of Tanzania under the Companies Act 2002 through certificate of incorporation No 41644 of 27 June 2001.

NICOL has an authorized share capital of TZS 200 billion divided into 1.6 billion shares of TZS 125 each.

NICOL's registered office is situated at 11 Serengeti Road, Mikocheni "B", P.O. Box 7465, Dar es Salaam, Tanzania.

2. PRINCIPAL ACTIVITY

The principal activity of the Company is to invest in shares of listed and unlisted companies, invest in bonds or other securities, establish and manage business enterprises in key sectors of the economy, such as manufacturing, financial services, telecommunications, agriculture, mining and other service sectors.

3. SUBSIDIARIES

National Investments Public Limited Company previously owned two subsidiary companies as detailed below:

Name of company	% of share holding	Status
Tanzania Meat Company Limited (TMCL)	51	To be liquidated*
Tanzania Fisheries and Development Company Limited (TFDCL)	100	Wound up**

*On 27th December 2019, the Minister of livestock and Fisheries took over the ownership of the assets of TMCL and took control of the management of TMCL which actions resulted in NICOL losing control and the right to consolidate the financial statements of TMCL. Subsequently, on 26 May 2020 it was advertised that following the 24 April 2020 TMCL shareholders meeting, a decision was made to liquidate TMCL.

**The activities of Tanzania Fisheries Development Company Limited (TFDC) were processing of Fish and its by-products for the export market. Due to its poor performance and dormancy for many years, the Board resolved that the company be liquidated and its assets be disposed off. The company was voluntarily wound up on 19 June 2019.

4. BOARD OF DIRECTORS

The names of Directors who held office during the year and to the date of this report are as follows;

Names	Designation	Date of appointment	Nationality
Dr. Gideon H Kaunda	Chairman	14-Apr-12	Tanzanian
Mrs. Joyce N Nyanza	Member	14-Apr-12	Tanzanian
Eng. Ladislaus M Salema (Deceased 11 May 2020)	Member	14-Apr-12	Tanzanian
Eng. Peter D Chisawillo	Member	02-Dec-17	Tanzanian
Ms Anna John Baliyima	Member	26-Oct-19	Tanzanian

Directors interest in the shares of the Company

The Directors who had an interest in the issued and paid up share capital of the Company as of year end as detailed below:

Names	No of shares
Dr. Gideon H Kaunda (Chairman)	19,752
Mrs. Joyce N Nyanza (Member)	30,000
Estate of the late Eng. Ladislaus M Salema	11,486
Eng. Peter D Chisawillo	10,770

REPORT OF THE DIRECTORS

5 SHAREHOLDERS OF THE COMPANY

The following is a list of shareholders who individually owned 0.5% or more of the shares of the Company as of year end.

Name of shareholders	%	2020	%	2019
		Number of shares		Number of shares
Public Service Social Security Fund	8.2%	5,666,670	8.2%	5,666,670
David Lang Ross	2.3%	1,560,373	1.8%	1,274,873
Ernest Saronga Massawe	1.2%	808,000	1.2%	808,000
Tanzania Posts Authority	1.2%	800,000	1.2%	800,000
Tim Sandeman Staermose	1.1%	784,500	0.9%	647,380
Mark William Njiu	1.0%	716,000	1.0%	716,000
Maheboob Jafferalli Ramji	0.6%	411,970	0.0%	-
General public	84.5%	58,417,657	85.7%	59,252,247
	100.0%	69,165,170	100.0%	69,165,170

6 STOCK EXCHANGE INFORMATION

The company is listed on the Dar es Salaam Stock Exchange (DSE). The share price as at 31 December 2020 was Tshs 185 (2019: Tshs 175). The market capitalisation as at 31 December 2020 was Tshs 12,795,556,450 (2019: Tshs 12,103,904,750).

Stock price changes are affected by the demand and supply of shares in the stock market. Changes in economic conditions, regulations and accounting standards can have an impact on corporate profits, which would result in stock price changes on at least a temporary basis.

7 GOING CONCERN

As of 31 December 2020, the Company realised a net profit of TZS 1.508 billion (2019: TZS 41.372 million).

The Company held investments in quoted instruments with a carrying value of TZS 80.997 billion (2019: TZS 83.699 billion) and treasury bonds with a carrying value of TZS 1.093 billion. The decrease in value of quoted shares arose out of the reduction in trading activities at the DSE and also due to disposal of some of the shares held in Tanzania Breweries Limited (TBL), with proceeds being reinvested in government bonds. The quoted instruments can be readily liquidated in order to settle the company's finance obligations as and when they fall due, hence the realization of assets and settlement of liabilities will occur in the ordinary course of business.

Consequently, these financial statements have been prepared on the going concern basis.

8 FINANCIAL PERFORMANCE

	2020	2019
	TZS.'000	TZS.'000
Profit before tax	1,683,367	167,369
Tax charge	(175,312)	(125,997)
Profit for the year	1,508,055	41,372

The Board is implementing investments portfolio diversification in order to boost and improve profitability of the Company as advised by the shareholders during the 5th Annual General Meeting. The objective of the company's business model for managing the financial equity assets was changed to having these held for trading and some of the equity investments were disposed off to take advantage of the higher yields in the government bonds market.

The results for the year are set out on page 12.

REPORT OF THE DIRECTORS

9 DIVIDENDS

During the year 2020, the Directors recommended payment of a final dividend of TZS 10 per share (2019: TZS 6) amounting to TZS 477,720,000 (2019: TZS 414,991,000) out of the profits for the year 2020 and 2018 respectively. The payment of the dividend was approved at the 6th AGM and paid on 14th December 2020 for the verified shares.

10 STATE OF AFFAIRS

The Company's state of affairs as at 31 December 2020 is set out on page 13 of these financial statements.

11 ADMINISTRATIVE MATTERS

The Company administrative matters are handled by the Board of Directors with delegated responsibility to management.

12 EMPLOYEE MATTERS

Management/employee relationship

Management/employees relationship continued to be good during year. The Company's employment terms are reviewed annually in consultation with the workers trade union representatives to ensure they continue to meet statutory and market conditions.

The Company communicates with its employees through regular management and staff meetings and through circulars and an in-house newsletter, which is published quarterly.

A training program is drawn up every year to cater for all grades of staff. Training is mainly conducted in-house. However, external institutions are used for specialized and executive training programs.

Retirement benefits

All eligible employees are members of the National Social Security Fund. The Company and staff each contribute 10% of the employees' gross salary. The Company has no further legal or constructive obligation to pay further top-up contributions.

Medical assistance

All staff and their dependents (spouse and up to four children) are availed medical services by the Company through an external service provider. Currently, NICOL staff obtains medical insurance services provided by the National Health Insurance Fund (NHIF).

13 RELATIONSHIP WITH STAKEHOLDERS

The Company continued to maintain good relationships with all stakeholders including regulators.

The Company also recognizes that effective communication with stakeholders is essential to good governance. Following the publication of its financial results, the Company engages with investors to present the results and answer questions accordingly. Shareholders are encouraged to attend the Annual General Meeting and participate in the affairs of the Company.

REPORT OF THE DIRECTORS

14 CORPORATE GOVERNANCE

The Company is committed to the highest standards of corporate governance. Its governance structure is flexible enough to adapt to changes in the internal and external environment and the Company strives to regularly review its processes, rules and regulations and structure with a view to ensuring the best performance and overall management of its business. The Company adheres to good standards and practices of corporate governance.

The Company's key aspects of corporate governance include:

The Board of Directors

The Directors are appointed by the shareholders at the Annual General Meeting for a term of four (4) years. The Directors are eligible for re-appointment as long as the appointment is approved by the shareholders. The Board is responsible and accountable to shareholders for ensuring that NICOL complies with all relevant laws and the highest standards of corporate governance and business ethics.

The Board provides the overall strategic direction, reviews performance and takes material policy decisions. Responsibility for implementing strategy and the day to day operations is delegated by the Board to the Chief Executive Officer (CEO). The Board meets regularly to review all policy issues pertaining to operations and effectiveness of internal control and general financial matters, throughout the year.

Board Meetings

The Company is committed to the principles of effective corporate governance and recognizes the importance of integrity, transparency, and accountability. During the year, the Board had the following board sub-committees to ensure a high standard of corporate governance:

- i. Board Executive Committee (BEC).
- ii. Board Investment Committee (BIC).
- iii. Board Finance and Audit Committee (BFAC).

During the year, there were 11 board meetings, and 9 Executive Committee meetings, 2 Board Investment Committee meetings and 4 Board Finance and Audit Committee meetings.

The following table shows the number of Board and Committee meetings held during the year and the attendance by directors.

DIRECTORS	BOARD (11)	BEC (8)	BFAC (4)	BINC (2)
Dr. Gideon H Kaunda	11	8	n/a	1
Mrs. Joyce N Nyanza	11	n/a	4	2
Eng. Peter D Chisawillo	10	8	n/a	2
Late Eng. Ladislaus Salema	3	n/a	n/a	-
Ms. Anna Baliyima	10	n/a	4	n/a

REPORT OF THE DIRECTORS

14 CORPORATE GOVERNANCE (CONTINUED)

Training

To enable the Company to discharge its corporate governance obligations effectively, the Company has a Budget for training programs meant to equip its directors, management and employees with the best functional skills required in a modern corporate entity.

15 RISK MANAGEMENT

The Company's risk taking, in an appropriate manner, is an integral part of business. Success relies on optimizing the trade-off between risk and reward. In the course of conducting its business, the Company is exposed to a variety of risks, including credit, market, operational, strategic and reputation risk.

The Company's risk management approach is that:

- All risks must be identified and managed, and that the returns must be commensurate with the risks taken, relative to the corporation's risk appetite;
- The effectiveness of risk management processes is ensured through formal governance and comprehensive regular reporting processes in a well-defined control environment; and
- It is the responsibility of each individual, relative to their position, to identify themselves with the declared priority of risk management, to recognise real or anticipated risk and to take appropriate action.

Risk management is guided by several principles, the most important being:

- The assignment of appropriate responsibility and accountability for all risks and resulting returns;
- The adoption of a framework for integrated risk management which applies across all business units and all risk types for the protection of the company's reputation;
- Formal risk governance processes.


16 RELATED PARTY TRANSACTIONS

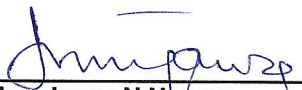
Details of transactions with related parties are disclosed in note 18 of the financial statements.

17 INDEPENDENT AUDITOR

PKF Associates Tanzania has expressed willingness to continue in office and is eligible for re-appointment. A resolution to re-appoint PKF Associates Tanzania, as auditor will be put to the Annual General Meeting.

BY ORDER OF THE BOARD


Dr. Gideon H Kaunda
Chairman


Mrs. Joyce N Nyanza
Director

10/05/ 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Tanzania Companies Act, 2002 requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of its profit or loss for that year. It also requires the Directors to ensure that the Company keeps proper accounting records that are sufficient to show and explain the transactions of the Company; that disclose, with reasonable accuracy, the financial position of the Company and that enables them to prepare financial statements of the Company that comply with International Financial Reporting Standards and the requirements of the Tanzania Companies Act, 2002. The Directors are also responsible for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors accept responsibility for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards and in the manner required by the Tanzania Companies Act, 2002. They also accept responsibility for:

- i. Designing, implementing and maintaining such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- ii. Selecting and applying appropriate accounting policies;
- iii. Making accounting estimates and judgements that are reasonable in the circumstances;

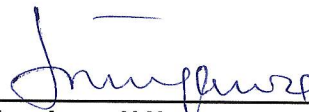
The Directors are of the opinion that the financial statements give a true and fair view of the financial position of the Company as at 31 December 2020 and of the Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Tanzania Companies Act, 2002.

In preparing these financial statements, the Directors have assessed the Company's ability to continue as a going concern. Nothing 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.

The Directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibilities.

Approved by the Board of Directors on 10/05/ 2021 and signed on its behalf by:


Dr. Gideon H Kaunda
Chairman


Mrs. Joyce N Nyanza
Director

DECLARATION OF THE HEAD OF FINANCE/ACCOUNTING OF NATIONAL INVESTMENTS PUBLIC LIMITED COMPANY

The National Board of Accountants and Auditors (NBAA) according to the powers 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 a true and fair view of the entity's position and performance in accordance with International Financial Reporting Standards and statutory financial reporting requirements.

Full legal responsibility for the preparation of financial statements rests with the Board of Directors as detailed under the Directors Responsibility statement on the previous page.

In regard thereof, I **Erasto G. Ngamilaga** being the Head of Finance/Accounting of National Investments Public Limited Company hereby acknowledge my responsibility of ensuring that the Company's financial statements for the year ended 31 December 2020 have been prepared in compliance with applicable accounting standards and statutory requirements.

I thus confirm that the financial statements give a true and fair view position of National Investments Public Limited Company as on that date and that they have been prepared from properly maintained financial records.

Signed by: 

Position: CHIEF FINANCIAL OFFICER.

NBAA Membership No.: 1878

Date: 10/05/2021

**REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF NATIONAL INVESTMENTS PUBLIC LIMITED COMPANY**

Opinion

We have audited the Company financial statements of National Investments Public Limited Company, set out on pages 12 to 37 which comprise the statement of financial position as at 31 December 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the Company's financial position as at 31 December 2020, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the Tanzania Companies Act, 2002.

Basis for opinion

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

Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matter described below to be a key audit matter to be communicated in our report.

Ministry of Livestock and Fisheries takeover of the company's former subsidiary, Tanzania Meat Company Limited (TMCL)

We have considered the takeover of the company's former subsidiary company, TMCL by the Ministry of Livestock and Fisheries on 27 December 2019 and the subsequent decision on 24 April 2020 to liquidate TMCL as described in Note 27 to the financial statements to be a key audit matter.

How the key audit matter was addressed in the audit

We addressed this matter through review of correspondences with the Ministry of Livestock and Fisheries, Board of Directors meeting minutes review and performance of subsequent events review procedures.

Other information

The Directors are responsible for the other information. The other information comprises the Directors' report, the declaration of head of finance, and the schedule of expenditure but does not include the financial statements and our auditor's report 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.

Responsibilities of Directors for the Financial Statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRSs, and the requirement of the Tanzania Companies Act 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.

**REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF NATIONAL INVESTMENTS PUBLIC LIMITED COMPANY (CONTINUED)**

Responsibilities of Directors for the Financial Statements (continued)

In preparing the financial statements, the 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 the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 carried out in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Director's use of the going concern basis of accounting and based on the audit evidence obtained, assess 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 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entity or business activities of the Company to express an opinion on the financial statements. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

**REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF NATIONAL INVESTMENTS PUBLIC LIMITED COMPANY (CONTINUED)**

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless the law or regulations precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other matters prescribed by the Tanzania Companies Act, 2002

In our opinion the information given in the report of the directors on pages 2 to 6 is consistent with the financial statements.

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

- (i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- (ii) in our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books; and
- (iii) 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.



Certified Public Accountants Dar es Salaam

Date:11/05/.....2021

CPA (Mustansir Gulamhussein), Registration certificate No. TACPA 1810

Signing partner responsible for the independent audit

PKF Associates Tanzania

Ref: PKF/A/N013/052/21/mg

National Investments Public Limited Company
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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2020 TZS '000	2019 TZS '000
Investment income	2	3,558,578	2,492,138
Other income	3	-	335,899
Administrative expenses		(1,738,024)	(2,417,859)
Other operating expenses		<u>(137,187)</u>	<u>(171,035)</u>
Operating profit	4	1,683,367	239,143
Finance costs	6	<u>-</u>	<u>(71,774)</u>
Profit before taxation		1,683,367	167,369
Tax charge	7	<u>(175,312)</u>	<u>(125,997)</u>
Profit for the year		<u>1,508,055</u>	<u>41,372</u>
Other comprehensive income/(loss):			
Items that will not be reclassified subsequently to profit or loss:			
- Change in fair value of equity instruments designated as at fair value through other comprehensive income	19	(155,014)	(1,238,287)
- Loss on disposal of equity investments	21	<u>(677,672)</u>	<u>-</u>
Total comprehensive income/(loss)		<u>675,370</u>	<u>(1,196,916)</u>
Dividend:			
Declared dividends for the year:			
- Final	8	<u>(477,720)</u>	<u>(414,991)</u>
Earnings per share for profit attributable to the ordinary equity holders of the company:			
Basic earnings per share	11	<u>21.80</u>	<u>0.60</u>
Diluted earnings per share	11	<u>21.80</u>	<u>0.60</u>

The notes on pages 16 to 37 form an integral part of these financial statements

Report of the independent auditor - page 9 to 11.

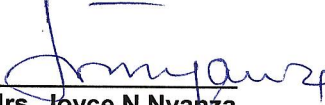
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STATEMENT OF FINANCIAL POSITION

	Notes	2020 TZS '000	2019 TZS '000
Equity			
Share capital	9	8,645,647	8,645,647
Share premium	10	647,342	647,342
Retained earnings		2,016,622	(828,472)
Available for sale investments reserve		71,548,081	74,195,526
Equity attributable to owners of the company		82,857,692	82,660,043
REPRESENTED BY			
Non-current assets			
Property, plant and equipment	12	1,658,463	1,739,795
Equity investments	19	80,997,055	83,699,181
Government securities	20	1,093,450	-
Investment in subsidiary	27	-	-
		83,748,968	85,438,976
Current assets			
Trade and other receivables	14	68,773	24,305
Cash and cash equivalents	15	769,106	72,638
		837,879	96,943
Current liabilities			
Trade and other payables	16	1,729,155	1,867,544
Other liability	13	-	1,008,332
		1,729,155	2,875,876
Net current liabilities		(891,276)	(2,778,933)
		82,857,692	82,660,043

The financial statements on pages 12 to 37 were approved and authorised for issue by the Board of Directors on 10/05/2021 and were signed on its behalf by:


Dr. Gideon H Kaunda
Director


Mrs. Joyce N Nyanza
Director

The notes on pages 16 to 37 form an integral part of these financial

Report of the independent auditor - page 9 to 11.

National Investments Public Limited Company
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STATEMENT OF CHANGES IN EQUITY

	Note	Share capital TZS '000	Share premium TZS '000	Available for sale investments reserve TZS '000	Retained earnings TZS '000	Total TZS '000
Year ended 31 December 2020						
At start of year		8,645,647	647,342	74,195,526	(828,472)	82,660,043
Profit for the year:		-	-	-	1,508,055	1,508,055
Other comprehensive income for the year, net of income tax:						
Fair value of disposed equity investments	19	-	-	(1,814,759)	1,814,759	-
Change in fair value of equity instruments designated as at fair value through other comprehensive income	19	-	-	(155,014)	-	(155,014)
Loss on disposal of equity investments	21	-	-	(677,672)	-	(677,672)
Transactions with owners:						
Dividends:						
- Final dividend for 2020	8	-	-	-	(477,720)	(477,720)
At end of year		8,645,647	647,342	71,548,081	2,016,622	82,857,692
Year ended 31 December 2019						
At start of year		4,730,153	4,562,836	75,433,814	(454,853)	84,271,949
Profit for the year:		-	-	-	41,372	41,372
Other comprehensive income for the year, net of income tax:						
Available for sale financial assets						
Net change in fair value of available for sale financial assets	19	-	-	(1,238,288)	-	(1,238,288)
Transactions with owners:						
Transfer to share capital	10	3,915,494	(3,915,494)	-	-	-
Dividends:						
-Final dividend for 2018	8	-	-	-	(414,991)	(414,991)
At end of year		8,645,647	647,342	74,195,526	(828,472)	82,660,043

The notes on pages 16 to 37 form an integral part of these financial statements
Report of the independent auditor - page 9 to 11.

National Investments Public Limited Company
Annual report and financial statements
For the year ended 31 December 2020

STATEMENT OF CASH FLOWS

	Notes	2020 TZS '000	2019 TZS '000
Operating activities			
Cash from operations	17	670,739	420,852
Tax paid		<u>(175,312)</u>	<u>(125,997)</u>
Net cash from operating activities		<u>495,427</u>	<u>294,855</u>
Investing activities			
Cash paid for purchase of property, plant and equipment	12	(13,446)	(18,490)
Proceeds from disposal of equity investments	20	1,869,440	-
Proceeds from disposal of property, plant and equipment		<u>-</u>	<u>871</u>
Net cash from/(used in) investing activities		<u>1,855,994</u>	<u>(17,619)</u>
Financing activities			
Repayments of borrowings		-	(400,000)
Cash paid for purchase of government bonds	20	(1,041,120)	-
Dividend paid		<u>(613,834)</u>	<u>(414,991)</u>
Net cash used in financing activities		<u>(1,654,954)</u>	<u>(814,991)</u>
Increase/(decrease) in cash and cash equivalents		<u>696,467</u>	<u>(537,756)</u>
Movement in cash and cash equivalents			
At start of year		72,638	610,394
Increase/(decrease) in cash and cash equivalents		<u>696,467</u>	<u>(537,756)</u>
At end of year	15	<u>769,106</u>	<u>72,638</u>

The notes on pages 16 to 37 form an integral part of these financial statements

Report of the independent auditor - page 9 to 11.

NOTES

1. SIGNIFICANT ACCOUNTING POLICIES

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

These financial statements comply with the requirements of the Tanzania Companies Act, 2002. The statement of profit or loss and statement of comprehensive income represent the profit and loss account referred to in the Act. The statement of financial position represents the balance sheet referred to in the Act.

a) Basis of preparation

The financial statements are prepared under the historical cost convention except as indicated otherwise below and are in accordance with International Financial Reporting Standards (IFRS). The historical cost convention is generally based on the fair value of the consideration given in exchange of assets. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the entity takes into account the characteristics of the asset or liability if market participants would take those characteristics into consideration when pricing the asset or liability at the measurement date.

In addition, for financial reporting purposes, fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Going concern

The financial performance of the company is set out in the Director's report and in the statement of profit or loss and the other comprehensive income. The financial position of the company is set out in the statement of financial position. Disclosures in respect of risk and capital management are set out in note 22 to 23.

Based on the financial performance and position of the company and its risk management policies, the Directors are of the opinion that the company is well placed to continue in business for the foreseeable future and as a result the financial statements are prepared on a going concern basis.

ii) 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.

- Conceptual Framework for Financial Reporting issued on 29 March 2018. 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 IAS 1 and IAS 8 Definition of Material (issued in October 2018). The amendments, applicable to annual periods beginning on or after 1 January 2020, clarify the definition of material and how it should be applied by including in the definition guidance that previously featured elsewhere in IFRS

NOTES (CONTINUED)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Basis of preparation (continued)

ii) New standards, amendments and interpretations adopted by the company

- Amendments to IFRS 3: Definition of a Business (issued in October 2018). The amendments, applicable to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period, clarify the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or an asset acquisition. These amendments had no impact on the financial statements of the company, but may impact future periods should the company enter into any business combinations.
- Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform (issued in September 2019). The amendments, applicable to annual periods beginning on or after 1 January 2020, 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 IFRS 16 Covid-19 Related Rent Concessions (issued on 28 May 2020). 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 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.

New standards, amendments and interpretations issued but not effective

At the date of authorisation of these financial statements, the following standards and interpretations, which have not been applied in these financial statements, were in issue but not yet effective for the year presented:

- Amendments to IAS 1 'Classification of Liabilities as Current or Non-current' (issued in January 2020), effective for annual periods beginning on or after 1 January 2023, clarify a criterion for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement for at least 12 months after the reporting date.
- Amendments to IAS 16 'Property, Plant and Equipment: Proceeds before Intended Use' (issued in May 2020), effective for annual reporting periods beginning on or after 1 January 2022 prohibit entities from deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.
- Amendments to IAS 37 'Onerous Contracts – Costs of Fulfilling a Contract' (issued in May 2020), effective for annual reporting periods beginning on or after 1 January 2022, specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

NOTES (CONTINUED)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New standards, amendments and interpretations issued but not effective (continued)

- Amendments to IFRS 3 Business Combinations - The amendments added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately. The amendments also clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.
- Amendment to IFRS 9 Financial Instruments 'Fees in the '10 per cent' test for derecognition of financial liabilities' (issued in May 2020), effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted, clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the and the lender, including fees paid or received by either the borrower or lender on the other's behalf.
- IFRS 17 'Insurance Contracts' (issued in May 2017), effective for annual periods beginning on or after 1 January 2023, establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. The company does not issue insurance contracts.

The directors do not expect that adoption of these standards and interpretations will have a material impact on the financial statements in future periods. The company plans to apply the changes above, if applicable, from their effective dates.

b) Significant accounting judgements, estimates and assumptions

In the application of the accounting policies, the Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other relevant factors. Such estimates and assumptions are reviewed on an on going basis. Revisions to estimates are recognised prospectively.

The Directors have made the following assumptions that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

- Measurement of expected credit losses (ECL):

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVTOCI is an area that requires the use of complex models and significant assumption about future economic conditions and credit behaviour.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

ECLs are measured as the probability-weighted present value of expected cash shortfalls over the remaining expected life of the financial instrument.

NOTES (CONTINUED)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Significant accounting judgements, estimates and assumptions (continued)

The measurement of ECLs are based primarily on the product of the instrument's Probability of Default (PD), Loss Given Default (LGD), and Exposure At Default (EAD).

The ECL model applied for financial assets, other than trade receivables, contains a three-stage approach that is based on the change in the credit quality of assets since initial recognition.

- Stage 1 - If, at the reporting date, the credit risk of non-impaired financial instruments has not increased significantly since initial recognition, these financial instruments are classified in Stage 1, and a loss allowance that is measured, at each reporting date, at an amount equal to 12-month expected credit losses is recorded.
- Stage 2 - When there is a significant increase in credit risk since initial recognition, these non-impaired financial instruments are migrated to Stage 2, and a loss allowance that is measured, at each reporting date, at an amount equal to lifetime expected credit losses is recorded. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a significant increase in credit risk since initial recognition, the ECL model requires reverting to recognition of 12-month expected credit losses.
- When one or more events that have a detrimental impact on the estimated future cash flows of a financial asset have occurred, the financial asset is considered credit-impaired and is migrated to Stage 3, and an allowance equal to lifetime expected losses continues to be recorded or the financial asset is written off.

Assessment of significant increase in credit risk: The determination of a significant increase in credit risk takes into account many different factors including a comparison of a financial instruments credit risk or PD at the reporting date and the credit or PD at the date of initial recognition. IFRS 9 however includes rebuttable presumptions that contractual payments that are overdue by more than 30 days will represent a significant increase in credit risk (stage 2) and contractual payments that are more than 90 days overdue will represent credit impairment (stage 3). The company uses these guidelines in determining the staging of its financial assets unless there is persuasive evidence available to rebut these presumptions.

For trade receivables, the company has applied the simplified model under IFRS 9 where lifetime expected credit loss allowance is recognised on the basis of a provisioning matrix.

Useful lives and residual values of property, plant and equipment, intangible assets and right-of-use assets

Management reviews the useful lives, depreciation method and residual values of the items of property, plant and equipment, intangible assets on a regular basis. During the financial year, the directors determined no significant changes in the useful lives and residual values.

Impairment of non-financial assets

Impairment exists when the carrying amount of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The carrying amounts of property, plant and equipment are disclosed in notes 12.

NOTES (CONTINUED)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Significant judgements made by management in applying the company's accounting policies

Directors have made the following judgements that are considered to have the most significant effect on the amounts recognised in the financial statements:

Revenue recognition - In making their judgement, the Directors considered the detailed criteria for the recognition of revenue from the sale of goods set out in IAS 18 and, in particular, whether the company had transferred to the buyer the significant risks and rewards of ownership of the goods. Following the detailed quantification of the company's liability in respect of rectification work, and the agreed limitation on the customers ability to require further work or to require the replacement of the goods, the Directors are satisfied that the significant risks and rewards have been transferred and that recognition of an appropriate provision for the rectification costs.

Held to maturity financial assets - The Directors have reviewed the company's held to maturity financial assets in the light of its capital maintenance and liquidity requirements and have confirmed the company's positive intention and ability to hold those assets to maturity.

Control of subsidiaries, associates and joint ventures - The Directors assess whether or not the company has control over any entity based on whether or not the company has the practical ability to direct the relevant activities of the entity unilaterally. In making their judgement, the directors considered the company's absolute size of holding in the entity and the relative size of dispersion of the shareholdings owned by the other shareholders.

Others may include: valuation of defined benefit obligations, recognition of deferred tax assets

d) Revenue recognition

The company recognises revenue as and when it satisfies a performance obligation by transferring control of a product or service to a customer. The amount of revenue recognised is the amount the Company expects to receive in accordance with the terms of contract, and excludes amounts collected on behalf of third parties, such as Value Added Tax, rebates and discounts.

i) Dividend income

Dividend income from investment is recognised when the shareholder's right to receive payment has been established.

ii) Interest income

Interest income from financial assets is recognised when its probable that the economic benefit will flow to the group and the amount of income can be measured reliably. Interest income is accrued by reference to time in relation to the principal outstanding and the effective interest rate applicable.

e) Property, plant and equipment

All property, plant and equipment is initially recorded at cost and thereafter stated at historical cost less accumulated depreciation. Historical cost comprises expenditure initially incurred to bring the asset to its location and condition ready for its intended use.

Freehold and leasehold land, buildings and plant and machinery are subsequently measured at fair value, based on periodic valuations less subsequent depreciation.

Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

NOTES (CONTINUED)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Property, plant and equipment (continued)

Increases in the carrying amount arising on revaluation are recognised in other comprehensive income and credited to revaluation reserve in equity except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. Decreases that offset previous increases of the same asset are charged to other comprehensive income; all other decreases are charged to profit or loss. Each year the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to profit or loss) and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

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 can be reliably measured. 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.

Leasehold land is not depreciated.

Depreciation is calculated on a straight line method to write down the cost of each asset to its residual value over its estimated useful life using the following annual rates:

	<u>Rate %</u>
Motor vehicles	25
Furniture, fittings and office equipment	25

The assets residual values and useful lives of assets and methods of depreciation are reviewed, and adjusted if appropriate, at each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds with the carrying amount and are taken into account in determining operating profit/loss. On disposal of revalued amounts in the revaluation reserve relating to the particular assets being disposed of are transferred to retained earnings in the statement of changes in equity.

f) Translation of foreign currencies

Transactions in foreign currencies during the year are converted into Tanzanian Shillings (the functional currency), at the rates ruling at the transaction dates.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign determined currency are translated using the exchange rates at the dates of the initial transactions.

The resulting differences from conversion and translation are dealt with in profit or loss in the year in which they arise.

g) Financial instruments

Financial instruments are recognised when, and only when, the company becomes party to the contractual provisions of the instrument. All financial assets are recognised initially using the trade date accounting which is the date the company commits itself to the purchase or sale.

NOTES (CONTINUED)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Financial instruments (continued)

- Financial assets

The company classifies its financial assets into the following categories:

i) Amortised cost;

Financial assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows, and for which the contractual terms of the financial asset give rise on specified dates to cash flows that are Solely Payments of Principal and Interest (SPPI) on the principal amount outstanding and are not designated at Fair Value Through Profit or Loss (FVTPL), are classified and measured at amortised cost; The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured.

ii) Fair Value Through Other Comprehensive Income (FVTOCI):

Financial assets that are held for collection of contractual cash flows where these cash flows comprise SPPI and also for liquidating the assets depending on liquidity needs and that are not designated at FVTPL, are classified and measured at fair value through other comprehensive income (FVTOCI). Movements in the carrying amount are taken through OCI, except for recognition of impairment gain or losses, interest revenue and foreign exchange gain and losses. Gains and losses previously recognised in OCI are reclassified from equity to profit or loss on disposal of such instruments. Gains and losses related to equity instruments are not reclassified.

iii) Fair Value Through Profit or Loss (FVTPL):

Financial assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measure at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the statement of profit or loss and other comprehensive income.

Notwithstanding the above, the Company may:

- on initial recognition of an equity investment that is not held for trading, irrevocably elect to classify and measure it at fair value through other comprehensive income
- on initial recognition of a debt instrument, irrevocably designate it as classified and measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

At initial recognition of a financial asset, the Company determines whether newly recognised financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Company reassess its business models each reporting period to determine whether the business models have changed since the preceding period. In 2020 the company's business model for the management of equity investments was changed to held for trading.

Derecognition/write off

Financial assets are derecognised when the rights to receive cash flows from the financial asset have expired, when the Company has transferred substantially all risks and rewards of ownership, or when the Company has no reasonable expectations of recovering the asset.

Impairment

Debt instruments that are subsequently measured at amortised cost or at impairment assessment. No impairment loss is recognised on investments measured at FVTPL.

NOTES (CONTINUED)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Financial instruments (continued)

Impairment (continued)

The Company recognises loss allowances for Expected Credit Losses (ECLs) on the following financial instruments that are measured at amortised cost or at fair value through other comprehensive income (FVTOCI):

- Cash and cash equivalents
- Trade and other receivables
- Other financial assets

No impairment loss is recognised on investments measured at FVTPL.

The loss allowance is measured at an amount equal to the lifetime expected credit losses for trade receivables and for financial instruments for which:

- the credit risk has increased significantly since initial recognition; or
- there is observable evidence of impairment (a credit-impaired financial asset).

If, at the reporting date, the credit risk on a financial asset other than a trade receivable has not increased significantly since initial recognition, the loss allowance is measured for that financial instrument at an amount equal to 12-month expected credit losses. All changes in the loss allowance are recognised in profit or loss as impairment gains or losses.

Lifetime expected credit losses represent the expected credit losses that result from all possible default events over the expected life of a financial instrument. 12-month expected credit losses represent the portion of lifetime expected credit losses that result from default events on a financial asset that are possible within 12 months after the reporting date.

Expected credit losses are measured in a way that reflects an unbiased and probability-weighted amount determined by evaluating a range of possible outcomes, the time value of money, and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

All financial assets are classified as non-current except those that are held for trading, those with maturities of less than 12 months from the balance sheet date, those which management has the express intention of holding for less than 12 months from the reporting date or those that are required to be sold to raise operating capital, in which case they are classified as current assets.

- Financial liabilities

Financial liabilities that are held for trading (including derivatives), financial guarantee contracts, or commitments to provide a loan at a below-market interest rate are classified and measured at fair value through profit or loss. The company may also, on initial recognition, irrevocably designate a financial liability as at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

All other financial liabilities are classified and measured at amortised cost.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

All financial liabilities are classified as non-current except those held for trading, those expected to be settled in the Company's normal operating cycle, those payable or expected to be paid within 12 months of the balance sheet date and those which the company does not have an unconditional right to defer settlement for at least 12 months after the balance sheet date.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Financial instruments (continued)

- Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

Offsetting financial instruments

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

h) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks, and financial assets with maturities of less than 3 months, net of bank overdrafts and money market lines.

In the statement of financial position, bank overdrafts are included within borrowings in current liabilities.

i) Interest cost

Interest is recognised on the time proportion basis, taking account of the principal debt outstanding and the effective rate over the period to maturity.

j) Borrowing costs

Borrowing cost is recognised as an expense in the year in which it is incurred, except to the extent that it is directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period to prepare for their intended use or sale. Borrowing costs directly attributable to these qualifying assets are capitalised as part of the costs of those assets.

To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount borrowing costs capitalised are the actual borrowing costs incurred on that borrowing during the year less any investment income on the temporary investment of those borrowings. To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs capitalised is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate applied is the weighted average of the borrowing cost applicable to costs applicable to the borrowings of the company that are outstanding during the year other than the borrowings made specifically for the purpose of obtaining a qualifying asset.

Capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted.

Capitalisation of borrowing costs ceases when the assets are substantially ready for their intended use or sale.

k) Taxation

The tax expense for the year comprises current. Tax is recognised in statement of profit or loss and other comprehensive income, except to the extent that it relates to items recognised in equity. In this case, the tax is also recognised in other comprehensive income or equity.

NOTES (CONTINUED)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) Taxation (continued)

Current tax

Current tax is provided on the results for the year, adjusted in accordance with tax legislation.

l) Employee entitlements

The estimated monetary liability for employees' accrued annual leave entitlement at the reporting date is recognised as an expense accrual.

m) Retirement benefit obligations

The company contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligations under this scheme are limited to specific contribution regulated from time and currently stated at 10% of the employee's gross pay. The company's contributions are charged to the statement of comprehensive income in the year to which they relate.

n) Share capital

Ordinary shares are classified as equity. Any premium received over and above the par value of the shares is classified as 'share premium' in equity.

o) Dividends

Proposed dividends are disclosed as a separate component of equity until declared.

Dividends are recognised as a liabilities in the period in which they are approved by the company's shareholders.

p) 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, where appropriate, the risks specific to the liability.

q) Earning per Share

The Company presents basic and diluted earning per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to shareholders of the Group and company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive.

r) Investment in subsidiary

Investment in subsidiary is recognised at cost less any accumulated impairment losses.

s) Comparatives

Where necessary, comparative figures have been reclassified to conform with changes in presentation in the current year.

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NOTES (CONTINUED)

	2020 TZS '000	2019 TZS '000
2. Investment income		
- Dividend income	3,506,248	2,458,152
- Interest income	52,330	33,986
	<u>3,558,578</u>	<u>2,492,138</u>
3. Other income		
Creditors written off - NICOL	-	309,853
Gain on disposal of furniture and fittings	-	374
Provisions written back	-	23,422
Miscellaneous income	-	2,250
	<u>-</u>	<u>335,899</u>
4. Operating profit		
The following items have been charged/(credited) in arriving at the operating profit		
Depreciation on property, plant and equipment (Note 12)	26,805	57,171
Auditor's remuneration	23,554	26,998
Creditors written off - NICOL	-	(309,853)
TMCL liquidation administrators costs	86,625	-
Impairment of receivable from TMCL	-	1,215,316
Legal and professional fees	122,189	92,673
Directors fees	57,300	54,000
Directors expenses	79,668	86,063
CEO bonus	61,546	56,944
Staff costs (Note 5)	<u>770,371</u>	<u>645,453</u>
5. Personnel expenses		
Salaries and wages	411,964	450,475
NSSF expenses	26,105	31,706
Gratuity	68,985	68,533
Recruitment expenses	9,587	-
Other staff costs (5.1)	<u>253,730</u>	<u>94,739</u>
	<u>770,371</u>	<u>645,453</u>
5.1 Other staff costs		
Training	2,750	1,280
Medical expenses	670	530
National health insurance fund (NHIF)	10,043	10,758
Skills and development levy (SDL)	16,699	16,537
Workers compensation fund (WCF)	4,299	4,088
Bonus (Note 18(i))	61,546	61,546
Terminal benefit (Note 18(i))	<u>157,722</u>	<u>-</u>
	<u>253,730</u>	<u>94,739</u>
6. Finance costs		
Net foreign exchange gain	-	(2,178)
Interest expenses on bank overdraft	-	61,402
Short term loan processing fee	-	12,550
	<u>-</u>	<u>71,774</u>

NOTES (CONTINUED)

7. Tax	2020 TZS '000	2019 TZS '000
Current tax		
5% final withholding tax on dividends earned	175,312	122,908
10% withholding tax on interest earned	-	3,090
	<u>175,312</u>	<u>125,997</u>
The tax on the profit before tax differs from the theoretical amount that would arise using the basic rate as follows:		
Profit before tax	<u>1,683,367</u>	<u>167,369</u>
Tax calculated at a tax rate of 30% (2019: 30%)	505,010	50,211
Tax effect of:		
- income not subject to tax	(505,010)	(50,211)
- effect of 5% final tax on dividend income	175,312	122,908
- effect of 10% final tax on interest income	-	3,090
	<u>175,312</u>	<u>125,997</u>
Tax Charge		
	<u>175,312</u>	<u>125,997</u>
8. Dividends		
Declared dividends	<u>477,720</u>	<u>414,991</u>
During the year 2020, the Directors recommended payment of a final dividend of TZS 10 per share (2019: TZS 6) amounting to TZS 477,720,000 (2019: TZS 414,991,000) out of the profits for the year 2020 and 2018 respectively. The payment of the dividend was approved at the 6th AGM and paid on 14th December 2020 for the verified shares.		
Dividends are not recognised as a liability until they have been approved at the Annual General Meeting.		
Payment of dividends is subject to withholding tax at the rate of 5%.		
9. Share capital	2020 TZS '000	2019 TZS '000
Authorised:		
1,600,000,000 ordinary shares of TZS 125 each	<u>200,000,000</u>	<u>200,000,000</u>
Issued and fully paid:		
69,165,170 (2019: 69,165,170) ordinary shares of TZS 125 each	<u>8,645,646</u>	<u>8,645,646</u>
10. Share premium		
Share premium	647,342	4,921,388
Transaction costs- net of tax	-	(358,552)
	<u>647,342</u>	<u>4,562,836</u>
Transfer to share capital (Note 9)	-	(3,915,494)
	<u>647,342</u>	<u>647,342</u>

NOTES (CONTINUED)

11. Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year.

	2020 TZS '000	2019 TZS '000
Profit attributable to equity holders	1,508,055	41,372
Weighted average number of ordinary shares	69,165,170	69,165,170
Earnings per share	21.80	0.60

Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares with dilutive potential ordinary shares.

Diluted earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to equity holders of the company by the adjusted weighted average number of ordinary shares in issue during the year.

	2020 TZS '000	2019 TZS '000
Profit attributable to equity holders	1,508,055	41,372
Weighted average number of ordinary shares	69,165,170	69,165,170
Earnings per share	21.80	0.60

12. Property, plant and equipment

Year ended 31 December 2020	Capital work in progress TZS '000	Motor vehicles TZS '000	Furniture and fittings TZS '000	Total TZS '000
Cost				
At start of year	1,600,000	171,386	140,751	1,912,137
Additions	-	-	13,446	13,446
Disposals	-	(144,716)	(2,690)	(147,406)
At end of year	1,600,000	26,670	151,507	1,778,177
Depreciation				
At start of year	-	106,103	66,239	172,342
Eliminated on disposal	-	(79,433)	-	(79,433)
Charge for the year	-	-	26,805	26,805
At end of year	-	26,670	93,044	119,714
Net book value	1,600,000	-	58,463	1,658,463

NOTES (CONTINUED)

12. Property, plant and equipment (continued)

Year ended 31 December 2019	Capital work in progress TZS '000	Motor vehicles TZS '000	Furniture and fittings TZS '000	Total TZS '000
Cost				
At start of year	1,600,000	171,386	123,583	1,894,969
Additions	-	-	18,490	18,490
Disposals	-	-	(1,322)	(1,322)
At end of year	1,600,000	171,386	140,751	1,912,137
Depreciation				
At start of year	-	69,924	46,073	115,997
Eliminated on disposal	-	-	(826)	(826)
Charge for the year	-	36,179	20,992	57,171
At end of year	-	106,103	66,239	172,342
Net book value	1,600,000	65,283	74,512	1,739,795

13. Other liability

	2020 TZS '000	2019 TZS '000
Liability for purchase of property	-	1,008,332

In 2018, the company purchased a semi finished building located at Msasani peninsula plot No 818 for a purchase price of Tanzania Shillings One Billion and Six Hundred Million (TZS 1,600,000,000) to be used as corporate office and commercial building once completed. The balance of the purchase price of TZS 1,008,332,000 was fully paid in 2020.

14. Trade and other receivables

	2020 TZS '000	2019 TZS '000
Other receivables	66,583	15,349
Receivable from TMCL (Note 18 (iii))	1,301,941	1,215,316
Impairment of receivable from TMCL	(1,301,941)	(1,215,316)
Net trade and other receivables	66,583	15,349
Prepayments	2,190	8,956
	68,773	24,305

Following the take over of Tanzania Meat Company Limited (TMCL) by the government on 27 December 2019 and subsequent decision to wind up TMCL, 100% of the TMCL receivable was impaired.

In the opinion of directors, the carrying amounts of trade and other receivables approximate their fair values.

The carrying amount of the company's trade and other receivables is denominated in Tanzanian shillings:

NOTES (CONTINUED)

14. Trade and other receivables (continued)

	2020 TZS '000	2019 TZS '000
Tanzania shilling	<u>68,773</u>	<u>24,305</u>

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The company does not hold any collateral as security.

15. Cash and cash equivalents

	2020 TZS '000	2019 TZS '000
Cash in hand	247	759
Bank balances	<u>768,859</u>	<u>71,879</u>
	<u>769,106</u>	<u>72,638</u>

For the purposes of the statement of cash flows, the year end cash and cash equivalents comprise the following:

	2020 TZS '000	2019 TZS '000
Cash at bank and in hand	<u>769,106</u>	<u>72,638</u>

The company's bank balances are held with major Tanzanian financial institutions.

The carrying amounts of the company's cash and cash equivalents are denominated in the following currencies:

	2020 TZS '000	2019 TZS '000
Tanzania Shilling	768,403	71,510
US Dollar	<u>703</u>	<u>1,128</u>
	<u>769,106</u>	<u>72,638</u>

16. Trade and other payables

Other payables	569,382	610,584
Accruals	396,500	391,145
Payable to related parties (Note 18 (iv))	33,572	-
Dividends payable	<u>729,701</u>	<u>865,815</u>
	<u>1,729,155</u>	<u>1,867,544</u>

In the opinion of the directors, the carrying amount of trade and other payables approximate to their fair values.

The carrying amounts of the company's trade and other payables are denominated in the following currencies:

	2020 TZS '000	2019 TZS '000
Tanzania Shilling	1,131,363	1,299,632
US Dollar	<u>597,792</u>	<u>567,912</u>
	<u>1,729,155</u>	<u>1,867,544</u>

NOTES (CONTINUED)

16. Trade and other payables (continued)

The maturity analysis of the trade and other payables is as follows:

Year ended 31 December 2020	Up to 1 month TZS '000	2 to 3 months TZS '000	4 to 12 months TZS '000	Total TZS '000
Other payables	-	-	569,382	569,382
Accruals	356,850	39,650	-	396,500
Payable to related parties (Note 18 (iv))	-	33,572	-	33,572
Dividend payable	-	-	729,701	729,701
	<u>356,850</u>	<u>73,222</u>	<u>569,382</u>	<u>1,729,155</u>

Year ended 31 December 2019	Up to 1 month TZS '000	2 to 3 months TZS '000	4 to 12 months TZS '000	Total TZS '000
Other payables	-	-	610,584	610,584
Accruals	352,031	39,115	-	391,145
Dividend payable	-	-	865,815	865,815
	<u>352,031</u>	<u>39,115</u>	<u>610,584</u>	<u>1,867,544</u>

17. Cash from operations

Reconciliation of the profit before tax to cash from operations:

	2020 TZS '000	2019 TZS '000
Profit before tax	1,683,367	167,369
Adjustments for:		
Depreciation on property, plant and equipment (Note 12)	26,805	57,171
Loss/(gain) on disposal of fixed assets	67,973	(375)
Interest income from government bonds (Note 2)	(52,330)	-
Changes in working capital:		
- trade and other receivables	(44,468)	861,948
- trade and other payables	(2,275)	(436,093)
- Other liabilities	(1,008,332)	(229,168)
Cash from operations	<u>670,739</u>	<u>420,852</u>

18. Related party transactions

National Investments Public Limited Company (NICOL) is incorporated in Tanzania. It previously owned 51% of Tanzania Meat Company Limited (TMCL) with the remaining 49% of the TMCL shares being held by National Ranching Company Limited (NARCO). On 27 December 2019, the Ministry of Livestock and Fisheries took over the company's 51% subsidiary company (Tanzania Meat Company Limited) and on 24 April 2020 as advertised in a public notice of 26 May 2020, TMCL was put under liquidation.

18. Related party transactions (continued)

The following transactions were carried out with related parties:

(i) Key management personnel compensation

	2020 TZS '000	2019 TZS '000
- Salaries to Management staff	317,750	329,693
- Gratuity	68,985	68,533
- Bonus (Former CEO)	61,546	56,944
- Terminal benefits (Former CEO)	136,330	-
- (Incoming CEO)	21,393	-
- Value of motor vehicle gifted to former CEO	67,973	-
- Payment to former CEO for appearance as expert witness	9,263	-

(ii) Directors' benefits and other remuneration

Fees and other emoluments paid to Directors of the Company during the period, Details of payment to individual directors is shown in the table below:

	2020 TZS '000	2019 TZS '000
- Board meeting expenses	79,668	86,063
- Board committee expenses	61,155	-
- Director's fees	57,300	54,000
- Board travelling expenses	80,103	-

DIRECTOR'S	BOARD	BEC	BFAC	BINC	Director's Remuneration (TZS '000')
Dr. Gideon H Kaunda	11	8	n/a	1	32,200
Joyce N Nyanza	11	n/a	4	2	38,273
Eng. Peter Chisawillo	10	8	n/a	2	34,455
Eng. Ladislaus M Salema	3	n/a	n/a	-	5,100
Anna Baliyima	10	n/a	4	n/a	23,800

(iii) Receivable from related party (Note 14)

	2020 TZS '000	2019 TZS '000
- Tanzania Meat Company Limited	1,301,941	1,215,316
- Impairment of receivable from TMCL	(1,301,941)	(1,215,316)
	-	-

The Company entered into service contract agreement with Advocate Benjamin Mwakagamba as company secretary to the Board and his law firm BM Attorney to provide legal service to the Company. The following are related party transaction and balances during the year.

(iv) Payable to related party -Balance (Note 16)

	2020 TZS '000	2019 TZS '000
- BM Attorneys (Legal Fees balance)	33,572	9,972

(v) Payment made to BM Attorneys and Company Secretary

Legal fees	122,189	92,673
Secretarial fees	32,400	32,400
	154,589	125,073

NOTES (CONTINUED)

19. Equity investments	2020 TZS '000	2019 TZS '000
At start of the year	83,699,181	84,937,469
Cost of 233,680 TBL shares sold	(732,352)	-
Current year fair value loss	(155,014)	(1,238,288)
Cumulative brought forward fair value gain on the TBL disposed shares	(1,814,759)	-
At end of the year	<u>80,997,056</u>	<u>83,699,181</u>

These relate to investments in securities quoted and traded on the Dar es Salaam Stock Exchange (DSE). The market prices of these securities are available to the general public.

	% interest held	2020 TZS '000	2019 TZS '000
NMB Shares	6.6	77,335,877	77,335,877
Tanzania Breweries Limited	1.87	1,396,617	3,943,729
Simba Cement Shares	0.06	20,155	24,186
CRDB Shares	0	55,953	27,259
Swissport Plc Shares	0.01	3,763	5,376
TCC Shares	0.01	130,560	130,560
Twiga Cement Shares	0.03	152,600	122,080
DSE Shares	6.35	1,131,531	1,260,114
Vodacom	0.14	770,000	850,000
		<u>80,997,056</u>	<u>83,699,181</u>

20. Government securities at amortised cost

Treasury bonds

	2020 TZS '000	2019 TZS '000
Maturing 30 July 2040	<u>1,093,450</u>	<u>-</u>
At start of year	-	-
Additions	1,041,120	-
Interest income (Note 2)	<u>52,330</u>	<u>-</u>
At end of year	<u>1,093,450</u>	<u>-</u>

Treasury bonds and bills are securities issued by the government of the Republic of Tanzania. On 26 August 2020, the Company purchased a 20-years treasury bond with a face value of TZS 1,000,000,000 at a price of TZS 1,041,120,000. The effective interest rate of the bond is 15.49%.

	2020 TZS '000
21. Loss on disposal of equity investments	
Original cost of TBL shares sold	(732,353)
Cumulative brought forward fair value gain on the TBL shares disposed	(1,814,759)
Cash flows:	
- Proceeds from disposal of equity investments	<u>1,869,440</u>
Loss on disposal	<u>(677,672)</u>

During the year the company disposed off 233,680 TBL equity investments and invested the money in the government bond.

22. Risk management objectives and policies

Financial risk management

The group's/company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk), credit risk and liquidity risk.

The group's/company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance.

Risk management is carried out by the management.

(a) Market risk

Foreign exchange risk

The group/company is exposed to foreign exchange risk arising primarily with respect to the US Dollar.

The table below summarises the effect of post-tax profit had the Tanzanian Shilling weakened by 10% against the US Dollar, with all other variables held constant. If the Tanzanian Shilling strengthened against the US Dollar, the effect would have been the opposite.

The carrying amount of the group's/company's material foreign currency denominated monetary assets and liabilities that will have an impact on profit or loss when the exchange rates changes, at the end of the reporting period are as follows:

	2020 TZS '000	2019 TZS '000
Assets		
Cash and bank balance	703	1,128
Liabilities		
Trade and other payables	<u>597,792</u>	<u>567,912</u>
Net exposure	<u>598,495</u>	<u>569,040</u>
Pre tax effect on gain	5,985	5,690
Tax	<u>1,795</u>	<u>1,707</u>
Decrease	<u>4,189</u>	<u>3,983</u>

NOTES (CONTINUED)

22. Risk management objectives and policies (continued)

Price risk

The Company is exposed to equity securities price risk arising from investments.

Interest rate risk

The Company has no interest bearing assets and as a result its cash flows are substantially independent of changes in market interest rates.

(b) Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables.

Management assesses the credit quality of the customer, taking into account their financial position, past experience and other factors.

Individual limits are set based on internal or external information in accordance with limits set by the management. The utilisation of credit limits is regularly monitored.

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties.

None of the financial assets that are fully performing has been renegotiated in the last year.

(c) Liquidity risk

Cash flow forecasting is performed by the finance department of the group by monitoring the group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.

Prudent liquidity risk management implies maintaining sufficient cash and bank balances, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the company's management maintains flexibility in funding by maintaining availability under committed credit lines.

Note 19 discloses the maturity analysis of trade and other payables.

The table below discloses the undiscounted maturity profile of the financial liabilities:

Year ended 31 Dec 2020	Between 1 - 3 months TZS.'000	Between 3 months - 1 year TZS.'000	Between 1 - 5 year TZS.'000	More than 5 years TZS.'000	Total TZS.'000
Trade and other payables	-	1,729,155	-	-	1,729,155
Year ended 31 Dec 2019	Between 1 - 3 months TZS.'000	Between 3 months - 1 year TZS.'000	Between 1 - 5 year TZS.'000	More than 5 years TZS.'000	Total TZS.'000
Trade and other payables	-	1,867,544	-	-	1,867,544
Other liability	1,008,332	-	-	-	1,008,332
	1,008,332	1,867,544	-	-	2,875,876

(d) Fair value measurements

The company's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The table below shows an analysis of all assets and liabilities for which fair value is measured or disclosed in the financial statements by level of their fair value hierarchy. The fair values are grouped into three levels as mentioned in Note 1 (a) of these financials, based on the degree to which the fair value is observable.

The table below gives information about how the fair values of these financial assets and financial liabilities are determined:

NOTES (CONTINUED)

22. Risk management objectives and policies (continued)

(d) Fair value measurements (continued)

Year ended December 2020	Level 1 TZS.'000	Level 2 TZS.'000	Level 3 TZS.'000
Assets			
Property, plant and equipment	-	-	1,739,795
Investment securities	80,997,055	-	-
	<u>80,997,055</u>	<u>-</u>	<u>1,739,795</u>
Year ended December 2019	Level 1 TZS.'000	Level 2 TZS.'000	Level 3 TZS.'000
Assets			
Property, plant and equipment	-	-	1,739,795
Investment securities	83,699,181	-	-
	<u>83,699,181</u>	<u>-</u>	<u>1,739,795</u>

23. Capital management

The group's objectives when managing capital are:

- to provide an adequate return to shareholders by pricing products and services commensurate with the level of risk;
- to comply with the capital requirements set out by the group's bankers;
- to maintain an optimal capital structure to reduce the cost of capital.
- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- to maintain a strong asset base to support the development of business.

The group sets the amount of capital in proportion to risk. The group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders or adjust the amount of capital expenditure. Consistently with others in the industry, the group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divide by capital. Net debt is calculated as total debt (as shown in the statement of financial position) less cash and cash equivalents. Capital comprises all components of equity (i.e. share capital, retained earnings, revaluation reserve and subordinated loans).

The gearing ratios for the period ended 31 December 2020 and 31 December 2019 were as follows:

	2020 TZS '000	2019 TZS '000
Total borrowings	-	-
Less: Cash and cash equivalents (Note 18)	<u>(769,106)</u>	<u>(72,638)</u>
Net debt	<u>(769,106)</u>	<u>(72,638)</u>
Total equity	<u>82,857,692</u>	<u>82,660,043</u>
Gearing ratio	<u>(0.01)</u>	<u>(0.00)</u>

NOTES (CONTINUED)

24. Contingent liabilities

In a notification by the company to the Capital Market and Securities Authority (CMSA) of 31 December 2019, it was noted that on 27 December 2019, the Ministry of Livestock and Fisheries took over the control and management of the company's 51% subsidiary company (Tanzania Meat Company Limited) and demanded that NICOL may be liable to further liabilities. NICOL board is of the view that this action is legally untenable and NICOL will take necessary steps to protect its shareholders' interests.

The Company is a defendant in various legal actions. The existence of claims and litigations pending as per confirmations received from the Company's advocates have been provided for in these financial statements and mainly relate to:

- **Land Case No. 29 of 2018 Twiga Feeds Limited & another Vs National Investment Public Limited Company (Formerly National Investment Company Limited):** NICOL has put a caveat on Twiga Feeds Ltd land title in respect of claiming TZS 580,000,000 paid by NICOL Twiga feeds for a joint investment of a college, money's which to date have not been refunded back by Twiga feeds Limited being NICOL's contribution towards the joint venture investment project.
- **CMA/DSM/ILALA/431/11, National Investments Company Limited Vs. Kathleen Armstrong; As per deed of settlement signed on 24th June 2011,** Kathleen Armstrong was rewarded a sum of USD 261,387. The application was lodged by NICOL seeking for an extension of time. The application is pending at the High Court of Tanzania Labor Division.

In the opinion of the Directors and after taking appropriate legal advice, the outcome of other actions will not give rise to any significant loss, apart from the above mentioned claims and litigation which are provided for in the financial statements.

25. Subsequent events

The Directors are not aware of any other matter apart from the above that may require adjustment or disclosure in these financial statements.

26. Incorporation

The company is incorporated in Tanzania and registered under the Companies Act as a limited liability company.

27. Investment in subsidiary

	2020 TZS '000	2019 TZS '000
Tanzania Meat Company Limited	1,296,856	1,296,856
Tanzania Fisheries Development Company Limited	3,027,264	3,027,264
Provision for impairment	(4,324,120)	(4,324,120)
	<u>-</u>	<u>-</u>

Tanzania Meat Company Limited

On 27th December 2019, the Minister of livestock and Fisheries took over the assets of TMCL and took control of the management of TMCL, thereby causing NICOL to loose control and the right to consolidate the financial statements of TMCL. Subsequently, on 24 April 2020, Shareholders of TMCL resolved to put the company under liquidation.

Prior to implementation of TMCL Shareholders' instructions, NARCO introduced a new proposal to apportion the TMCL's assets, as a result of this and in order to comply with legal requirements, NICOL offered NARCO to acquire the entire 51% shares owned by NICOL to NARCO, allowing NARCO to become the sole owner controlling 100% interest the TMCL. However, NARCO rejected the offer and subsequently, on 4th February 2021, NICOL took measures to terminate its shareholding and relinquished its 51% share ownership in TMCL.

Tanzania Fisheries Development Company Limited (TFDC)

The activities of Tanzania Fisheries Development Company Limited (TFDC) were processing of Fish and its by-products for the export market. Due to its poor performance and dormancy for many years, the Board resolved that the company be liquidated and its assets be disposed off. The company was voluntarily wound up on 19 June 2019.

28. Presentation currency

These financial statements are presented in Tanzania Shillings (TZS.'000).

SCHEDULE OF EXPENDITURE

1. ADMINISTRATIVE EXPENSES	2020 TZS.'000	2019 TZS.'000
Employment:		
Salaries and wages	411,964	450,475
NSSF	26,105	31,706
Gratuity	68,985	68,533
Recruitment expenses	9,587	-
Other staff costs	253,730	94,739
Total employment costs	770,371	645,453
Other administrative expenses:		
Travelling expenses	25,247	36,388
Board travelling expenses	80,103	-
Motor vehicles running expenses	5,676	14,920
Printing and stationery	8,909	2,808
Legal fees	122,189	92,673
Secretarial fees	32,400	32,400
Consultancy fees	26,878	-
Dividend processing fees	37,446	31,669
Postage and telephone	15,032	16,687
Meetings and Conferences	45,382	32,935
Annual general meeting	65,166	99,171
Directors expenses	79,668	86,063
Directors fees	57,300	54,000
Brokerage commissions	22,796	-
Office expenses	10,255	6,103
Bank charges	4,661	4,352
Audit fees:	23,554	26,998
Advertisement expenses	89,238	19,924
Executive committee expenses	35,880	-
Investment committee expenses	8,812	-
Finance and audit committee expenses	16,463	-
Loss on asset disposal	67,973	-
TMCL liquidation administrators costs	86,625	-
Impairment of receivable from TMCL	-	1,215,316
Total other administrative expenses	967,653	1,772,406
Total administrative expenses	1,738,024	2,417,859
2. OTHER OPERATING EXPENSES		
Establishment:		
Short term leases	54,448	53,832
Security expenses	11,440	7,420
Insurance expenses	4,182	6,040
Electricity and water	6,390	6,925
Licenses and subscriptions	30,650	36,093
Repairs and maintenance	3,272	3,554
Depreciation of property, plant and equipment	26,805	57,171
Total other operating expenses	137,187	171,035