

Tanzania Financial Reporting Standard (TFRS) No. 1 - The Report by those charged with governance issued by National Board of Accountants and Auditors, Tanzania

The specimen is intended for use by the staff of RSM Eastern Africa and its clients only. The specimen is not an interpretation of TFRS 1 and where necessary, reference should be made to the standard.

Key information:

- Replaces TFRS 1 on The Directors' Report which was issued effective 1 January 2010.
- Effective from accounting periods beginning on or after 1 January 2021. Early adoption is permitted.
- Applicable to all entities except those applying Financial Reporting Standard for Micro Entities (FRSME). However, such entities may opt to adopt this standard.
- This report does not replace/substitute for any other reporting that is required under the laws.
- Public sector entities and those designated as Public Interest Entities (PIE) are required to publish this report in their website, along with the audited financial statements no later than 30 days after the approval of the financial statements.

General guidance notes:

- Understand the primary users and stakeholders of the information / FS to identify relevance of contents to be included.
- Outline the strategic objectives of the entity's operations.
- The Operating Financial Review (OFR) should be comprehensive, with quality information and considering the materiality. The items to include will vary depending on the nature and circumstances of the entity and its operations.
- An explanation be provided on the source of the information and if there is information contained within the report, the cross referencing to those sources be made.
- Be neutral - include both good and bad / positive (resulting in net increase in resources and creating value) and negative (resulting in net decrease in resources and diminishing values) aspects.
- Comparability to prior period, those prepared by other entities in the same industry or sector.
- Non-financial areas should be discussed (narrative descriptions than merely numerical analysis)
- Report all issues outside the control of the Company in achieving objectives.

Scope of the standard:

The report prepared in accordance with TFRS 1 should be a balanced, narrative and comprehensive with analytical tool, consistent with the size and complexity of the entity, covering the following areas:

- a) The development and performance of the entity's operation during the financial year;
- b) The financial performance, financial position and cash flows of the entity;
- c) The main trends and factors underlying the development, performance, financial position and cash flows of the entity during the financial year;
- d) Information on how resources, whether or not owned by the entity, have been used or affected toward creating value over the short, medium and long term period;
- e) The main trends and factors underlying the business that have affected the results but are not expected in the future and those that are likely to affect the entity's future development;
- f) Known events and uncertainties expected which impact the future operations, primary users and stakeholders;
- g) Budget performance.

Note: In this document, the text in italics represents a "guidance on what needs to be included" and will therefore not form part of the published report.

Tanzania Limited
The Report by those charged with Governance
For the year ended 31 December 2021

Reference

The members charged with governance submit their report together with the audited financial statements for the year ended 31 December 2021, which disclose the state of affairs of Tanzania Limited, herein referred to as the "Company". CA - 154(1)

Incorporation

The Company is incorporated in Tanzania under the Tanzanian Companies Act 2002 as a private company limited by shares, and is domiciled in Tanzania. The address of the registered office is set out on page __. TFRS 1 - Para 18; IAS 1-138(a)

Principal activities

The principal activities of the Company are TFRS 1 - Para 18;
 (- describe the industry / industries operating in IAS 1-138(b);
 - range of products / services offered CA
 - markets served
 - locations of operating facilities
 - legislative and regulatory environments etc.)

Results and dividends

The net profit/(loss) for the year of TZS (2020: TZS) has been added to/deducted from retained earnings. During the year, an interim dividend of TZS (2020: TZS) was paid. The directors recommend the approval of a final dividend of TZS (2020: TZS). TFRS 1 - Para 32; CA - 154(1)

Or

The net profit/(loss) for the year of TZS (2020: TZS) has been added to/deducted from retained earnings. The directors do not recommend the declaration of a dividend for the year.

Performance for the year

During the year, the Company recorded a net profit after tax of TZS(2020: TZS.....), an increase of XY% as compared to previous year. This increase in profit was mainly attributed to growth ofand the reduction in cost such as TFRS 1 Paras 19, 29, 33, 39 and 40

The company operated from 13 branches (names can be listed in a table below) , 2 of which were opened during the year. In 2020, the company did not open any new branch.

(insert branch names and locations)

A summary of the key ratios obtained from(disclose the source of the underlying data) is outlined below: TFRS 1 - Para 21, 22, 33

Present the operating and financial reviews that are relevant for primary users and other stakeholders to understand the business/operations as a whole (include industry specific ratios/Key Performance Indicators), definitions and the calculation method. The figures for the previous year should be comparable. Para 38, 39, 40

	2021	2020
Growth/(decline) in income (%)		
Increase / (Decrease) in operating expenditure (%)		
Growth/(decline) in profit before tax (%)		
Gross profit margin (%)		
Net profit margin (%)		
Inventory turnover days		
Trade receivables turnover days		
Current ratio		
Acid test ratio		
Any other industry specific ratio		

Performance for the year (continued)

Significant variances in the trend should be analyzed. E.g.:

The growth in income is due to introduction of a new product line, thereby also resulting in an increase in the operating expenditure.

Decline in income was due to the impact of discontinued operations (closure of agricultural division business line) which was loss making. As a result, there has been improvement in margins.

The performance of the Company in comparison to budgets is outlined below:

Para 25 & 28

Update key ratios specific to the industry and forming part of financial performance (key performance indicators) measurements on a quarterly / monthly basis.

The entity's performance has been influenced by the strong relationship with the key customer....., creditor, employees etc.

Business objectives and strategies

Para 19 - 22

Describe key operating activities, such as: product differentiation, market segmentation, delivery channels and marketing, operating models including any warranty arrangements and if the model is designed to adapt to change, how the entity approaches the need for innovation among others)

Para 25

The Company's vision is to

Para 19 - 20

In order to maximize shareholder value, the company has set goals and strategies to deliver sustainable profitable growth.

During the year, the board has been able to achieve the below strategic objectives set out in the 3-5 year plan:

Para 19, 20 and 26

Outline those objectives that have been achieved, those in progress for the year.

Future prospects/developments

Para 26, 27

(Detail what the board intends for the future and strategies for achieving them)

The Company intends to achieve its objectives through:

(elaborate on the following areas:

- expansion plans
- improvements for infrastructure
- long term objectives
- strategies and action items for creating value in short, medium and long term
- resources allocated to meet plans, etc.)

Examples:

Long term objectives has continued to improve its profitability through the introduction of innovative products, focusing on value-added customer services and selective expansion of its branches while carefully managing both costs and risks. The Company will continue to focus on improving productivity and introducing new products to the market.

With a view of extending its profitability/services, the company in 2021 introduced a new product.....In the nextyears, the Company intends to expand into..... as part of its long term strategy, which would require an additional investment of \$ 10 million. The Company is looking into funding from private equity funders and about 20% from banks / financial institutions.

Due to uncertainties, management has taken an optimistic view and expects business to grow by %.

2021 has been yet another challenging year for the tourism sector, as the COVID-19 pandemic brought global tourism to a standstill (in 2020). The travel restrictions and other bans resulted in..... (2020: fewer tourists resulting in estimated loss of revenue from international tourism \$/ TZS (2020:).

(Comment on impact of future performance based on the subsequent events/events after reporting date)

Future prospects/developments (continued)

In 2021, the Company made a significant investment by setting up a new factory in(location). This is expected to result in operating levels doubled in 2022. The investment in latest technology will also result in higher volumes in shorter durations (machine and labor hours) with better yields, thereby increasing margins by 3 - 5%.

The Company acquired the assets of another entity subsequent to year end. With increased investments and production capacity, we are striving to move to be the 2nd largest manufacturer in the Tanzanian market.

Environmental, Social and Governance

(Societal issues - population and demographic changes, human rights, health, poverty, collective values and educational systems, Regaining community trust in banking, the ethics of investing in social media, access to medicine etc.

Environmental issues - climate change, the loss of ecosystems, Palm oil and deforestation, resource shortages, The war on plastic etc.

Political environment where the organization operates and other issues that may affect the ability of the organization to implement its strategy

Case Study)

We remain conscious of Environmental, Social and Governance issues and have identified better ways of measuring what we have been doing.

Examples:

- We have committed to "Go green" and have planted 100 trees during the year.
- We have engaged with an entity that supports us in water treatment from the effluent plant (recycling of water through chemical treatments to water) such that the water is recycled / reused for washing the bottles, and reduces waste disposal into the environment through the filters installed in the machine).
- We supported an orphanage by supplying masks, hand sanitizers and thermometers worth of TZS. 100 Million.

Capital structure and cash flows

The capital structure of the Company is outlined in Note....

Para 34, 35
& 36

Examples:

During the year, due to challenges of adequate working capital, the shareholders injected TZS towards additional share capital. Allotment of these shares is in progress and the shareholding pattern will change as follows:-

Shareholder	Current	Expected
A	50%	30%
B	50%	35%
C		35%

Approval from the Fair Competition Commission was granted on(date).

Based on the cash flows prepared, the director's have planned to utilize the excess cash by investing in Treasury Bonds/Fixed Deposits.

The shareholders have also considered injecting an additional \$ 1 Million for the purchase of new fleet to cater for increased volume of transit cargo business. The amounts advanced will be repaid over a period of 5 years, with an interest rate of __%.

The purpose and effect of major financing transactions undertaken up to the date of approval of the financial statements should be explained. The effect of interest costs on profits and the potential impact on interest rate changes should also be discussed.

Resources

TFRS 1
Para 29

Examples

During the year, a survey to measure customer satisfaction was carried out and a rating of was achieved.

The Company has secured a good market position and ranks among the top 5 in the industry, due to its international affiliation with/patent rights/trademarks from

The Board appointed (name) as an independent director with effect from 2 January 2021. S(he) has a wealth of knowledge and experience in our industry having served at various organizations during his/her career in the past 25 years. We are grateful for the contributions made by her/him on redesigning our strategy and look forward to its successful implementation.

At the end of 2020, changes in function were announced. (name), the former director of Finance & Administration agreed to devote most of his time to the role of liaising with the work force and concentrated on moving the Company to a new level, with SOPs and new ERP being put in place. All financial matters were handled by (name).

Mention of items such as new patents, Intellectual Property introduced, key changes in leadership like bringing on board a CIO/COO, rolling out of new SOPs etc.

Directorate

The directors of the Company are as outlined on page _. Directors holding shares are outlined in note _.

Stakeholders relationship

Para 31 and
32

Include information about significant relationships with stakeholders (other than primary users), who are likely, directly or indirectly, to influence the performance of the entity and its value. For e.g.: employees, customers, suppliers, lenders, business partners, local communities, policy-makers, regulators etc. E.g.:

During the year, Bank agreed to restructure the loan by extending the repayment period from 3 to 5 years and a nominal reduction of 1% on interest, due to the challenges faced with the impact of COVID. In this way, the Company has seen and foresees that we will be able to better manage our cash flows.

....., (name of the business partner) that's been telling insightful and inspiring stories of modern business since 2015. In 2021, we brought into our family and started working together to make products that help entrepreneurs work and live on their own terms.

Commercial and operational risks

Para 15 (c)
and 30

Outline the risks and uncertainties (the exposure to negative consequences as well as potential opportunities) and the strategies adopted for development of the Company's value. E.g.:

The Company anticipates a change in the technology which would have a significant impact on the revenue and performance. In order to cope with these changes, the management is in the process of analyzing the upgrade required.

The global pandemic brought suffering and hardship to many people, challenging most of us in our industry. Our response to the pandemic was swift and decisive, having established 3 key priorities:-

- Protect our people
- Our business
- Our cash

Our people responded in a positive and energetic manner. As a result of the efforts of the team, we weathered the storm successfully so far. All our people have demonstrated resilience, ability to cope with the situation, maintain positive working attitude in extremely trying times. Although it is impossible to predict when we approach normality, we continue to cope admirably with the circumstances and expect to deliver success in the years ahead.

All our employees and their immediate family members have been vaccinated (voluntarily) to be able to best serve our clients.

The senior management was able to regenerate terms with suppliers and loans were restricted allowing an adequate time to repay the debts / service loans without significant / additional costs.

Financial risk management objectives and policies

To ensure its financial stability and profitability, the company has implemented policies and practices for a sound and prudent management and control of the principal financial risks to which it is exposed.

The Company's overall risk management programme focuses on the identification and management of risks and seeks to minimize potential adverse effects on its financial performance. A summary of the risk management procedures is disclosed in Note .

Outline also any uncertainty surrounding a matter and this should contain the following:

- (a) explanation of the uncertainty;*
- (b) range of possible outcomes, associated assumptions, and how the information could change if the assumptions do not occur as described;*
- (c) volatility, certainty range or confidence interval associated ; and*
- (d) magnitude and probability of risks identified.*

Liquidity

The company is financed solely from its shareholder's funds.

Or

The company has financing arrangements with banks/related parties. Details of the borrowings are disclosed in Note __.

The discussion should cover internal sources of liquidity, referring to any restrictions on the ability to transfer funds from one part of the group to meet the obligations of another part of the group, where these represent, or might foreseeably come to represent, a significant restraint on the group. Such constraints would include exchange controls and taxation consequences of transfers. In addition, disclosure be made of the key covenants and breaches if any - impact and how the breaches were remediated/future strategies for remediation.

Technology and innovation

Examples:

We were able to upgrade our existing facilities with the latest technology for packaging, which has resulted in lower turn around time to completion and cost savings. Management are exploring options for upgrading the machines used in the conversion/manufacturing process, which will be evaluated in 2022.

Some remarkable work in the use of knowledge and innovation has been done, including the innovative application of technology in the development of comprehensive decision-support tools. A Tax App was launched, enabling users to be able to calculate interest and penalties for non-compliance without having to make reference to the Acts and Regulations.

Outline the impact of change in technology; new innovations; how will the business cope / keep abreast with the changes.

Corporate governance

The company has a code of ethics' which all staff are required to abide by.

(If there is no code of ethics in place, state how the entity has complied with the principles and codes of best practice.)

We believe in adopting the best practices in Corporate Governance. The Board, Management and the Company employees are committed to upholding the core values of transparency, integrity, honesty and accountability, which are fundamental to the attainment of good governance and excellent performance in any organization.

Corporate governance (continued)

Members charged with Governance

Functions

The Board is responsible and accountable for providing effective corporate governance, direction and control of the Company. The directors have a duty to exercise leadership, enterprise, integrity and judgment based on transparency, fairness, accountability and responsibility.

TFRS 1 -
 Paras 42 -
 44

The Board is responsible for appointing the management, adopting a corporate strategy, policies, procedures and monitoring operational performance including identifying risks impacting the company. It is also responsible for managing good relationships with all the stakeholders, Chairman, Vice Chairman, General Secretary, Secretary and Treasurer.

Composition of directors

The board of directors comprised of __ non-executive directors with a mix of skills, experience and diversity. The Directors who were in office from 1 January 2021 to the date of this report are:

CA; TFRS 1
 Para 16 (d)

Name	Position	Date of Birth	Nationality	Qualification	Date of appointment/resignation
Mrs./Dr./Prof/Mr.	Chairperson				
	Chief Executive officer				
	General Secretary				
	Vice chairperson				

The appointment of the directors is in line with the Memorandum and Articles of Association of the Company, as well as the requirements of the Tanzanian Companies Act, 2002. In accordance with the requirements, was due for rotation and was replaced.

Outlined below is the attendance of the members at the quarterly board meetings, held during the year:

Name	Q1 held on	Q2 held on ...	Q3 held on ...	Q4 held on	Attendance %

Executive committee

The Executive Committee (EXCO) is chaired by the Board Chairman and serviced by the Managing Director. During the financial year the Board convenedmeetings and.....attendance by the members. The following is a summary of EXCO Members who served up to 31st December 2021:

Name	Position	Date of Birth	Nationality	Qualification	Date of appointment/resignation

Members of the Committees were nominated by voting from members at the Annual General meeting held on

Corporate governance (continued)

Executive committee (continued)

Outlined below is the attendance of the Executive Committee during the meetings held in the year:

Name	Q1 held on	Q2 held on	Q3 held on	Q4 held on	Attendance %

(Similarly include any other committees serving the Company - Audit Committee, Membership Committee, Education Committee, Welfare Committee, Technical and Training Committee, etc. and a brief of the key matters discussed at these meetings). Para 43

Directors evaluation and training

The Board itself regularly undergoes self-assessment and evaluation in order to improve the internal Governance of the Board.

Training is provided in order to ensure the Board keeps abreast with current developments in the market. In 2021, a number of trainings were held for the Directors. These included

Employees

A founding value of our Company has been to provide equal opportunities and a workplace that is representative of the wider communities in which we operate. Our goal is to make sure we continue to empower the careers, aspirations and ambitions of our people. We have been committed to treating all people equally and nurturing great talent, regardless of gender. This culture is something that we are incredibly proud of, and we believe that it is this supportive environment that has helped us to recruit and retain our exceptional team. We promote diversity within our business, our markets and beyond. Para 53

(Include average no. of employees who served during the year, with a gender parity)

Example:

2021 2020

No. of males

No. of females

The day to day management of the Company is handled by various departments as outlined below:

Departments	Department Head	Responsibility/Function	No. of members
	Mrs./Dr./Prof/Mr.		

Employees welfare

The Company's employment terms are reviewed annually to ensure that they meet statutory and market conditions. The employee and employer contribute to NSSF/PSSSF. The Company does not contribute to any other private Pension Fund. Para 16 (b); 50, 51, 53

During the year due to the COVID-19, the Company extended insurance cover to the employees immediate dependents. Also the covers for in-patient was increased.

In order to improve the motivation of employees, the Company provides training and holds regular meetings (quarterly). Teamwork building activities were held on the Annual Retreat day celebrations. Also, an Alumni Day was celebrated where(number) members got an opportunity to network and meet people to elicit their views on the promotion of customer service and working conditions.

Loans are available to all confirmed employees depending on the assessment of and at the discretion of management as to the need and circumstances. The Company guarantees loans from.....bank.

Employees (continued)

Disabled persons

It remains the Company's policy to accept disabled persons for employment for those vacancies that they are able to fill. During the year, ... (number) became disabled whilst employed and the Company continues to financially support these members.

(include also any training, development and promotion for the disabled people)

TFRS 1 -
Para 16 (b)
& 52

Related party transactions

Transactions with related parties during the year were in the normal course of business. Details of transactions and balances are included in Note

TFRS 1 -
Para 16 (g)

Political and Charitable Donations

Donations amounting to TZS (2020:) and TZS (2020:) were given as political and charitable donations respectively.

TFRS 1 -
Para 49

The political donations were given to ZZZ party amounting to TZS (2020:) and YYY political party amounting to TZS..... (2020:)

Auditor

The company's auditor, RSM Eastern Africa, has expressed its willingness to continue in office in accordance with Tanzania Companies Act 2002. The details of the firm are provided on page _.

TFRS 1 -
Para 45

Or
During the year, RSM Eastern Africa was appointed at the Annual General Meeting as the Company's auditor and has expressed its willingness to continue in office in accordance with the Tanzania Companies Act 2002. The details of the firm are provided on page _.

Responsibility by those charged with governance

The members charged with governance accept responsibility for preparing these financial statements which show a true and fair view of the Company to the date of approval of the audited financial statements, in accordance with the applicable standards, rules, regulations and legal provisions. The members also confirm compliance with the provisions of the requirements of TFRS 1 and all other statutory legislations relevant to the Company.

TFRS 1 -
Para 47, 48,
55

By order of the Board of those charged with Governance

TFRS 1 -
Para 57

.....
Name
Designation

Dar es Salaam 2022