Haradali Capital

ANNUAL REPORT 2022

PLANT a seed,
grow a TREE

NOTICE OF THE HARADALI CAPITAL LIMITED ANNUAL GENERAL MEETING TO BE HELD ON THE 18th OF NOVEMBER 2023 AT CORNERSTONE PARTNERS OFFICE UNIT 96J KILIMANI ROAD, ADA ESTATE KINONDONI AND VIRTUALLY

Notice is hereby given that the 10th Annual General Meeting of Haradali Capital Limited Shareholders will be held at Cornerstone partners Ltd Office's at Kinondoni Ada Estate Unit 96J and virtually on Saturday, 18th November 2023 at 10:00am.

The Agenda will be as follows:

1. Notice and Quorum.
2. Adoption of the Agenda.
3. To Receive, Consider and Adopt the Director's Report and Audited Financial Statements for the 12 months ended 31st December, 2022.
4. To Receive and Adopt the Statement of Assets and Liabilities and Statement of Operations for the 12 months ended 31st December 2022
5. To transact any other business appropriate to be dealt with at the Annual General Meeting.

A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on his/her behalf in provisions of the Articles of the Company.

BY ORDER OF THE BOARD

J. Silaa
Secretary
26th October 2023

Chairman's Statement

Dear Shareholders,

We are pleased to present to you the Annual Report for Haradali Capital Limited for the year ended 31st December 2022. In the period under review the equity market in Tanzania and Kenya was flat or exhibited declines in the stocks we had invested in, the fixed income market performance in Tanzania and Kenya was relatively fairly reasonable, the markets lackluster performance reflected the continuation of the global economic downturn brought on by the Covid-19 pandemic, disruption of global supply chains and related heightened geo-political risks rearing up.

The financial markets challenges and stagnation in Tanzania and Kenya, where our whole investment portfolio is held, continued from the previous year depressing overall fund performance results and Haradali Capital's fund performance was slightly less than our benchmarks against the DSE with our NAV/per share depreciating 4.2%. In comparison the DSE Index depreciated by 0.8%.

In terms of Financial Performance we recorded a loss of Tzs 38 million after a profit the year before. This can be attributed to the drop in share prices due to adverse market conditions, particularly in Kenya as well as the exchange rate depreciation of the Kenyan shilling against the Tanzanian shilling. Haradali continues to see the value in a diversified portfolio, investing and holding in different sectors and markets even in a downward trend in the market with the foresight of these industries picking up with new fiscal policies and investments on the horizon. As at 31st December 2022, Haradali's Investment in equities stood at Tzs 785 million with a dividend income of Tzs 59.79 million, a flat but positive trend from the year end 2021 that recorded a dividend income of Tzs 59.64 million.

Our assets under management (AUM) have continued to decline in the period under review, from Tzs 1,205,168,000/= as at 31st December 2021 to Tzs 1,128,502,000/= as at 31st December 2022, a 6.4% decrease in nominal terms. Although there was a decrease in our AUM due to capital repayment, which has in itself seen a decreasing trend, our Unit Net Asset Value/Share didn't have as big a margin of depreciation. This continues to show that even in a downward trending market, the investments that Haradali Capital has in its portfolio are still withstanding the pressure from decrease in investment capital and a recovering economic market.

As at 31st December 2022, Total shareholders' funds amounted to Tzs 1.1 Billion out of which Tzs 585 Million is Share Capital with Tzs 146 Million (25% of Share Capital) attributable to Share Premiums and Tzs 383 Million (65% of Share Capital) is cumulative retained earnings.

It is pertinent to note that on a cumulative basis since its inception, Haradali Capital has outperformed the Dar es Salaam Stock Exchange Index by 53.4% as at 31st December 2022.

Economic Review and Outlook

During the later part of 2021 the domestic economy witnessed a bottoming out of the decline and deterioration in the risk asset quality of almost all finance and banking institutions, a recovery seems to be manifesting evidenced by a trend of reduction of Non Performing Assets (NPL's) in the Domestic Banking Sector.

However it is too early to predict the long term trajectory of the recovery and uncertainty in the financial markets due to global contagion effects is still in play, leading to a weakening in the values of some of the financial sector equities across board and regionally as depicted by the DSE and NSE Index performance.

While there is still a lot of uncertainty in the markets we hope that 2022 will see the re-establishment of an upward trajectory once Covid-19 related effects are factored into equity prices by the markets and further clarity on the Tanzanian and Kenyan Governments medium and long term economic recovery objectives and relevant policies is established.

Financial Markets

The prevailing conditions of the previous year's stagnation from the Covid-19 pandemic spilled over affecting the general economy and financial markets in myriad negative ways. While the effects as measured by the deterioration in the balance of payments situation in Tanzania and Kenya and reflected in the exchange rate regimes is more pronounced in Kenya we have been affected by the fallout as our investment portfolio is wholly based in Tanzania and Kenya. The outflow of Investment from the NSE caused a detrimental effect on the share prices of our Kenya Portfolio, we have noted that the Yield Curve on Kenya Treasury Bills and Bonds has moved upwards and current indications are that this situation will not be a short term phenomenon. A saving grace on the Tanzanian side has been the surge in value and volume of Gold Exports which have supported the Tanzania Shilling against significant deterioration against the US Dollar as compared to the Kenya Shilling. Whereas there has been some indication of recovery in various sectors as the year 2023 progresses it is still a bit early to have sound opinions on the recovery trajectory particularly with the resurgence of Fiscal Constraints brought about by increased sovereign debt service obligations both in Tanzania and Kenya where the entire Haradali Capital Portfolio is held.

Haradali Capital's portfolio has significant weighting in the banking and Insurance sectors as well as manufacturing, as can be attested these sectors have taken a hit with significant equity value write downs, we intend to shift our portfolio to a significant weighting in fixed income securities for the foreseeable future.

Expectations

A significant amount of work and efforts has been expended by regional governments, bilateral and multilateral development aid and financial institutions to help the East African Region rebound from the effects of the Covid-19 induced economic contraction. We believe that policy reviews currently being enacted in the domestic financial, trade and investment sectors to date will, in our opinion, result in a more liberal trade and investment regime and an improved investment climate environment not only in Tanzania but also in the wider East African Region. We trust that the need for long term sustainable growth in the domestic and regional political economy spectrum will result in more market oriented policy directions in the medium to long term. The predicted strong trade and economic growth within the EAC block with further trade integration presents itself as a good medium to long term regional growth prospect.

However we acknowledge that we shall feel the effects of the sustained tightened fiscal space in Tanzania and Kenya for a considerable length of time. Haradali Capital will maintain its philosophy of value investing and if and when a good opportunity presents itself we shall exploit it for other things in being equal.

Challenges

The current Haradali Capital Investor's biggest challenge remains to be having and maintaining a long term perspective, perseverance, disciplined periodic investment and an agnostic attitude to short and medium term market volatility. Empirical evidence gathered over a period of 200 years in developed markets has conclusively established that long term investing in listed equities and regulated fixed income securities has superior returns as compared to a significant number of other economic activities.

Our experience has led us to conclude that we need to engage in significant Investor Education to inculcate a long term perspective in our investors attitude with respect to investment tenor and risk tolerance in the financial markets.

Haradali Capital is a long term investment fund but when the market stagnates or takes a downturn and there is volatility of share prices, investors tend to panic and allow fear to influence their investment decisions whereas, we understand that this is always a part of the cyclical nature of the financial market. Haradali Capital will experience high returns when the market stabilizes and corrects itself. This is certain even now as we experience economic challenges because we have diversified our assets across different markets, industries and financial instruments.

Our Investment operations have and will always consider fundamental values for each company and security that we have invested in and our team is confident that share prices for the majority of our investments will revert to an upward trajectory and increase in value in the coming years in line with the future company, industry, country and regional economic trends. Where we have cause to believe that such an outcome is remote we shall take corrective action and exit the particular investment as and when market conditions permit.

The Road Ahead

I would like you to note that the short to medium term prognosis indicates that certain equities in the Banking and Financial Services sector have rebounded and are exhibiting strong growth while Fixed Income Securities in Tanzania and Kenya are increasingly looking more attractive in the short to medium term and we shall pivot our portfolio to a larger weighting in fixed income in the short to medium term as well as coming up with strategies to grow and diversify our shareholder base as well as restructure and diversify our investment products.

Acknowledgement

I understand and appreciate the concerns of our shareholders particularly with regard to the stagnation of Net Asset Values. However I want to assure you that the Fund is resilient and can weather short to medium term adversity as depicted by our performance since inception.

Investing is truly a long term proposition which has no equal in terms of sustainable wealth creation if one adheres to the philosophy and discipline required to maintain calm and continue to invest both in good times and in bad without making hasty decisions which lock in short term losses.

It is an established fact that markets go through cycles and there is no accurate method of predicting adverse global events like the Covid-19 pandemic, the war in Ukraine, the rise in Oil prices, inclement weather conditions and such global and regional events which cause disruption to the domestic, regional and global economies. Such events, despite being hard to predict and which cause disruption to long term plans with respect to investment serve as reminders that investing is a proven albeit a long term play at growing ones wealth

In summation, I would like to say I am honoured to chair the board that has steered Haradali Capital through a difficult period laced with significant challenges. Moreover I give my gratitude to all Haradali shareholders in Class A, Class B and Mwanzo Association for the cooperation and confidence in Haradali Capital throughout the year 2022.

I also thank the regulators the Capital Market and Security Authority (CMSA), Government and other stakeholders for their continued support to the sector.

In addition we all need to remember that any detrimental changes that take effect in the market are usually short term, in summation I am very confident of the fund's future prospects and look forward to a successful year in 2023.

Sincerely Yours,

....

George L. Fumbuka
Chairman

The Directors submit their report together with the audited financial statements for the year ended 31st December 2022, which disclose the state of affairs of Haradali Capital Limited

1. Fund Performance

Structure of the Portfolio

The portfolio structure includes fixed Income instruments, equities and cash. As of 31st December 2022 our equity exposure continued to increase by 3.7%, going from 67.8% to 71.50%, while fixed income was 23.2%, and our cash portfolio was 4.8%.

		2022	2021
		TZS '000	TZS '000
1	Equities	770.122	703.207
2	Fixed Deposit	259.836	414.503
3	Cash	53.458	95.567

Table1: Investment Portfolio Structure as at 31st December 2022

Expectations

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Our Investment operations have and will always consider fundamental values for each company and security that we have invested in and our team is confident that share prices for the majority of our investments will revert to an upward trajectory and increase in value in the coming years in line with the future company, industry, country and regional economic trends. Where we have cause to believe that such an outcome is remote we shall take corrective action and exit the particular investment as and when market conditions permit.

2. Corporate Governance

The Board of the Company consists of four Directors. The Board takes overall responsibility for the company, including responsibility for identifying key risk areas, considering and monitoring investment decisions. The Board is also responsible for ensuring the comprehensive systems of internal control policies and procedures. The Board is required to meet at least four times a year. The board delegates day to day management of the business to the fund management team

3. Financial Performance

These were set up on page 16 to page 42 of the report.

4. Dividend

The fund does not distribute income. All income earned is re-invested. Shareholders should be aware the prime objective of the fund is to achieve capital growth and such income is reinvested to take advantage of the effects of compounding.

BY ORDER OF THE BOARD

....
David E. Christian Georg L. Fumbuka

HARADALI CAPITAL LIMITED

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

COMPANY INFORMATION

COMPANY	Haradali Capital Limited Certificate of Incorporation No. 74889 Date of Incorporation: 05 February 2010
BOARD OF DIRECTORS	Mr. George L. Fumbuka Mr. David Elinewinga Christian Dr. Frederick Ringo Ms. Dorothy Stephen Massawe
CHIEF OFFICERS	Mr. David Elinewinga Christian Ms. Dorothy Stephen Massawe
REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS:	Unit No. 96 J, Groud Floor, Kilimani Road, Ada Estate, Kinondoni, P. O. Box 9302, Dar es Salaam, Tanzania. Tel: +255 756 615 615 www.haradalicapital.com
AUDITORS:	Shepherd Consulting, 25 Mkadini Road, Oysterbay, P.O. Box 20751, Dar es Salaam, Tanzania info@shepherd.co.tz
PRINCIPALS BANKERS:	Ecobank Tanzania Limited, PSSSPF Towers Branch, P. O. Box 20500, Dar es Salaam, Tanzania.
CUSTODIAL SERVICES	Stanbic Bank Limited Centre Branch P. O. Box 72647 Dar es Salaam www.stanbicbank.co.tz

REPORT CHARGED BY THOSE WITH GOVERNANCE (CONTINUED)

11. CORPORATE GOVERNANCE

The Board delegates the day-to-day management of the business to the Managing Director assisted by senior management. Senior management is invited to attend board meetings and facilitate the effective control of all the Company's operational activities, acting as a medium of communication and coordination between all the various business units.

The Company is committed to the principles of effective corporate governance. The directors also recognize the importance of integrity, transparency and accountability.

12. RISK MANAGEMENT AND INTERNAL CONTROL

i) Risk and internal control assessment

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

ii) Safeguarding of Company's Assets

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

iii) Compliance with Laws and Regulations

The principal functions and operations of the Company are governed by the Company Act 2002, of Tanzania and the Income Tax Act, 2004 of Tanzania and its Regulations. The directors confirm that the activities and operations of the Company were conducted in accordance with the stipulated laws and guidelines.

The directors are not aware of non-compliance with other applicable laws and regulations that would have material impact on the Company.

iv) Reliability of Accounting Records

The Company has competent staff who have adequate experience with the financial environment. Proper books of accounts have been maintained and the financial statements are prepared and presented in compliance with the International Financial Reporting Standards (IFRS) and the requirements of the Companies Act, 2002 of Tanzania.

11 ADMINISTRATIVE EFFICIENCY

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

REPORT CHARGED BY THOSE WITH GOVERNANCE (CONTINUED)

13. SOLVENCY

The directors confirm that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis. The directors have reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company's state of financial affairs as at 31 December 2022 is shown in the accompanying Statement of financial position on page 11.

14. EVENTS AFTER REPORTING DATE

At the time of issuing the financial statements, the directors had no reason to believe that this is likely to happen. Furthermore, the directors believe that the Company will be a going concern for the foreseeable future having considered availability of financial support commitment from staff and the donors to support the strategic objectives. The directors are not aware of other matters or circumstances arising after the reporting period that requires adjustment to or disclosure in the financial statements.

15. INDEPENDENT AUDITORS

The auditors, Shepherd Consulting, have expressed their willingness to continue in office and are eligible for re-appointment. A resolution proposing their re-appointment as the Company's auditors for the subsequent three years will be put to the next Annual General Meeting for approval.

Organization's External Auditors:

Shepherd Consulting	Company Registration No: 139656717
Certified Public Accountants	TIN No: 106-650-365
25 Mkadini Road, Oysterbay	NBAA Registration No: PF410
P. O. Box 20751	
Dar es Salaam, Tanzania	

16. RESPONSIBILITY OF THE AUDITOR

Auditor is responsible to provide assurance of the correctness and consistency of each and every information contained in the report by those charged with governance with those provided in the financial statements.

17. STATEMENT OF COMPLIANCE

The Report by those charged with Governance is prepared in compliance with the new Tanzania Financial Reporting Standard No. 1 (TFRS No. 1) as issued by the National Board of Accountants and Auditors (NBAA) and which became effective from 1 January 2021. The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and comply with the Companies Act, 2002 of Tanzania.

REPORT CHARGED BY THOSE WITH GOVERNANCE (CONTINUED)

18. RESPONSIBILITY BY THOSE CHARGED WITH GOVERNANCE

It is the responsibility of the those charged with governance to prepare financial statements of the entity which show a true and fair view in accordance with applicable standards, rules, regulations and legal provisions.

This responsibility covers the period from the beginning of the financial year to the date those charged with governance approve the audited financial statements and it covers all those charged with governance who acted in this capacity during any part of the period covered by financial statements.

Approved by the Board of Directors on 20th June 2023 and signed on its behalf by:

Name : Mr. David E. Christian
Position : **Director**

Name : Mr. Mr. George L. Fumbuka
Position : **Chairman**

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Companies Act, 2002 of Tanzania requires the directors to prepare financial statements for each financial year that present fairly state of affairs of the Company as at the end of the financial year and of its operating results for that period. It also requires the directors to ensure that the Company keeps proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company. The directors are also responsible for safeguarding the assets of the Company hence for taking steps for the prevention and detection of fraud, error and other irregularities.

The directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act, 2002 of Tanzania. The directors accept responsibility for the preparation and fair presentation of the financial statements that are free from material misstatement whether due to fraud or error.

The directors are of the opinion that the financial statements present fairly the state of the financial affairs of the Company, and of the profit or loss in accordance with the International Financial Standards and the requirements of the Companies Act, 2002 of Tanzania. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control including accepting responsibility for the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

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

Approved by the Board of Directors on 20th June 2023 and signed on its behalf by:

Name : Mr. David E. Christian	Name : Mr. Mr. George L. Fumbuka
Position : **Director**	Position : **Chairman**

DECLARATION BY THE HEAD OF ACCOUNTING

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

It is the duty of a Professional Accountant to assist the Board of Directors to discharge the responsibility of preparing financial statements of an entity showing true and fair view of the entity position and performance in accordance International Financial Reporting Standards (IFRS) and the requirements of the Companies Act, 2002 of Tanzania. Full legal responsibility for the preparation of financial statements rests with the Board of Directors as under Directors Responsibility statement on page 8.

I Maxmillian James being an NBAA registered accountant on behalf of Haradali Capital Limited hereby acknowledge my responsibility of ensuring that the financial statements for the year ended 31 December 2022 have been prepared in compliance with International Financial Reporting Standards and the requirements of the Companies Act, 2002 of Tanzania.

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

Signed by: ____________________

Position: Finance Manager

NBAA Membership No: ACPA 2345

Date: 20/06/2023

FINANCIAL STATEMENTS

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	31 Dec. 2022 TZS'000	31 Dec. 2021 TZS'000
Income			
Investment income	**4**	59,792	59,648
Net (loss)/gain on financial assets at fair value through profit or loss	**5**	(12,770)	30,186
Net foreign currency (loss)/gain	**6**	(3,560)	(6,022)
Total income		**43,372**	**83,812**
Expenses			
Operating expenses	7	51,365	(21,166)
Management fees	**9**	30,136	(33,516)
Total expenses		**81,501**	**(54,682)**
(Loss)/profit before tax		**(38,129)**	**29,130**
Income tax expense	**8**	-	(4,065)
(Loss)/profit for the year		**(38,129)**	**25,065**
Other comprehensive income		-	-
Total comprehensive (loss)/income for the year, net of tax		**(38,129)**	**25,065**

FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Note	31 Dec. 2022 TZS'000	31 Dec. 2021 TZS'000
ASSETS			
Non-current assets			
Investments	**12**	785,210	817,934
		785,210	**817,934**
Current assets			
Short term investments		254,556	290,313
Trade and other receivables	**9**	68,709	91,072
Cash and bank balances	**12**	20,027	29,036
		343,292	**410,421**
Total Assets		**1,128,502**	**1,228,355**
EQUITY AND LIABILITY			
Equity			
Share capital	**10**	585,956	612,885
Share premium		146,814	170,177
Retained earnings		383,977	422,106
		1,116,747	**1,205,168**
Liabilities			
Current liabilities			
Trade and other payables	**13**	11,755	23,187
		11,755	**23,187**
Total liabilities		**11,755**	**23,187**
Total Equity and Liabilities		**1,128,502**	**1,228,355**

The financial statements were approved for issue by the board of directors on 20th June 2023 and signed on its behalf by:

Name : Mr. David E. Christian
Position: **Director**

Name : Mr. Mr. George L. Fumbuka
Position: **Chairman**

FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Retained earnings	Total
	TZS'000	TZS'000	TZS'000	TZS'000
At 1 January 2021	676,071	214,572	363,230	1,523,183
Issue of shares	52	48	-	100
Share redemptions	(57,850)	(49,831)	-	(107,681)
Prior period adjustments	(5,388)	5,388	34,811	34,811
Total comprehensive income for the year, net of tax	-	-	25,065	25,065
At 31 December 2021	**612,885**	**170,177**	**422,106**	**1,205,168**
At 1 January 2022	612,885	170,177	422,106	1,205,168
Share redemptions	(26,929)	(23,363)	-	(50,292)
Total comprehensive loss for the year, net of tax	-	-	(38,129)	(38,129)
At 31 December 2022	**585,956**	**146,814**	**383,977**	**1,116,747**

FINANCIAL STATEMENTS

STATEMENT OF CASH FLOWS

	31 Dec. 2022 TZS'000	31 Dec. 2021 TZS'000
Cash flows from operating activities		
(Loss)/profit before tax for the year	(38,129)	29,129
Adjustments for non-cash items:		
- Non cash movement transactions	19,954	-
	(18,175)	**29,129**
Working capital movement		
Change in trade and other receivables	22,363	(62,589)
Change in trade and other payables	(11,432)	2,848
Net cashflows from changes in working capital	**(7,244)**	**(30,612)**
Tax paid	-	(990)
Net Cash generated from/ (used in) operations activities	**(7,244)**	**(31,601)**
Net cash flows from investing activities		
Acquisition of long term investment	-	(114,874)
Acquisition of short term investment	(113,600)	(193,000)
Net change in other short term investment	149,357	444,171
Net (losses)/gains on financial assets at FVTPL	12,770	(30,186)
Net cash flows used in investing activities	**48,527**	**106,111**
Financing Activities		
Issues of shares	-	100
Net movement in borrowings	(50,292)	(107,682)
Net cash flows from financing activities	**(50,292)**	**(107,582)**
Net decrease in cash and cash equivalents	**(9,009)**	**(33,072)**
Movement in cash and cash equivalents		
At 1 January	29,036	62,108
At 31 December	**20,027**	**29,036**

NOTES TO THE FINANCIAL STATEMENTS

1 REPORTING ENTITY

Haradali Capital Limited is a limited liability company incorporated in Tanzania under the Companies Act, 2002. The addresses of its registered office and principal place of business are disclosed in the corporate information page of this report. The principal activities of the Company are described in the Report by those with Governance.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation and Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 2002 of Tanzania. The measurement basis applied is the historical cost basis, except where otherwise stated.

The financial statements are prepared in Tanzanian Shilling round off to thousand, (TZS'000), which is the Company's functional currency.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise judgement in the process of applying the Firm's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

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 forseeable future and as a result the financial statements are prepared on a going concern basis.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

This basis presumes that the Company's future prospects are reasonably positive, and that based on the letter of support from the shareholders, funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

(c) Functional currency translation

(i) Functional and presentation currency
Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency'). The financial statements are presented in Tanzanian Shillings (TZS) that is the Company's functional currency.

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

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

(d) Revenue recognition

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

Revenue comprises the fair value of the consideration received or receivables for the investment made, sales of goods and/or performance of services, in the ordinary course of business and is stated net of value-added tax (VAT), excise duty, rebates and discounts.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when the specific criteria have been met for each of the Company's activities as described below. The Company bases its estimates on historical results, taking into consideration the type of investment, terms of the investment and risk profile of the investment.
(a) Dividend income is recognised in profit or loss on the date on which the right to receive payment is established. For quoted equity securities, this is usually the ex-dividend date. For unquoted equity securities, this is usually the date on which the shareholders approve the payment of a dividend.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Revenue recognition (Continued)

(b) Dividend income from equity securities at fair value through profit or loss (FVTPL) is recognised in profit or loss within "net income from financial instruments at FVTPL.

(c) Net income from financial instruments at FVTPL includes all realised and unrealised fair value changes and foreign exchange differences, interest and dividend income, including dividend expense on securities sold short.

(d) Interest income on financial assets that are subsequently measured at amortised cost as part of revenue because it arises in the course of the Fund's ordinary activities.

Income pertaining to the period up to the reporting date is accounted for in the profit or loss on a time-apportionment basis based on the commencement date set out in the terms of the contract between the Company and the investee/counterpart in the investment contract.

(e) Taxation

(i) Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(ii) Deferred income tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Taxation (Continued)

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

The Company offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(iii) Valued Added Tax (VAT)

Expenses and assets are recognised net of the amount of sales tax, except:
- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Property and Equipment

Property and equipment are initially recorded at cost and thereafter stated at historical cost less depreciation and impairment loss (if any). Historical comprises expenditure initially incurred to bring the asset to its location and condition ready for its intended use.

Subsequently 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 reliable measured. Otherwise, the carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial year in which they are incurred.

However, Haradali Company Limited does not have any property or equipment worth of note.

(g) Share capital

Ordinary shares are classified as share capital in equity.

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

The authorised share capital of the Company is divided into the following:
i. Class A: Ordinary, Voting and Non-Redeemable shares
ii. Class B: Preference, Non Voting, Redeemable, Convertible shares.

(h) Trade payables

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

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

(i) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalent, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Financial assets

(i) *Initial recognition and measurement*
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price as disclosed in section on Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

(*ii) Subsequent measurement*
For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Financial Instruments (Continued)

(i) Financial assets (Continued)

Financial assets at amortised cost (debt instruments)
Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Company's financial assets at amortised cost include trade and other receivables and cash and bank balances.

Financial assets at fair value through OCI (debt instruments)
For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Company's debt instruments at fair value through OCI includes investments in quoted debt instruments included under other non-current financial assets.

Financial assets designated at fair value through OCI (equity instruments)
Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Company elected to classify irrevocably its non-listed equity investments under this category.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and listed equity investments which the Company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are recognised as other income in the statement of profit or loss when the right of payment has been established.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Financial Instruments (Continued)

(i) Financial assets (Continued)

For amounts due from related parties, bank balances, trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company establishes a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are 120 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(ii) Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, financial liabilities at amortised cost, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of financial liabilities not at fair value through profit or loss, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, contract liabilities and borrowings.

Subsequent measurement
For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost (loans and borrowings)

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Financial Instruments (Continued)

(ii) Financial liabilities (Continued)

Financial liabilities at amortised cost (loans and borrowings)
This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

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 the statement of profit or loss.

(iii) Offsetting of financial assets and liabilities

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

(k) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain.

The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term.

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section on Impairment of non-financial assets.

ii) Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Leases (Continued)

The Company's lease liabilities are included in Interest-bearing loans and borrowings.

iii) Short-term leases and leases of low-value assets
The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Company as a lessor
Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

(m) Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Comparatives

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

(o) Changes in accounting policy and disclosures

New standards that were effective during the year
Several amendments and interpretations apply for the first time in 2022 but did not have an impact on the Company's financial statements.

New and amended standards and interpretations issued but not yet effective
The new and amended standards and interpretations that are issued up to the date of issuance of the financial statements, but not yet effective, are not expected to have an impact on the Company's financial statements.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND JUDGEMENTS

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. Other disclosures relating to the Company's exposure to risks and uncertainties includes:

- Capital management
- Financial instruments risk management and policies

Judgements
In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

Property lease classification – Company as lessor
The Company has entered into commercial property leases on its investment property portfolio. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains substantially all the risks and rewards incidental to ownership of these properties and accounts for the contracts as operating leases.

Estimates and assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND JUDGEMENTS (CONTINUED)

Estimates and assumptions (Continued)

The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Taxation
Judgment is required in determining the provision for income taxes due to complexity of legislation. There are many transactions and calculations for which ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due.

Where the final tax outcome of these matters is different from the amounts that were initially recorded such differences will impact the income tax and deferred tax provision in the period in which such determination is made.

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

The Company has TZS 105 million (2021: TZS 103 million) of tax losses carried forward. The Company neither have any taxable temporary difference nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. On this basis, the Company has determined that it cannot recognise deferred tax assets on the tax losses carried forward. Further details on taxes are disclosed in Note 8.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	31 Dec. 2022 TZS'000	31 Dec. 2021 TZS'000
4 INVESTMENT INCOME		
Dividend	31,654	24,961
Interest	28,138	31,067
Capital gains	-	3,620
	59,792	**59,648**
4.1 Dividend		
- Local	12,968	19,792
- Cross border	18,686	5,169
	31,654	**24,961**
4.2 Interest		
- Call Deposits	3	6
- Fixed Deposit	5,648	22,976
- Treasury Bills – Local	21,428	-
- Treasury Bills – Cross Border	1,059	8,085
	28,138	**31,067**
5 NET GAIN (LOSS) ON FINANIAL ASSETS AT FVTPL		
Net realized appreciation on investment	8,124	-
Net unrealized appreciation on investments	34,095	43,712
Net unrealized depreciation on investments	(54,989)	(13,526)
	(12,770)	**30,186**
6 NET FOREIGN EXCHANGE (LOSS)/GAIN		
Exchange (loss)/gain – realized	(3,287)	(2,959)
Exchange (loss)/gain – unrealized	(363)	(3,063)
	(3,650)	**(6,022)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	31 Dec. 2022 TZS'000	31 Dec. 2021 TZS'000
7 OPERATING EXPENSES		
Audit fees	7,896	9,493
AGM expenses	5,742	4,925
Custodial charges	3,572	2,844
Commissions	1,075	2,002
Licence and other statutory fees	-	1,225
Bank charges	116	677
Other cost – premium paid on bond	32,944	-
Other operating expenses	20	-
	51,365	**21,166**

8 TAXATION

	31 Dec. 2022 TZS'000	31 Dec. 2021 TZS'000
Income tax		
Current tax	-	990
Deferred tax charge – previous year	-	3,075
	-	**4,065**

Deferred tax

Deferred tax is calculated, in full, on all temporary timing differences under the liability method using a principal tax rate of 30% (2021: 30%). The movement on the deferred tax account is as follows:

	31 Dec. 2022 TZS'000	31 Dec. 2021 TZS'000
At 1 January	(31,944)	(3,075)
Deferred tax credit not decognised – previous years	6,211	-
Deferred tax credit not decognised – current year	(11,438)	(28,869)
At 31 December	**(37,171)**	**(31,944)**

Deferred tax assets, deferred tax credit in the statement of other comprehensive income are attributable to the following items:

	31 Dec. 2022 TZS'000	31 Dec. 2021 TZS'000
Unrelieved tax losses	(31,470)	(31,025)
Unrealised loss in investments	(5,592)	-
Unrealised exchange loss	(109)	(919)
	(37,171)	**(31,944)**

The potential deferred income tax asset is TZS 37 million (TZS 32 million). The directors have not recognised deferred tax assets because it is not probable that taxable profits in a foreseeable future will be available against which those deductible temporary differences can be utilised. However, this situation will be re assessed at the end of each financial year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	31 Dec. 2022 TZS'000	31 Dec. 2021 TZS'000
9 TRADE AND OTHER RECEIVABLES		
Accrued interest	6,138	1,394
Custodial Account	36,749	66,581
Statutory remittances receivable	113	-
Corporate tax receivables	15,153	14,291
Amount due from related party (Note 11)	10,669	8,806
	68,822	**91,072**
10 SHARE CAPITAL		
Authorized		
The authorised share capital of the company is TZS 15,000,000,000 divided into the following:		
- 10,000,000 class A Ordinary shares of TZS 100 each	1,000,000	1,000,000
- 140,000,000 class B Preference shares of TZS 100 each	14,000,000	14,000,000
Issued and fully paid		
Shares issued and fully paid	585,956	612,885
The paid-up shares are in the below proportion		
Class A shares: 4,495,067 (2021: 4,725,112) shares at TZS 100 each	449,507	472,511
Class B shares: 1,364,489 (2021: 1,403,739) shares at TZS 100 each	136,449	140,374
	585,956	**612,885**

Class A: Ordinary, Voting and Non-Redeemable shares

Class B: Preference, Non-Voting, Redeemable, Convertible shares

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	31 Dec. 2022 TZS'000	31 Dec. 2021 TZS'000
10 SHARE CAPITAL (CONTINUED)		
The paid-up share capital is distributed among the following:		
DEDE Investments Limited	28.2%	27.0%
Frederick Ringo	18.2%	17.4%
OAK Partners Limited	17.9%	17.1%
John George Mallya	6.4%	9.9%
Mwanzo Association	9,6%	9.8%
CORE Securities Limited	6.0%	5.7%
SR & Sons Co. Limited	3.5%	3.3%
Georgia Mutagahywa	2.6%	2.5%
Willbard Kassian	2.4%	2.3%
Andrew Mwangakala	2.3%	2.2%
Yusto Tongola	1.5%	1.4%
Omega Partners Limited	1.4%	1.3%
Prof. Mengiseny Kaseva	0.0%	0.0%

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	31 Dec. 2022 TZS'000	31 Dec. 2021 TZS'000

11 RELATED PARTY TRANSACTIONS AND BALANCES

The Company is controlled by DEDE Investments Company Limited and Oak Partners Limited who are founders and Investors in Haradali Capital Limited and whose representatives constitute the Board of Directors. The Fund Manager, Cornerstone Partners Limited, is also controlled by the same entities.

The following transactions were carried out with related parties:

	31 Dec. 2022 TZS'000	31 Dec. 2021 TZS'000
Fund Management fees	27,761	31,516
Due to the Fund Manager	10,669	8,806
Management fees payable	2,190	2,631

These amounts are contractual payments for Fund management fees and expenses incurred by the Fund Manager in managing Haradali Capital Limited's affairs by Cornerstone Partners Limited.

12 CASH AND BANK EQUIVALENTS

	31 Dec. 2022 TZS'000	31 Dec. 2021 TZS'000
Cash at Bank	20,027	29,036
	20,027	**29,036**

For the purpose of the statement of cash flows, the year ended cash and cash equivalent comprise of the above balances.

The carrying amounts of the Company's cash and cash equivalent are denominated in the following currencies:

	31 Dec. 2022 TZS'000	31 Dec. 2021 TZS'000
Tanzanian shillings	7,505	9,606
US Dollars	12,522	19,430
	20,027	**29,036**

13 TRADE AND OTHER PAYABLES

	31 Dec. 2022 TZS'000	31 Dec. 2021 TZS'000
Audited fees	6,408	8,045
Statutory remittances payable	-	10,475
Amount due to related party (Note 11)	2,190	2,631
Accrued charges	2,805	1,829
Share redemptions payable	465	206
	11,868	**32,186**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14 STATEMENT OF NET ASSETS

	Initial costs	Number of shares	Market Price	31 Dec. 2022 TZS'000 Market value	31 Dec. 2021 TZS'000 Market value
i) Listed securities:					
Equity:					
Banking-Local					
DCB Commercial Bank Plc	101,000	225,000	150	33,750	42,750
Banking-Crossborder					
Barclays Bank-Kenya	191,962	550,000	230	126,577	132,370
KCB Group Limited	81,320	70,000	713	49,901	64,616
Cross Border Mutual Funds					
Mansa-X Fund	114,874	5,500	22,986	126,424	114,658
Insurance-Crossborder					
Kenya Re-Insurance	81,150	940,000	34	32,186	43,910
Britam Holdings Limited	134,646	250,000	97	24,324	38,081
Beverage					
Tanzania Breweries Limited	66,758	24,087	10,900	262,548	262,548
Manufacturing					
Tanzania Portland Cement Company Plc.	87,600	35,000	3,700	129,500	119,000
	859,311			**785,210**	**817,933**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	31 Dec. 2022 TZS'000	31 Dec. 2021 TZS'000
14 STATEMENT OF NET ASSETS (CONTINUED)		
ii) Short term investments		
Treasury bonds/bills	113,600	-
TZS call account	79,356	199,347
USD call account	61,600	90,966
	254,556	**290,313**
iii) Deposits		
Call accounts		
TZS Call account	7,505	9,606
USD Call account	12,522	19,430
	20,027	29,036
v) Other receivables		
Trade and other receivables (Note 9)	68,709	91,072
Total Assets	1,171,166	1,228,353
Total liabilities	11,755	23,186
Net Assets	**1,159,411**	**1,205,167**

As of December 31, 2022, the net Accounts Receivables on our Statement of Financial Position represent TZS 36.75 million balance with our Custodian (Stanbic Bank) and TZS 15.15 million cumulative advance income taxes in the form of non-final withholding taxes. .

The balance also includes TZS 14.67 million balance with the fund Manager, Cornerstone Partners Limited and TZS 6.14 million interest receivable from our short-term investments.

Balances receivable from the Custodian relates to amounts received on our behalf pending investment or other cash outlay instructions from our Fund Manager whereas receivable from the Fund Manager represent balance of amounts advanced to cater for AGM expenses.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15 STATEMENT OF SHARES AND SHARE CAPITAL

	No. of shares (Ordinary)	No. of shares (Preference)	No. of shares Total
Authorised shares	10,000,000	140,000,000	150,000,000
Year 2022			
Issued and fully paid:			
At start of year	4,725,112	1,403,739	6,128,851
Issued & paid during the year	-	-	-
Share redemptions	(230,045)	(39,249)	(269,294)
At 31 December	**4,495,067**	**1,364,490**	**5,859,557**
Shares not fully paid	5,504,933	-	5,504,933
Total shares outstanding at year end	**-**	**138,635,510**	**138,635,510**
Year 2021			
Issued and fully paid:			
At 1 January	5,029,815	1,730,900	6,760,715
Issued & paid during the year	-	518	518
Redemption of redeemable shares	(304,703)	(327,679)	(632,382)
At 31 December	**4,725,112**	**1,403,739**	**6,128,851**
Shares not fully paid	5,274,888	-	5,274,888
Total shares outstanding at year end	**-**	**138,596,261**	**138,596,261**

	2022 TZS '000	2020 TZS '000
Market value of investments	785,210	817,933
Cost of investments	(859,311)	(859,311)
	(74,101)	(41,378)
Unrealized gains/losses on Forex	(363)	(3,063)
	(74,464)	**(44,441)**

As at 31 December 2019, the Company held a total of 940,000 ordinary shares with Kenya Reinsurance Corporation (included 705,000 new ordinary shares from bonus issue received in the basis of three (3) bonus share for every one (1) existing ordinary share held). The bonus shares were issued as fully paid, at nil consideration.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16 RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial risk management

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Risk management is carried out by the Fund Manager, Cornerstone Partners Limited which identifies, evaluates and manages financial risks with emphasis on specific areas such as interest rate risk, credit risk and investing excess liquidity.

(a) Market Risk

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Foreign exchange risk
The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US Dollar and Kenyan Shilling. The risk arises from future transactions, assets and liabilities in the statement of financial position.

Interest rate risk
The company's exposure to interest rate risk arises from deposits. Interest rate risk arises from Investment in Fixed Deposits whereby interest rates may change significantly during the tenor of the Investment. Financial assets and liabilities obtained at different rates expose the company to interest rate risk. Financial assets and liabilities obtained at fixed rates expose the company to fair value interest rate risk, except where the instruments are carried at amortised costs.

(b) Credit Risk

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

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

Exposure to this risk has been quantified in each financial asset note in the financial statements along with any concentration of risk.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17 CAPITAL MANAGEMENT (Continued)

The Company's objectives when managing capital are:

- to provide an adequate return to shareholders by making prudent investments commensurate with the level of risk;
- to comply with the capital requirements set out by the Company's members;
- 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;
- to maintain a strong asset base to support the development of business;
- to maintain an optimal capital structure to reduce the cost of capital.
- to maintain cash or very liquid assets availability under committed lines.

The Company sets the amount of capital in proportion to risk. The Company 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 Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt. Consistently with others in the industry, the Company monitors capital on the basis of the gearing.

This ratio is calculated as net debt divided 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 and retained earnings).

18 CONTINGENT LIABILITIES

There were no contingent liabilities occurred during the year or subsequent to the year-end, which required disclosure or adjustment to the financial statements. (2021: Nil)

19 CAPITAL COMMITMENTS

There were no capital commitments that existed at the year-end. (2021: Nil)

20 EVENTS AFTER THE REPORTING PERIOD

At the date of signing the financial statements, the directors are not aware of any other matter or circumstance arising since the date of the end of the reporting period, not otherwise dealt in these financial statements, which significantly affected the financial position of the Company and results of its operations.